

## Chapter 13

# SROs, Marketplaces, Clearing Agencies and Trade Repositories

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### 13.2 Marketplaces

#### 13.2.1 Nasdaq CX and Nasdaq CX2 – Special Settlement Instructions – Notice of Proposed Changes and Request for Comment

##### NASDAQ CX AND NASDAQ CX2

##### NOTICE OF PROPOSED CHANGES AND REQUEST FOR COMMENT

Nasdaq CX and Nasdaq CX2 have announced plans to implement the change described below on June 21st, 2016 subject to regulatory approval. Nasdaq CX and Nasdaq CX2 are publishing this Notice of Proposed Changes in accordance with the requirements set out in the Process for the Review and Approval of the Information Contained in Form 21-101F2 and the Exhibits Thereto (ATS Protocol). Pursuant to the ATS 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 May 16, 2016 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](mailto:marketregulation@osc.gov.on.ca)

And to

Matt Thompson  
Chief Compliance Officer  
Chi-X Canada ATS Limited  
130 King St., W, Suite 2105  
Toronto, ON M5X 1E3  
Email: [matthew.thompson@chi-x.com](mailto:matthew.thompson@chi-x.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 CX AND NASDAQ CX2

### NOTICE OF PROPOSED CHANGES

Nasdaq CX and Nasdaq CX2 have announced plans to implement the change described below on June 21st, 2016 subject to regulatory approval. Nasdaq CX and Nasdaq CX2 are publishing this Notice of Proposed Changes in accordance with the requirements set out in the ATS Protocol.

#### Summary of Proposed Changes

Nasdaq CX and Nasdaq CX2 are proposing to introduce the option for subscribers to be able to enter intentional crosses with special settlement instructions. Today, both Nasdaq CX and Nasdaq CX2 only support orders entered with regular settlement instructions (T+3).

#### Expected Date of Implementation

Subject to regulatory approval we are expecting to introduce this feature on June 21st 2016.

#### Rationale and Relevant Supporting Analysis

It is a common practice and expectation for participants to be able to enter orders with special settlement instructions. At times, clients are in need of the proceeds received from a sale of a security faster than the normal T+3 settlement cycle. Similarly, a client may want to lock in the price of a security with funds that may be received later than the T+3 settlement period. For these reasons regulation both recognizes these orders and permits the atypical handling of them. A special settlement cross order is a non-standard order which is a defined term and a permitted exception in the Order Protection Rule and one of the orders included in the definition of a special terms order in UMIR.

Today Nasdaq CX and Nasdaq CX2 do not permit any special settlement instructions to be added to an order. This places both marketplaces at a competitive disadvantage as it does not qualify as a marketplace for consideration to place these orders. The rationale for these orders is to facilitate client orders and to attract these crosses in order to increase market share.

#### Expected Impact on Market Structure Impact of the Changes

We do not expect or anticipate that the proposed changes will have any significant impact on market structure or marketplace participants.

#### Consultation and Review

This change is being made in response to requests by subscribers.

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

From a development perspective, the use of these orders is optional so there is no work that is necessary to be performed by subscribers. Existing FIX protocol tags have been harmonized with those used for special settlement by TSX which also facilitates adoption. Most participants and vendors already support this order type on other marketplaces.

#### Discussion of any alternatives considered

No alternatives were considered.

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

The proposed significant change will not introduce a new feature into the market. Almost all lit marketplace support special settlement instructions for orders.

Any questions regarding these changes should be addressed to Matt Thompson, Chi-X Canada ATS Limited: [matthew.thompson@chi-x.com](mailto:matthew.thompson@chi-x.com), T: 416-304-6376