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By email

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Dear Sirs/Mesdames,

**Re: CIRO Proposed Rule Amendments and Guidance Regarding Applicable Trading Increments
(Reference: Rules Bulletin 24-0363 and Proposed Guidance Note GN-URPart6-24-0001)**

We appreciate the opportunity to comment on the above-noted proposed rule amendments and the associated proposed guidance (together, the **Proposal**).

Tradelogiq Markets Inc. (“Tradelogiq”) is a regulated Canadian marketplace operator with two separate alternative trading systems (“ATSs”): Omega ATS and Lynx ATS. By accessing our two ATSs, our subscribers, all being registered investment dealers and CIRO members, can trade securities that are listed on Canadian recognized exchanges. As a marketplace operator, we would be expected under the Proposal to implement processes and system restrictions to ensure that tick sizes on orders conform with the revised regime.

Our responses to the specific questions asked are provided in the attached appendix.

In addition to those responses, we also wish to highlight some practical concerns with the approach proposed by CIRO whereby it will define and then specify tick sizes to be applied for “U.S. inter-listed securities”. These concerns tend to relate primarily to how the tick sizes for U.S. inter-listed securities will be set. It appears from the Proposal that CIRO’s intent would be to publish a complete list of all U.S. inter-listed securities every six months (whether tick-

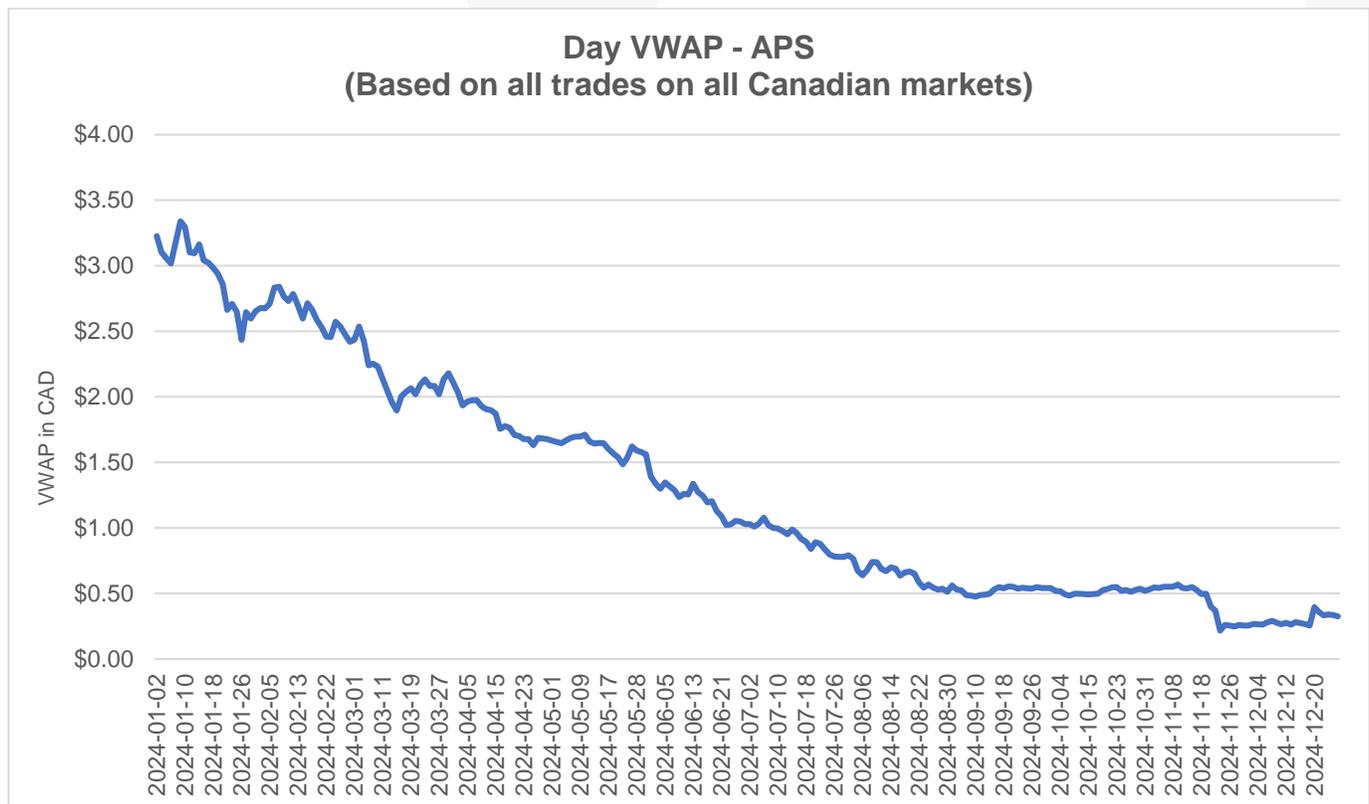
constrained in the US or not)¹ and specify a single tick size for each such security that will then be fixed for the entirety of the six-month period. We feel it is important to work through the various scenarios to identify the variety of outcomes that should be considered in the context of costs and benefits.

A. Potential negative effect for certain low-priced U.S. inter-listed securities

Our assumption is that CIRO will specify a half-penny tick size for any U.S. inter-listed security that has been identified as being tick-constrained, regardless of the price at which the security is trading at the time of the designation. We also assume from the Proposal that if the U.S. inter-listed security is not tick-constrained, CIRO will then designate a tick size based on where the stock has most recently traded – whether based on last sale, VWAP over the last day/week/month, or some other means.

If our assumptions are correct, then there could be scenarios involving non-tick constrained U.S. inter-listed securities that result in larger tick size discrepancies between Canada and the U.S. than exist today, to Canada’s potential detriment. This will arise for any such non-tick constrained U.S. inter-listed securities that are trading above \$0.50 at the time CIRO sets its tick size, but subsequently fall in value to prices below \$0.50.

The recent experience of interlisted security Aptose Biosciences Inc. (TSX: APS, NASDAQ: APTO) serves as an example. As seen below, APS was trading in Canada above \$1.00 for the first half of 2024, between \$0.50 and \$1.00 for the next few months, and then fell to below \$0.50 around mid-November.



¹ By “tick-constrained”, we mean that the security has been identified in the US as being subject to a reduced tick size of a half-penny for orders priced at or over \$1 because its calculated time-weighted average quoted spread as determined under SEC Rule 242.612 was equal to or less than \$0.015.

If Aptose was not identified as tick-constrained in the U.S. at the time CIRO were to make its designation, then our assumption is that CIRO would look to recent trading prices for the purposes of determining the tick size it will designate for the coming six-month period. If CIRO were making its assessment at a time when Aptose was trading above \$0.50, we assume then that it would assign a full-penny tick size, being the tick size applicable to orders entered at prices above \$0.50 today. Once Aptose then falls below \$0.50, its tick size would then be stuck at a full penny for orders priced under \$0.50, even though existing convention allows for a half-penny tick size at those price levels. The result would be an even greater advantage for the U.S. markets in terms of relative tick sizes as compared to now at those very low price levels, considering that tick sizes in the U.S. for orders entered at prices under \$1 will continue to be 1/100^{ths} of a penny – regardless of whether the stock is identified as being tick-constrained or not.²

We do not think this outcome is optimal and believe that, as a principle, CIRO should seek an approach that achieves its intended objectives of harmonizing with the reduced tick sizes approved in the U.S. for tick-constrained U.S. inter-listed securities, while minimizing circumstances that would provide U.S. markets with a greater tick advantage than they have now – as in the case just described.

There are a number of ways CIRO could minimize or avoid this risk entirely. These include:

Option 1 – Adopt the Proposal with a fall-back and only designate tick sizes for tick-constrained U.S. inter-listed securities

Every six months, CIRO could publish a list of only those U.S. inter-listed securities that have been identified as tick-constrained in the U.S. All U.S. inter-listed securities included in the lists would be assigned a half-penny tick size.

To handle U.S. inter-listed securities where no designation has been made, CIRO would need to amend proposed UMIR 6.1(1.1) to add a fall-back that indicates that where no designation has been made for a U.S. inter-listed security, then the existing trading increment requirements of UMIR 6.1(1) apply – i.e., the U.S. inter-listed security would be subject to the existing over/under \$0.50 tick size regime.

Using Aptose again as the example, under this approach if not tick-constrained and no designation is made by CIRO, its tick size would be allowed to freely float between a full penny and half penny for orders priced above or under \$0.50, respectively, as is the case now, and with no impact on current tick size differentials between Canada and the US.

This approach, which involves a reduced list containing only the affected U.S. inter-listed securities, would also have the benefit of simplifying processes and reducing the risk of error and the additional burden associated with any manual validation efforts – not only for CIRO in terms of its maintenance of the list, but also for the industry in terms of its consumption of the list.

Option 2 – Abandon “U.S. inter-listed securities” definition and revise UMIR 6.1(1)

A second and more preferred option would involve abandoning both the proposed definition of “U.S. inter-listed securities” and new UMIR 6.1(1.1) and instead revising the current UMIR 6.1(1) to establish clear separate tick

² Our understanding from the final amendments is that the listing exchanges will have to provide a “minimum pricing increment indicator” for tick-constrained stocks to allow participants to identify that the security is subject to the reduced half-penny tick size when they entering orders for that security with a price at or above \$1. Under the revised Rule 612, SEC has maintained its approach of tick size being governed first by order price, and then for orders entered with a price at or above \$1, based on the second condition of whether it has been identified as being tick constrained or not. This means that the tick size for orders entered on US markets at prices equal to or greater than \$1 will remain at \$0.01 unless the stock is identified as being tick-constrained in which case it is subject to a half-penny tick size. For orders entered at prices under \$1, the tick-size will continue to be \$0.0001, regardless of whether or not the stock is identified as tick-constrained.

size requirements for orders entered with prices over \$0.50 from orders entered with prices under \$0.50 along the lines of the following:

- 6.1(1) An order to purchase or sell a security shall be entered to trade on a marketplace in a price increment that is no smaller than:
- (a) for an order with a price of \$0.50 or greater,
 - (i) one-cent if no designation with respect to the security referred to in subparagraph (ii) has been made, or
 - (ii) one-half of one cent if the security has been designated by the Market Regulator as being subject to this subparagraph (ii), as may be designated by the Market Regulator from time to time, and
 - (b) for an order with a price of less than \$0.50, one-half of one cent.

CIRO would then only publish a list of the securities for which the designation under subparagraph 6.1(1)(a)(ii) was being made – representing only the tick-constrained interlisted securities subject to a reduced tick size under SEC Rule 612 – while maintaining the current over/under \$0.50 tick size regime for all other securities.

This approach would have the same effect as the fall-back approach in Option 1 for resolving the issue identified in the Aptose example, and would provide the same benefits in terms of the maintenance of a reduced list, but in our view is the more reasonable approach as it achieves the intended outcome while also providing clearer direction on the application of the rules and helping to minimize the impact of certain additional issues that arise primarily from the proposed definition-based approach for a stock that becomes or ceases to be a “U.S. inter-listed security” during any given six-month period.³ (The issues arising from changes in a security’s interlisted status are discussed in section B below.)

Option 3 - Updating the list on a daily basis.

If the list was updated on a daily basis to reflect change in stock prices, this would minimize the risk from a day-to-day basis, but not on an intra-day basis for non-tick constrained U.S. inter-listed securities trading around the \$0.50 threshold price. Combining this option with Option 2 would address the intra-day impact.

Updating the list on daily basis also likely comes with its own set of added risks and costs both for those responsible for preparing the lists (CIRO) and those responsible for consuming it (industry) – none of which have been scoped out in the Proposal. The balance between any benefits and any such added risks and costs will depend on the extent to which either of Options 2 and 3 are sufficient to address the other practical issues discussed next.

B. Impact of inter-listings and delistings during the six-month period

The approach outlined in the Proposal could also result in confusion regarding how to handle a change in a security’s classification under UMIR 6.1 from “not a U.S. inter-listed security” to “U.S. inter-listed security” or vice versa during any given six-month period. In such circumstances, the approach in the Proposal would also contribute to technical non-compliance with UMIR that would need to be addressed.

The following scenarios are all possible, acknowledging that some are less likely to arise than others.

³ This approach also aligns better with the current structure of the final amendments to Rule 612 of Regulation NMS in the US, as described earlier in Footnote 2.

Scenario 1 – U.S. inter-listed security becomes delisted in Canada, remains listed in U.S. or simultaneously delists in the U.S.

Security is no longer tradeable in Canada. An ineligible security remaining on CIRO's list until removed at the end of the current six-month period has no impact. There is no need to address this scenario.

Scenario 2 – U.S. inter-listed security becomes delisted in U.S., remains listed in Canada

Security is no longer technically a "U.S. inter-listed security" under UMIR and so existing section UMIR 6.1(1) applies. However, security remains on list with a specified tick size.

In this scenario, would dealers and marketplaces be responsible for identifying that the security's presence on the list no longer has meaning as it is no longer a "U.S. inter-listed security" and revert to applying the existing tick size regime under UMIR 6.1(1)? More likely, the outcome would be that the specified tick size from the list would continue to be applied in dealer and marketplace systems until the list is updated to remove the security, even though the security technically falls back into the current over/under \$0.50 regime in UMIR 6.1(1) because it is no longer a "U.S. inter-listed security".

If the most recently published list indicated that the security was subject to a reduced tick-size of \$0.005 because it was tick-constrained in the U.S. at the time of the designation, then in the absence of a carve-out provision like was implemented to address similar technical non-compliance issues with the fee cap rules,⁴ any order entered on that symbol with a price above \$0.50 at a half-penny increment would be technically non-compliant with the full-penny increment requirement under UMIR 6.1(1).

If the most recent designated tick size for the security was a full penny because the security was not tick-constrained in the U.S., then no compliance issue would arise, but the security would be stuck with a full-penny increment until the list is updated for the next six-month period even if the stock was to drop to below \$0.50.

Option 2 would address both the above-noted compliance and stuck tick-size issues, while also providing clear direction on the handling of tick sizes for the security while it is on the list, regardless of whether it becomes non-interlisted while present on the list. While on the list under Option 2, it would be subject to a half-penny tick size for orders entered both over and under \$0.50; once off the list, it would be subject to the current over/under \$0.50 tick size regime.

The fall-back approach under Option 1 would avoid the stuck tick size issue because no designation would have been made for the non-tick constrained stock, but it would not address the technical compliance issue that would likely arise for a stock included on the list because it was tick-constrained at the time of the last designation. There would also still exist the risk of confusion that is possible under the Proposal because a security on the list will be identified as being a U.S. inter-listed by virtue of its inclusion and presumed to be subject to one set of requirements under the new UMIR 6.1(1.1), but in reality is no longer inter-listed and therefore subject to the existing set of requirements under UMIR 6.1(1).

Option 3 would also address this scenario if CIRO identifies that the security is to become non-interlisted and issues an updated list to remove the security upon the security's delisting, but likely comes with its own set of added risks and costs that are not present in Options 1 and 2.

⁴ Issues of non-compliance with fee cap requirements in National Instrument 23-101 - *Trading Rules* that arise if a security ceases to be interlisted and would otherwise become subject to a lower fee cap than was previously applicable are addressed by a transitional period provided for in section 6.6.2 of that instrument allowing for the higher interlisted fee cap level to continue to apply until such time as the next quarterly list of interlisted securities has been implemented and the offending security is removed.

Scenario 3 – Security is listed in Canada, becomes listed in US, or simultaneously lists in both countries

Security is technically now a “U.S. inter-listed security” under UMIR and new section UMIR 6.1(1.1) applies, but security is “orphaned” as it is not on the most recent list published by CIRO and therefore has no designated tick size.

The amendments to Rule 612 of Regulation NMS indicate that new securities are subject to the current standard tick size requirements until the next evaluation period has been completed. Given this, the approach here should be to apply our own current standard tick size regime in this scenario. This would ensure the current tick size differentials are maintained until the first evaluation period in the U.S. when the symbol would then be identified as being tick-constrained or not.

Either of Options 1 or 2 described earlier would address this scenario by providing a clear path to allow for the newly interlisted security to fall into the current over/under \$0.50 tick size standard.

Option 3 would also address this scenario if CIRO identifies that the security is becoming interlisted and issues an updated list applicable to the first day of trading as a U.S. inter-listed security, but with added risks and costs not present in Options 1 and 2.

Scenario 4 – Security is listed in U.S. becomes listed in Canada

Security is technically now a “U.S. inter-listed security” under UMIR and new section UMIR 6.1(1.1) applies. Like Scenario 3, security is orphaned and has no designated tick size.

Further complicating this scenario are the two following possible sub-scenarios:

- a) The security is not currently identified as tick-constrained in the U.S. in which case the reduced tick-sizes in the U.S. do not apply.
- b) The security is currently identified as tick-constrained in the U.S. and subject to reduced tick-sizes in the U.S.

Both of Options 1 and 2 would resolve the “orphaned” stock issue and would provide a clear path to applying the current over/under \$0.50 tick size regime. For above sub-scenario (a) this would be the practical and expected outcome. It would also be the practical outcome for sub-scenario (b) but would result in an outcome whereby the now interlisted security trades in Canada for some period time with a full penny increment while the US would continue trading the stock in half-penny increments. This is not a desirable outcome if it might negatively impact the initial take-up of trading the security on Canadian markets, creating negative perceptions of Canadian activity in the symbol before it has the opportunity to compete with comparable tick sizes once added to the list.

Option 3 would address both sub-scenarios and allow for the security to trade in half-penny increments upon the security becoming interlisted if CIRO identifies the security’s change in interlisted status and issues an updated list applicable for the first day of trading in the U.S. – but again, with added risks and costs not present in Options 1 and 2.

It is our belief that an issuer is more likely to seek a US listing after already being listed in Canada (Scenario 3) than it is to seek a Canadian listing when already listed in the US. However, this Scenario 4 likely does arise in the context of business combinations involving issuers listed in the US and Canada, as was the case for Tilray Brands (TLRY), an issuer listed on Nasdaq in the U.S. since 2018 that became interlisted on TSX in 2021 in connection with its acquisition of Aphria.

Whether Option 3 involving daily updates to the list is preferable because it could address all of the issues identified in this letter, as compared to Option 2 which would address all but this last Scenario, will depend on whether any added risks and costs of maintaining a daily list is justified if this last scenario may arise infrequently.

Considering this, the foregoing analysis contained in this cover letter, and our responses to the specific questions from the Proposal set out in the attached appendix, we suggest that Option 2, on balance, better achieves CIRO's intended objectives of harmonizing with the reduced tick sizes approved in the U.S while providing a simpler and clearer alternative to the approach set out in the Proposal.

Thank you for the opportunity to provide our feedback. Should you have any questions or would like to discuss further, please do not hesitate to contact us.

Best regards,

Jonathan Sylvestre

Chief Compliance Officer & Head of Market Structure
Tradelogiq Markets Inc.

cc: Laurence Rose, Chairman, President and CEO, Tradelogiq
Cindy Petlock, Chief Legal Officer and Corporate Secretary, Tradelogiq
Travis Felker, Head of Product & Strategy, Tradelogiq

APPENDIX RESPONSES TO PROPOSAL QUESTIONS

A. Proposed Amendments Respecting Trading Increments – Rules Bulletin 24-0363

Question 1: *In the future, we may consider whether to apply changes to trading increments to all Canadian-listed securities. We welcome any preliminary feedback in this regard.*

Consistent with the nature of the comments we provided in our response to CSA/CIRO Staff Notice 23-331⁵ which requested feedback on the SEC market structure proposals and the potential impact on Canadian capital markets, we expect that any expansion of tick size reductions to a broader set of securities than the affected U.S. inter-listed securities would only be considered after adequate study has been conducted of the impacts both here and in the U.S. (in terms of both market quality and costs to industry).

We believe that the action of extending tick size reductions carries systemic risk for all industry stakeholders in the form of increased message traffic, impacted economics, etc., and should be considered only insofar as it would achieve a clear net benefit.

Considering this, it would also be critical for the CSA and CIRO to consult with industry stakeholders before making rule or guidance proposals to extend it to other security groups / types given other considerations that might arise for those particular security groups / types.

Question 2: *As noted, we expect significant implementation efforts by industry if the Proposed Amendments are finalized. Recognizing that the compliance date for the amendments to Rule 612 is November 3, 2025, and acknowledging the need for harmonization, what is the expected minimum required time for various stakeholders (Dealer Members, marketplaces, information vendors etc.) to be prepared for an aligned implementation date in Canada?*

Ideally, we would be provided with a minimum of six months lead-time to accommodate the necessary development and testing efforts, which would also include time for participants to perform their own testing within marketplaces' General Test Environments.

Should there be need for an implementation date during 2025, we suggest that CIRO should examine whether implementation dates should be deferred on other changes that have been approved but not yet implemented, or that are expected to be approved shortly for which implementation dates have not yet been set. CIRO should also consider whether it might be appropriate to defer any planned changes to the Marketplace Regulation Feeds (including in relation to planned changes to timestamp granularity).

Question 3: *Rule 612 provides for a 1-month implementation window at the end of each semi-annual evaluation period (i.e., a 1-month window between establishing the increment and the effective date). Is this sufficient time for Canadian marketplaces to amend trading increments for listed securities in Canada?*

Our intent would be to automate the process as much as possible for obtaining, ingesting and applying the updated list of securities every six months. However, to reduce risk and allow for manual review and validation processes, we suggest that CIRO provide as much time as possible for every update to be applied – as close as possible to one month before each effective date. This would necessitate that CIRO obtain the source information from US

⁵ Our comment letter dated December 4, 2023 is available at: https://www.osc.ca/sites/default/files/2023-12/com_20231204_23-331_tradelogiq.pdf.

exchanges as soon as it is available and complete its own processes to update its list of securities and designate tick sizes for those securities within as short a window of time as possible.

We note that CIRO's own processes can be shortened, and its risk of error reduced, if it were to only designate tick sizes for tick-constrained interlisteds as contemplated under Options 2 and 3 described in the covering letter.

B. Proposed Guidance on Applicable Trading Increments – GN-URPart6-24-0001

***Question 1:** Rule 612 requires the primary listing exchange in the United States to measure the time weighted average quoted spread for each NMS stock, a measurement that determines the applicable minimum pricing increment. The primary listing exchange is also required to provide the applicable minimum pricing increment to various information processors for dissemination. We are soliciting feedback on the best approach to disseminating the applicable trading increment in Canada based on the data disseminated in the United States.*

For the purposes of how Tradelogiq would obtain the reference tick size information for the purposes of the order entry price restrictions embedded in our trading system, our preference would be that a CSV file of the securities for which a tick size is being specified be made available through CIRO's SFTP site. We could then set up a recurring job to retrieve the file and apply the tick size changes on our side, much in the same way that we currently obtain the daily list of securities subject to SSCBs for the purposes of our marketplace thresholds.

If the CSV file is only to be updated once every six months, it may be beneficial if the provided information includes security identifiers beyond the symbol (e.g., CUSIP) that would help to reduce the risk that a list being reviewed (or recovered) between updates is not interpreted or applied properly – for example, due to a symbol change.

Commensurate with our earlier comments in the covering letter, if CIRO were to adopt an approach of only making the tick size designation for tick-constrained interlisted securities, this could simplify the file contents while reducing risk of error and additional burden associated with any manual validation efforts. Only the security identifiers would need to be provided in that case, with the understanding that all included securities are subject to a half-penny tick size for the upcoming six-month period.

We note that others may prefer to obtain symbol reference information from the start of day messages disseminated by the listing exchanges, where such parties are already consuming and utilizing that daily symbol reference information in their systems and communicating it onwards for downstream use.