

**By email**

Sanka Kasturiarachchi  
Policy Counsel, Market Regulation Policy  
Investment Industry Regulatory Organization of Canada (“IIROC”)  
Suite 2000  
121 King Street West  
Toronto, Ontario M5H 3T9  
email: [skasturiarachchi@iroc.ca](mailto:skasturiarachchi@iroc.ca)

and copy to:

Market Regulation  
Ontario Securities Commission  
Suite 1903, Box 55  
20 Queen Street West  
Toronto, Ontario M5H 3S8  
Fax: (416) 595-8940  
e-mail: [marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

Re: Proposed Amendments Respecting Provision of Price Improvement by a Dark Order

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Dear Mr. Kasturiarachchi:

CNSX Markets Inc. (“CSE”) is responding to **IIROC Notice 18-0231 Proposed Amendments Respecting Provision of Price Improvement by a Dark Order** (“Notice”) published on December 13, 2019. The CSE endorses IIROC’s initiative to properly align UMIR with the original policy objectives of the Dark Order Requirements. The CSE strongly supports the proposed amendments, agrees with the IIROC Board that they are in the public interest, and believes the proposed amendments reflect the fundamental principles of the “dark rules” in Canadian market structure.

In 2010, IROC and the Canadian Securities Administrators, after lengthy and extensive industry consultation, jointly formulated the policy underpinnings regarding the “dark rules” in Canadian market structure.<sup>1</sup> The recommendations for implementation included:

- Recommendation 1 - “[t]he exemption to the pre-trade transparency requirements in NI 21-101 should **only be available** to an **order that meets or exceeds a minimum size** ...” (emphasis added);
- Recommendation 2 - “[t]wo dark orders meeting the Dark Order Size Threshold should be able to execute at the NBBO, and **meaningful price improvement should be required in all other circumstances** (emphasis added); and

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<sup>1</sup> The second of two position papers: Joint CSA/IIROC Position Paper 23-405 *Dark Liquidity in the Canadian Market*.  
[https://www.osc.gov.on.ca/documents/en/Securities-Category2/csa\\_20101119\\_23-405\\_dark-liquidity.pdf](https://www.osc.gov.on.ca/documents/en/Securities-Category2/csa_20101119_23-405_dark-liquidity.pdf).

- Recommendation 3 - “[o]n a marketplace, visible orders should execute before dark orders at the same price...” (emphasis added).

UMIR was amended based on these recommendations with a policy objective that an order entered on a marketplace that trades with a dark order must receive meaningful price improvement, unless that first order exceeds a certain size threshold.

With the benefit of time and experience, it is now abundantly clear that the current size threshold in UMIR is not operating as intended. A large number of orders for low-priced securities are not receiving the intended price improvement due to a single test against the 50 standard trading units (STUs) threshold. IIROC’s proposal of adding a second prong, namely the \$30,000 in value, in combination with the 50 STUs threshold, will address the gap on low-priced securities.

The following addresses IIROC’s specific questions regarding the proposed amendments.

1. *Will the proposed floor value of \$30,000 adequately capture small orders and address concerns regarding low-priced securities trading in the dark without price improvement? Would a \$25,000 threshold be more appropriate? If so, why?*

The CSE is of the view that the \$30,000 proposed floor value is appropriate. Based on IIROC’s significant analysis, this floor would result almost in all low-priced small orders receiving the intended policy treatment i.e. such orders would only trade in the dark if they receive price improvement.

2. *What is the scope of work required to make the appropriate systems changes? Is a 90-day implementation period reasonable?*

The CSE will not need to undertake any systems changes.

The scope of work to implement the proposed floor value should be easily accommodated in 90 days.

It is noted that the Notice was already open for comment for a significant period (90 days). Extending beyond the standard 90-day implementation protocol is not warranted and will only delay the necessary amendments.

3. *Are there any unintended consequences arising from the proposed inclusion of the \$30,000 threshold in UMIR Rule 6.6?*

The CSE is unaware of any unintended consequences from adding the \$30,000 threshold.

Sincerely,

“*Jamie Anderson*”

Jamie Anderson  
General Counsel & Corporate Secretary

Cc. Richard Carleton – Chief Executive Officer