

TECHNOLOGY REQUIREMENTS FOR IMPLEMENTATION OF ORDER PROTECTION RULE, EFFECTIVE FEBRUARY 2011

On November 13, 2009 the Canadian Securities Administrators (CSA) announced amendments to National Instrument 23-101 *Trading Rules* which includes among other things an Order Protection Rule requiring all visible, immediately accessible, better-priced limit orders to be filled before other limit orders at inferior prices, regardless of the marketplace where the order is entered. Currently the requirement to not “trade-through” is an obligation falling under the responsibility of IIROC dealer members. In February 2011 this obligation will be moved to the marketplace level and require marketplaces to establish, maintain and enforce written policies and procedures that are reasonably designed to prevent trade-throughs on that marketplace.

Chi-X Canada has protected against trade-throughs on its marketplace since its launch in 2008. The technological requirements, and a description of our existing implementation are set out below:

1. All orders sent using Chi-X Canada’s smart order router will first execute against better priced orders posted on other marketplaces before posting an order on a “preferenced” marketplace;
2. All orders sent to Chi-X Canada with an execution price that would result in a trade-through of a protected quote on another marketplace are automatically re-priced by Chi-X Canada’s Intelligent Order Book (IOB).
3. Any order sent as a CSO order will bypass the IOB dynamic re-pricing mechanism and act as a DAO order as defined by National Instrument 23-101.

Technological Requirements

A) CSO Order

Fix

A CSO order users FIX Tag 18 (ExecInst) = f (CSO)

B) Chi-X Smart Order Routing

Fix

An order that is designated to be sent to Chi-X Canada’s smart order router uses either one of the following FIX Tags to indicate a routing strategy: 100 (ExDestination), 128 (DeliverToCompID), or 129 (DeliverToSubID)