

B.11.2 Marketplaces

B.11.2.1 Nasdaq CXC Limited – Introduction of PureStream on the CXD Trading Book – Notice of Approval

NASDAQ CXC LIMITED

NOTICE OF APPROVAL

INTRODUCTION OF PURESTREAM ON THE CXD TRADING BOOK

In accordance with the requirements set out in the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto (**Exchange Protocol**), the Ontario Securities Commission (**OSC** or **Commission**) has approved amendments to the Nasdaq CXC Limited Trading Rule and Policies (**Trading Rules**) and to Nasdaq CXC Limited's (**Nasdaq Canada**) Form 21-101F1 reflecting the introduction of the PureStream order type on the CXD Trading Book.

Nasdaq Canada's Notice and Request for Comment on the proposed functionality (**PureStream Notice**) was published on the Commission's website and in the Commission's Bulletin on April 28th, 2022 at (2022) 45 OSCB 4648. One comment letter was received. A summary of the comment and response is provided below.

In conjunction with approving the amendments to the Trading Rules and Form 21-101F1, the OSC is reviewing an application by Nasdaq Canada for exemptive relief from the pre-trade transparency requirements in subsection 7.1(1) of National Instrument 21-101 *Marketplace Operation* with respect to when certain firm-up requests are sent to a PureStream order entered with a conditional parameter as described in the PureStream Notice. The OSC, as principal regulator, will determine whether to grant or deny the exemption sought. Should the exemptive relief be granted, the decision will be published separately on the OSC website.

This new functionality is expected to be introduced in October 2022. Nasdaq Canada will send a Notice communicating the effective date of this change.

SUMMARY OF COMMENT AND RESPONSE

Note: *The response to the comment reflects the views of Nasdaq Canada and do not necessarily reflect the views of the Ontario Securities Commission (OSC)*

The following is a summary of comments received in response to Nasdaq CXC Limited's (**Nasdaq Canada, or we**) Notice and Request for Comment regarding the proposed introduction of the PureStream order type on the CXD Trading Book (**Notice**) published on April 28, 2022. One comment letter was received in response to the Notice from the following market participant:

1. Canadian Securities Traders Association, Inc.

GENERAL COMMENT	NASDAQ CANADA RESPONSE
The commenter applauded Nasdaq Canada's proposal that will provide Canadian equity traders with additional flexibility and optionality aimed at assisting the institutional trading community also noting that the option to tag all PureStream orders as conditional is a key benefit.	We agree and appreciate the commenter's supportive comment.
The commenter noted the risk that information leakage can result from conditional functionality and the importance of striking the right balance between minimizing false positives on matches vs. providing flexibility to participants.	We recognize the commenter's concern and agree that the compliance monitoring program outlined in the Notice that will be used by Nasdaq Canada to monitor fall-down rates and participant behavior will serve as a control that will ensure the right balance is struck between minimizing false positives on matches and providing flexibility to participants.
The commenter noted there may be some information leakage implied in participation rates resulting from the specific marker that will identify PureStream trades printed on CXD but that this level of transparency outweighs this risk.	We agree that the added level of transparency offered by PureStream trades having their own liquidity marker benefits participants.
A potential issue was raised by the commenter that there may be a negative impact to price discovery if PureStream captures a significant portion of trades. As a result, monitoring should be performed by the industry and regulators.	We also recognize there may be a potential impact to price discovery if PureStream captures a certain level of market share. As a result, we do not disagree that monitoring should be performed but note the importance that policy decision be made based on quantitative data measurements clearly demonstrating an impact to price discovery and not based on conjecture or subjective interpretation.