

ALBERTA SECURITIES COMMISSION

BLANKET ORDER 23-502

Citation: Order-Protection Rules and Alpha Exchange Inc., 2015 ABASC 873

Date: 20150917

Interpretation

1. Terms defined in National Instrument 23-101 *Trading Rules* (NI 23-101) or in National Instrument 14-101 *Definitions* have the same meaning in this Order.

Background

2. Part 6 of NI 23-101 prescribes order-protection rules (OPR) intended to ensure that all immediately-accessible, visible, better-priced limit orders are executed before inferior-priced limit orders and are not traded through.
3. As defined in NI 23-101, a "trade-through" occurs when an order is executed at a price that is, in the case of a purchase, higher than any "protected offer" price or, in the case of a sale, lower than any "protected bid" price.
4. As defined in NI 23-101, "protected bid" and "protected offer" mean, respectively, a bid or an offer (i) that is displayed on a marketplace that provides "automated functionality" and (ii) about which information is required to be provided to an information processor or information vendor.
5. As defined in NI 23-101, "automated functionality" includes the ability to "immediately and automatically execute an order marked as immediate-or-cancel against the displayed volume".
6. Section 6.1 of NI 23-101 requires marketplaces to establish, maintain and ensure compliance with written policies and procedures that are reasonably designed to prevent trade-throughs.
7. Section 6.4 of NI 23-101 prohibits a marketplace participant from entering a directed-action order unless the marketplace participant has established, and maintains and ensures compliance with, written policies and procedures that are reasonably designed to prevent trade-throughs.
8. Alpha Exchange Inc. (Alpha) is recognized as an exchange by the Ontario Securities Commission (the OSC), its lead regulator under the *Memorandum of Understanding Respecting the Oversight of Exchanges and Quotation and Trade Reporting Systems*.
9. Alpha has been exempted from recognition as an exchange by each of the Canadian securities regulatory authorities other than the OSC.

10. On 16 April 2015 the OSC approved amendments to Alpha's *Trading Policies* pertaining to Alpha's introduction of a speed-bump on its market, subject (among other things) to the condition that the orders displayed in Alpha's order book will not be considered to be protected under OPR.
11. The Canadian Securities Administrators are considering the implications of marketplace speed-bumps in the context of OPR and whether changes to rules or policies will be appropriate. Pending the outcome of this consideration, it is appropriate to exclude the application of OPR to Alpha once it implements its speed-bump.

Order

12. The Alberta Securities Commission, considering that it would not be contrary to the public interest, orders under section 213 of the *Securities Act* (Alberta) that:
 - (a) marketplaces are exempt from the requirement of section 6.1 of NI 23-101 to establish, maintain and ensure compliance with written policies and procedures that are reasonably designed to prevent trade-throughs of offers and bids displayed in Alpha's order book; and
 - (b) marketplace participants that enter directed-action orders are exempt from the requirement of section 6.4 of NI 23-101 to have established, and to maintain and ensure compliance with, written policies and procedures that are reasonably designed to prevent trade-throughs of offers and bids displayed in Alpha's order book.
13. This order comes into effect on 21 September 2015 and expires upon the coming into force of any amendment made to NI 23-101 or 23-101CP (or both) to account for marketplace speed-bumps.

For the Commission:

"original signed by"
Tom Cotter
Vice-Chair

"original signed by"
Stephen Murison
Vice-Chair