Crypto alternative trading system: Notice of operations and request for comment

June 01, 2022

On May 16, 2022, Coinsquare Capital Markets Ltd. (Coinsquare) filed a notice and request for comment (the Notice) with the Ontario Securities Commission (OSC) providing summary information regarding its intention to begin operations of an alternative trading system (ATS) under the name "CS Pro" (the Coinsquare ATS). Under the Notice, comments are to be submitted to the OSC by **June 15, 2022**, with such comments to be made public on the OSC website as part of the OSC's review of the Coinsquare ATS.

Following the applicable review by the OSC and provided Coinsquare has received approval by the Investment Industry Regulatory Organization of Canada (IIROC) to become a Dealer Member, the OSC is expected to publish a notice confirming the completion of the OSC's review and approval of the Coinsquare ATS as an investment dealer (Notice of Completion).

In addition to, and as a separate business unit from, operating the Coinsquare ATS, Coinsquare will also offer:

1. order-execution-only (OEO) account services to clients through a crypto asset trading platform (CTP) under the name "CS Trade", and
2. over-the-counter (OTC) dealer-facilitated trading services to institutional and high-net-worth clients, with Coinsquare acting as the counterparty to each buy or sell transaction initiated by a client.

The Notice sets out the following information regarding the initial operations of the Coinsquare ATS:

- the structure of the marketplace, including how orders are entered, displayed (if applicable), executed, how they interact, and how they are cleared and settled;
- the marketplace's fees and fee model, if known;
- the services provided by the marketplace, including the hours of operation;
- the means of access to the market or facility and its services;
- the order types it offers;

- other information disseminated by the marketplace and the recipients of that information, such as indications of interest disseminated by a marketplace that operates without pre-trade transparency;
- the types of securities listed, quoted or traded on the marketplace, as applicable; and
- the types of marketplace participants.

It is unclear whether the approval of the Notice of Initial Operations will be accompanied by a discretionary exemption order granting the Coinsquare ATS additional exemptions from certain marketplace requirements.

Following the 30-day comment period ending June 15, 2022, the OSC is required to review and resolve all outstanding issues relating to the Coinsquare ATS. Should the OSC approve the application and the Notice of Completion be issued, this would pave the way for other market participants seeking to register as crypto marketplaces in Canada.

BLG's Cryptocurrency & Blockchain Group has been actively involved in the digital asset space since 2017. We have extensive experience in advising private and public investment funds and digital asset companies with public listings on all of the Canadian exchanges. We have firsthand experience assisting with mergers and acquisitions, subscription receipt financings, private placements and public offerings involving digital assets and distributed ledger technology. Reach out to the authors or any of the key contacts below to learn more about the growing digital assets market and how it may affect your business.

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