

ALPHA EXCHANGE INC.
AMENDMENT TO ORDER PROCESSING DELAY
NOTICE OF APPROVAL
(JULY 6, 2023)

Introduction

In accordance with the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits thereto for recognized exchanges, Alpha Exchange Inc. (“**Alpha**”) has adopted, and the Ontario Securities Commission (“**OSC**”) has approved (subject to a term and condition for Alpha to provide to the OSC analysis of the impact of the static order processing delay), certain public interest amendments changing Alpha’s order processing delay from a randomized 1-3 millisecond delay to a static 1 millisecond delay, as set out in the Request for Comment (as defined below) (the “**Static Order Processing Delay Amendment**”). On March 2, 2023, Alpha published a Notice of Proposed Amendments and Request for Comments (the “**Request for Comment**”) with respect to the Static Order Processing Delay Amendment and other proposed amendments relating to the introduction of two new order books on Alpha (the “**New Order Books Amendments**”). A Notice of Approval relating to the New Order Books Amendments will be published separately if the required regulatory approval has been obtained.

Capitalized terms used and not otherwise defined in this Notice of Approval shall have the meaning ascribed to them in the Request for Comment.

Summary of the Amendments

A copy of the Static Order Processing Delay Amendment can be found at www.osc.ca.

As set out in the Request for Comment, no amendments to the Alpha Trading Policy Manual are required to reflect the change from the randomized order processing delay on Alpha to the static order processing delay.

Comments Received

The Static Order Processing Delay Amendment was published for comment on March 2, 2023 for a 30-day period, and six comment letters were received. A summary of the comments submitted with respect to the Order Processing Delay Amendment, together with Alpha’s response, is attached at **Appendix A**. Alpha thanks all commenters for their feedback and suggestions.

Effective Date

The Static Order Processing Delay Amendment will be implemented on Alpha on July 17, 2023.

APPENDIX A

SUMMARY OF COMMENTS AND RESPONSES

List of Commenters:

- BMO Nesbitt Burns Inc. (“**BMO**”)
- Canadian Security Traders’ Association, Inc. (“**CSTA**”)
- FIA Principal Traders Group (“**FIA PTG**”)
- Nasdaq CXC Limited (“**Nasdaq Canada**”)
- RBC Dominion Securities Inc. & RBC Wealth Management (collectively, “**RBC**”)
- Scotiabank (“**Scotia**”)

Please note that while six comment letters were received, only one letter received provided comments on the Static Order Processing Delay Amendment.

	<i>Summarized Comments Received</i>	<i>Alpha Response</i>
	1. Order Processing Delay - Alpha	
1.	<p>One commenter did not agree with Alpha’s statement in the Request for Comment that there is consensus on the street to remove the randomization order processing delay on Alpha Exchange and replace it with a static delay. The commenter was of the view that while the change to a static order processing delay may help firms who have latency controlled routers, it may disadvantage certain participants without such tools in assessing liquidity on Alpha Exchange, particularly smaller dealers or those who rely on vendor-supplied smart order routers without latency-normalization capabilities.</p> <p>The commenter stated that this change is “fundamental” in nature and that it should be subject to a higher standard of review and more comprehensive public consultation with stakeholders rather than a unilateral decision by Alpha. (Scotia)</p>	<p>We acknowledge that not all market participants may be in favour of this amendment or in favour of an order processing delay in general, and it is not our intent to suggest otherwise. However, during the past year, Alpha has had several meetings with a broad spectrum of participants, both domestic and international, including with buy side, sell side, and Retail Advisory Committee, and comprised of representatives from more than 25 participants. During these meetings, it became clear that while the participants appreciated the goal and intent of the randomized order processing delay, they highlighted some of the challenges they faced with the random nature of the order processing delay, and noted that a predictable and static order processing delay would be preferred. The vast majority of institutional firms and retail desks we talked to viewed the amendment to Alpha’s order processing delay as a net positive since they may be better able to capture visible quotes.</p> <p>We would agree that the change will help participants with latency controlled routers, to capture all of the visible liquidity. This is indeed the very point of the change, as we now protect liquidity providers, from the fastest active players, whose flow is event driven, without impeding institutional brokers from capturing the full quote. However, the change will not</p>

	<i>Summarized Comments Received</i>	<i>Alpha Response</i>
		<p>have any impact on dealers not using such routing strategies. In other words, they will continue to get the same performance as before.</p> <p>Alpha does not view it as a negative that firms who have invested in technology and modeling are able to get superior results to a baseline order router. Markets should and do reward dealers for investment and innovation - which ultimately benefits the end clients using such technology. Great routers outperform good routers in many instances in our markets. This is neither new, nor a negative outcome.</p> <p>The proposed amendment to Alpha's order processing delay forms part of the Request for Comment (and therefore public consultation process), and is subject to OSC approval.</p>