

Chapter 13

SROs, Marketplaces and Clearing Agencies

13.2 Marketplaces

13.2.1 Alpha Exchange Inc. – Request for Comments on Public Interest Rule Amendments to Alpha Exchange Trading Policies and Housekeeping Rule Amendments to Alpha Exchange Trading Policies

ALPHA EXCHANGE INC.

REQUEST FOR COMMENTS ON PUBLIC INTEREST RULE AMENDMENTS TO ALPHA EXCHANGE TRADING POLICIES

AND

HOUSEKEEPING RULE AMENDMENTS TO ALPHA EXCHANGE TRADING POLICIES

PROPOSED PUBLIC INTEREST RULE AMENDMENTS – REQUEST FOR COMMENTS

Proposed public interest rule amendments are being published for comment in Alpha Exchange Inc.'s Notice below (Notice) in accordance with the "Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto". Feedback on the proposed public interest rule amendments outlined in Part I of the Notice is requested in writing by August 27, 2012 to the parties listed in the Notice below.

HOUSEKEEPING RULE AMENDMENTS

In addition, in accordance with the "Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto" housekeeping rule amendments are published for information in Appendix A of the Notice. A brief summary of the housekeeping rule amendments and the rationale for them are found in Part II of the Notice. The housekeeping rule amendments will become effective as of the dates designated in the Notice.

**ALPHA EXCHANGE INC.
NOTICE OF PROPOSED CHANGES AND REQUEST FOR FEEDBACK**

The Board of Directors of Alpha Exchange Inc. ("Alpha") has approved amendments ("Amendments") to the Alpha Exchange Trading Policies ("Trading Policies"). The Amendments, shown as blacklined text, are attached as Appendix "A".

Alpha is publishing this Notice of Proposed Changes ("Notice") in accordance with the requirements set out in the rule protocol attached to its Recognition Order. Market participants are invited to provide the Commission with feedback on the proposed Public Interest Rule Changes. Notice is also being provided, as required, regarding Housekeeping changes. In accordance with regulatory requirements feedback is not being requested on the Housekeeping Rule changes.

Feedback on the proposed amendments should be in writing and submitted by August 27, 2012 to:

Market Regulation Branch
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario M5H 3S8
Fax: (416) 595-8940
[e-mail: marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

And to:
Ranee Pavalow
Alpha Exchange Inc.
70 York Street, Suite 1501
Toronto, Ontario M5J 1S9
Fax: (416) 642-2120
[e-mail: randee.pavalow@alpha-group.ca](mailto:randee.pavalow@alpha-group.ca)

Feedback received will be made public on the OSC website. Upon completion of the review by OSC staff, and in the absence of any regulatory concerns, notice will be published to confirm the completion of Commission staff's review and to outline the intended implementation date of the changes.

Terms not defined in this Notice are defined in the Alpha Exchange Inc. Trading Policies.

I. PUBLIC INTEREST RULE CHANGE – INTRASPREAD

DESCRIPTION OF THE PROPOSED CHANGES

Alpha is proposing to amend the IntraSpread™ functionality as follows:

- Remove Dark orders that provide price improvement of 10% over the NBBO.
- Introduce Dark orders that can trade at the NBBO with
 - SDL™ orders with volume over 50 board lots or value greater than \$100,000 (Large SDL orders), after any visible and reserve volume on Alpha at the same price level has been exhausted, and
 - All other SDL™ orders (Small SDL orders) after any visible and reserve volume on Alpha at the same price level has been exhausted, but only when no visible volume is available on other markets at the same price, so that the NBBO at the time of entry of the order would, at the time of execution, provide price improvement in relationship to the market conditions at execution.
- Allow SDL™ orders to trade with eligible Dark orders as well as with lit orders booked in the Alpha CLOB, while not trading through better priced orders on other markets.

EXPECTED DATE OF IMPLEMENTATION

October 15, 2012

RATIONALE AND RELEVANT SUPPORTING ANALYSIS

The proposed changes are being made in order to bring IntraSpread™ functionality in compliance with UMIR provisions respecting dark liquidity effective October 15, 2012. In addition, the changes are designed to maximize opportunities for price improvement and increased trade size for active SDL™ orders. SDL orders will now also trade against visible liquidity in the Alpha CLOB, increasing the pool of liquidity available for SDL™ order matching.

EXPECTED IMPACT ON MARKET STRUCTURE, MEMBERS, INVESTORS, ISSUERS AND THE CAPITAL MARKETS

With the removal of 10% Dark orders, the expectation is that the volumes of SDL™ order executions against dark liquidity will decrease, as the economic benefit for liquidity providers is being reduced. The introduction of Dark orders that can trade with SDL™ orders at the NBBO is intended to provide a service that can offset the decrease in liquidity that is likely to occur after the implementation of the new requirements regarding dark pools. With typically larger sizes, it is expected that these Dark orders will continue to improve average trade prices for retail orders as compared to opportunities in the lit markets, since more volume can be executed at the best price level with no or minimal market impact. In addition, it is expected that overall fill rates for active retail flow routed to IntraSpread™ will increase due to additional matching with visible orders in Alpha CLOB.

IMPACT ON EXCHANGE'S COMPLIANCE WITH THE SECURITIES LAW, ESPECIALLY FAIR ACCESS AND MAINTENANCE OF FAIR AND ORDERLY MARKETS

Proposed changes will bring IntraSpread™ functionality in line with UMIR provisions respecting dark liquidity effective October 15 2012. These changes are also in compliance with securities law including the requirements regarding fair access and maintenance of fair and orderly markets.

CONSULTATION

Proposed changes were developed in response to new regulatory environment, while trying to preserve benefits of the current IntraSpread™ implementation. Feedback was received from a number of existing IntraSpread™ customers.

TECHNOLOGY IMPLEMENTATION IMPACT ON MEMBERS AND SERVICE VENDORS

Proposed changes are designed to minimize impact on Members and Service Vendors. There are no required changes for parties entering SDL orders. Dark liquidity providers are expected to cease use of 10% Dark orders and to incorporate 0% Dark orders in their trading strategies.

EXISTENCE OF COMPARABLE RULES IN OTHER MARKETS OR JURISDICTIONS

Midpoint dark orders are supported by MatchNow, TMX and ChiX.

Dark order at the NBBO is equivalent to limit dark orders supported by TMX and ChiX.

TMX and ChiX allow active orders to interact with both dark and lit liquidity.

II. HOUSEKEEPING RULE CHANGES

Please note that these changes are not being published for comment.

Changes to the Inside Match Order, Effective October 15, 2012

Prices other than 50% of the NBBO spread are being removed for the Inside Match order. With this amendment, an Inside Match order trading against a Price Improvement Iceberg order will receive a price improvement of at least one trading increment, or half a trading increment if NBBO spread is one trading increment.

These changes are housekeeping changes because they are being made in response to Securities law and UMIR provisions respecting dark liquidity effective October 15, 2012.

Changes to the Short Sell Order – Effective October 15, 2012

The following changes are made to short selling functionality:

- Short Sell orders are no longer re-priced to NLSP
- Short Sell Exempt marker will no longer be accepted after the transition.
- Short-marking Exempt marker is added to buy, sell and cross orders
- Short-marking Exempt order cannot be designated as Short Sell
- Short-marking Exempt marker is added to all odd-lot auto-executed trades, as these are executed in Market Making capacity.
- Market Maker information is added to symbol information query to support vendor implementations of functionality specific to Market Makers and Short-marking exempt requirements.

These changes are housekeeping changes because they are being made in response to UMIR short selling provisions effective October 15, 2012.

Alpha will continue to accept Short Sell Exempt marker during the transition period, until March 29, 2013 or as scheduled by IIROC.

Changes to Order Router – Effective September 3, 2012

After review and analysis, the consolidated order book depth used by Alpha Order Router is being reduced from 10 levels to 5. Data analysis indicates that less than 0.003% of orders routed through Alpha Order Router can interact with more than 5 price levels.

This change is a configuration change being made to reduce data processing and storage capacity and is a housekeeping change because it is a change in the routine processes or administration of the marketplace and is a minor system change.

APPENDIX A

The following sets out the proposed black lined amendments to the Alpha Exchange Inc. Trading Policies. A complete version of the black lined Trading Policies can be found at www.alpha-group.ca

2.1 DEFINITIONS

- Dark Order** A fully hidden order used to manage passive interest within the IntraSpread™ Facility. It includes the Touch Dark order and Midpoint Dark order.
- IntraSpread™ Facility** An optional facility which allows a Member to seek order matches with guaranteed price improvement for active orders, without pre-trade transparency.
- Large order** An order with a volume over 50 Board lots or a value greater than \$100,000. It may be combined with a specific type of order such as an SDL order (Large SDL order) to indicate that the SDL Order has a volume over 50 Board lots or a value of greater than \$100,000.
- Small Order** An order with a volume less than or equal to 50 Board lots or a value less than or equal to \$100,000. It may be combined with a specific type of order such as an SDL order (Large SDL order) to indicate that the SDL Order has a volume less than or equal to 50 Board lots or a value of less than or equal to \$100,000.

DIVISION 2 — ORDER ENTRY

5.10 Order Types

Inside Match (IM)	Order with a limit price within the <u>at 50% of the</u> NBBO specified by a percentage (between 10% and 90% increments of 10%) of the spread that trades with PII orders immediately on entry. Any unfilled balance of an IM order is cancelled. Trades may occur at smaller price increments than the minimum quotation increments contained in UMIR.
Passive Only (PO)	The PO order is cancelled at the time of entry if any portion of the order is immediately tradable. PO orders are also cancelled if the order becomes active due to a price change (i.e., a price amendment or short sale price re-pegging). Passive Only is also available for TTM orders.
Seek Dark Liquidity™ (SDL™)	A Fill or Kill order that trades only with <u>eligible IntraSpread Dark orders and CLOB orders</u> to the extent possible and any residual is cancelled.
Short Sell	An order to sell a security that the seller does not own (either directly, or through an agent or trustee) at the time of the order. Short Sell orders may only be executed at a price equal to, or above the NLSP.
Short Sell “exempt”	A Short Sell order that is exempt from the “last sale” pricing restrictions in UMIR. Members are responsible for identifying these orders.

5.10.6 SHORT SALE ORDERS

A Short Sell order is an order to sell a security that the seller does not own. ~~To facilitate compliance with the short sale rule, the system generally pegs the price of short sell orders to the NLSP. However in the Pre-Open phase, short sale order prices are adjusted to the closing price of the principal market.~~

Commentary: Members are responsible for the identification and designation of short sell and short-marking exempt orders.

A Short Sell “exempt” order is a Short Sell order that is exempt from the “last sale” pricing restrictions in UMIR. Members are responsible for identifying these orders

5.12 CROSSES

(5) Bypass Crosses are only allowed on a regular Alpha cross (no BBO check), and are not allowed on SPC Contingent Cross, Internal Cross, National Cross and SST Cross. A bypass Cross is exempt from cross interference, ~~is short sell and short exempt~~ supported, is only allowed on round lots and mixed lots and does not update NLSP

5.14 BYPASS ORDER

Example 2: Bypass Short Sell order pegged to NLSP
 National Last Sale Price is \$1.90
 XYZ Security

Non-disclosed/Reserve Volume	Buy Volume	Bid	Offer	Sell Volume
1000 shares	500 shares	\$2.00	\$2.50	500 shares
	400 shares	\$1.80		

Dealer A sent short sell Bypass Order for 900 at 1.80.
 Order is booked as Short Sell with limit price 1.90. (Pegged to National Last Sale Price)
 Alpha executes trade as 500 at 2.00
 Outstanding volume of 400 is killed.
 Alpha Last Sale Price updates to 2.00

Post-Trade Order Book
 XYZ Security

Non-disclosed/Reserve Volume	Buy Volume	Bid	Offer	Sell Volume
500 shares	500 shares	\$2.00	\$2.50	500 shares
	400 shares	\$1.80		

Example 3: Bypass Short Sell Exempt Order
 XYZ Security

Reserve Volume	Buy Volume	Bid	Offer	Sell Volume
1000 shares	500 shares	\$2.20	\$2.50	500 shares
	400 shares	\$2.00		

5.23 ALPHA INTRASPREAD™ FACILITY

(1) Scope

- (a) Alpha IntraSpread™ facility allows Members to seek order matches without pre-trade transparency. It can also provide, with guaranteed price improvement for active orders.
- (b) The IntraSpread™ facility is available to all Members and for all symbols traded on Alpha ATS.
- (c) Order types in the Alpha IntraSpread™ facility include Dark orders and Seek Dark Liquidity™ (SDL™) orders.

(2) Dark Orders

- (a) The Dark order is a fully hidden order with no pre-trade transparency.
 - Commentary:** Dark orders have no pre-trade transparency as information on Dark orders is not disseminated on any public feeds.
- (b) Dark orders can trade with other Dark orders or with SDL™ orders, but do not trade with CLOB orders.
- (c) Based on the COMP attribute, the Dark order can trade as follows:
 - (i) only with incoming SDL™ orders, or
 - (ii) only with other Dark orders, or
 - (iii) with both SDL™ and Dark orders.
- (d) The price of a Dark order is calculated as an offset of the NBBO by adding the price offset to the national best bid for a buy order and subtracting it from the national best offer for a sell order.
 - (i) The price offset is calculated as a percentage of the NBBO:

- (1) A Touch Dark Order² will be calculated at 0% of the NBBO (at the BB for a sell order and at the BO for a buy order), or 50% (with no tick cap²
- (2) A Midpoint Dark Order will be calculated at 50% of the NBBO.²; however, Dark orders with a COMP attribute that supports trading with other Dark orders can only have the 50% price offset value.
 - (ii) The price of the Dark order can be optionally capped.

If either relevant side of the NBBO is not set, or the NBBO is locked or crossed, Dark orders will not trade.

(e) Touch Dark orders:

trade with incoming Large SDL orders after all visible and iceberg reserve volume in the CLOB at the same price has been exhausted;

(i) trade with incoming Small SDL orders after all visible and iceberg reserve volume in the CLOB at the same price has been exhausted and if no visible volume at the same price is available on other markets;

(ii) do not trade with other Dark orders.

(f) Midpoint Dark orders trade with:

(i) all incoming SDL orders, regardless of SDL order size;

(ii) other Midpoint Dark orders, if COMP attribute of both Dark Orders supports trading against Dark orders.

(g) Dark orders must be for a board lot quantity and are day only orders.

(h) Dark orders cannot be Iceberg, On-Stop, Inside Match, FOK, FAK, MOO, LOO, MOC, Special Terms, Bypass, Passive Only, TTM or ROC.

(i) Dark orders can be amended for quantity, price offset and price cap, in addition to other standard amendable order attributes.

(j) Dark order marked with the MAQ attribute may specify the minimum acceptable number of shares that it will trade against when trading with another Dark order. The MAQ condition does not apply to trades against SDL orders.

(k) Dark orders marked with the STM attribute will not trade with a matching STM marked Dark order from the same Member account.

(3) Seek Dark Liquidity™ (SDL™) Orders

(a) SDL™ orders trade only with eligible Dark orders from any Alpha Member and do not interact with other transparent orders in the Alpha CLOB while not trading through price levels on other marketplaces.

(b) SDL™ Orders can only be entered on behalf of Retail Customers.

Commentary: It is expected that Members have policies and procedures in place in regards to identifying which accounts qualify and supervisory procedures to monitor ongoing compliance. If Alpha deems that a firm is entering SDL™ orders from non-retail clients, it may take appropriate action against the firm in question (i.e. access to IntraSpread).

(c) SDL™ orders can be market or limit orders but are treated as FOK – they trade with eligible Dark orders to the extent possible, and any residual is cancelled.

(d) SDL™ orders must be for a board lot quantity.

(e) SDL™ orders cannot be Iceberg, On-Stop, Inside Match, FAK, MOO, LOO, MOC, Special Terms, Bypass, Passive Only, TTM or ROC.

- (4) Eligible Trading Sessions
 - (a) Dark orders are accepted in Pre-Open and Continuous Trading sessions (from 7:00am to 4:00pm).
 - (b) Dark orders trade in the Continuous Trading Session but do not participate in opening or closing auctions.
 - (c) SDL™ orders are accepted only during the Continuous Trading Session (from 9:30am to 4:00pm)
- (5) Post-trade Transparency
 - (a) IntraSpread™ trades are disseminated on the public data feed in real-time. These trades set the Alpha last sale price (ALSP) and/or the NLSP.
 - (b) Trade prices may have up to three decimal places for prices above \$0.50 and up to four decimal places for prices below \$0.50.
- (6) IntraSpread™ Matching
 - (a) Incoming SDL™ orders trade with eligible resting Dark and CLOB orders in price priority.
 - (b) Within a price level, transparent and Iceberg reserve CLOB volume has priority over Dark orders.
 - (c) Subject to Section 5.23(6)(a) and (b), rResting Dark—IntraSpread—orders are matched with incoming Dark orders and SDL™ orders according to the following allocation priority:
 - (i) ~~Price priority: Dark orders with better price (higher price offset) have priority, then~~
 - (i) Broker preferencing: Dark orders from the same Member have priority, then
 - (ii) Smart size priority: Dark orders with sufficient size to fully fill the incoming order have priority, then
 - (iii) Round-robin priority: Dark orders take turns interacting with the incoming order. Each time a Dark order is inserted, it is placed at the bottom of the queue. Each time a Dark Order trades, or its quantity is increased, priority is changed through amendment, the order is placed at the bottom of the round-robin priority queue.

Commentary: Unlike in the CLOB, Broker pPreferencing is observed for ~~matching SDL orders and Dark orders~~ regardless of whether the the order on either side is marked anonymous. In addition, SDL Orders designated as Jitney are subject to broker preferencing.

Resting CLOB orders are matched with incoming SDL™ orders according to CLOB allocation priority.

6.12 — MIXED LOT SHORT SALE ORDERS

- (6) ~~Mixed lot Short Sale orders will be pegged to the NLSP up to the order's limit price and then executed according to 6.9, 6.10 and 6.11.~~

8.5 TTM SERVICE

- (7) TTM Routing Strategy
 - (a) The TTM Service simultaneously routes portions of the order to all Other Marketplaces with better priced orders ~~(up to 10 price levels)~~, up to the original order's limit price. Any residual is sent to Alpha.

Commentary: The TTM Service receives information on the depth of book up to 5 price levels

- (a) The TTM Service will:
 - (i) Receive the depth of book ~~(to 10 price levels)~~ made available by each marketplace, then

Chapter 25

Other Information

25.1 Consents

25.1.1 Advanced Primary Minerals Corporation – s. 4(b) of the Regulation

Headnote

Consent given to an offering corporation under the Business Corporations Act (Ontario) to continue under the Canada Business Corporations Act.

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B.16, as am., s. 181.

Securities Act, R.S.O. 1990, c. S.5, as am.

Regulations Cited

Regulation made under the Business Corporations Act, O. Reg. 289/00, as am., s. 4(b).

**IN THE MATTER OF
R.R.O. 1990, REGULATION 289/00,
AS AMENDED (THE "REGULATION") MADE UNDER
THE BUSINESS CORPORATIONS ACT (ONTARIO),
R.S.O. 1990, c. B.16, AS AMENDED
(THE "OBCA")**

AND

**IN THE MATTER OF
ADVANCED PRIMARY MINERALS CORPORATION**

**CONSENT
(Subsection 4(b) of the Regulation)**

UPON the application of Advanced Primary Minerals Corporation (the "Applicant") to the Ontario Securities Commission (the "Commission") requesting consent (the "Application") from the Commission for the Applicant to continue in another jurisdiction, as required by subsection 4(b) of the Regulation;

AND UPON considering the Application and the recommendation of the staff of the Commission;

AND UPON the Applicant having represented to the Commission that:

1. The Applicant was incorporated under the OBCA on September 27, 2002. Its registered office is located at 65 Harbour Square, Suite 1108, Toronto, Ontario M5J 2L4.
2. The Applicant, with a view to relocate its registered office to Nova Scotia for administrative

convenience, intends to apply to the Director under the OBCA for authorization to continue under the *Canada Business Corporations Act* ("CBCA"). Pursuant to subsection 4(b) of the Regulation, where a corporation is an offering corporation, its Application for continuance as a corporation under the CBCA must be accompanied by a consent from the Ontario Securities Commission. The Applicant intends to apply for continuation under the CBCA as soon as it receives consent from the Commission.

3. The Applicant is an offering corporation under the OBCA and is and intends to remain a reporting issuer under the *Securities Act* (the "Act"). The Applicant is also a reporting issuer in British Columbia, Alberta and Nova Scotia and intends to remain a reporting issuer in each of these jurisdictions following the proposed continuance as a corporation under the CBCA.
4. The common shares of the Applicant are currently listed and posted for trading in TSX Venture Exchange under the trading symbol "APD:TSXV" and the Applicant intends to continue trading of its common shares on the TSX Venture Exchange after the proposed continuance.
5. The Applicant is not in default of any of the provisions of the OBCA, the Act or the regulations or rules made thereunder and any rules, regulations or policies of the TSX Venture Exchange or any securities legislation of any province in Canada.
6. The Applicant is not a party to any proceeding or, to the best of its knowledge, information and belief, any pending proceeding under the Act or the OBCA.
7. The material rights, duties and obligations of a corporation governed by the CBCA are substantially similar to those of a corporation governed by the OBCA. The Applicant's management information circular, dated May 31, 2012 and filed on SEDAR on June 5, 2012 which was provided to all shareholders of the Applicant for its June 29, 2012 annual and special meeting (the "Meeting"), included (i) full disclosure of the continuance approval process, the proposed articles of continuance, the effect of the proposed continuance, the amendments required to By-Law Number One and (ii) full disclosure to the shareholders with respect to their dissent rights in connection with the continuance pursuant to section 185 of the OBCA.