

13.2 Marketplaces

13.2.1 TriAct Canada Marketplace LP – Proposed Change to the MATCHNow Trading System – Notice of Approval

TRIACT CANADA MARKETPLACE LP

NOTICE OF APPROVAL OF PROPOSED CHANGE TO THE MATCHNOW TRADING SYSTEM

On December 13, 2021, the Ontario Securities Commission (the **OSC**) approved an amendment proposed by TriAct Canada Marketplace LP (operating as **MATCHNow**) to its Form 21-101F2.

MATCHNow had proposed a change to the MATCHNow trading system to replace the existing technology underlying the entering and processing of MATCHNow's existing conditional orders (**Conditionals**) with a new "large-in-scale" (**LIS**) trading technology, developed by MATCHNow's corporate affiliate, BIDS Trading L.P., and to introduce several related changes to how Conditionals will be entered and processed on the MATCHNow ATS (collectively, **Cboe LIS Powered by BIDS**).

In accordance with the OSC's *Process for the Review and Approval of the Information Contained in Form 21-101F2 and Exhibits Thereto*, a notice outlining and requesting feedback on the proposed change was published on the OSC website and in the OSC Bulletin on July 22, 2021 at [\(2021\), 44 OSCB 6510](#) (the **Notice of Proposed Change**).

Comments Received

Six comment letters were received regarding the Notice of Proposed Change, and the summary of the comments set out in those six letters and MATCHNow's responses to those comments is published in Appendix A to this notice.

In response to the public comments, MATCHNow has made one limited modification to the proposed change: it has shifted the trigger of the Conditionals Compliance Mechanism down from 20 to 10 invitations to firm up, as further explained in the attached responses to public comments. All other aspects of the proposed change are as published in the Notice of Proposed Change.

Implementation Date

MATCHNow intends to implement Cboe LIS Powered by BIDS on February 1, 2022.

APPENDIX A

TRIACT CANADA MARKETPLACE LP

SUMMARY OF COMMENTS AND RESPONSES

The following is a summary of comments received in response to the Notice of Proposed Change filed by MATCHNow and published on July 22, 2021 by the OSC, along with MATCHNow's responses to those comments.

Commenters

In response to the Notice of Proposed Change, MATCHNow received a total of six comment letters (including one addendum letter, as noted below) from the following parties (in alphabetical order):

- Canadian Securities Traders Association, Inc. (**CSTA**);
- Nasdaq CXC Limited (**NC**);
- National Bank Financial Inc. (**NBF**);
- Scotiabank (**SCO**); and
- TMX Group Limited (**TMX**) (which submitted one letter and one addendum letter).

In the comments and responses below, capitalized terms used and not defined in this Schedule A or in the Notice of Approval to which it is attached shall have the meaning given in the Notice of Proposed Change.

Summary of Comment Received	MATCHNow's Response
<i>General Comments</i>	
<p>Support is expressed for conditional order types in general, including Cboe LIS Powered by BIDS. By allowing large, non-displayed buy and sell orders to match across multiple order books and marketplaces, conditional order types encourage more block-sized interactions among institutional investors, helping to decrease the need for short-term intermediation and to reduce information leakage. Conditional order types help to efficiently match buyers and sellers at a fair price. (CSTA)</p> <p>Institutional block crossing networks have been a valued tool for buy-side traders to access latent block liquidity on blotters across the country and around the world for years now. (NBF)</p> <p>The proposal provides buy-side clients with flexibility and choice in how they seek block liquidity in Canadian equities. (SCO)</p> <p>Block trading and size discovery benefit from dark trading models, yet over the years, Canada has seen limited innovation in this field. (SCO)</p> <p>The proposal carries the advantage of allowing institutional investors to preserve their existing dealer relationships, while helping to address the challenges of commission allocation and bundled service payments. It is an innovation for Canadian marketplaces, presenting a welcome middle road between direct access and dealer oversight. (SCO)</p> <p>Competitive forces drive innovation and lower costs – ultimately benefiting market participants. The proposal introduces new trading tools to the Canadian equity market targeting use by the institutional investor community by assisting them to better source natural orders, which has</p>	<p>We agree with and appreciate the commenters' supportive comments regarding the important function served by Conditionals generally, and the significant benefits that will flow from Cboe LIS Powered by BIDS specifically, for Canadian equities markets and their participants.</p>

Summary of Comment Received	MATCHNow's Response
<p>become more difficult in a multiple marketplace electronic trading environment where liquidity is fragmented across venues. (NC)</p> <p>There is a collective interest in protecting and preserving a Canadian equity market that is fair and efficient for everyone. There is no single path toward this goal. Given that different stakeholders will have different views, it is better to create a regime that allows for individual marketplaces to innovate, compete for order flow, and if necessary, even fail. Within reason, the invisible hand ought to dictate what business models succeed and what business models fail. Cboe LIS Powered by BIDS poses a low probability of unintended consequences or systematic risks for other marketplaces. The proposal is supported overall. (CSTA)</p> <p>Innovative marketplace models that provide further liquidity, depth, larger sized executions, and price discovery should be encouraged. (TMX)</p>	
<p>To foster robust long-term competitive forces, it is essential that marketplaces are treated consistently and that new marketplace features receive the same level of regulatory scrutiny. Where regulatory concerns are raised about a new feature proposed by one marketplace, equivalent concerns should be raised, and consistent decisions should be made for similar features proposed by other marketplaces. (NC)</p>	<p>We naturally agree that regulators should apply regulations equally and fairly across all regulated marketplaces. Basic principles of Canadian administrative law impose on regulators a duty to act fairly in the exercise of their delegated regulatory authority.¹ We would expect this to include a duty to treat like cases alike in the interpretation and application of regulations, but also conversely, to issue different regulatory decisions to different regulated persons when the inherent characteristics and circumstances of those regulated persons are fundamentally distinct.</p>
<p>While the importance of competition has been recognized as a contributing factor to market efficiency in the past, on April 27, 2021 legislative amendments were made to the <i>Securities Act (Ontario)</i> expanding the mandate of the OSC to explicitly include a responsibility to foster markets that are competitive, as well as fair and efficient. Permitting competition between traditional exchanges and other marketplaces was the underlying purpose for introducing the ATS rules, whose objective was to enhance market efficiency by providing investors increased choice of marketplace and trading tools. We believe that in order for this purpose to be fulfilled it is essential that marketplaces are treated fairly and that rules are applied consistently. (NC)</p>	<p>We agree with the general assertions made in this comment.</p>
<p><i>Sponsored Access Model</i></p>	
<p>Until now, in Canada, block trading networks have only been available from the dealers who own the marketplaces on which the trades are matched. Cboe LIS Powered by BIDS will be the first truly broker-neutral block crossing network in Canada. (NBF)</p>	<p>We agree that the Cboe LIS Powered by BIDS offering represents an important innovation in the context of Canadian equities trading, and that its broker-neutral nature makes it stand apart from other similar offerings.</p>
<p>In the Cboe LIS Powered by BIDS model, brokers (Subscribers) will act as gatekeepers, sponsoring access to Conditionals for global affiliates and buy-side clients; this is consistent with the existing DEA framework for buy-side</p>	<p>We agree that Cboe LIS Powered by BIDS is consistent with the DEA arrangements that MATCHNow's Subscribers have had in place with their clients and foreign affiliates for years.</p>

¹ See e.g., [Dunsmuir v. New Brunswick, \[2008\] 1 S.C.R. 190, 2008 SCC 9](#), para. 90 (“[A]dministrative decision makers, in the exercise of public powers, should act fairly in coming to decisions that affect the interests of [regulated persons].”).

Summary of Comment Received	MATCHNow's Response
traders. Support is expressed for the proposal, which will cut down on documentation, compliance burden, and operational risk otherwise incurred if buy-side firms were to join a marketplace directly. (CSTA)	
<p>The proposal may introduce changes to equity market structure and trading models, and concerns are raised regarding the impact these changes may have on marketplaces, dealers, and institutional investors. This may be a significant change from the status quo. The proposal appears to obscure and disrupt the roles and responsibilities between a marketplace and a broker-dealer, as dictated by UMIR. Since the current MATCHNow Conditionals system has minimum size requirements, the proposed system is targeted at institutional buy-side order flow and, therefore, has the potential to replace the existing dealer model of managing client order flow and duty-of-care through regulated IROC member firms. The proposal may inadvertently bypass broker-dealer roles as dictated by IROC and, consequently, unintentionally circumvent the requirements of UMIR Part 7, such as trading supervision, proficiency, and dealer compliance obligations. These obligations and requirements include Know-Your-Client (KYC) due diligence and Anti-Money Laundering (AML) reporting. OSC staff are asked whether Conditionals that flow through the Cboe LIS Powered by BIDS Sponsored Access Model will be subject to appropriate customary oversight by dealers. An ATS like MATCHNow should not be allowed to take on a dealer type role, but with greatly diminished responsibilities, competencies, and accountability. (TMX)</p> <p>Cboe LIS Powered by BIDS is structured in a manner that conflates a marketplace function (potential matching of Conditionals) with a function that is the responsibility of a dealer (the contemplated risk controls discussed in the proposal). (SCO)</p>	<p>MATCHNow strongly disagrees with the commenters' characterization of Cboe LIS Powered by BIDS and its impact. Nothing in the proposal changes the fundamental roles played, respectively, by MATCHNow, as a marketplace, and IROC dealers, as marketplace participants. Every MATCHNow Subscriber is (and will remain) an IROC dealer, and as such, is (and will be) bound by UMIR and, among other provincial securities regulations, applicable provisions of NI 23-103. Furthermore, as explained in detail in the Notice of Proposed Change, the new Sponsored Access Addendum that each Subscriber will be required to sign before offering sponsored access reasonably ensures that the Subscriber is complying with all its supervisory obligations, including applicable KYC and AML due diligence, gatekeeping, and reporting, as well as appropriate pre-trade and post-trade risk controls for DEA Clients. While Cboe LIS Powered by BIDS will offer Subscribers certain technological tools that will assist them in carrying out their regulatory obligations under the DEA rules—and notably, with respect to pre-and post-trade risk controls—as is made clear in the Notice of Proposed Change (and the Sponsored Access Addendum), the responsibility to set pre-trade risk control tools at appropriate levels and to monitor all trading, including DEA trading, will remain with the Subscriber (IROC dealer).²</p>
<p>While the proposal appears to support compliance with requirements for dealers to maintain control over their DEA clients' activities, it introduces a risk management framework used only for Cboe LIS Powered by BIDS, making it more difficult for dealers to run a single and unified risk management system for all DEA client activities. Existing systems, which permit a unified pre-trade risk layer, would be bypassed until after execution (when a drop copy becomes available). While this may be acceptable for some dealers, there will be others whose policies and procedures require a unified view. Marketplace models should fit the practices of dealers (who bear responsibility for risk controls), rather than asking dealers to adapt their policies and procedures to fit the marketplace's preferred risk management suite. A marketplace should not dictate how their subscribers manage the risk of their clients' activities when accessing the marketplace. Marketplaces do not take liability for system failures, which could extend to failures within the risk management platform offered by Cboe LIS</p>	<p>We sympathize with the concerns expressed by this commenter, and we understand that some Subscribers will ultimately decide not to offer Sponsored Access for Conditionals via Cboe LIS Powered by BIDS, either because the turnkey automated risk controls that it offers do not fit neatly within the strictly in-house, "unified" approach to trade supervision that some dealers have chosen to adopt, or because the cumulative credit, capital, and other risks of Sponsored Access, just like any DEA trading, may outweigh the expected benefits for the dealer and its clients. Be that as it may, the offering is based on a technology that has served numerous US and European regulated dealers and their clients well in their respective jurisdictions for a number of years; and at this time, it is neither feasible nor desirable for MATCHNow to attempt to fundamentally alter that technology, especially in light of input we have received from many dealers and institutional investors, almost all of which have expressed enthusiasm about the new service offering. So, while we understand that it may not suit every dealer, it</p>

² We note incidentally that TMX's Toronto Stock Exchange ("TSX"), at one time, also offered pre-trade risk controls to its TSX exchange members, as part of that marketplace's service offerings. See TSX, [Order Types and Functionality Guide](#) (Nov. 2015) (s. 3.2) (describing TSX's then "Pre-Trade Risk Management" tool as "a robust suite of pre-trade risk controls to help broker dealers achieve compliance with the complex Canadian regulatory environment"); see also TMX Group Ltd., ["TMX Group Chooses ULLINK for TMX Pre-Trade Risk Management Solution"](#) (Feb. 11, 2014).

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<p>Powered by BIDS. The risk will be borne entirely by the dealer, but without the ability for the dealer to introduce their own preferred approach. (SCO)</p>	<p>is not accurate to say that, as a marketplace, MATCHNow is dictating how any Subscriber should manage the risks of their clients' trading merely because MATCHNow is offering a new way to submit Conditionals that incorporates DEA-like elements for buy-side firms. In fact, MATCHNow Subscribers, just as is the case today, will continue to have the option of using their standard Conditionals connectivity to MATCHNow to send agency-based (buy-side client) Conditional order flow, in reliance on their existing in-house risk-control systems, or even access Conditional liquidity on behalf of their buy-side clients by using the "Willing to Trade" feature now available through MATCHNow's regular matching engine. As for liability risk, once again, we sympathize with the commenter, but this is not a new issue, as dealers already bear certain risks posed by system-wide failures today; if anything, the new technology provided by Cboe LIS Powered by BIDS lowers the risk of system failures. For example, if the Cboe LIS Powered by BIDS risk system is not available for any reason, from that moment forward, orders will not be accepted. Moreover, in practice, if there were to be a systems failure, MATCHNow, as always, could shut down all trading (or all trading for specific sponsoring Subscribers), including in the event that the failure is brought to the attention of MATCHNow by a Subscriber.</p>
<p>The technology that underlies the proposal should be changed so that, upon submission of a firm-up by a Sponsored User and selection of a Sponsoring Subscriber, the Cboe LIS Powered by BIDS engine would forward the firm-up order to the Sponsoring Subscriber's systems for validation; upon validation by the Sponsoring Subscriber, and provided the order is in compliance with the Sponsoring Subscriber's existing DEA policies and procedures, the firm-up order would be forwarded back to the Cboe LIS Powered by BIDS engine, thus re-entering the flow as shown in the proposal. This alternative workflow would preserve the essential elements of the model (pre-trade information on clients' indications of interest remains invisible to the broader market, and buy-side clients' anonymity is preserved). The sponsoring dealer's DEA infrastructure would be aware of the firm-up order only at the time of execution, just like in the existing proposal, where it is being provided via drop copy at the time of firm-up. This reduction of the dealer's barrier-to-entry (by obviating the need to onboard a separate and distinct risk management platform, and preserving the dealer's existing risk management processes) could significantly ease adoption hurdles and lead to faster and more effective ramp-up of this marketplace innovation, to the benefit of clients. Meanwhile, dealers wishing to adopt the model as proposed could also do so. (SCO)</p>	<p>We completely understand why this commenter prefers the alternative workflow it has proposed, but as noted above (and despite further internal review since the time of the publication of the Notice of Proposed Change), this is simply not a feasible or desirable option for MATCHNow at this time. We also have strong reasons to believe that not all dealers and other stakeholders would prefer the alternative workflow being proposed, or that it would have any significant impact on adoption rates. While we endeavour to accommodate all of our clients' reasonable requests, changing the BIDS technology as proposed by this commenter would be an extremely difficult, time-consuming, and costly undertaking for MATCHNow and its corporate affiliates, and we do not believe that the potential benefits optimistically predicted by this commenter would outweigh the certain costs. As stated above, we understand that this unique service offering may not suit every Subscriber, and we respect and accept that some Subscribers may simply choose not to offer Sponsored Access for Conditionals to their clients. Indeed, as noted above, Subscribers are still more than welcome to continue to use their standard Conditionals connectivity to MATCHNow to send agency-based Conditional order flow, in reliance on their existing in-house risk-control systems, or even access Conditional liquidity on behalf of their buy-side clients by using the "Willing to Trade" feature already available through MATCHNow's regular matching engine.</p>
<p>For many dealers, onboarding a de-facto risk technology vendor (in this case MATCHNow) is a rigorous process of vendor oversight, audit requirements, controls over private information, etc. This additional step of vetting, integrations, and possible policy changes will be burdensome. These additional steps will hinder adoption of the BIDS Canada Model in the Canadian marketplace, and increase costs for</p>	<p>As noted above, we understand that some dealers will ultimately decide that the benefits of setting up Cboe LIS Powered by BIDS for their clients are not worth the costs. But we do not agree that those dealers represent a majority of the Canadian industry, nor do we agree that the due diligence that dealers must conduct before adopting the Cboe LIS Powered by BIDS tools is, <i>a priori</i>, unduly</p>

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<p>both dealers and MATCHNow (which would become routinely involved in dealers’ periodic vendor audits and related activities). (SCO)</p>	<p>burdensome. That being said, we are fully committed to assisting dealers in their due diligence process, and we are equally committed to providing any and all reasonable support on an on-going basis, which would include furnishing information to assist dealers in responding to reasonable requests from internal or external auditors with regard to the new risk tools themselves, or any other aspect of the MATCHNow ATS.³</p>
<p>Cboe LIS Powered by BIDS would leave MATCHNow responsible for certain dealer functions that marketplaces do not currently perform, and which are dealer responsibilities, including: managing the encryption and tagging of client LEIs on firm orders; ensuring correct order marking, including insider and significant shareholder tags (currently handled through dealer risk management systems); and compliance with dealer restricted lists or Cease Trade Orders. While MATCHNow may offer tools to mitigate these issues, in practice Subscribers would remain responsible for these aspects and reliant on MATCHNow’s risk tools or on the correct order marking practices of access persons for compliance. As such, Canadian regulators would have to confirm that certain UMIR provisions would no longer apply to dealers insofar as the responsibilities governed by such provisions would no longer be within the control of dealers. (SCO)</p>	<p>We do not agree that Cboe LIS Powered by BIDS “leaves MATCHNow responsible” for supervision that is the responsibility of dealers under UMIR, nor is there any need to change the application of UMIR. As stated in the Notice of Proposed Change and reiterated in these responses to public comments, the automated risk controls offered by Cboe LIS Powered by BIDS are technological tools that must be set by Subscribers before they allow a client to become a Sponsored User, and those tools must then be monitored by the Subscribers at all times. It is true that, as a practical matter, MATCHNow will need to provide an LEI for most orders that originate as a Conditional submitted by an institutional investor, as there is no one else to do so at that pre-order stage; however, we have already discussed the logistics with IIROC and built the infrastructure to ensure that this information is accurately provided in an automated manner. We anticipate no issues on that front. With respect to dealer restricted lists and Cease Trade Orders, those can be handled in advance by the dealer using the Cboe LIS Powered by BIDS interface tools. As for insider and significant shareholder order tags, the Cboe LIS Powered by BIDS system will support the ability for Sponsored Users to add the relevant markers to their firm-ups, and MATCHNow will pass along that order information to IIROC as required by UMIR and MATCHNow’s regulation services agreement; Subscribers will have the ability to verify this information post-trade, as is the case today for DEA trades generally.</p>
<p>In its proposal, MATCHNow states that it will “take reasonable measures to verify that all DEA clients and its Subscribers are properly set up before granting access”. The suggestion appears to be that user training would be sufficient to replace the roles and requirements of registered IIROC investment dealers. A concern is raised that this training may be insufficient and that the diminished role that the dealer would play in the described workflow may not be beneficial to the Canadian investment community. (TMX)</p>	<p>We disagree with this commenter’s characterization of the proposal. MATCHNow is not suggesting that user training is sufficient to replace IIROC dealer supervision. On the contrary, the Notice of Proposed Change expresses in great detail how the automated pre-trade risk control tools that Cboe LIS Powered by BIDS will offer Subscribers will assist them in carrying out their supervisory responsibilities under NI 23-103 and UMIR. The Sponsored Access Addendum spells out the regulatory obligations that remain a dealer’s responsibility. Thus, the role of the IIROC dealer in the trading process is not diminished in any way, but rather, is most definitely preserved.</p>
<p>Preserving a dealer’s ability to cancel and amend trades is not sufficiently addressed in the proposal, leading to potential concerns about the ability of the model to respond to changes in client instructions as swiftly as a dealer under similar circumstances. (TMX)</p>	<p>This commenter seems to be confusing traditional agency trading by dealers with DEA trading. Trades that originate as Conditionals via Cboe LIS Powered by BIDS present the same risks to dealers as any DEA-based trading. That is why appropriate automated pre-trade risk controls are mandated under applicable regulations, and as noted above (and in the Notice of Proposed Change), such controls are</p>

³ We also note that MATCHNow, as a regulated ATS, will be subject to its own annual independent systems reviews (under subsection 12.2(1) of NI 21-101), as it has been for many years; after launch, those reviews will include scrutiny of Cboe LIS Powered by BIDS, which will further promote and protect the integrity of the new risk-control systems.

Summary of Comment Received	MATCHNow’s Response
	<p>made available to dealers as an integral part of the new service offering. Just like with the “standard” (non-conditional) DEA order flow that already exists today on MATCHNow, Subscribers that facilitate such order flow will need to set and monitor sufficient automated pre-trade risk controls to prevent orders that create undue credit or capital risk from ever reaching the order matching/execution stage, and the new offering will assist them in that task. In addition, however, dealers (Subscribers) are also required to conduct appropriate post-trade compliance supervision of the DEA trading that they facilitate for their clients, and that applies equally to executed trades that originate as Conditionals through Cboe LIS Powered by BIDS.</p>
<p>IIROC dealers are required to demonstrate adherence to various supervisory policies and procedures during regular trading and business conduct audits. Marketplaces, including ATSS, are not required to undergo these types of audits. (TMX)</p>	<p>ATSS are required to register as IIROC dealers, and as such, are subject to various recurring compliance examinations by IIROC staff—most notably, trading compliance examinations.</p>
<p>MATCHNow should be subject to the same regulatory, compliance, and audit requirements as a dealer that is executing trades that originate as Conditionals through Cboe LIS Powered by BIDS. This is the current standard and moving away from that standard would represent a significant change to Canadian capital markets. Competing block trading venues such as Liquidnet Canada and POSIT Alert are subject to these requirements, including mandatory licensing of sales staff. Additionally, BIDS Trading operates in a broker-dealer capacity in the U.S. where it is a member of the Financial Industry Regulatory Authority. MATCHNow, as an IIROC Dealer Member, should be required to comply with the obligations and requirements of a Participant Dealer Member of IIROC when it allows sponsored access to an automated system such as BIDS, and specifically when handling large block-sized trades as outlined in the proposal. The approval of the proposal without the concurrent imposition of IIROC dealer regulatory requirements would fundamentally alter the landscape of Canadian trading and would require TMX Group to review its client offerings to ensure it stays competitive in this new regulatory landscape. (TMX)</p>	<p>We strongly disagree with this comment, which we believe is based on a faulty premise: as noted above, Cboe LIS Powered by BIDS does not transform MATCHNow from a marketplace into a dealer. IIROC dealers (i.e., MATCHNow Subscribers) will continue to play the gatekeeper role they have always played in the trading process, and MATCHNow will continue in its role as a marketplace, operating a “dark” venue for the matching of trades, as it always has. The difference is that Cboe LIS Powered by BIDS will provide new tools (namely, an interface that will enable Subscribers to set and manage appropriate automated risk controls) to assist them in carrying out their supervisory responsibilities. While we recognize that competitors such as Liquidnet and POSIT Alert have chosen different business models than MATCHNow’s, it is not accurate to say that Canadian regulations mandate their business model.⁴ In fact, the rules and applicable guidance expressly recognize that the risk controls employed by a dealer may be provided by a third-party vendor, including a marketplace, so long as the setting and monitoring of the risk controls are done directly and exclusively by dealers.⁵ In short, the applicable trading rules assign responsibility for managing the risks of electronic/DEA trading to dealers (ATS subscribers), and</p>

⁴ As regards the commenter’s assertion that BIDS Trading L.P. “operates in a broker-dealer capacity in the U.S.,” that it is not quite accurate. Under applicable U.S. securities legislation and regulations, BIDS Trading L.P. is registered as a broker-dealer, and it operates an ATS; this is in fact almost identical to the way in which MATCHNow, under applicable Canadian securities legislation and regulations, is registered (as an IIROC dealer) and approved to operate an ATS (pursuant to NI 21-101).

⁵ See NI 23-103 s.3(5) (“A marketplace participant must directly and exclusively set and adjust the risk management and supervisory controls, policies and procedures required under this section, **including those provided by third parties.**”) (*emphasis added*); [Companion Policy 23-103CP Electronic Trading and Direct Electronic Access to Marketplaces](#), s. 3(8) (“Subsection 3(5) [of NI 23-103] specifies that a marketplace participant must directly and exclusively set and adjust its risk management and supervisory controls, policies and procedures. With respect to exclusive control, we expect that no person or company, other than the marketplace participant, will be able to set and adjust the controls, policies and procedures. With respect to direct control, a marketplace participant must not rely on a third party in order to perform the actual setting and adjusting of its controls, policies and procedures. **A marketplace participant can use technology of third parties, including that of marketplaces, as long as the marketplace participant, whether a registered dealer or institutional investor, is able to directly and exclusively set and adjust its supervisory and risk management controls, policies and procedures.**”) (*emphasis added*). See also [CSA Staff Notice 23-314, Frequently Asked Questions about National Instrument 23-103 Electronic Trading \(Dec. 20, 2012\)](#), at B-11 (“Third parties, including marketplaces, may provide the automated pre-trade risk controls required under section 3(2) [of NI 23-103]; however, as set out in section 3(5) of NI 23-103, a marketplace participant must directly and exclusively set and adjust the risk management and supervisory controls, policies and procedures, including those provided by third parties.”). Cf. [IIROC Rules Notice 13-0185, Guidance Respecting Third-Party Electronic Access to Marketplaces \(July 4, 2013\)](#), s. 2(3) ([U]nder Rule 7.13(4)(b), orders transmitted [...] using direct electronic access cannot ‘bypass’ a Participant’s risk management and supervisory controls, policies and procedures. However, this does not impact the ability of a [DEA] client [...] to transmit orders containing the identifier of the Participant directly to a marketplace without being electronically transmitted through the ‘systems’ of the Participant and instead be transmitted through the technology systems of a service provider retained by the Participant for facilitating access to a marketplace.”). We believe the same logic should apply when the marketplace is itself the “service provider” of such “technology systems” for purposes of the Participant’s pre-trade risk control obligations for DEA clients under [UMIR 7.13\(4\)\(b\)](#).

Summary of Comment Received	MATCHNow’s Response
	Cboe LIS Powered by BIDS will support dealers in carrying out that responsibility, in full compliance with the applicable regulations. We have no comment on what our competitors may or may not do under applicable rules.
<p>The DEA rules may not be sufficient, as they were not intended for large institutional order flow and the associated compliance requirements. The current DEA rules were intended for smaller automated order flow and may not be suitable for the large institutional order flow contemplated in the proposal. Large institutional order flow requires risk, credit, and compliance checks as well as trading expertise that all go beyond the simple fat-finger and limit checks that are outlined in the proposal. (TMX)</p>	<p>The comment is based on an incorrect interpretation of the DEA rules. In fact, the July 4, 2013 approval notice for the amendments to NI 23-103 that established what is commonly referred to as the “DEA rules” expressly acknowledged that DEA clients could be large institutional investors, and that the rules were intentionally designed to ensure that marketplace participants established different DEA standards to address the different risks created by different kinds of clients to whom DEA was being granted, which could include large institutional investor firms.⁶ Nothing in the proposal changes this basic regulatory framework. Cboe LIS Powered by BIDS offers Subscribers certain technological tools that assist them in carrying out their regulatory obligations under the DEA rules; but as is made clear in the Notice of Proposed Change (and the Sponsored Access Addendum), the responsibility to set the risk control tools at appropriate levels and to monitor all trading, including DEA trading, remains with the Subscriber (IIROC dealer).</p>
<p><i>Fair Access</i></p>	
<p>As proposed, Cboe LIS Powered by BIDS allows the matching system to assign trades and represent dealers for execution of client orders, including sponsored-user with sponsored-user (i.e., buy-side with buy-side). (TMX)</p>	<p>This comment is factually incorrect. The MATCHNow marketplace will never represent a trade or any dealer. As has always been the case, all trades on MATCHNow will continue to execute using the Participating Organization numbers of the Subscribers on both sides of every trade. This will still be the case when the trade originates as a Conditional submitted by a buy-side firm, because (as explained in the Notice of Proposed Change), the system will require the buy-side firm to be properly set up as a DEA Client of at least one MATCHNow Subscriber, and the buy-side firm will need to select a Subscriber to represent the trade at the firm-up stage, thus ensuring that the trade, if executed (because both sides firm up) will execute using the Participating Organization number of the selected Subscriber (on both sides of the trade). Cboe LIS Powered by BIDS does not “assign” any trades, except in the limited sense that each DEA Client must select a sponsoring broker at the firm-up stage.</p>
<p>It is unclear from the proposal, as written, whether some degree of order segmentation is permitted; specifically, it is unclear whether Sponsored Users (buy-side traders) will have the option to filter out potential transactions with Subscribers (sell-side traders or algos) and effectively only interact with other Sponsored Users (buy-side traders). There is some precedence for similar segmentation in large, block-sized interactions in existing institutional crossing</p>	<p>We appreciate the opportunity to provide clarity on this topic, as the Notice of Proposed of Change seems to have created some confusion regarding whether Cboe LIS Powered by BIDS will permit Sponsored Users to select which counterparties they interact with; in fact, the proposal does not do so. While other marketplaces (such as the BIDS ATS in the United States) do effectively allow the type of filtering contemplated in these comments (namely, through the</p>

⁶ As the Canadian Securities Administrators observed in the approval notice: “DEA clients may be large, institutional investors with regulatory obligations while others may be retail clients that have particular sophistication and resources to be able to manage DEA trading. [...] [T]he Amendments require that before granting DEA to a client, a participant dealer must first establish, maintain and apply appropriate standards for providing DEA and assess and document whether each potential DEA client meets these standards. [...] Standards that apply to an institutional client, for example, may differ from those that apply to an individual.” *CSA Notice of Approval – Amendments to National Instrument 23-103 Electronic Trading*, (2013) 36 OSCB 6771 (July 4) at 6773. See also IIROC Notice 13-0185, s. 2(5) (“In the case of a Retail Customer considered for direct electronic access, IIROC expects such would only be provided in exceptional circumstances upon application of more stringent standards than to an Institutional Customer.”).

Summary of Comment Received	MATCHNow’s Response
<p>networks, but it is probably not necessary given the size-priority structure of the proposed offering. Clarity is requested on this topic. (CSTA)</p> <p>Nasdaq Canada’s April 2020 proposal to permit certain contra-side orders to trade despite not meeting applicable minimum size parameters was not approved because of concerns about the ability for a particular class of participant to be excluded from the opportunity to interact with available liquidity by being able to selectively choose a class of trading counterparty. MATCHNow’s Proposal includes an option for Sponsored Users (buy-side accounts) to choose to exclusively interact with other Sponsored Users. This will contribute to increasing segmentation of institutional order flow. (NC)</p>	<p>application of “scorecards” that may result in some participants interacting only with certain other participants that meet designated firm-up standards), as proposed, Cboe LIS Powered by BIDS has deliberately chosen not to offer any scorecards, filtering, or any other form of potential segmentation.⁷ MATCHNow has opted for a simpler approach, precisely because (among other advantages) it promotes “fair access”. All contra-side Conditional liquidity will be anonymous, both for Subscribers and Sponsored Users, until such time as there is a match and both sides have firmed up, and all matching will be based on the same fundamental allocation priorities (Price/Broker/Size/Time) for all users.</p>
<p>For dealers, MATCHNow’s proposal is a de-facto risk technology vendor solution tied to a marketplace offering. To access the marketplace offering, dealers would be required to onboard the risk management offering provided by the same marketplace. This tie-in is unprecedented in Canada, as all past and present marketplace-sponsored risk tools have been strictly optional, and not a condition of access to a marketplace feature. Cboe LIS Powered by BIDS unreasonably conditions and restricts access to its beneficial trading features by imposing a significant compliance burden on sponsoring dealers, which cannot be addressed through dealers’ existing workflows, since those workflows are being bypassed. Additionally, it sets a precedent for a sponsored access model in Canada which does not currently exist, without the rigorous and holistic policy development process which resulted in the establishment of NI 23-103 and related UMIR provisions. (SCO)</p>	<p>We agree that Cboe LIS Powered by BIDS can be understood as a type of risk technology vendor solution, but we disagree with the overall implication of this comment—namely, that it may impede fair access because it constitutes a “condition of access” to the marketplace or because it “unreasonably conditions and restricts access” to the marketplace. No dealer is required to offer Sponsored Access; all dealers, without signing the Sponsored Access Addendum, will still have the option to continue submitting Conditionals that represent agency-based client order flow and/or to access Conditional liquidity on behalf of clients through the “Willing to Trade” feature on orders sent to the regular matching engine, just as is the case today. In that sense, there is nothing “mandatory” about Cboe LIS Powered by BIDS or the automated risk controls that it offers. Moreover, MATCHNow will not be the first marketplace to offer risk-control tools that assist Subscribers in carrying out their regulatory obligations; in that sense, the proposal is not “unprecedented”.⁸ Rather, it is in full compliance with existing regulations and industry practice, and we believe that any suggestion that a whole new, years-long policy development process is needed to address it is unwarranted.</p>
<p>The importance of a market’s fairness has been endorsed by the OSC in the context of market structure policy reform and the fostering of a healthy competitive environment. Staff has made reference to fairness as an attribute of an efficient market when consulting on market structure developments such as the development of dark liquidity, internalization practices, and the impact of the order protection rule. When proposing new policies, Canadian regulators have highlighted the importance of fairness in the market – defined as the perception, and reality, that all participants are subject to the same rules and conditions and that no one participant or group of participants has an unfair advantage or disadvantage. Nasdaq Canada recently published two proposals that did not receive regulatory approval because of staff concern that certain features were inconsistent with fair and efficient markets and fair access principles. We</p>	<p>We agree that “fair access” is a long-established principle of Canadian marketplace regulation. But “fair access” must be understood in the context of its underlying regulatory purpose. The guidance on National Instrument 21-101 Marketplace Operation (“NI 21-101”) is instructive in this regard; as noted in section 7.1(1) of Companion Policy 21-101CP Marketplace Operation: “The Canadian securities regulatory authorities note that the requirements regarding access for marketplace participants do not restrict the marketplace from maintaining reasonable standards for access. The purpose of these access requirements is to ensure that rules, policies, procedures, and fees, as applicable, of the marketplace do not unreasonably create barriers to access to the services provided by the marketplace.” Merely offering a specialized service that may not appeal to, or serve the purposes of, every single</p>

⁷ In the interests of avoiding unnecessary complexity in the Notice of Proposed Change, we made the choice not to expressly address features that we were *not* proposing to adopt—including, for example, the “scorecard” approach used by BIDS Trading L.P. (the U.S. regulated ATS, which is a corporate affiliate of MATCHNow). But we understand why some commenters assumed that this particular feature would be part of the offering.

⁸ See, for example, the discussion of the TSX’s “Pre-Trade Risk Management” tool, *supra* note 2. Nasdaq Canada also offers a form of pre-trade risk control tools to its subscribers; see, for example, [this page](#) on the Nasdaq Canada website.

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<p>raise awareness about these proposals and related concerns because several features of these proposals are included in the MATCHNow Proposal. (NC)</p>	<p>marketplace participant—or, as the guidance puts it, establishing “reasonable standards for access”—does not, in and of itself, create an unreasonable barrier to access. Cboe LIS Powered by BIDS is, by design, a large-in-scale service offering which, necessarily, will only appeal to marketplace participants looking to source block-sized liquidity; it is thus logical to establish standards for the service offering that favour large-sized orders, including a size-based allocation priority.</p>
<p><i>Size Priority</i></p>	
<p>Enthusiastic support is expressed for the proposed size priority enhancement and its (positive) effect on institutional traders and liquidity providers. (NBF)</p> <p>Support is expressed for the Price>Broker>Size>Time allocation model for matching orders in Cboe LIS Powered by BIDS. Such a priority sequence will facilitate a “one-to-one” matching process rather than a “one-to-many” process, which should help reduce Conditional fall-down rates. While smaller orders may be disadvantaged by such a priority sequence, such discrimination is not unreasonable. (CSTA)</p>	<p>We thank the commenters for their supportive feedback on this aspect of the proposal.</p>
<p>Nasdaq Canada proposed to introduce size priority for large orders meeting a minimum size threshold on the CX2 Trading Book. Regulatory concerns were raised about the impact that size priority may have on a fair and orderly capital market as this priority allocation creates a winner-takes-all approach that can impede competition. Although the proposed size priority matching model would have applied equally to all marketplace participants, an individual order could have enjoyed continuous matching priority, which could disadvantage other orders. The MATCHNow proposal includes a similar feature (where pro-rata matching priority will be replaced with a broker/size/time priority model). While we recognize there are differences in the application of size priority in the context of lit and dark markets, we believe fairness concerns are accentuated for dark markets. In particular, on a lit venue, the information about the size of the order holding execution priority is made available to all participants giving them an equal opportunity to enter an order with a larger size if they want to gain execution priority. (NC)</p>	<p>We believe that this comment, by glossing over the fundamental differences between “lit” and “dark” markets⁹, starts from a faulty premise and, therefore, arrives at an incorrect conclusion: namely, that the opposition on regulatory grounds to Nasdaq Canada’s proposed shift to size priority necessarily means that Cboe LIS Powered by BIDS—a conditional trading feature on a “dark” market—should also be opposed. This is not correct, as it is comparing apples to oranges. Nasdaq Canada’s proposal concerned a change to matching priority on the CX2 Trading Book—which is a “lit,” protected market (exchange)—to incentivize institutional traders to place larger orders by rewarding them with size priority; that is a completely different context than the one that applies to a “dark” market (ATS) like MATCHNow—and more specifically, only to its Conditionals book (whose very purpose is to prioritize large, block-size orders). As one of the commenters (the CSTA) stated in its letter regarding the Nasdaq Canada proposal: “Of concern to some of the CSTA TIC members are the potential unintended consequences that may result from setting a precedent of allowing lit, protected, order books to set queue priority based on size. At this time, there are other venues with aspects of size priority in their matching, but they have been limited to Dark or Hybrid venues.” This important distinction stems from the fundamentally different purposes served by “lit” and “dark” markets: unlike a “lit” market, which is intended to provide price discovery, a conditional book on a “dark” market (which is what is at</p>

⁹ As noted by the Canadian Securities Administrators in a 2010 position paper (which ultimately led, in 2012, to certain “dark trading rules” adopted via amendments to NI 21-101, National Instrument 23-101 Trading Rules, and various provisions of UMIR):

We are of the view that, in order to facilitate the price discovery process, orders entered on a marketplace should generally be transparent to the public and subject to the pre-trade information transparency requirements as detailed in NI 21-101, section 7.1. However, we recognize that there are benefits to using Dark Orders, whether on a transparent marketplace or a Dark Pool. [...] Our intention is to maintain the ability to execute large orders while managing market impact costs, and for smaller orders to continue to interact in Dark Pools with liquidity that may not have otherwise been available, subject to the requirement for meaningful price improvement.

[Joint CSA/IROC Position Paper 23-405 Dark Liquidity in the Canadian Market, \(2010\) 33 OSCB 10764 \(Nov. 19\)](#) at 10765-66. This encapsulates, at the most basic level, the distinctive natures and purposes of “dark” and “lit” marketplaces, and it is at the heart of why it is not appropriate to equate them or apply regulations to them identically and without context.

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	<p>issue in MATCHNow's proposal) is not intended to serve the same universal price-discovery purposes; therefore, the same policy concerns that led to opposition to Nasdaq Canada's proposal are not relevant in the context of a conditional book on a "dark" (unprotected) market.</p> <p>In fact, in commenting on the Nasdaq Canada proposal, the CSTA went on to ask (rhetorically) in its letter (at page 3) the following question: "A size priority mechanism may work in Dark/Hybrid markets, but is it appropriate for lit markets?" A similar point was made in another comment letter on the Nasdaq Canada proposal (from the Canadian Securities Exchange or "CSE"), as follows: "This proposed change to the fundamental time/broker/price priority used in Canada today would be completely novel within the confines of a protected marketplace. The Nasdaq CX2 book currently enjoys protected market status within the Canadian marketplace, ensuring that the CX2 quotes contribute to the Canadian Best Bid Offer (CBBO), and are trade-through protected. If Nasdaq Canada were to change the matching priority on the CX2 book to a price-broker-volume-time priority, even if only for symbols under \$1, then the CSE submits that it should lose its protected market status. This approach is consistent with other marketplaces in Canada that have been held outside of the sphere of marketplace protection." (Emphasis added.) MATCHNow, as a "dark" ATS, has no such protected status.</p> <p>Furthermore, the CSE, in its letter, went on to ask "Why and how has Nasdaq Canada chosen the 30,000-share threshold required for execution priority? [...] Th[at] threshold is [...] not consistent with the other "large in size" definition currently in use in Canada. The current version of UMIR Section 6.6 was amended a year ago to provide that orders above 50 standard trading units and \$30,000 in value may be traded on a dark venue without offering price improvement. The provision was amended to include a value element after a dramatic increase in the use of the [MATCHNow] marketplace to execute trades in low priced stocks at the prevailing best bid/offer without price improvement. The CSE received a significant number of complaints from retail investors, investment dealers and issuer firms about their inability to engage with this trading activity. Given that the former threshold to avoid price improvement for dark execution was 50,000 shares, we can expect a 30,000-share level to produce even more complaints from all segments of the trading community. 'Just move your order to another venue' may be a sufficient response to technically sophisticated proprietary trading firms but [it] is simply not an option for most retail clients trading through an investment dealer." The Subscribers and large institutional investors that will be using Cboe LIS Powered by BIDS are <i>precisely</i> the kind of "sophisticated proprietary trading firms" contemplated in that comment.</p> <p>It follows that the same concerns raised in the context of Nasdaq Canada's size priority proposal are not relevant to Cboe LIS Powered by BIDS, which, by definition, will only involve trades above a large-size threshold (i.e., the UMIR 6.6 threshold). Indeed, nothing in our proposal changes the trading process on MATCHNow's "regular" ("firm") order book, which will continue to accommodate smaller orders with our long-standing pro-rata allocation approach. This is</p>

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	<p>precisely what we stated in the Notice of Proposed Change (in section A.3): "This type of prioritization [Price/Broker/Size/Time--instead of pro-rata allocation] will enhance the efficiency of trading that originates through the Conditionals matching engine, without harming the liquidity or pricing of smaller orders on MATCHNow or other marketplaces (including lit marketplaces). Indeed, Conditionals are purposely designed to encourage large, block-sized trades, and this shift away from pro-rata allocation to prioritized matching is logically and appropriately aligned with, and fully supportive of, that purposeful design."</p>
<p>A participant must incur the economic risk of execution by exposing an order “out loud” on a lit marketplace in order to secure execution priority. In contrast, a large size order is not exposed to the same level of execution risk because of the lack of pre-trade transparency on a dark market. In the case where size priority is used for matching conditional orders on a dark venue, execution risk is eliminated as the use of a conditional order is indicative in nature and not firm. Subscribers are free to cancel a conditional order even when contra-side liquidity is sourced, and a firm-up invitation is received. (NC)</p>	<p>This comment highlights one of the inherent differences between “firm” and conditional orders (namely, with regard to “execution risk”), but this difference will always exist, regardless of matching priority. Moreover, it is not accurate to say that “Subscribers are free to cancel a conditional order even when contra-side liquidity is sourced.” Both today and in the new offering, the Conditionals Compliance Mechanism imposes a meaningful consequence—a suspension of the ability to submit Conditionals for the rest of the trading day—for failing to firm up at least 70% of submitted Conditionals (once the minimum number of invitations to firm up is reached); the same will be true for Sponsored Users in the new offering. In addition, as noted above, MATCHNow will vigilantly monitor Conditionals/fall-down data in the initial months after launch of Cboe LIS Powered by BIDS, should it be approved, with an eye towards adjusting the number of firm-up invitations that triggers the calculation of the 70% threshold imposed by the Conditionals Compliance Mechanism, if warranted. Such an approach is consistent with industry practice.¹⁰</p>
<p>While we believe that differences in the ability for participants to compete with one another is a natural result of competition, size priority raises fairness concerns as to whether all participants are able to compete equally. A winner-takes-all model will provide advantages to larger buy-side participants and to the dealers that service them. Buy-side accounts managing more assets will be able to enter larger sized orders and trump the execution priority of smaller client orders entered first. Similarly, this model will advantage dealers with larger sized institutional clients that typically require a dealer to have access to more capital reserves and have made a greater investment in services in order to achieve greater scale. While this outcome is a natural result of competition, in the Canadian context it will accentuate the challenges for smaller sized dealers to compete. (NC)</p>	<p>We believe that this comment is based on a problem in search of a solution: it seems to be motivated by what we view as an unwarranted concern about the ability of large, sophisticated institutional investors and registered investment dealers to compete with one another with respect to conditional order flow on a “dark” marketplace. In doing so, it seems to ignore the essential purpose of Cboe LIS Powered by BIDS: to facilitate block-sized trading. The whole point is to favor larger sized orders in a manner that prevents unnecessary volatility and inappropriate information leakage. And that is precisely the purpose served by replacing pro-rata allocation with a Price/Broker/Size/Time priority standard: it incentivizes higher quantity orders and thus ensures higher average execution sizes over time. Once again, this does not in any way affect matching priority on MATCHNow’s “regular” order book, which will continue to use pro-rata allocation, and which may be a better fit for smaller (non-LIS) sized orders, such as agency orders for retail clients and/or smaller institutional clients.</p>

¹⁰ See, e.g., [In re TSX Inc. – Notice of Proposed Amendments and Request for Comments, \(2021\), 44 OSCB 4361 \(May 20\)](#) at 4362 (“Commencing on the date of implementation of Conditional Orders, TSX will undertake a 90-day assessment period whereby it will [use] such time to analyze usage and patterns of Conditional Orders to better determine an appropriate Threshold, and an appropriate number of orders to use for the Score calculation. TSX may, in its sole discretion, amend the Threshold or the number of orders to use for the Score calculation, from time to time, to minimize misuse of Conditional Orders. Any change in the Threshold will be communicated to participants.”).

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<i>Changes to Conditional Compliance Mechanism</i>	
<p>With the shift to tracking fall-down rates on a symbol-by-symbol basis, the existing threshold of 20 trading interactions in a given trading day to trigger the compliance mechanism is too high, especially in the case of Sponsored Users, who will be human traders. (NBF)</p> <p>As proposed, the tracking will now be done on a per symbol basis. Reducing the applicable universe of symbols from all to one will certainly reduce the rate of non-compliance, but this may not strike the right balance between protecting users and recognizing that some Conditional fall-downs are inevitable. Twenty interactions is too large a sample set to require before applying the 70% firm-up trigger. If MATCHNow has data to support its choice of 20 interactions, such data ought to be provided to regulators before the compliance mechanism is approved. Otherwise, 5 invitations per symbol seems much more reasonable than 20. (CSTA)</p>	<p>In light of the various comments we received, all of which strongly favored a lowering of the existing trigger, we have decided to shift it from 20 to 10 invitations. We believe this is a meaningful adjustment, which is responsive to the valid concerns of marketplace participants, but not so significant that it fundamentally alters the proposal. That being said, MATCHNow is committed to monitoring Conditionals and fall-down activity on its platform closely in the months following launch of Cboe LIS Powered by BIDS; if circumstances warrant reducing the trigger further, we will do so promptly, through an amendment to our Form 21-101F2. The goal is to recalibrate the prevailing trigger soon after launch, if appropriate, based on actual data. As noted above, this is consistent with industry practice.¹¹</p>
<p>It seems reasonable that firm-up rates for Subscribers (sell-side algos) and Sponsored Users (buy-side institutional investors) might be held to different standards, or at least sample sets. Intuitively, the information leakage to a dark aggregator algorithm across a series of fall-downs would be different from the nature of the leakage to a Sponsored User falling down repeatedly. (CSTA)</p>	<p>We agree with this comment. However, rather than rely on intuition, we prefer to postpone any further changes to the Conditionals Compliance Mechanism until after launch, so that we have actual data regarding Sponsored User fall-down rates on which to base any new compliance standards. Nevertheless, we are amenable to adopting different standards for Subscribers and Sponsored Users, as we agree with the rationale for doing so, and we look forward to having, in the near future, the necessary data for these two categories of participants to help us assess, in a more definitive way, how their activities on Cboe LIS Powered by BIDS differ specifically, which will enable us to recalibrate the prevailing Conditionals Compliance Mechanism standards, as needed, to continue to guard against the risk of abusive trading activities, while still protecting fair access for all parties sending Conditionals to MATCHNow.</p>
<p>Target firm-up/fall-down rates will change over time, as users with multiple available networks proliferate and overall Conditionals usage increases. We believe that monitoring firm-up and fall-down rates will be crucial to maintaining a healthy trading environment. However, we would caution against enshrining appropriate fall-down rates in policy, as it could later fetter the marketplace’s ability to use a principles-based approach to adjust these levels as may be necessary. (NBF)</p>	<p>We do not believe that the proposed trigger of 10 invitations or the continuation of the existing 70% threshold necessarily “enshrines” these standards as policy; rather, we agree that, over time, a marketplace must continue to evaluate the appropriateness and efficacy of its policies and procedures, and make changes where warranted, and that is precisely what MATCHNow has committed to doing.</p>
<p>Given the reduced role that the dealer would now take in the execution of client order flow, the changes to the Conditionals Compliance Mechanism could be inadequate to deal with misuse, information leakage, and fall downs. The mechanism described in the proposal may be insufficient to manage the potential risks and should be further scrutinized for limitations. (TMX)</p>	<p>We believe the shift from 20 down to 10 invitations as the trigger for the Conditionals Compliance Mechanism represents an appropriate policy middle ground. Furthermore, as stated above, we are undertaking to closely observe Conditionals activity in the months following launch. We believe this is the most rational and reasonable way to assess the effectiveness of the new standards (especially given the expansion of Conditionals to buy-side institutional investors), as well as to identify any specific recalibration of those standards that may be warranted.</p>

¹¹ See note 10, *supra*.

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<i>Reporting</i>	
MATCHNow's existing reporting on firm-up rates is strong, and similar integrity is expected with the rollout of Cboe LIS Powered by BIDS. (NBF)	We thank the commenter for its supportive feedback on this aspect of the proposal.