

## Chapter 13

# SROs, Marketplaces, Clearing Agencies and Trade Repositories

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### 13.2 Marketplaces

#### 13.2.1 Nasdaq CXC Limited – Notice of Proposed Changes and Request for Comment

##### 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 in Q4, 2020 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 November 2, 2020 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  
Nasdaq CXC Limited  
25 York St., Suite 900  
Toronto, ON M5J 2V5  
Email: [matthew.thompson@nasdaq.com](mailto: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**

Nasdaq Canada has announced plans to introduce the following change in Q4, 2020 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

Nasdaq Canada currently supports odd lot trading on each of its Trading Books where Odd Lot Members guarantee auto-execution fills at the Protected National Best Bid and Offer (PNBBO) for odd lot orders that are both marketable and marked Immediate-or-Cancel. We are proposing to change the reference price for auto-execution fills for odd lot trading from the PNBBO to the Consolidated National Best Bid and Offer (CNBBO) which includes the best bid and best offer of at least one board lot displayed across all marketplaces (protected and unprotected). Where the CNBBO for a security is in a locked or crossed an odd lot order will be executed at the PNBBO. (Proposed Change)

Rationale for the Proposal

The Canadian equity market is comprised of a combination of marketplaces that are protected for the purposes of the Order Protection Rule (OPR) and marketplaces that are not protected for OPR purposes. Under OPR the obligation to not trade through protects against orders trading through protected quotes only; orders are permitted to trade-through quotes on unprotected marketplaces that may have a better price. The Proposed Change is being made to provide odd lot orders with the best available price based on the best quote across all lit marketplaces. Because it is common for retail investors to use odd lot orders, the Proposed Change will result at times in these investors receiving a better execution price.

Expected Date of Implementation

Subject to regulatory approval, we are expecting to introduce the new options in Q4, 2020.

Expected Impact on Market Structure

Members that enter odd lot orders may receive a superior price than what would otherwise be available today.

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

There is no impact to Nasdaq Canada's compliance with Ontario Securities Law. All participants are able to enter odd lot orders and potentially benefit from the Proposed Change.

Consultation and Review

This Proposed Changes are being made in response to participant feedback.

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

There are no changes required by members or vendors to make to their Systems in response of the Proposed Change.

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

Yes. Auto execution facilities for odd lot orders are currently supported by Nasdaq Canada, the CSE and Neo Exchange.

Any questions regarding these changes should be addressed to Matt Thompson, Nasdaq CXC Limited: [matthew.thompson@nasdaq.com](mailto: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

<u>Consolidated National Best Bid and Offer or "CNBBO"</u>	<u>The best bid and best offer of at least one Board lot displayed on all marketplaces.</u>
<u>Consolidated National Best Bid or "CNBB"</u>	<u>The best bid of at least one Board Lot displayed on all marketplaces.</u>
<u>Consolidated National Best Offer or "CNBO"</u>	<u>The best offer of at least one Board Lot displayed on all marketplaces.</u>

## 5.11 Odd Lot Trading

Each Nasdaq Canada Trading Book provides Members with guaranteed fills at the CNBBO for Odd Lot IOC marketable orders. Odd Lot trading has the following features:

1. Odd Lot orders that are not IOC or immediately marketable are canceled back.
2. Odd Lot execution is available between 9:30 am and 4:00 pm ET or as otherwise determined by the Exchange.
3. The Exchange System will accept either Mixed Lots or Odd Lots that are marked IOC.
4. Odd Lot executions will be filled at the NBBO if the CNBBO for a security is in a locked or crossed condition.
5. Odd Lot execution is not allowed when the NBBO for a security is in a locked or crossed market condition.
6. Members are not permitted to send two or more orders that would trigger auto-execution by Odd Lot Members as this would violate the just and equitable principles imposed by UMIR Policy 2.1. This would include, for example, shredding a Board Lot order.
7. Members may not enter the Odd Lot portion of a Mixed Lot order immediately prior to entering the Board Lot portion.
8. Odd Lot trading is subject to the policies imposed by UMIR prohibiting unfair trading practices, including but not limited to the following activities:
  - a. Effecting pre-arranged wash sales in Odd Lots, which are trades in which an offer to buy is coupled with an offer to sell back at the same or advanced price (or vice versa).
  - b. Entering orders for the purpose of affecting the execution price of the Odd Lot trades.
9. If a Member is engaged in Odd Lot trading activity that is unfair, the Exchange may restrict the Member or suspend the Approved Trader from Odd Lot Activity or take other action that is appropriate under the circumstances.