

13.2.2 Chi-X Canada ATS and CX2 Canada ATS – Notice of Proposed Changes and Request for Comment

**CHI-X CANADA ATS AND CX2 CANADA ATS
NOTICE OF PROPOSED CHANGES AND REQUEST FOR COMMENT**

Chi-X Canada ATS Limited has announced its plans to implement the change described below for both Chi-X Canada ATS and CX2 Canada ATS approximately two months after approval is received. We are publishing this Notice of Proposed Changes in accordance with the "Process for the Review and Approval of Rules and the Information Contained in Form 21-101F2 and the Exhibits Thereto". 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 July 22nd, 2013 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
Chi-X Canada ATS Limited
130 King St., W, Suite 2105
Toronto, ON M5X 1E3
Email: 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.

**CHI-X CANADA ATS AND CX2 CANADA ATS
NOTICE OF PROPOSED CHANGES**

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Summary of Proposed Changes

Chi-X Canada is proposing to introduce the ability for subscribers to enter a limit price on mid-peg orders at a half-tick increment. Currently both Chi-X Canada ATS and CX2 Canada ATS marketplaces support the ability for subscribers to enter a limit price for a mid-peg orders however limit prices must be denominated at a full-tick increment. As is the case today, limit prices do not impact execution priority or define the execution price of a mid-peg order. The execution price of a mid-peg orders continue to be calculated by the marketplace based on the mid-point of the prevailing NBBO. A limit price only sets a parameter whereby a subscriber's order can not execute above/below depending on which side of the market the order is on.

Expected Date of Implementation

The expected date of implementation will depend on when approval is received. It is anticipated that this functionality will be introduced within 2 months after approval is given.

Rationale and Relevant Supporting Analysis

Today the mid-peg order is permitted to execute at half-tick increment price levels. Subscribers are able to enter a limit price for these orders however a limit price must be at a full trading increment. Consequently, subscribers whose target price is at half-tick increment must bear the risk of executing above/below their target price. The impact of this change will be that this risk will be removed and therefore enable subscribers to more effectively execute their trading strategies in particular risk arbitrage and pair trading strategies.

Expected Impact on Market Structure Impact of the Changes

As outlined above, subscribers will be able to more easily manage risk. Other than providing the ability for subscribers to more effectively enter and exit certain trades at their target price, we see no other impact to market structure or the capital markets.

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

We see no impact from the proposed amendment on Chi-X Canada's ability to comply with the fair access provisions or the obligation to maintain a fair and orderly market under NI 21-101.

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)

Whether or not a subscriber or vendor requires any additional development to support a half-tick limit price for a mid-peg order depends on the subscriber or vendor's system. It is likely some work may be required by certain front end systems which is anticipated to not require much time.

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

Although there are no current existing features in the market today, the comment period for MatchNow's proposed "Better than limit" order type is now closed and being reviewed for approval.

Our understanding is that half-tick limit prices on mid peg orders are permitted in most other jurisdictions.

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