



# **MATCH Now<sup>TM</sup>**

## **Frequently Asked Questions June 2008**

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### **How do dealers sign up for access to MATCH Now?**

Each MATCH Now Subscriber must be a Canadian Registered Dealer, an IIROC member, and under IIROC jurisdiction. A Subscriber must also be a Participant of each Canadian marketplace to which it intends to transmit unfilled balances of MATCH Now Marketflow / smart routed orders. To become a MATCH Now Subscriber, dealers need to execute the "MATCH Now Subscriber Agreement" and must report and settle all MATCH Now trades through CDS. Please contact a TriAct representative if you wish to sign up or enquire further.

### **How do clients sign up for access to MATCH Now?**

Qualified Canadian and foreign institutional clients and foreign dealers can directly access MATCH Now, but *only through a sponsoring Dealer* Subscriber. "Direct Access Clients" must also have direct market access to the TSX and any other marketplaces to which their Marketflow orders may be routed. Direct Access Clients' use of the MATCH Now system is subject to certain terms and conditions specified in the TriAct Subscriber Agreement.

### **How do we connect (systems-wise) to MATCH Now?**

Subscribers will typically connect via their third-party Access Vendor. Subscribers that maintain their own proprietary market connections can also connect directly to MATCH Now for the purpose of transmitting orders, but cannot access or utilize MATCH Now liquidity information. Access Vendors must sign the "TriAct Network Connectivity Agreement" and will be provided with the MATCH Now Access Vendor Guide and MATCH Now FIX Developer's Guide. Please contact a TriAct representative for more information.

### **Our desks are already overloaded with PCs & trading applications; we don't need another.**

This is one of MATCH Now's true advantages. MATCH Now simply appears as another two market destinations on your existing trading workstation.

### **Does MATCH Now trade stocks that are interlisted between the TSX and other exchanges?**

Yes. All stocks that trade on the TSX trade on MATCH Now. TSE VE stocks may also trade on MATCH Now in future.

### **What are MATCH Now's hours of operation?**

On all days the TSX is open for trading, TriAct will be available for order entry from 8:00am daily, and will operate during traditional market hours, 9:30am until 4:00pm ET.

### **If it does not participate as agent or principal, how does TriAct collect revenue?**

TriAct collects trading fees based on executions by its Subscribers. MATCH Now trading fees are competitive and innovative; offering savings vs. traditional Canadian exchange fees. Please contact a TriAct representative for further details.

### **How do MATCH Now trades settle?**

TriAct will provide a daily trade file to CDS. Subscribers (registered Canadian dealers) will report and settle MATCH Now trades through CDS, just as they currently do with TSX transactions (i.e. CNS).

## The Mechanics of MATCH Now

### What exactly is meant by the terms “Liquidity Provider (LP)” & “Marketflow” orders?

These are the two styles of orders (not two types of participants) entered into MATCH Now:

- Marketflow / smart routed orders are not booked in MATCH Now; on its way to another marketplace, a Marketflow order electronically checks MATCH Now’s liquidity pool for a better priced execution. If a potential match exists, the order routes to MATCH Now; if no potential match exists, the order routes directly on to the other exchange;
- LP orders sit passively and confidentially in the MATCH Now book, trading with other LP orders *and* Marketflow orders.

### What kinds of orders can be sent to MATCH Now?

The following orders are accepted:

- Day orders
- Buy / Sell / Sell Short / Sell Short Exempt
- Market / Limit
- Client / Non-Client / Specialist / Inventory
- Board-Lot / Mixed-Lot
- Anonymous
- Jitney
- Minimum Fill
- Program Trade

LP orders and portfolios can also include special optional settings, such as internalize, midpoint eligible, buy/sell cash imbalance, rate of execution, etc.

### Does MATCH Now honour time priority among orders?

No, the time an order is received by the system does not weigh into its standing in the MATCH Now book. When a match occurs, shares are distributed on a pro-rata basis among Liquidity Providing orders. The system’s goal is to maximize total volume traded. MATCH Now will adjust share distribution to achieve this goal but will never allocate less than 80% of any order’s pro rata share. Orders with constraints may execute behind those without.

### The TSX ensures that our orders cross with our own orders before trading with other dealers. Does MATCH Now?

Yes. Orders with the same broker number will always match first. Jitney orders will trade according to the executing broker. Anonymous orders will participate among other brokers.

### When a match occurs in MATCH Now, how does the system arrive at the price?

The price is based on the real-time Canadian best bid/offer spread (or NBBO) at the time of execution, calculated by MATCH Now using quotes from all continuous Canadian marketplaces with pre-trade transparency. MATCH Now trade prices are not based on order limits. The NBBO spread is simply split 80:20 in favour of the liquidity provider(s) (or 50:50 between two LPs) and rounded to 3 decimal places if necessary, to the LP’s benefit.

### When an order enters MATCH Now and has potential to match with an existing LP order, does the execution go off as soon as the new order arrives, or does it wait for the next 30-second call interval?

For a MATCH Now Marketflow / smart routed order, the execution occurs *immediately* upon entering MATCH Now.

For Liquidity Providing orders, the execution occurs during the very next 30-second automated call.

**What happens when a stock is halted?**

MATCH Now will accept orders, but will not execute trades when a stock is not in a normal, open state. Liquidity Providing (LP) orders will remain in the MATCH Now book and begin trading if / when the stock is opened for trading. Marketflow / smart routed orders will be immediately returned with nothing done, and will route via an Access Vendor to the user's next chosen market destination (e.g. TSX / Pure Trading).

**How are trades publicly disseminated?**

Public trade reports will be disseminated in real time to data distributors via TSX Datalinx in standard (TL1 and TBF) format. Data distributors are encouraged to integrate MATCH Now trades with TSX and other markets' trades in their "time and sales" displays, VWAP calculations, market share statistics, etc.

**How do brokers get their private order & trade data?**

MATCH Now's system returns a real-time FIX execution report for each trade to the originating Access Vendor (and on to the end user's trading workstation). In addition to public trade data, real-time private order & trade data will be disseminated in standard (TBF) format. Where vendors currently provide this type of data to brokers, MATCH Now data can be integrated into the same feeds.

## Risks / Concerns

**Will I "miss the market" if I send an order to MATCH Now and don't get a fill?**

Smart routers receive a synopsis of the content of MATCH Now's dark book. They *only* route orders to MATCH Now if a potential match exists. If no potential match resides in the dark book, the order is not sent to MATCH Now and instead routes directly onto another marketplace. MATCH Now is working closely with all Access Vendors to optimize turnaround time. In addition, orders sent to MATCH Now by Access Vendors are further filtered by TriAct, taking into account specific attributes of the orders in the MATCH Now liquidity pool, and rapidly rejecting those Marketflow orders that will not be able to find a match.

**Does the price improvement in MATCH Now satisfy UMIR requirements regarding Client-Principal transactions?**

Yes. MATCH Now is designed to work within UMIR to minimize regulatory risk. Please contact a TriAct representative for details.

**How confidential *is* MATCH Now? How secure is the data that MATCH Now sends to the Access Vendors?**

Aggregate symbol & side (buy or sell) information from the MATCH Now book is sent to the Access Vendors strictly for the purpose of identifying potential matches for Marketflow / smart routed orders. All Access Vendors must sign the TriAct Network Connectivity Agreement, which prohibits them from allowing anyone to view or otherwise access the data. Access Vendors that are also Subscribers with proprietary trading operations will be unable to directly access / utilize MATCH Now liquidity information.

**Is it possible for a trader to "ping" your system, to gain liquidity information?**

Traders cannot make enquiries; only valid orders can be sent to MATCH Now. A trader trying to game the system could send an order to buy, for example, 500 XYZ; when he receives nothing done, he might surmise there is no liquidity in the book, when actually, there may be thousands of

shares in the book with a minimum fill or other constraint. Conversely, a trader that receives a fill when attempting to game the system might incorrectly assume there is significant supply/demand in the book, when in fact, there is very little. Additionally, all orders can be tagged “anonymous”; so even after a trade is printed, broker identity is protected.

## Ways to Use MATCH Now

### **How can retail orders benefit from MATCH Now?**

All orders executed in MATCH Now are filled at a price inside the NBBO. As such, when an order on its way to a transparent exchange “dives into” MATCH Now for an execution, the order is filled at a better price than the customer expected. Many dealers will expose 100% of their retail order flow to the potential price improvement in MATCH Now. If an execution does occur in MATCH Now, the customer achieves a better-priced fill and the dealer benefits by reducing its transaction fees.

### **Under what circumstances might a dealer trade as *principal* in MATCH Now?**

MATCH Now’s confidential “dark” order book affords the opportunity to quietly accumulate or unwind a position of any size. When a trader submits an order as “non-midpoint eligible”, he chooses to trade only with Marketflow / smart routed orders. As such, the trader can buy just above the public bid and sell just below the offer. By selecting to “internalize”, he can trade only against his *own* firm’s orders. MATCH Now offers the trader a method to electronically capture his firm’s flow in this manner.

### **How might institutional clients utilize MATCH Now?**

In multiple ways.

- First, orders with the same broker number will always match first. Therefore, when a client chooses to “give up” a certain dealer in MATCH Now, the client’s order stands shoulder-to-shoulder, gaining front-row access to all the orders, firm-wide, that flash through MATCH Now. This enables the client to directly participate with a dealer’s retail flow, for example.
- Second, because MATCH Now is a broker-neutral marketplace, clients can give up any number of dealers through MATCH Now. Clients maintain control of how they distribute their commission dollars.
- Additionally, MATCH Now is based on cutting-edge technology that perfectly complements Direct Market Access (DMA). Clients can control their orders themselves and choose brokers at the click of a button – all without the need to go through traditional, time-consuming methods.

### **Can I trade my VWAP orders through MATCH Now?**

Yes, in multiple ways. For example, when your objective is to buy passively, you can do so in MATCH Now by participating as a Liquidity Provider throughout the day; no need to “re-load” after each fill. With MATCH Now’s trader controls, the trader can “throttle” the pace of execution to suit the circumstance. When you decide to pay the offer, flash your Marketflow / smart routed order through MATCH Now to receive the potential benefit of a price-improved fill.

## Technology Issues

### **Does MATCH Now have system redundancy?**

All hardware, software, data, and network connections are operated at the primary site in New York, and duplicated at a separate disaster recovery site in Jersey City. In the event of a system or site failure, all MATCH Now system components (including all data storage devices, processors and networking) will fail over to the disaster recovery site.

### **How fast is the MATCH Now system?**

MATCH Now's system processing speed will be optimized before it goes live. The exact processing times will be benchmarked during alpha testing, and communicated to stakeholders. But, rest assured, MATCH Now is based on ITG's POSIT Now system, which has traded millions of shares per day since 2002.