

Omega ATS Update

Omega ATS has been working with Chi-X Canada ATS in an effort to resolve a dispute involving Chi-X Canada's unauthorized commercialization of Omega's market data. On Tuesday, November 4, 2008, Omega cut-off supply of its market data to Chi-X Canada pending resolution of this commercial matter.

Late yesterday, we learned from a third party that Chi-X Canada has declared "self help" against Omega for no reasons given and for an "indefinite" period. The immediate effect is that any dealer trading on Chi-X Canada can no longer account for Omega's better bids and offers, unless that dealer has direct access to Omega.

Omega is willing to continue to provide all other marketplaces Omega market data for free, provided it is used to either (a) route matching orders to Omega, or (b) as contemplated by the newly published NI 21-101, for trade-through prevention (by pegging the potentially offending order to the far (aggressive) side to prevent the trade-through or book-through of Omega). However, through its offering of a visible primary peg to the near (passive) side of the CBBO (including with offsets), Chi-X Canada is enabling its liquidity provider(s) to "free-ride" on other marketplaces' (including Omega's) originating price discovery.

To simplify what is going on here, a new marketplace starts mirroring the best bids and offers available on all other marketplaces. Instantly, they are traded through thousands of times per day. Then they publicly complain about being traded through. All the while they tell the other marketplaces "Please keep feeding us your best bid/best offer data. For free. And can you decrease the latency please?"

One response is to question why visible pegged orders receive trade-through protection in the first place. Or perhaps they should not be allowed to be visible, since they free-ride on rather than contribute to price discovery.

The other response is commercial, and we hope to come to a resolution on this soon. Once this commercial dispute is resolved, Chi-X Canada can "self help" themselves to Omega market data.

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