

10 May 2021

SENT VIA EMAIL TO:

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**Re: Notice of Proposed Change and Request for Comment - Change to the MATCHNow Trading System - TriAct Canada Marketplace LP**

Virtu ITG Canada Corp. respectfully submits this comment letter in response to the proposed amendments set forth by TriAct Canada Marketplace LP<sup>1</sup> (operating as MATCHNow) to permit conditional orders to interact and match with firm (resting) dark orders on MATCHNow, a Canadian alternative trading system. Virtu ITG Canada Corp., along with its parent Virtu Financial, Inc. (collectively, "Virtu") believes that the proposal submitted will benefit the Canadian equities markets. The enhanced access to liquidity opportunities warrants the potential opportunity costs for the reasons outlined in this letter.

**OPT-IN FEATURE FOR CONDITIONALS**

The MATCHNow proposal promotes liquidity and choice. Liquidity in that there would be more opportunity to reduce time and place fragmentation; choice because participants can decide to use it or not based on their needs.

The proposal would allow resting firm orders to interact conditionally within MATCHNow's existing conditional order book. Firm orders can elect to opt-in to this new behaviour via a new order-level tag or a session-level default. MATCHNow's application would only allow firm orders deemed a block (51 board lots and 30K notional or 100K total notional) to interact with the conditional book.

Currently, certain marketplace participants can use trading algorithms to efficiently access the available dark liquidity types (firm and conditional) in Canada without the feature proposed by MATCHNow. These algorithms possess the ability to rest firm orders on Canadian marketplaces while simultaneously exposing orders conditionally. However, such algorithms may not be used and/or may not be available to all marketplace participants for a variety of reasons. In such scenarios, firm orders on MATCHNow may not be able to interact with contra-algorithm orders due to potential constraints or restrictions being applied on either side. A new optional order handling feature, such as the one proposed by MATCHNow, that may help to improve the interactions between these orders would be welcome.

<sup>1</sup> Virtu previously operated MATCHNow through its wholly owned subsidiary, TriAct Canada Marketplace LP ("TriAct"). In August 2020, Virtu sold MATCHNow and TriAct to Cboe Global Markets, Inc. (the "MATCHNow Sale"). Pursuant to the terms of the MATCHNow Sale, Virtu provides certain transition services in support of MATCHNow and may receive additional contingent consideration based on the performance of MATCHNow through December 31, 2022.



## POTENTIAL FOR NEW OPPORTUNITY COSTS

In the submitted proposal, MATCHNow highlights two primary concerns:

1. The potential information imbalance relating to firm orders displaying interest into the conditional book.
2. The potential missed matches in the firm order book while completing a conditional trade.

As with all execution decisions, opportunity costs are present, and a proper cost-benefit analysis should be performed. MATCHNow's proposed optional feature affords participants the opportunity to make a choice whether to participate or abstain.

When a conditional opportunity is detected between a firm resting order and a contra-electronic conditional order, only the conditional order's party receives a notification. This presents an information imbalance as the firm order's party is unaware of the newly arrived conditional interest. It is Virtu's position that this trade-off would be well understood by participants, is adequately disclosed by MATCHNow, and that the incremental liquidity opportunities created by allowing these orders to interact is an appropriate trade-off.

An additional potential opportunity cost may involve missed firm order liquidity that presents within a conditional order's execution window. We feel this scenario has a low-risk probability of occurring because the firm order would have exhausted any pre-existing liquidity in the firm order book prior to the arrival of the conditional opportunity. Given the relative scarcity of dark liquidity in Canada, Virtu believes that opportunity cost would be once again well understood by marketplace participants and that the potential of interacting with conditional orders warrants an opt-in prerequisite.

It should be noted that participants need not enter this decision-making process unapprised. Post trade analytics tools can provide market participants the necessary data to evaluate their use of this choice. The cost versus benefit of leveraging this opt-in feature, either on an order by order basis or more broadly, can be easily ascertained by its users.

We thank you for the opportunity to provide our comments and views in this submission.

Sincerely,

Ian Williams  
Chief Executive Officer