

Headnote

National Policy 11-203 for Exemptive Relief Applications in Multiple Jurisdictions – filer seeking relief from the requirement to be recognized as an exchange under securities legislation.

Applicable Alberta Statutory Provisions

Securities Act, R.S.A., 2000, c.S-4, section 62(1)

Citation: Re Chi-X Canada ATS Limited, 2014 ABASC 491

Date: 20141126

In the Matter of
The Securities Legislation of
Ontario, British Columbia, Alberta,
Manitoba and Quebec
(the **Jurisdictions**)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
Chi-X Canada ATS Limited
(the **Filer**)

Decision

Background

The securities regulatory authority or regulator in each of the Jurisdictions (**Decision Maker**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**), as set out in **Appendix A**, for an exemption from the requirement to be recognized as a “stock exchange” or “exchange” (the **Exemptive Relief Sought**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a coordinated review application):

- a) the Ontario Securities Commission is the principal regulator for this application,
- b) the decision is the decision of the principal regulator and evidences the decision of each other Decision Maker.

The Filer also applied to the Director for an exemption pursuant to section 6.1 of the Ontario Securities Commission Rule 13-502 *Fees* (the **Fee Rule**) from the requirement in section 4.1 of the Fee Rule to pay a fee for the Exemptive Relief Sought (the **Fee Relief**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions (NP 11-203)*, National Instrument 21-101 *Marketplace Operation (NI 21-101)* and the *Securities Act* (Ontario) have the same meaning if used in this decision, unless otherwise defined.

Representations

The decision is based on the following facts represented by the Filer:

1. The Filer is a corporation subject to the laws of Canada and operates in Canada as an alternative trading system (**ATS**). The Filer operates a marketplace called CX2 Canada ATS (**CX2**) for listed securities traded on the Toronto Stock Exchange (**TSX**) and the TSX Venture Exchange (**TSXV**).
2. In connection with its status as an ATS, the Filer is registered as an investment dealer in British Columbia, Alberta, Manitoba, Ontario and Quebec, is an IIROC marketplace member and is not in default of any securities legislation in any jurisdiction in Canada.
3. The Filer's head office is located in Toronto, Ontario.
4. The Filer is proposing to introduce a new facility in CX2 for odd lot trading: the CX2 Canada Odd Lot Trading Facility (the **Odd Lot Facility**). An odd lot is an order for a number of shares that is less than the minimum prescribed "board lot" size. A board lot is 100 shares for stocks valued at or above one dollar, 500 shares for stocks valued from 10 cents to 99 cents and 1000 shares for stocks valued from half a cent to 9.5 cents.
5. CX2 subscribers will be able to receive guaranteed fills for odd lot orders that are immediately marketable against the Canadian Best Bid Offer (**CBBO**) and marked IOC (immediate or cancel). Odd Lot Dealers will meet their responsibility to guarantee executions against incoming odd lot orders on the passive side of the CBBO through orders generated by the trading system (auto-execution). The Odd Lot Facility is described below:
 - a. A Subscriber will qualify to become an Odd Lot Dealer if it is a member in good standing with IIROC, has met all applicable CX2 requirements and has requested to be an Odd Lot Dealer and signed the Odd Lot Dealer Addendum.
 - b. Each CX2 Odd Lot Dealer will be randomly assigned a list of securities based on the number of CX2 Odd Lot Dealers. Each CX2 Odd Lot Dealer will also be assigned the underlying family of securities associated with a primary security.
 - c. Odd lot orders that are not immediately marketable or not marked IOC will be rejected. An order containing at least one board lot and an odd lot (mixed lot) that is marked IOC will also be accepted. The odd lot portion of the mixed lot will receive auto execution and the board lot portion of the mixed lot order will seek available liquidity on CX2. If there is insufficient liquidity on CX2 to fully execute the order, any remaining volume will be canceled. Incoming Odd Lot

Market Orders will auto-execute at the time of order entry, at the CBBO Best Bid and Offer price.

- d. CX2 subscribers that are interested in serving as Odd Lot Dealers can be designated as such at the discretion of CX2. Where CX2 Canada allocates listed securities to an Odd Lot Dealer, the Odd Lot Dealer will be responsible for guaranteeing automatic immediate fills for incoming marketable IOC odd lot orders through orders generated automatically by the trading system. Maintaining an inventory of securities traded in Odd Lots is the responsibility of the Odd Lot Dealer.
6. Because the Filer is offering the Odd Lot Facility described in paragraph 4 and as a result may be providing directly or through its subscribers, a guarantee of a two-sided market on a continuous or reasonably continuous basis, the Filer may not fall within the definition of “alternative trading system” under NI 21-101.

Decision

1. Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.
2. The decision of the Decision Makers under the Legislation is that the Exemptive Relief Sought is granted.
3. The decision in paragraph 2 is subject to the following term and condition:
 - (a) The Filer complies with all requirements applicable to an ATS under NI 21-101.

“Edward P. Kerwin”

“Sarah B. Kavanagh”

Ontario Securities Commission

Director Exemption Decision

The Director is satisfied that to grant the Fee Relief would not be prejudicial to the public interest.

It is the decision of the Director, pursuant to section 6.1 of the Fee Rule, that the Filer is exempt from the requirement in section 4.1 of the Fee Rule to pay an activity fee for filing the coordinated review application.

“Susan Greenglass”

Susan Greenglass, Director, Market Regulation

DATED at Toronto, Ontario this 26th day of November, 2014.

APPENDIX A:**SECTIONS IN THE PROVINCIAL SECURITIES ACTS****RELEVANT TO THE RECOGNITION OF AN EXCHANGE & EXEMPTION BY THE COMMISSION**

Jurisdiction	Sections in Provincial Securities Act Relevant to: (a) Recognition of an Exchange and; (b) Exemption by the Commission
British Columbia	(a) Part IV, s. 25 (b) s. 33(1)
Alberta	(a) Part IV, s. 62(1) (b) s. 213
Manitoba	(a) Part XIV, s. 139(1) (b) s. 167
Ontario	(a) Part VIII, s. 21(1) (b) s. 147
Québec	(a) Title VI, s. 169 (b) s. 263