

# IIROC NOTICE

## **Administrative General**

*Please distribute internally to:*

Institutional  
Legal and Compliance  
Senior Management  
Trading Desk

*Contact:*

Victoria Pinnington  
Senior Vice-President, Market Regulation  
Telephone: 416.646.7231  
fax: 416.646.7261  
e-mail: [vpinnington@iroc.ca](mailto:vpinnington@iroc.ca)

**18-0009**  
**January 9, 2018**

## **IIROC Study of Speed Segmentation on Exchanges: Competition for Slow Flow**

IIROC, in collaboration with the Bank of Canada, studied the impact of the redesign of TSX Alpha Exchange (Alpha) which on September 21, 2015, adopted a suite of changes including a speed bump<sup>1</sup>. Concerns were raised that these changes might have a negative impact on market quality in Canada.

In the attached [paper](#) we investigate segmentation, market quality measures, and differences in routing behaviour around the Alpha redesign. The main findings of the study are summarized below:

- no meaningful increase in segmentation
- no material change in market-wide measures of trading costs relative to either their past levels or to a matched control sample of US stocks
- an increase of approximately 5 percent in execution size market-wide

---

<sup>1</sup> A speedbump is a systematic delay between the receipt of an order and its execution.



- an increase of approximately 75 percent in execution size on Alpha alone
- a decrease in order-to-trade ratios and an increase in size of market orders by heavy buy-side users of Alpha
- a decrease in the use of sprayed orders by heavy buy-side users

Our results show that the redesign of Alpha, including the addition of a speed bump, did not adversely affect the quality of Canadian equity markets.