



**CANADIAN SECURITY TRADERS ASSOCIATION, INC**

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**RE:** Nasdaq CXC proposal and request for comments, introducing PureStream order type to CXD

The Canadian Security Traders Association, Inc (CSTA). is a professional trade organization that works to improve the ethics, business standards and working environment for members who are engaged in the buying, selling, and trading of securities (mainly equities). The CSTA represents over 850 members nationwide and is led by Governors from each of four distinct regions (Toronto, Montreal, Prairies and Vancouver). The organization was founded in 2000 to serve as a national voice for our affiliate organizations. The CSTA is also affiliated with the Security Traders Association (STA) in the United States of America, which has approximately 4,200 members globally, making it the largest organization of its kind in the world. This letter was prepared by CSTA Trading Issues Committee (TIC) representatives with various areas of market structure expertise. It is important to note that there was no survey sent to our members to determine popular opinion. The views and statements provided below do not necessarily reflect those of all CSTA members or of their employers.

The TIC appreciates the opportunity to comment on Nasdaq Canada's proposal to introduce PureStream as an order type on CXD. We applaud Nasdaq for endeavoring to deliver an innovation aimed at the institutional trading community. The functionality proposed is expected to provide additional flexibility and optionality to Canadian equity traders. We note the option of tagging all PureStream orders as

conditional is beneficial since this allows the search for a PureStream matching session while working the order in the continuous market.

As with similar order types, conditional functionality comes with the risk of information leakage. We note, however, that monitoring fall-down rates and participant behaviour has been outline in some detail within the proposal. It is imperative to strike a balance between minimizing false positives on matches vs providing flexibility to participants. Nasdaq's proposal will be using a similar compliance monitoring program to the one implemented by CBOE MatchNow, which has become the industry standard. It is expected these compliance programs will continue to evolve as marketplaces work through this complex problem.

As proposed, all Nasdaq PureStream trades will print on CXD with a specific marker. This will help market participants know how to access potential liquidity available via a PureStream order. Liquidity begets liquidity, and we feel this proposed level of transparency is worthwhile. There is, again, some information leakage implied in that the participation rates might be gleaned by other participants. But the fact that these orders can be cancelled anytime, and that the match rates are a function of the lowest total participation rate may obscure some of the signaling.

One item to consider with the proposal is the potential impact to price discovery if a significant portion of trades occur on PureStream. This is a natural concern of any trading based on a reference price. However, this concern is one that is distant on the horizon and would need significantly more volume matching on venues that use reference pricing. This concern we believe should be and is monitored in aggregate by the industry and regulators in the context of the existing dark rules.

We thank you for the opportunity to comment. Please feel free to contact any of the Trading Issues Committee leads if you have any further questions or wish to continue the discussions.

Regards,

The CSTA Trading Issues Committee