

FIA PTG

PRINCIPAL TRADERS GROUP

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April 3, 2023

Joanne Sancı
Senior Counsel, Regulatory Affairs
TMX Group
100 Adelaide Street West, Suite 300
Toronto, Ontario M5H 1S3

VIA EMAIL: tsxrequestforcomments@tsx.com

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

Dear Ms. Sancı:

The FIA Principal Traders Group (“FIA PTG”)¹ appreciates the opportunity to comment in response to the Alpha Exchange Inc. (“Alpha” or the “Exchange”), Notice of Proposed Amendments and Request for Comments dated March 2, 2023 (the “Proposal”).² While FIA PTG generally supports innovative trading solutions, we do not believe the two new proposed order books are good for markets and accordingly oppose the Proposal.

FIA PTG has a long history of advocating for fair and equal access to markets and opposing artificial latency introducing mechanisms, especially those applied asymmetrically.³ In addition to the two new order books contained in the Proposal, the Exchange intends to transition from the current random-duration processing delay to a fixed duration delay for the existing Alpha order book as well as the two newly proposed order books, Alpha-X and Alpha-DRK. While we do not

¹ FIA PTG is an association of firms, many of whom are broker-dealers, who trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. The presence of competitive professional traders contributing to price discovery and the provision of liquidity is a hallmark of well-functioning markets. FIA PTG advocates for open access to markets, transparency and data-driven policy.

² See [Alpha Exchange Inc., Notice of Proposed Amendments and Request for Comments, March 2, 2023](#).

³ See [Letter from Mary Ann Burns, COO, FIA, to Brent J. Fields, Secretary, SEC, dated November 6, 2015](#) (“IEX Letter”); [Letter from Joanna Mallers, Secretary, FIA PTG, to Christopher J. Kirkpatrick, Secretary, CFTC, dated March 13, 2019](#) (“ICE US Letter”); and [Letter from Joanna Mallers, Secretary, FIA PTG, to Vanessa Countryman, Secretary, SEC, dated July 17, 2019](#) (“Cboe EDGA Letter”).

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support the existing random-duration delay of between one and three milliseconds and would prefer the elimination of the delay altogether, we strongly oppose the extended ten millisecond delay planned in connection with the newly proposed order books. We understand that Exchange rules allow for the duration of the delay to be determined by the Exchange in its sole discretion, however we encourage Alpha to reconsider introducing an extended delay on these two new order books.

FIA PTG is opposed to the introduction of the Smart Peg and Smart Limit order types. Both order types involve the Exchange affecting the price of an order in a discretionary manner. We are especially concerned about the Smart Limit order type which relies on the existing TMX Quote Decay Signal (“QDS”) and further expands its discretionary functionality. FIA PTG generally opposes exchange provided discretionary order pricing functionality like QDS and the IEX Crumbling Quote Indicator⁴ as in both instances, the exchange assumes some of the order-handling – including price movement and best execution responsibilities historically left to the broker-dealer. We encourage the Exchange not to move forward with these new order types and to leave these functionalities to the algorithms and smart order routers commonly used in today’s marketplace.

While we appreciate that neither Alpha-X nor Alpha-DRK are protected markets and accordingly our members will not be under any regulatory obligation to support these new venues, we remain concerned about the negative impact of these types of orders on overall market quality.

If you have any questions or need more information, please contact Joanna Mallers (jmallers@fia.org).

Respectfully,

FIA Principal Traders Group



Joanna Mallers
Secretary

cc: Market Regulation Branch

⁴ See [Letter from Joanna Mallers, Secretary, FIA PTG to Brent J. Fields, Secretary, SEC, dated September 21, 2017](#) (“IEX Crumbling Quote Indicator Letter”).