

Chapter 13

SROs, Marketplaces and Clearing Agencies

13.2 Marketplaces

13.2.1 Alpha ATS LP – Notice of Proposed Changes and Request for Feedback – New DAO Order Designations, Elimination of All or None Order, and Changes to Mixed Lot Order Handling

ALPHA ATS LP

NOTICE OF PROPOSED CHANGES AND REQUEST FOR FEEDBACK

NEW DAO ORDER DESIGNATIONS, ELIMINATION OF ALL OR NONE ORDER, AND CHANGES TO MIXED LOT ORDER HANDLING

Alpha ATS LP has announced its plans to implement the three changes described below in Q4 2011. It is publishing this Notice of Proposed Changes in accordance with the requirements set out in OSC Staff Notice 21-703 - *Transparency of the Operations of Stock Exchanges and Alternative Trading Systems*. Pursuant to OSC Staff Notice 21-703, market participants are invited to provide the Commission with feedback on the proposed changes.

Feedback on the proposed changes should be in writing and submitted by **October 24, 2011** to:

Market Regulation Branch
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Fax (416) 595-8940
Email: marketregulation@osc.gov.on.ca

And to:

Randee Pavalow
Head of Operations and Legal
Alpha ATS LP
70 York Street, suite 1501
Toronto, ON M5J 1S9
Email: randee.pavalow@alphatradingsystems.ca

Feedback 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.

**ALPHA ATS LP
NOTICE OF PROPOSED CHANGES**

Alpha ATS LP has announced its plans to implement the three changes described below in Q4 2011. It is publishing this Notice of Proposed Changes in accordance with the requirements set out in OSC Staff Notice 21-703.

Any questions regarding these changes should be addressed to Randee Pavalow, Head of Operations and Legal, Alpha ATS LP: randee.pavalow@alpha-group.ca, T: 647-259-0420

1. Alpha plans to introduce two new designations to provide price protection for DAO orders. The "Protect Cancel" order and "Protect Reprice" order.

Description of Proposed Changes and Reasons for Changes

Alpha plans on introducing two new order designations. When the Protect Cancel DAO designation is placed on an order, once that order is sent to Alpha it will execute, to the extent possible, at the NBBO before cancelling any residual volume that would cause a trade at a worse price than available on another marketplace, or unintentionally lock/cross the market.

Secondly, when the Protect Re-price DAO order designation is placed on an order, once that order is sent to Alpha it will execute, to the extent possible, at the NBBO before adjusting the price of any residual volume that would cause a trade at a worse price than available on another marketplace or unintentionally lock/cross the market. Orders will be re-priced to one tick from the opposite of the NBBO (NBO-1 for buy orders and NBB+1 for sell orders).

Expected Impact of the changes

These will be new order designation available to all subscribers. These new order designations are intended to reduce instances of unintentional locked or crossed markets and trades at worse prices than available on other marketplaces.

Consultations

Alpha received requests for these new order designations from its Subscribers.

Current implementation of changes in the Canadian marketplace and any alternatives considered

Similar designations are currently available in the Canadian capital markets. Note: Alpha DAO designations "Protect Reprice" and "Protect Cancel" correspond to TMX "OPR reprice" and "OPR cancel" respectively.

2. Elimination of All or Non Orders on Alpha

Description of Proposed Changes and Reasons for Changes

To address regulatory questions raised regarding non-protected order types on Alpha, AON orders will no longer be accepted by Alpha.

Expected Impact of the changes

Alpha subscribers that send AON orders have been contacted regarding the removal of support for AON orders.

Consultations

Due to the regulatory questions surrounding AON orders, subscribers have expressed very little demand for this order type. In the U.S, AON orders are not subject to order protection. A different regulatory requirement in Canada makes the use of AON orders impractical.

Current implementation of changes in the Canadian marketplace and any alternatives considered

AON orders are not supported by TMX, Pure, or Omega.

3. Securities with no odd lot dealer – mixed lot handling

Description of Proposed Changes and Reasons for Changes

Alpha will now accept mixed lot orders and execute the board lot quantity, to the extent possible, then cancel any remainder back to client with message: "No odd lot trader defined for instrument. Only round lot can be booked".

Currently, Alpha rejects mixed lot orders where there is no odd lot dealer for that security, creating an opportunity for a trade at a worse price on another marketplace where Alpha has the best price.

Expected Impact of the changes

This change will improve the handling of mixed lot orders where a security has no odd lot dealer (e.g. debentures). Subscribers will manage any cancelled portion of a mixed lot order (similar to the handling of FOK orders).

Consultations

Rejecting the round lot portion of a mixed lot order can potentially create an opportunity for a trade at a worse price on another marketplace where Alpha has the best price. Alpha received requests from its Subscribers to make this change.

Current implementation of changes in the Canadian marketplace and any alternatives considered

These proposed changes will make the handling of mixed lot orders similar to other marketplaces in the Canadian capital markets.