

NASDAQ CXC LIMITED
NOTICE OF PROPOSED CHANGE AND REQUEST FOR COMMENT

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 October 26, 2018 to:

Market Regulation Branch
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON M5H 3S8
Fax 416 595 8940
Email: marketregulation@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 CHANGE**

Nasdaq Canada provides Canadian-based institutional clients access to the Nasdaq Fixed Income trading system (NFI) operated by Nasdaq Canada's affiliate, Execution Access, LLC for the purposes of trading non-Canadian fixed income securities. NFI has announced plans to introduce the following change in Q4 2018 subject to regulatory approval. Nasdaq Canada is publishing this Notice of Proposed Changes in accordance with the requirements set out in the Exchange Protocol.

Summary of Proposed Changes

NFI is proposing to introduce a post-only order type (Post Only) for Subscribers. The Post Only is an order that is intended to provide liquidity to the market. A Post Only allows a Trader to enter an order that will rest (post) on the passive side of the order book. A Post Only cannot execute against the displayed or non-displayed contra-side BBO at the time of entry. Instead, if a Post Only is marketable at the time of entry Subscribers may select from one of the following two order handling processes:

- The Post Only will be re-priced by one price level on the passive side of the market or
- The Post Only will be rejected if the order is eligible to match against the contra-side BBO.

Examples

Example 1 Marketable Post Only Order entered on NFI that is repriced in 10Y Note

		BID	ASK	
NFI Book	10	100.13+	100.14	10

Action: A Post Only Order is entered to buy 10 at 100.14 on NFI

Result: The marketable Post Only order that would otherwise trade is repriced one tick increment more passively and booked at 100.13 + behind the previously resting orders at that price level.

		BID	ASK	
NFI Book	20	100.13+	100.14	10

Example 2 Marketable Post Only Order entered on NFI that is rejected

		BID	ASK	
NFI Book	10	100.13+	100.14	10

Action: A Post Only Order is entered to buy 10 at 100.14 on NFI

Result: The marketable Post Only is rejected. There is no change to the BBO.

		BID	ASK	
NFI Book	10	100.13+	100.14	10

Expected Date of Implementation

Subject to regulatory approval NFI is expecting to introduce this feature in Q4, 2018.

Rationale and Relevant Supporting Analysis

The Post Only is being introduced to provide Subscribers with an additional tool to better execute their trading strategies. By ensuring that an order designated Post Only will not trade actively, the Post Only will facilitate achieving many trading strategies including several passive market maker strategies.

Expected Impact on Market Structure Impact of the Changes

The Post Only order will provide an additional trading tool that can be used at discretion of the Subscriber to facilitate trading objectives.

Expected impact of Fee Change or Significant Change on Nasdaq CXC's Compliance with Ontario Securities Law and particularly with regard to Fair Access and the Maintenance of a Fair and Orderly Market

Not applicable.

Consultation and Review

This change is being made in response to feedback solicited from NFI Subscribers.

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

There is no time required by Members or Vendors to accommodate the new order type as it will be made available on the NFI trading platform.

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

Yes. The Post Only is supported by several equity exchanges and trading platforms.

Any questions regarding these changes should be addressed to Matt Thompson, Nasdaq CXC Limited: matthew.thompson@nasdaq.com, T: 416-647-6242