



March 15, 2019

**VIA EMAIL**

Sanka Kasturiarachchi  
Policy Counsel, Market Regulation Policy  
Investment Industry Regulatory Organization of Canada  
121 King Street West, Suite 2000  
Toronto Ontario M5H 2T9

**Re: Proposed Amendments Respecting Provision of Price Improvement by a Dark Order  
("Notice")**

Dear Mr. Kasturiarachchi:

Nasdaq CXC Limited ("Nasdaq Canada" or "we") welcomes the opportunity to provide comments on Investment Industry Regulatory Organization of Canada's ("IIROC") proposed amendments respecting the provision of price improvement by a Dark Order ("UMIR 6.6") that will introduce a requirement that the notional value of an order must exceed \$30,000 in addition to meeting the current requirement of 50 Standard Trading Units ("Proposed Amendment") in order to be permitted to trade at the NBBO ("Dark Order Threshold").

We are in favor of the Proposed Amendment given that IIROC's data analysis has legitimized stakeholder concerns and that the size of the notional value being proposed will be required to meet the Dark Order Threshold has been based on analysis. We believe it is important when concerns are heard from stakeholders that these concerns are substantiated prior to any regulatory action being taken and that the impact of any proposed change is considered against clearly stated policy objectives. IIROC has confirmed that the current application of the Dark Order Threshold for a small size order may be negatively impacting price discovery for low priced securities with a review of historical trading data comparing lit vs. dark trading for the period from April 2016 to September 2018. Furthermore, the \$30,000 notional value proposed has been based on analyzing what notional size for orders from the period would allow only the top 1% of orders of low priced securities to trade in the dark without receiving price improvement. We commend IIROC for taking a data driven approach in developing this new policy when introducing reform.

In fact, we suggest that IIROC also consider performing a similar analysis for high priced securities to evaluate whether the policy objectives of UMIR 6.6 are being achieved with the current notional value used to define a large order. The effectiveness of using a one size fits all approach when defining a size threshold will always be more difficult for securities that trade at prices either very high or very low. In addition, defining a threshold using a notional value means that the number of shares required for a security to meet the threshold will decrease as its price increases. The current 50STU requirement for a large order represents the number of shares required to meet the \$100,000 notional value for a security priced at \$20. In Canada there are 27 securities that trade over \$100 where a large sized order is only 1000 shares. In the case of certain securities, such as Constellations Systems, which trade over \$1000 a

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single board lot qualifies as a large size order. Because challenges exist for liquidity provision for high priced securities due to higher volatility and increased risk, it would be helpful for IIROC to confirm that price discovery, and in turn the policy objections of UMIR 6.6 is not being negatively impacted on these names by the current notional value for a large order.

Section 2 of the Notice notes that IIROC is currently reviewing all dollar-value and 50STU thresholds applied in UMIR. We commend IIROC for this review to determine if current threshold levels continue to meet their regulatory objectives. Understanding the impact that certain rules have on internalization practices we look forward to seeing what changes are proposed after the completion of IIROCs review of internalization

We thank IIROC for the opportunity to provide comments and would welcome the opportunity to discuss further our views with staff.

Sincerely,

Nasdaq Canada