

B.11.2.2 Nasdaq CXC Limited – Proposed Changes and Request for Comment – Notice

NASDAQ CXC LIMITED

NOTICE OF PROPOSED CHANGES AND REQUEST FOR COMMENT

Nasdaq CXC Limited (Nasdaq Canada) has announced plans to implement the changes described below subject to regulatory approval. Nasdaq Canada is publishing this Notice of Proposed Changes 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). Pursuant to the Exchange Protocol, market participants are invited to provide the Commission with comment on the proposed changes.

Comment on the proposed changes should be in writing and submitted by June 9, 2025 to:

Trading and Markets Division
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON M5H 3S9
Email: tradingandmarkets@osc.gov.on.ca

And to

Matt Thompson
Chief Compliance Officer
Nasdaq CXC Limited
25 York St., Suite 900
Toronto, ON M5J 2V5
Email: matthew.thompson@nasdaq.com

Comments received will be made public on the OSC website. Upon completion of the review by OSC staff, and in the absence of any regulatory concerns, notice will be published to confirm the completion of Commission staff's review and to outline the intended implementation date of the changes.

NASDAQ CXC LIMITED**NOTICE OF PROPOSED CHANGES****DESCRIPTION OF PROPOSED CHANGES**

Nasdaq Canada is proposing to make the following five changes to the CXD Trading Book (together, “Proposed Changes”):

- i. remove the Liquidity Seeking Order (LS) from PureStream’s market model;
- ii. introduce an independent CXD Conditional Order Book supporting CXD Conditional Orders;
- iii. introduce an Extended Firm-Up Time Conditional Order (XFT);
- iv. introduce PureStream Connect; a service allowing Members to opt-in to have CXD Conditional Orders also be able to interact with PureStream Orders; and
- v. introduce CXD Connect; a service allowing Members to opt-in to have eligible orders entered in the CXD Central Limit Order Book (“CXD CLOB”, or “CXD”) to also be able to interact with CXD Conditional Orders on the CXD Conditional Order Book when certain conditions are met.

Details of the Proposed Changes are provided below.

I. REMOVING THE LIQUIDITY SEEKING ORDER FROM THE PURESTREAM ORDER BOOK

The PureStream Order Type (PureStream), supported on the CXD Trading Book is a unique market model where orders are paired based on specified liquidity transfer rates instead of price (“LTR” or the percentage volume of a Reference Trade¹ a Member is willing to trade). Members can use a variety of orders with predefined LTR parameters, or they can customize orders with specific LTR ranges better aligned to meet their trading objectives (collectively “Streaming Orders”). In addition to Streaming Orders, Members are also able to currently enter Liquidity Seeking Orders (LS Orders) that are unique from Streaming Orders in two ways: LS Orders have an LTR that is not constrained, and LS Orders are able to interact with, and trade against, other LS Orders at the midpoint of the NBBO without a Reference Trade being reported. For these reasons, LS Orders are often used to seek out and source contra-side block sized liquidity at the midpoint of the NBBO. All PureStream Orders (Streaming and LS Orders) must meet the PureStream Minimum Order Size which is greater than 50 standard trading units and \$30,000 in notional value or greater than \$100,000 in notional value.

Nasdaq Canada is proposing to remove the LS Order from PureStream’s suite of order types. Going forward PureStream will only accept Streaming Orders. Members will continue to be able to select from the three predefined LTR constraints available today (5% - 15%; 5% - 30%; and 200%) and will continue to be able to enter orders specifying a customized LTR range. We note that Members choosing to use a custom LTR Order must specify a minimum and maximum LTR rate where the maximum LTR upper limit cannot exceed 500%.

By removing the LS Order from PureStream, PureStream will become an Order Book exclusively generating trades from Streaming Orders when Reference Trades are reported. PureStream will no longer support orders that are able to match at the midpoint in the absence of a Reference Trade.

II. THE CXD CONDITIONAL ORDER BOOK

Nasdaq Canada is proposing to introduce a CXD Conditional Order Book that will operate as an independent pool of liquidity on the CXD Trading Book separate and distinct from PureStream and the CXD CLOB. Trades executed in the CXD Conditional Order Book will be identified with their own unique liquidity marker that will be disseminated in CXD’s market data feed and provided to the Information Processor in accordance with National Instrument 21-101. The CXD Conditional Order Book will also support its own independent trading fee schedule.

The CXD Conditional Order Book will support Conditional Orders and accept IOC orders that meet the CXD Conditional Minimum Size (see below). Like Conditional Orders on PureStream today, a CXD Conditional Order will not require a firm commitment to trade from a Member when the order is entered. Instead, a CXD Conditional Order will become eligible to trade only after a firm-up request has been sent to the Member that entered the order and the Member has acted on it. Members using a CXD Conditional Order will have 100 ms to respond to a firm-up request (the length of the firm-up time for a CXD Conditional Order can be modified at the discretion of the Exchange). Because of this length of time, the CXD Conditional Order is designed to generally be used by

¹ A Reference Trade is defined as:

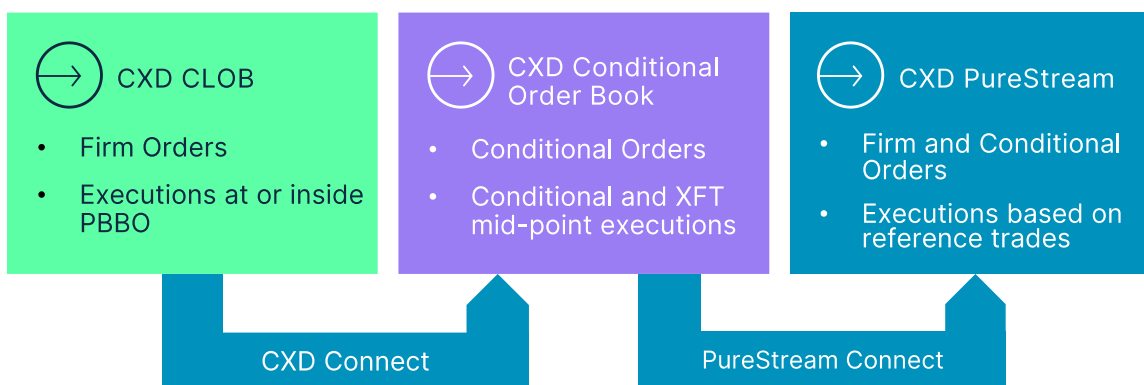
- Any trade of at least one standard trading unit of a particular security displayed in a consolidated market display other than a reported trade resulting from a match between two PureStream orders (subject to certain exceptions including a Basis Order, Call Market Order, Closing Price Order, Special Terms Order unless the Special Terms Order has executed with an order or orders other than a Special Terms Order or a Volume Weighted Average Price Order.

automated trading systems. Qualifying IOC Orders entered in the CXD Conditional Order Book will be held up for the time of the CXD Conditional firm-up period if there is a contra-side CXD Conditional Order.

CXD Conditional Orders will be eligible to interact with other CXD Conditional Orders, CXD Connect Orders (see Section V below) when certain conditions are met, IOC Orders that meet the CXD Conditional Minimum Size and Extended Firm-Up Time (XFT) Conditional Orders (see Section III below). Trades in the CXD Conditional Order Book will execute only at the midpoint of the NBBO. CXD Conditional Orders have a minimum order size that is greater than 50 standard trading units and \$30,000 in notional value or greater than \$100,000 in notional value in accordance with UMIR 6.6. Matching Priority for the CXD Conditional Order Book will be determined by Broker/Size/Time.

PureStream currently allows Members to apply a conditional parameter to any PureStream Order. This option will continue to be provided to Members for Streaming Orders.

Proposed CXD Trading Book



III. EXTENDED FIRM-UP TIME CONDITIONAL ORDER (XFT)

Nasdaq Canada is proposing to introduce a second Conditional Order that will be supported by the CXD Conditional Order Book. The Extended Firm-Up Time Conditional Order (XFT) will provide Members similar benefits as those offered by Conditional Orders available today. Like CXD Conditional Orders, the XFT will not require a firm commitment to trade. Instead, a trade will result only if a firm-up request is received and then acted on by the Member. However, whereas the firm-up request response time for a CXD Conditional Order is 100 ms, Members using the XFT will be provided with an extended time of 20 seconds in which to respond (the length of the firm-up time for the XFT can be modified at the discretion of the Exchange). Because of its longer response time, the XFT is designed to be used by human or manual traders who generally require more time to decide whether to respond to a firm-up request.

Through the combination of CXD Conditional Orders and XFTs, the CXD Conditional Order Book will provide the benefits of Conditional Orders to all types of trading participants. Matching priority for XFT Orders will follow CXD Conditional Order Book's matching priority (Broker/Size/Time). Similar to CXD Conditional Orders, XFT Orders must also meet the CXD Conditional Order Minimum Size (what is the greater of 50 standard trading units and \$30,000 in notional value or greater than \$100,000 in notional value in accordance with UMIR 6.6) to be accepted by the System. XFT Orders will be eligible to only trade at the midpoint of the NBBO and trades will be identified with the same liquidity marker used for other CXD Conditional Order Book executions and disseminated in CXD's market data feed and provided to the Information Processor in accordance with National Instrument 21-101.

Because of the different firm-up times for XFT and CXD Conditional Orders, each type of Conditional Order will have different constraints regarding the contra-side orders they can interact with. Also because of different firm-up times for CXD Conditional Orders and XFT Conditional Orders, when a CXD Conditional Order is available to trade with a XFT Conditional Order, a firm-up request will be sent to the Member that entered the XFT Order first. A firm-up request will be sent to the Member that entered the CXD Conditional Order only after the Member entering the XFT Order has acted on the firm-up request and has firmed up the XFT Order.

XFT Orders will be able to interact with:

- Other XFT Orders; and
- CXD Conditional Orders.

CXD Conditional Orders will be able to interact with:

- Other CXD Conditional Orders;
- XFT Orders;
- CXD Connect Orders; and
- IOC Orders that meet the CXD Conditional Minimum Size.

EXAMPLES

For each example below the NBBO should be assumed to be \$10.00 – \$10.01.

EXAMPLE 1: XFT Conditional Order Executes Against Another XFT Conditional Order

Order Number	Order Type	Side	Order Qty	Order Price
1	XFT Conditional	B	10,000	\$10.005

Actions:

1. Order #2 XFT Conditional Order entered to sell 10,000 shares @ \$10.005 at time T
2. Order #1 receives firm-up request at time T
3. Order #2 receives firm-up request at time T
4. Order #1 responds with firm-up response at time T+10 s
5. Order #2 responds with firm-up request at time T+15 s
6. Order #2 matches against Order #1 for 10,000 shares at \$10.005 at time T+15 s

EXAMPLE 2: XFT Conditional Order Falls-down Against Another XFT Conditional Order

Order Number	Order Type	Side	Order Qty	Order Price
1	XFT Conditional	B	10,000	\$10.005

Actions:

1. Order #2 XFT Conditional Order entered to sell 10,000 shares @ \$10.005 at time T
2. Order #1 receives firm-up request at time T
3. Order #2 receives firm-up request at time T
4. Order #2 responds with firm-up request at time T+10 s
5. Order #1 timer expires (falls-down) at T+20 s
6. Order #2 receives unsolicited cancel

EXAMPLE 3: XFT Conditional Order Executes Against a CXD Conditional Order

Order Number	Order Type	Side	Order Qty	Order Price
1	XFT Conditional	B	10,000	\$10.005

Actions:

1. Order #2 CXD Conditional Order entered to sell 10,000 shares @ \$10.005 at time T
2. Order #1 receives firm-up request at time T

3. Order #1 responds with firm-up request at time T+10 s
4. Order #2 receives firm-up request at time T+10 s
5. Order #2 responds to firm-up request at time T+10.050 S
6. Order #2 matches against Order #1 for 10,000 shares at \$10.005 at time T+10.050 s

EXAMPLE 4: XFT Conditional Order Falls-down against a CXD Conditional Order

Order Number	Order Type	Side	Order Qty	Order Price
1	XFT Conditional	B	10,000	\$10.005

Actions:

1. Order #2 XFT Conditional Order entered to sell 10,000 shares @ \$10.005 at time T
2. Order #1 receives firm-up request at time T
3. Order #1 timer expires (falls-down) at T+20 s

EXAMPLE 5: CXD Conditional Order Falls-down Against XFT Conditional Order

Order Number	Order Type	Side	Order Qty	Order Price
1	CXD Conditional	B	10,000	\$10.005

Actions:

1. Order #2 XFT Conditional Order entered to sell 10,000 shares @ \$10.005 at time T
2. Order #2 receives firm-up request at time T
3. Order #2 responds with firm-up request at time T+10 s
4. Order #1 receives firm-up request at time T+10 s
5. Order #1 timer expires (falls-down) at T+10.100 s
6. Order #2 receives unsolicited cancel

IV. PURESTREAM CONNECT

PureStream Connect is a service providing Members the option to have CXD Conditional Orders seamlessly interact with both Streaming Orders in PureStream and CXD Conditional Orders in the CXD Conditional Order Book. Members must opt-in on an order-by-order basis. If a Member opts-in, a CXD Conditional Order will move from the CXD Conditional Order Book to the PureStream Order Book and then back to the CXD Conditional Order Book if a CXD Conditional Order becomes available to trade against (PureStream Connect Order). If a contra-side order is not immediately available in the CXD Conditional Order Book upon order entry, a PureStream Connect Order will move to the PureStream Order Book where it will become eligible to be paired in a Stream. PureStream Connect provides Members the benefits of executing against available volume in a Stream while also being able to trade against large sized orders at the midpoint on the CXD Conditional Order Book. While all CXD Conditional Orders are eligible for PureStream Connect there is no requirement for Members to use this service.

Any Matches that are generated on PureStream from a PureStream Connect Order will continue to be identified with the PureStream liquidity marker. Conversely, any PureStream Connect Order that trades in the CXD Conditional Order Book will be identified with the CXD Conditional Order Book liquidity marker. The applicable trading fee schedule will apply to trades in the Order Book where a PureStream Connect Order trades.

EXAMPLES**Example 1: PureStream Connect Order is Paired in a Stream and then Remainder is Executed at the Mid-Point in the CXD Conditional Order Book**

		BID	ASK		LTR
NBBO		10.00	10.01		
CXD Conditional Order Book	B (20,000)	10.005			
	B (10,000)	10.01			
CXD PureStream			9.99 (limit)	S (20,000)	10%

- Action:
1. A PureStream Connect Order is entered to buy 30,000 shares at \$10.02
 2. The PureStream Connect Order is paired in a Stream with a CXD PureStream order to sell 20,000 shares at \$9.99 with an LTR of 10%
 3. A Reference Trade occurs for 2,000 shares at \$10.00
 4. A PureStream match is generated in response for 200 shares at \$10.00 (10% of 2000 shares)
 5. A CXD Conditional Order is entered to sell 100,000 shares at \$10.00
 6. The PureStream Connect Order executes 29,800 shares at \$10.005 against the CXD Conditional order to sell 100,000 shares

Example 2: PureStream Connect Order Immediately Executes at the Mid-Point in the CXD Conditional Order Book

		BID	ASK		LTR
NBBO		10.00	10.01		
CXD Conditional Order Book	B (20,000)	10.005			
	B (10,000)	10.01			
CXD PureStream	B (20,000)	9.99 (limit)			10%

- Action:
1. A PureStream Connect Order is entered to sell 30,000 shares at \$10.00
 2. The PureStream Connect Order immediately executes 20,000 shares at \$10.005 against the CXD Conditional Order to buy 20,000 shares and then executes 10,000 shares at \$10.005 against the CXD Conditional Order to buy 10,000 shares

Example 3: PureStream Connect Order is Paired in a Stream when Broker Preferencing is Invoked and the Remainder is Executed at the Mid-Point in the CXD Conditional Order Book

		BID	ASK		LTR
NBBO		10.00	10.01		
CXD Conditional Order Book	B (20,000) (broker 020)	10.005			
	B (10,000) (broker 030)	10.01			
CXD PureStream	B (20,000) (broker 010)	10.02 (limit)			10%

- Action:
1. A PureStream Connect Order is entered by broker 010 to sell 15,000 shares at \$9.99
 2. The PureStream Connect Order is paired in a Stream with a CXD PureStream order to buy 20,000 shares at \$10.02 with an LTR of 10%
 3. A Reference Trade occurs for 2,000 shares at \$10.00
 4. A PureStream match is generated for 200 shares at \$10.00 (10% of 2000 shares)
 5. The PureStream order to buy 20,000 shares at \$10.02 is cancelled
 6. The PureStream Connect Order executes 14,800 shares at \$10.005 against the CXD Conditional order to buy 20,000 shares

V. CXD CONNECT

CXD Connect is a service that will provide Members the option to have Eligible Orders (see definition below) entered in the CXD CLOB cross over or “connect” with orders in the CXD Conditional Order Book. Members choosing this option can do so on an order-by-order basis using either a new FIX value or by using a default setting at the port level that will apply to all orders meeting the CXD Conditional Order size entered from that port. There is no requirement for Members to use CXD Connect. CXD Orders will not be eligible for CXD Connect by default.

CXD CONNECT ELIGIBLE ORDERS (“ELIGIBLE ORDERS” OR “CXD CONNECT ORDERS”)

A CXD Order is required to meet the following conditions to qualify for CXD Connect: (**CXD Connect Eligibility Criteria**):

- The Member must opt-in to use CXD Connect;
- The order must be priced at the midpoint of the NBBO or better (higher than the mid-point in the case of a buy order or lower than the midpoint in the case of a sell order);
- The remaining order quantity must meet the **CXD Conditional Order Minimum Size** requirement (which is the greater of 50 standard trading units and \$30,000 in notional value or greater than \$100,000 in notional value in accordance with UMIR 6.6) after all available liquidity is displaced on CXD first.

WHEN IS CXD CONNECT AVAILABLE?

CXD Connect is available during the CXD Trading Book’s normal trading session hours from 9:30am to 4:00pm EST.

HOW DOES CXD CONNECT WORK?

When a Member enters an order on CXD that meets the CXD Connect Eligibility Criteria, the order will first sweep all immediately available liquidity on CXD and match with these orders following the normal CXD matching priority process (Price/Broker/Time priority). If, after all liquidity has been displaced on CXD and the remaining size of the order meets the CXD Conditional Minimum

Size, the order will be eligible to cross over or “connect” with the CXD Conditional Order Book. Where a CXD Conditional Order is available (or when a CXD Conditional Order becomes available) the CXD Connect Order will cross over and initiate a firm-up request being sent to the Member that entered the CXD Conditional Order. No information about the CXD Connect Order is communicated to the user of a CXD Conditional Order. When the CXD Connect Order has crossed over from the CXD CLOB to the CXD Conditional Order Book the order will not be available to trade on the CXD CLOB. Order matching between CXD Connect Orders and CXD Conditional Orders will follow the matching priority process of the CXD Conditional Order Book (Broker/Size/Time). CXD Connect Orders will not interact with a PureStream Order or be eligible for PureStream Connect.

CXD CONNECT IOC ORDERS

If a CXD Connect Order is marked IOC any shares remaining after the order executes against orders in the CXD Conditional Order Book will be immediately cancelled back to the Member.

CXD CONNECT NON-IOC ORDERS

If a CXD Connect Order is not marked IOC (i.e. a Day Order), any shares remaining after the order executes against orders in the CXD Conditional Order Book will return to the CXD CLOB where the residual size of the order will be posted at its limit price and be eligible to interact with other CXD Orders following CXD’s normal order handling and matching process.

If the remaining shares of the CXD Connect Order fall below the CXD Conditional Minimum Size, the order will continue to be posted indefinitely on CXD because the order has failed to meet the CXD Connect Eligibility Criteria. However, if the remaining shares of the CXD Connect Order posted in CXD continue to meet or exceed the CXD Conditional Minimum Size, the order will continue to be eligible to cross over and connect with the CXD Conditional Order Book again if a contra-side CXD Conditional Order becomes available. Where two or more CXD Connect Orders with the same trading interest are available in CXD when a contra-side CXD Conditional Order is entered in the CXD Conditional Order Book, orders will cross over based on their time priority – the first CXD Connect Order entered on CXD will cross over first.

EXAMPLES

For the following examples please note that any interaction with a CXD Conditional Order first requires a firm-up request to be sent, and accepted, by the Member that entered the CXD Conditional Order in order to trade.

Example 1: CXD Connect IOC Order Fully Executes in the CXD Conditional Order Book

		BID	ASK	
NBBO		10.00	10.01	
CXD Book	B (100)	10.005		
	B (10,000)	10.00		
CXD Conditional Order Book	B (20,000)	10.01 (limit)		

- Action:
1. A CXD Connect IOC Order is entered to sell 10,000 shares at \$10.005
 2. The CXD IOC Connect Order sweeps CXD and executes 100 shares against the available CXD Order at its limit price of \$10.005 leaving 9,900 shares which meets the CXD Conditional Minimum Size
 3. The CXD IOC Connect Order crosses over to the CXD Conditional Order Book and executes the remaining 9,900 shares at the midpoint of the NBBO or \$10.005

Example 2: CXD Connect Order Day Order Fully Executes in the CXD Conditional Order Book

		BID	ASK	
NBBO		10.00	10.01	
CXD Book	B (100)	10.005		
	B (10,000)	10.00		
CXD Conditional Order Book	B (20,000)	10.01 (limit)		

- Action:
1. A CXD Connect Day Order is entered to sell 10,000 shares at \$10.005
 2. The CXD Connect Order sweeps CXD and executes 100 shares at its limit price of \$10.005 leaving 9,900 shares which meets the CXD Conditional Minimum Size
 3. The CXD Connect Order crosses over to the CXD Conditional Book and executes the remaining 9,900 shares at the midpoint of the NBBO or \$10.005

Example 3: CXD IOC Connect Order Partially Filled in the CXD Conditional Order Book

		BID	ASK	
NBBO		10.00	10.01	
CXD Book			10.005	S (100)
			10.01	S (10,000)
CXD Conditional Order Book			10.00 (limit)	S (20,000)

- Action:
1. A CXD Connect IOC Order is entered to buy 50,000 shares at \$10.005
 2. The CXD IOC Connect Order sweeps CXD and executes 100 shares at its limit price of \$10.005 leaving 49,900 shares which meets the CXD Conditional Minimum Size
 3. The CXD IOC Connect Order crosses over to the CXD Conditional Order Book and executes 20,000 shares against the CXD Conditional Sell Order at the midpoint of the NBBO or \$10.005 leaving 29,900 shares
 4. The remaining 29,900 shares are cancelled back to the Member

Example 4: CXD Connect Day Order Partially Executes in the CXD Conditional Order Book

		BID	ASK	
NBBO		10.00	10.01	
CXD Book			10.005	S (100)
			10.01	S (10,000)

B.11: CIRO, Marketplaces, Clearing Agencies and Trade Repositories

		BID	ASK	
CXD Conditional Order Book			10.00 (limit)	S (20,000)

- Action: 1. A CXD Connect Day Order is entered to buy 50,000 shares at \$10.005
2. The CXD Connect Order sweeps CXD and executes 100 shares at its limit price of \$10.005 leaving 49,900 shares which meets the CXD Conditional Minimum Size
3. The CXD Connect Order crosses over to the CXD Conditional Book and executes 20,000 shares against the CXD Conditional Sell Order at the midpoint of the NBBO or \$10.005 leaving 29,900 shares
4. The remaining 29,900 shares cross back over to CXD where they are posted in the CXD Order book

		BID	ASK	
NBBO		10.00	10.01	
CXD Book	B (29,000)	10.005	10.01	S (10,000)
CXD Conditional Order Book				

Example 5: Resting CXD Connect Day Order Crosses over to the CXD Conditional Order Book

		BID	ASK	
NBBO		10.00	10.01	
CXD Book			10.005	S (50,000) Connect
			10.005	S (1,000)
CXD Conditional Order Book				

- Action: 1. A CXD Conditional Order is entered to buy 10,000 shares with a limit price of \$10.01 which is immediately available to trade with the 50,000 share CXD Connect Order

		BID	ASK	
NBBO		10.00	10.01	
CXD Book			10.005	S (50,000) Connect
			10.005	S (1,000)
CXD Conditional Order Book	B (10,000)	10.01 (limit)		

B.11: CIRO, Marketplaces, Clearing Agencies and Trade Repositories

		BID	ASK	

Action: 2. The CXD Connect Order crosses over to the CXD Conditional Book and executes 10,000 shares at the midpoint of the NBBO or \$10.005 leaving 40,000 shares

3. The remaining 40,000 shares cross back to CXD where they are posted at the order's limit price of \$10.005

		BID	ASK	
NBBO		10.00	10.01	
CXD Book			10.005	S (40,000) Connect
			10.005	S (1,000)
CXD Conditional Order Book				

Action: 4. A CXD Conditional Order is entered to buy 36,000 shares with a limit price of \$10.01 which is immediately available to trade with the 40,000 share CXD Connect Order

		BID	ASK	
NBBO		10.00	10.01	
CXD Book			10.005	S (40,000) Connect
			10.005	S (1,000)
CXD Conditional Order Book	B (36,000)	10.01 (limit)		

Action: 5. The CXD Connect Order crosses over again to the CXD Conditional Book and executes 36,000 shares at the midpoint of the NBBO or \$10.005 leaving 4,000 shares

6. The remaining 4,000 shares cross back over to CXD where they are posted at the order's limit price of \$10.005

		BID	ASK	
NBBO		10.00	10.01	
CXD Book			10.005	S (4,000) Connect
			10.005	S (1,000)
CXD Conditional Order Book				

Action: 7. A CXD Conditional Order is entered to buy 6,000 shares with a limit price of \$10.01.

8. The 4,000 share sell order is below the CXD Conditional Minimum Size and therefore is not eligible to cross over to the CXD Conditional Order Book again.

		BID	ASK	
NBBO		10.00	10.01	
CXD Book			10.005	S (4,000) Connect
			10.005	S (1,000)
CXD Conditional Order Book	B (6000)	10.005		

Example 6: CXD Execution occurs at the same time when a CXD Connect Order Crosses over

		BID	ASK	
NBBO		10.00	10.01	
CXD Book			10.005	S (50,000) Connect
			10.005	S (1,000)
CXD Conditional Order Book				

- Action: 1. A CXD Conditional Order is entered to buy 10,000 shares with a limit price of \$10.01 which is immediately available to trade with the 50,000 share CXD Connect Order

		BID	ASK	
NBBO		10.00	10.01	
CXD Book			10.005	S (50,000) Connect
			10.005	S (1,000)
CXD Conditional Order Book	B (10,000)	10.01 (limit)		

- Action: 2. The CXD Connect Order crosses over to the CXD Conditional Book and executes 10,000 shares at the midpoint of the NBBO or \$10.005 leaving 40,000 shares
3. At the same time a buy order for 100 shares is entered on CXD with a 10.005 limit price.
4. The 100 share CXD Order executes against the 1,000 share sell order at 10.005 on CXD
5. The remaining 40,000 shares of the CXD Connect Order cross back over to CXD where they are posted at the order's limit price of \$10.005

		BID	ASK	
NBBO		10.00	10.01	
CXD Book			10.005	S (40,000) Connect
			10.005	S (900)
CXD Conditional Order Book				

Expected Date of Implementation

The Proposed Changes will be introduced after regulatory approval has been received and participants have been given a reasonable time to make changes to their systems.

Rationale and Relevant Supporting Analysis

Removing the LS Order on PureStream and Creating Three Distinct Order Books within the CXD Trading Book

We are removing the LS Order from the PureStream Order Book and introducing the CXD Conditional Order Book to create clear separation between the CXD Trading Books's three independent pools of liquidity. Each independent pool will offer unique characteristics catering to three different use cases designed to achieve different trading objectives:

- The CXD CLOB will be ideally suited for firm orders of any size looking to execute immediately and with the possibility of price improvement;
- The CXD Conditional Order Book will be ideally suited for large size Conditional Orders trading at the midpoint and;
- The PureStream Order Book will only support Streaming Orders for participants looking to trade in a percentage of consolidated volume at a VWAP price.

Currently, an LS Order can be entered as either a conditional or firm order. The LS Order also currently provides Members with two trading outcomes; the order can be paired in a Stream and trade in response to a Reference Trade being reported or, it can match at the midpoint against other LS Orders. While both options offer unique and different value to Members, these two features are not always well understood. We are removing the LS Order from the PureStream Order Book and introducing the CXD Conditional Order Book so that Members will more easily understand that PureStream should be used for Streaming Orders and the CXD Conditional Book should be used to execute large sized Conditional Orders at the midpoint.

We believe that introducing the CXD Conditional Order Book and clearly separating the three Order Books from one another will make it easier for Members to understand, and in turn encourage, the use of the Order Book that is most suitable to achieve a Member's trading objectives. Each market model is different and distinct, offering its own value proposition. Whereas CXD offers immediate opportunities for execution and price improvement, CXD Conditional Orders offer meaningful size discovery without having to commit to a trade. Streaming Orders offer the benefits of receiving a selected rate of participation of consolidated trading volume for a security while at the same time minimizing market impact. Whereas a CXD Conditional Order is ideally searching for an opportunity to fully execute against an order at the midpoint at one point in time, a Streaming Order is looking to trade multiple times and at multiple prices over the life of the order.

For Members looking to benefit from the value propositions of more than one Order Book, we are introducing CXD Connect and PureStream Connect that will integrate liquidity from different Order Books and in turn increase available liquidity across the entire CXD Trading Book. CXD Connect will allow qualifying large size orders to cross over or "connect" with orders in the CXD Conditional Order Book and PureStream Connect will allow CXD Conditional Orders to be paired in Streams when no liquidity is available in the CXD Conditional Order Book. By providing the option for Members to interact with more than one Order Book, execution opportunities will increase across the entire CXD Trading Book universe and better execution outcomes will occur.

We believe creating a stand-alone CXD Conditional Order Book will make it easier for Members to enter Conditional Orders in the CXD Trading Book in a similar way that they do on other marketplaces that support Conditional Orders today. It is common for participants to enter a single order as multiple Conditional Orders across different venues and for all Conditional Orders entered on other marketplaces to be cancelled when a firm-up request from one venue is acted on by a participant. The conditional functionality where a firm-up request is required to be acted on in order to trade offers participants protection from executing the

same order on multiple venues. Because of the conditional feature a participant can search for liquidity anonymously across several venues without taking on the risk of being overfilled or having the same order execute more than once. By creating a CXD Conditional Order Book where only CXD Conditional Orders can interact with other CXD and XFT Conditional Orders (and IOC and CXD Connect Orders under certain conditions), the CXD Conditional Order Book will facilitate participants selecting the CXD Trading Book to be a primary venue to send Conditional Orders.

INTRODUCTION OF THE XFT

The introduction of the XFT Order will offer manual or human traders the same benefits as the CXD Conditional Order that would otherwise be limited to Members using automated trading tools. As discussed above Conditional Orders provide participants the ability to search for, and source, liquidity anonymously across multiple marketplaces without incurring the risk of being overfilled. The practice of entering a single order as multiple Conditional Orders across several venues and then cancelling all Conditional Orders entered on other marketplaces when a firm-up request is received and acted on by a participant on one venue can be used by either automated systems or manual traders. The difference is that an automated system can process information and respond to firm-up requests significantly faster than human traders. By providing Members with an extended time to respond to a firm-up request (20 seconds) the XFT will accommodate the needs of manual traders and in turn democratize the benefits of Conditional Orders across different types of Members.

Because a Conditional Order is often entered as multiple Conditional Orders across multiple venues the introduction of the XFT will help Nasdaq Canada compete with other trading venues to capture more Conditional Order flow and in turn overall market share. Today, MatchNow supports two types of conditional order interactions where each conditional order interaction has a different firm-up request response time. Like the CXD Conditional Order, one type of MatchNow conditional order interaction has a very short firm-up time (one second) and is therefore better suited for use by automated trading systems. The other conditional order interaction has a longer firm-up time (30 seconds) and can be used only by Sponsored Users or buy side manual traders. Because of its short firm-up time the use of the CXD Conditional Order and PureStream Orders entered with a conditional order parameter are limited to automated trading systems. With the introduction of the XFT Order Nasdaq Canada will be able to compete for Conditional Order flow from manual traders by providing another option designed to facilitate their trading needs.

CXD Connect

CXD Connect is being introduced to create efficiencies for Members using the CXD Trading Book by allowing Members entering orders on CXD to be able to source, and trade against block size liquidity in the CXD Conditional Order Book. This in turn will also provide Members using CXD Conditional Orders with an additional source of liquidity to access and trade against.

It is common for participants to use dark pools as destinations for entering orders at the midpoint of the NBBO to search for price improvement opportunities before entering an order (or the residual size of the order) on a lit marketplace and crossing the spread. Because the CXD Trading Book is one of the largest dark pools in Canada it is often used for this purpose. However, today, a large size order entered on CXD is limited to interacting only with other orders on CXD. CXD Connect will provide Members the option of interacting and trading with an additional pool of liquidity from the CXD Conditional Order Book that in turn will provide more execution opportunities, better execution rates and help Members achieve improved trading outcomes.

As discussed above, as a result of market fragmentation it can be challenging for participants to source meaningful liquidity across multiple venues. This is particularly true for Members handling institutional accounts which trade large block size orders that can significantly impact the price of a security. CXD Connect will therefore provide Members using CXD Conditional Orders an additional source of liquidity to help their trading performance.

Expected Impact on Market Structure

The introduction of the CXD Conditional Order Book, CXD Connect and PureStream Connect will benefit Members by creating distinct trading destinations with market structure characteristics specifically designed to facilitate different trading outcomes contained within one Trading Book. Trading efficiencies will be created by providing opportunities for orders to interact between three independent pools of liquidity that in turn will create additional trading and price improvement opportunities and overall improve trading performance. Because institutional orders typically are larger in size (large retail orders from Wealth Management Clients and family offices also can generate large size orders) these accounts may be able to particularly benefit from CXD Connect and in turn their investors. Finally, Because of increased execution opportunities for large sized orders, we also expect that CXD Connect and PureStream Connect will continue to support the ongoing trend where block sized orders in the “upstairs” market are being executed on electronic trading platforms.

The CXD and XFT Conditional Orders will introduce additional trading tools for all types of Members to use in the CXD Trading Book. As discussed above, while CXD Conditional Orders are designed for automated trading tools, the XFT will accommodate the needs of manual traders using Conditional Orders. With the introduction of the XFT Conditional Order manual trading participants will have a second venue in Canada on which to consider trading Conditional Orders. These benefits in turn should result in greater size improvement opportunities, better execution outcomes and lower trading costs. While the use of CXD and XFT Conditional Orders will be made available to all Members, we anticipate their characteristics may provide particular benefit to institutional accounts with larger order sizes.

Expected Impact on the Exchange's Compliance with Ontario Securities Law

There is no expected impact on Nasdaq Canada's compliance with Ontario Securities Law.

a) Fair Access

The Proposed Changes comply with the fair access requirements of National Instrument 21-101 *Marketplace Operation*. CXD Connect and the CXD Conditional Order Book will be made available to all Members on the same terms and conditions. Every Member will also be given an equal opportunity to use CXD Connect and PureStream Connect, however the use of these services is completely optional and is not a requirement for access to any other service. Access to the CXD Trading Book itself is not a requirement of Nasdaq Canada Membership. Members must indicate their interest explicitly in an Appendix to their Nasdaq Canada Membership Agreement to be granted access. Furthermore, access to the CXD Trading Book is provided on the same terms and conditions to all Members equally. CXD Connect, PureStream Connect and the CXD Conditional Order Book are simply features providing all Members additional trading tools to consider when executing trading strategy.

The XFT will also be made available to all Members equally and on the same terms and conditions. Because of manual traders' need to have more time to decide whether to firm-up an order, the benefits of Conditional Orders that are currently limited to Members using automated trading systems will be expanded to them. In turn, the XFT will democratize the benefits of Conditional Orders across both manual and electronic trading participants and in turn enhance fair access.

b) Maintenance of a Fair and Orderly Market

CXD Connect will create efficiencies that will help support a more fair, orderly and competitive market consistent with the OSC's mandate.² As discussed previously the Canadian market is fragmented because of the large number of trading venues supporting separate pools of liquidity. CXD Connect and PureStream Connect will provide Members entering large sized orders on CXD the ability to source and trade against orders in other pools of liquidity on the CXD Trading Book. In turn, both services will provide users of CXD Conditional Orders with additional sources of liquidity with which to trade. In the case of CXD Connect this service will also remove an inefficiency that exists today where large orders entered on CXD are not able to trade against available CXD Conditional Orders. As a result, CXD Connect will help to optimize trading executions across the CXD Trading Book.

c) Order Protection Rule

CXD Connect is fully compliant with the Order Protection Rule which requires marketplaces to have policies and procedures reasonably designed to prevent trade-throughs on that marketplace. While CXD is a dark pool and is not protected for Order Protection Purposes, executions on CXD must comply with the rule. Given that users of CXD Conditional Orders have 100 ms to respond to a firm-up request before their order expires or "falls down," we believe that this time period is consistent with a policy that is reasonably designed to prevent trade-throughs on CXD.

There is also no impact from the introduction of the XFT Order on Nasdaq Canada's compliance with the Order Protection Rule. While the midpoint of the NBBO may change during the extended firm-up period, a print will only take place at the midpoint of the new NBBO when a firm-up request is accepted by both parties. By printing in real-time and by referencing the midpoint of the most current NBBO, compliance with the Order Protection will be ensured.

d) Competition

The introduction of the CXD Conditional Order Book will encourage competition for Conditional Orders across marketplaces. By separating CXD Conditional Orders from PureStream Streaming Orders, the CXD Conditional Book will become a preferred destination for users of Conditional Orders. This in turn will intensify competition between venues offering Conditional Orders that in turn should encourage innovation and lower costs.

e) Exemption from Transparency Requirement of NI 21-101

We note that where an invitation is automatically sent to a Member that has entered a (non-firmed-up) CXD Conditional Order because the system has detected a potential match with a CXD Connect, CXD Conditional Order, or XFT Order that invitation could be considered to be a "display" of the firm order that generated it; as such, it could be argued that subsection 7.1(1) of NI 21-101 would require Nasdaq Canada to immediately transmit that order information to an information processor—something that the CXD Trading Book, as a "dark" marketplace, does not do. Therefore, Nasdaq Canada is applying for exemptive relief from the pre-trade transparency requirements of subsection 7.1(1) for these new features.

Specifically, under separate cover, Nasdaq Canada is submitting an application to the OSC (with deemed notice to all other Canadian securities regulatory authorities), pursuant to section 15.1 of NI 21-101, for exemptive relief for the new CXD Conditional, CXD Connect order opt-in feature and the XFT Order and a variation and restatement of the decision issued by the OSC on August 18, 2022 for a similar opt-in for PureStream Orders (published here: <https://www.osc.ca/en/securities-law/orders-rulings->

² Subsection 1.1(b) of the Ontario Securities Act, R.S.O. c S.5

decisions/nasdaq-cxc-limited-1) (the "2022 Decision"). If granted, the exemptive relief would result in the variation and restatement of the 2022 Decision such that CXD Connect, CXD Conditionals PureStream Orders and XFT Orders would be permitted to opt-in to interact with Conditionals, notwithstanding the pre-trade transparency requirements of subsection 7.1(1) of NI 21-101. That being said, the new interactions in question will not be implemented until such time as the exemptive relief has been granted, or it has been determined in consultation with OSC staff that such relief is not required.

Consultation and Review

Consultations were undertaken with Members using large size orders on CXD and users of CXD Conditional Orders on PureStream. Both constituents realized the efficiencies that would be created from the Proposed Changes and in turn expressed their support.

Consultations were also undertaken with Members that use automated trading systems and who trade manually that are interested in using Conditional Orders. Both types of participants were supported of the Proposed Changes and the efficiencies and benefits they will bring.

Estimated Time Required by Subscribers and Vendors (or why a reasonable estimate is not provided)

The addition of a second liquidity marker for midpoint trades on the CXD Conditional Order Book will require some minor changes by Members to be made to their order entry sessions and their market data systems that consume CXD's market data feed. While these changes will require minimal work by participants, we understand that other technological changes may be already scheduled. For this reason, we expect to provide members with amended specifications for 90 days before the Proposed Changes will be implemented subject to regulatory approval.

Will Proposed Fee Change or Significant Change introduce a Fee Model or Feature that Currently Exists in other Markets or Jurisdictions

Yes. CBOE MATCHNow offers a similar interaction between its dark book, MATCHNow and the MATCHNow Conditional Book marketed as "Willing to Trade." MATCHNow's Willing-to Trade feature allows large size orders entered on MATCHNow that have opted-in and that meet a minimum order size to interact with MATCHNow's Conditional Book.

CBOE also offers a similar Conditional Order interaction where Sponsored Users (human traders) interacting with either other Sponsored Users or Members and are provided 30 seconds to respond to firm-up request.

Any questions regarding these changes should be addressed to Matt Thompson, Nasdaq CXC Limited: matthew.thompson@nasdaq.com, T: 647-243-6242

Appendix A

Text of the Public Interest Rule Change to Nasdaq Canada Trading Rules and Policies

1.1 Definitions and Interpretation

CXD Conditional Order Book	A facility of the CXD Trading Book accepting IOC, CXD and XFT Conditional Orders
CXD Conditional Order Minimum Order Size	The minimum order size required for a CXD Conditional Order to be accepted by the Exchange.
CXD Connect	A service providing Members the option to have CXD Connect Orders interact with orders on the CXD Conditional Order Book.
CXD Connect Eligibility Criteria	<p>An Order entered on the CXD Trading Book meeting the following conditions:</p> <ul style="list-style-type: none"> • The order must be priced at the midpoint of the NBBO or better (higher than the mid-point in the case of a buy order or lower than the midpoint in the case of a sell order); • A Member must opt-in on an order-by-order basis or by using a default setting at the port level that will apply to all orders meeting the CXD Conditional Order size entered from that port; • The remaining order quantity must meet the CXD Conditional Order Minimum Order Size.
CXD Connect Order	An Order that meets the CXD Connect Eligibility Criteria.
PureStream Connect	A service providing Members the option to have CXD Conditional Orders seamlessly interact on both PureStream and the CXD Conditional Order Book on an order-by-order basis.
XFT Minimum Order Size	The minimum order size required for an XFT Order to be accepted by the Exchange.

5.6.1 Order Types

ORDER TYPE	DEFINITION
CXD Conditional Order	"CXD Conditional Order" means an order entered on the CXD Conditional Order Book that meets the CXD Conditional Minimum Order Size and has a conditional execution order attribute.
XFT Conditional Order	"XFT" means an order entered on the CXD Conditional Order Book that meets the XFT Conditional Minimum Order Size and has a conditional execution order attribute that provides a longer time to respond to a firm-up request.

5.7.3 CXD Book

CXD is a dark book with matching based on price/broker/time priority. Orders entered on CXD that do not meet the minimum size requirements as defined by UMIR must provide incoming orders with minimum price improvement.

CXD Orders are attributed by default and are automatically eligible for broker preferencing. Members may not opt-out of broker preferencing for attributed orders.

Anonymous orders are eligible for broker preferencing. Jitney orders are not eligible for broker preferencing.

CXD supports Board Lot, Mixed Lot and Odd Lot orders.

CXD supports PureStream Orders where pairing priority is based on Broker/LTR/Size/PureStream Limit Price/Time. Only Board Lots can be entered as PureStream Orders.

CXD supports CXD and XFT Conditional Orders where matching priority is based on Broker/Size/Time.

CXD supports CXD Connect where Members can elect to have orders meeting the CXD Connect Eligibility Criteria entered on CXD interact with the CXD Conditional Order Book.

CXD supports PureStream Connect where Members can elect to have orders entered on the CXD Conditional Order Book to interact with PureStream Orders.