

Chapter 13

SROs, Marketplaces and Clearing Agencies

13.2 Marketplaces

13.2.1 Alpha ATS LP – Notice for Proposed Changes and Request for Feedback

Alpha ATS LP Notice of Proposed Changes and Request for Feedback

Alpha ATS LP has announced its plans to implement the change described below in Q1 2012. It is publishing this Notice of Proposed Changes in accordance with the requirements set out in OSC Staff Notice 21-703 – *Transparency of the Operations of Stock Exchanges and Alternative Trading Systems*. Pursuant to OSC Staff Notice 21-703, Commission Staff invite market participants to provide the Commission with feedback on the proposed change.

Feedback on the proposed changes should be in writing and submitted by **February 13, 2012** to:

Market Regulation Branch
Ontario Securities commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Fax (416) 595-8940
Email: marketregulation@osc.gov.on.ca

And to:

Randee Pavalow
Head of Operations and Legal
Alpha ATS LP
70 York Street, suite 1501
Toronto, ON M5J 1S9
Email: randee.pavalow@alphatradingsystems.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.

**Alpha ATS LP
NOTICE OF PROPOSED CHANGES**

Alpha ATS LP has announced its plans to implement the change described below in Q1 2012. In addition, upon the effective launch of Alpha Exchange, these changes would also be applied to the Trading Policies of Alpha Exchange.

Alpha is publishing this Notice of Proposed Changes in accordance with the requirements set out in OSC Staff Notice 21-703.

Any questions regarding these changes should be addressed to Randee Pavalow, Head of Operations and Legal, Alpha ATS LP: randee.pavalow@alpha-group.ca, T: 647-259-0420

1. Amended definition of "Retail Client".

Description of Proposed Changes and Reasons for Changes

Section 1.2.2 of the Alpha Trading Policies have been amended to reflect a revised definition of 'Retail Client' for purposes of trading in the Alpha IntraSpread Facility. As part of Section 5.7.12 (3.) of the Trading Policies, SDL (Seek Dark Liquidity) orders for Alpha IntraSpread can only be entered on behalf of Retail Customers. The definition was amended to explicitly state that Retail Clients of Foreign Dealers are included as part of the Alpha Definition of 'Retail Client'. While this definition expands the current definition used by IIROC by including the retail flow of institutional customers of dealers, it is consistent with the Alpha's original intent for who can use SDL orders.

Expected Impact of the changes

The amended Trading Policies will provide subscribers' with clarity and direction on what portions of their order flow can be defined as "retail" for purposes of routing to the Alpha IntraSpread Facility. Alpha intends to apply the same monitoring procedures to the revised definition as it did prior to this amendment to its Trading Policies.

Consultations

Alpha received several requests for clarity on the definition of "retail client" from its Subscribers. For purposes of SDL order entry, Alpha used the IIROC definition of Retail Customer which is defined as "a customer of a Dealer Member that is not an institutional customer". As a result, the Alpha Definitions Section of its Trading Policies stated that Retail Customers are "defined in accordance with Rule 1 of IIROC's dealer member rules." At the time of implementation, Alpha did not consider that this definition would exclude retail customer order flow that comes in through dealers outside of Canada. Alpha received feedback from Subscribers requesting clarification on this point.

Current implementation of changes in the Canadian marketplace and any alternatives considered

Currently, other Canadian Equity Marketplaces with no pre-trade transparency (i.e. Dark Liquidity Pools) do not have restrictions regarding order entry by 'non-retail' clients. As a result, there is no benchmark with regards to how this change should be addressed and no alternatives were considered.