



December 5, 2014

VIA EMAIL

Market Regulation Branch
Ontario Securities Commission
22nd Floor, Box 55
20 Queen Street West
Toronto, ON M5H 3S8

AND

Colin Yao
Legal Counsel, Regulatory Affairs (Equity Trading)
TMX Group
The Exchange Tower
130 King Street West
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Attention: OSC and Mr. Yao

Re: Alpha Exchange Inc. – Notice of Proposed Rule Amendments and Request for Comments

Chi-X Canada ATS Limited (“Chi-X Canada” or “we”) welcomes the opportunity to provide comments on the Notice of Proposed Change and Request for Comments (Notice) published by the Ontario Securities Commission (OSC) on November 6, 2014 regarding Alpha Exchange Inc.’s. (Alpha) proposed changes to its trading model.

In our comment letter in response to Aequitas Innovations Inc.’s application to become an exchange, we stated that the OSC was at a crossroads as it considered the Aequitas proposal, which introduced new precedents for different access standards across market participants and for a marketplace to place restrictions on customers. We also indicated that regulatory approval of explicit customer segmentation would inevitably lead to other marketplaces offering segmentation tools that would further fragment the market.

Thus, Alpha’s request is an anticipated response to the approval of Aequitas Neo Exchange and the introduction of an order processing delay or speed bump that are part of the Aequitas model. We do note that Alpha’s implementation design does not explicitly segment its customer base but instead applies this restriction to all participants on fair and equal terms. While we oppose marketplaces placing restrictions on participants, given the Commission’s approval of the Aequitas model we see no reason why other marketplaces should not be able introduce competitive offerings.

The proposed speed bump will naturally benefit retail investors while disadvantaging institutional investors. Alpha’s speed bump will affect any participant that routes orders to a single price level or multiple price levels across multiple marketplaces. With the speed bump delay on Alpha, posted liquidity will be inaccessible to these participants because quotes will be cancelled in anticipation of orders being routed to Alpha after being routed to all other marketplaces. This not only disrupts execution but also restricts access by institutional customers to liquidity posted on Alpha.



Given the Commission's approval of marketplaces' ability to place different restrictions on orders, we cannot argue that these inefficiencies are not permissible. ***However, we do not believe that a marketplace that chooses to implement these restrictions should be recognized as a "protected" marketplace. It is inconsistent for regulation to force participants to access a market that has chosen to apply participant access limitations or restrictions.***

We would like to thank the OSC for the opportunity to respond to the Rule Proposal and welcome a meeting to discuss our submission with the staffs.

Sincerely,

Chi-X Canada