

## Chapter 13

# SROs, Marketplaces, Clearing Agencies and Trade Repositories

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### 13.2 Marketplaces

#### 13.2.1 Canadian Securities Exchange – Proposed Fee Change – Monthly Tier Credits – Top of Book – Notice and Request for Comments

##### CANADIAN SECURITIES EXCHANGE

##### PROPOSED FEE CHANGE

##### MONTHLY TIER CREDITS – TOP OF BOOK

##### NOTICE AND REQUEST FOR COMMENTS

CNSX Markets Inc. (“CSE”) is publishing proposed fee changes regarding monthly fee credits – top of book (“Fee Change”) in accordance with s. 6(a) of Appendix C (“Process for the Review and Approval of Rules and Information Contained in Form 21-101F1 and the Exhibits Thereto”) of the CSE Recognition Order, as amended and s. 3.2(2) of National Instrument 21-101 *Marketplace Operation*.

The Fee Change will provide monthly tier credits to traders that have placed orders reaching a stated target percentage of time at the NBBO on a per symbol basis. The monthly tier credits are calculated on all of the trader’s eligible passive trades for that symbol for the month.

A copy of the [CSE Notice](#) is published on our website at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

#### Description of the Changes

The CSE proposes the following fee change:

#### Monthly Tier Credits – Top of Book (TOB)

Tier credits will be provided for TSX-listed securities trading equal to or greater than \$1.00. A Trader ID or a Trader ID Group with orders that reach the stated target percentage of time at the NBBO on a per symbol basis will be awarded fee credits based on all of their eligible passive trades on that symbol for the month. Eligible passive trades means passives trades excluding intentional crosses, registered unintentional crosses, odd-lot trades, flat fee trades and dark trading volumes.

#### Non Market Makers

		Passive Fee
Current: No Change	Equal to or greater than \$1.00	\$0.0018
Proposed: Tier 1	Equal to or greater than \$1.00 >=15% TOB (NBB or NBO) on either side – average for the month	\$0.0017
Proposed: Tier 2	Equal to or greater than \$1.00 >=15% TOB (NBB or NBO) on each side or >=30% in total for both sides combined – average for the month	\$0.0016

**Market Makers**

		Passive Fee
Current: No Change	Equal to or greater than \$1.00	\$0.0016
Proposed: Tier 1	Equal to or greater than \$1.00 >=15% TOB (NBB or NBO) on either side – average for the month	\$0.0015
Proposed: Tier 2	Equal to or greater than \$1.00 >=15% TOB (NBB or NBO) on each side or >=30% in total for both sides combined – average for the month	\$0.0014

Percentage time at the NBB/NBO = (total amount of time at the NBB/NBO) divided by (the total amount of trading time for the month). Trading time is measured from 9:30 am EST to 4:00 pm EST (6.5 hours).

Marketplace participants booking one boardlot (either the bid or the offer) on the CSE for a given symbol, that is equal to the NBB or NBO for a minimum of 15% of the time<sup>1</sup>, qualify for the Monthly Tier Credits. The calculation is based at time at the top of book, not on trading volumes. For example, if a Trader ID or a Trader ID Group had orders reaching the stated target percentage of time at the NBBO for a symbol but such orders did not trade because all contra orders went to another marketplace, were filled in the dark, or were filled by other booked orders ahead in priority, the Trader ID or a Trader ID Group would still receive the credit on all eligible passive trades on that symbol for that month – this would include credits on orders booked outside the NBBO that eventually traded.

**Expected Implementation Date:**

The proposed fee changes are expected to be implemented upon the receipt of regulatory approval.

**Rationale and relevant supporting analysis**

The monthly credits are intended to reduce the overall dealer cost of trading, with incentives targeted at increasing liquidity as well as rewarding dealers already providing liquidity. The approach responds to competitive factors and dealer consultation. The proposed Monthly Tier Credits will be available to all marketplace participants.

**Expected Impact of the Proposed Fee Change on the Market Structure, Members and, if applicable, on Investors, Issuers and the Capital Markets**

The proposed trading fees will benefit the industry through expected enhanced liquidity. Additionally, qualifying CSE Dealers would see savings on monthly trading fees.

**Discussion of the expected impact of the proposed Fee Change on the Exchange's compliance with Ontario securities law and in particular on requirements for fair access and maintenance of fair and orderly markets**

There will be no impact on the CSE's compliance with Ontario securities law. The changes do not alter any of the requirements for fair access or the maintenance of fair and orderly markets.

The proposed Monthly Tier Credits will be available to all marketplace participants. The calculation is performed on a Trader ID or a Trader ID Group basis as instructed by a marketplace participant. As there is no volume-based incentive, there is no volume-based advantage in grouping Trader IDs. There is no discrimination associated with such grouping in calculating the monthly fee credits.

**Will the Fee Change (as a Significant Change) require members and service vendors to modify their own systems after implementation of the Fee Change, and, if applicable, a reasonable estimate of the amount of time needed to perform the necessary work, or an explanation as to why a reasonable estimate was not provided**

The Fee Change would not require members and service vendors to modify their own systems.

**Other Markets or Jurisdictions**

While the proposed Fee Change would be new in terms of the specific qualification criteria for reduced fees in the Canadian markets, it does follow in the footsteps of fee models employed by other Canadian marketplaces that provide incentive programs. For example, (1) TSX Alpha Liquidity Provision Program (passive liquidity providers meeting volume thresholds),<sup>2</sup>

<sup>1</sup> For a month with 23 trading days, 15% of the time would be 58.5 minutes per day.

<sup>2</sup> <https://www.tsx.com/resource/en/1850>.

(2) NASDAQ CXC Trading Incentive Program (total volume of a Trader ID Group's NBBO Settling Trades meeting a volume threshold),<sup>3</sup> and Omega ATS Breakpoint Pricing (discounted liquidity providing rate based on volume thresholds).<sup>4</sup>

**Comments**

Comments on the proposed amendments should be in writing and submitted no later than December 3, 2018 to:

Mark Faulkner  
Vice President, Listings and Regulation  
CNSX Markets Inc.  
220 Bay Street, 9th Floor  
Toronto, ON, M5J 2W4  
Fax: 416.572.4160  
Email: [Mark.Faulkner@thecse.com](mailto:Mark.Faulkner@thecse.com)

A copy of the comments should be provided to:

Market Regulation Branch  
Ontario Securities Commission  
20 Queen Street West, 22nd Floor  
Toronto, ON, M5H 3S8  
Fax: 416.595.8940  
Email: [marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

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<sup>3</sup> See Nasdaq Canada Notice 2018-1029-02 issued October 29, 2018.

<sup>4</sup> <http://omegaats.com/fees/>.