

Cboe Global Markets, MATCHNow and  
BIDS Trading

Client Conference Call

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**CORPORATE PARTICIPANTS**

**Gary Compton** - *Vice President of Corporate Communications*

**Bryan Blake** - *Vice President, Head of Canadian Equities*

**Bryan Harkins** - *President of BIDS Trading*

**Vince Poil** - *Director of Canadian Equities Product Management*

**Adel Sarhan** - *Vice President, BIDS Trading Product Management*

## **PRESENTATION**

### **Operator**

Good day, and welcome to the Cboe Global Markets, MATCHNow and BIDS Trading Client Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentations, there will be an opportunity to ask questions. The Q&A is intended for clients only.

To ask a question, you may press star then one on a touch-tone phone. To withdraw your question, please press star then two. Those listening to the webcast may submit questions through the event by typing your question into the Submit Question box on your screen. Questions will be addressed after the prepared remarks have ended. Please note, this event is being recorded.

I would now like to turn the conference over to Gary Compton, Vice President of Corporate Communications at Cboe Global Markets. Please go ahead.

### **Gary Compton**

Thank you, operator, and thank you all for your time today. Joining us on the call today are Bryan Blake, Vice President, Head of Canadian Equities; Bryan Harkins, President of BIDS Trading; Vince Poil, Director of Canadian Equities Product Management; and Adel Sarhan, Vice President, BIDS Trading Product Management.

Following their prepared remarks, we will hold a Q&A session for clients only. Clients on the phone can queue up for questions by following the operator instructions at the end of today's prepared remarks. If you are online, you may submit a question via the box and "Submit Question" button on the right-hand side of your screen. If you are a journalist or analyst, please reach out to our Corporate Communications and Investor Relations teams, and they will address any questions you may have separately. In addition, I'd like to point out that this presentation will include the use of several slides, which are available on the Integration Microsite.

As a preliminary note, you should be aware that this presentation contains forward-looking statements which involve some risks and uncertainties. Actual results may vary. Please refer to our issuer filings with the U.S. Securities and Exchange Commission for more detailed information about the risks and uncertainties. Also note that references made to the planned technology integration of MATCHNow are subject to the review and approval of Canadian regulators. All plan dates and timelines are subject to change without notice.

Now, I'd like to turn the call over to Bryan Blake.

### **Bryan Blake**

Thank you, Gary, and welcome, everybody. Thank you for joining us once again today.

This is the third technology migration call we've hosted with you. And while the first two were focused on the broader migration, today's call will focus exclusively on the plans for our enhanced Conditionals offering. As we have mentioned previously, BIDS Technology will serve as the engine for our Conditionals, or what we are calling "Cboe LIS powered by BIDS." I'm pleased that Bryan and Adel have joined us for the call today, and you'll be hearing from both momentarily.

The launch of Cboe LIS in Canada represents the next chapter in the evolution of MATCHNow's Conditionals offering. We know our Subscribers rely on our Conditionals functionality for a viable source of block liquidity, and we couldn't be more excited to build on what we already have and the successful offering to provide an even better trading experience with Cboe LIS powered by BIDS.

As many of you are aware, Cboe and BIDS first partnered in 2016 to launch Cboe LIS in Europe, which has grown to become one of the largest block platforms in Europe today, handling approximately 24 percent of the European large in-scale market during the first quarter.

Along with Cboe LIS's proven success in Europe, MATCHNow has developed a deep appreciation for the BIDS team and their technology. Our enhanced Conditionals functionality leverages BIDS Technology and the Cboe LIS model to serve the market here as we look to build a more robust electronic block offering in Canada.

There are several unique aspects of Cboe LIS that we are eager to bring to Canada. In particular, we've heard our participants' preference for BIDS' unique Sponsored Access Model. Additionally, through the Cboe LIS model, we will be able to extend MATCHNow's Conditionals platform to the BIDS global buy-side distribution network. By bringing BIDS' expansive buy-side presence into Canada, we expect Cboe LIS will create greater block-sized liquidity in the marketplace, increase matching opportunities for all participants, and ultimately grow the overall block trading market in Canada.

We think enhancing our Conditionals Book with BIDS will be an absolute game changer for block trading in Canada. A potent combination of the BIDS platform and its extensive distribution network will open a world of possibilities for the Canadian equities market.

Going forward, we'll be focused on broadening Canadian user adoption of Conditionals as we integrate with the BIDS distribution network to maximize block-sized liquidity. We look forward to bringing Cboe LIS powered by BIDS to market, in conjunction with the completion of the broader MATCHNow platform migration, which remains on track for Feb 1, 2022, subject to regulatory approval.

I'll wrap up by noting that MATCHNow is proud to continue leading the evolution of non-displayed liquidity in Canada. As an early provider of Conditionals in region, we have continued to see steady growth and record volumes in our Conditionals Book as a result of your continued partnership. We look forward to building on our success with Cboe LIS and further enhancing the trading experience for all of you, our valued clients.

With that, I'll hand it over to Bryan Harkins for more on the strategic vision for BIDS.

**Bryan Harkins**

Great. Thank you, Bryan. Let me add my welcome to everyone on the call today.

I'm excited to have the opportunity to speak with you. BIDS was built on the mission to create a highly liquid, cost-efficient service for block traders. BIDS has rapidly grown to become the number one ATS in the U.S., and with BIDS Technology, Cboe LIS has become the number two block trading platform in Europe.

The strength of the BIDS team has enabled us to fully support our dedicated user base and become the leader in the ATS space. BIDS Trader, a proprietary front-end interface, is used by more than 450 global investment managers to route orders to both the BIDS ATS in the U.S. and Cboe LIS in Europe. This expansive buy-side desktop presence is a privilege that the BIDS team has worked very hard to earn. It's also one we strive to continue earning each day.

Our industry-leading technology, the strength and expertise of the BIDS team, and the opportunity to build on our success and expand the BIDS network are what attracted me to the role of President of BIDS, which I assumed in March, moving over from the role of Head of Markets at Cboe.

With this solid foundation in place, our team has big plans to take BIDS to the next level. We know global clients want global solutions. And to meet these needs, we aim to extend BIDS' capabilities to new asset classes and regions around the world.

Ultimately, it is our vision to grow BIDS into a global, multi-asset, institutional block trading platform, where we can deliver block trading capabilities to all the major countries that global buy-side participants want exposure to.

Extending into Canada and then into Australia and Japan, after the completion of Cboe's pending acquisition of Chi-X Asia Pacific, will help expand the reach of BIDS into three more of the world's largest equities markets.

Canada is a new and important region that will add the next key piece to our growing global block trading market. BIDS and Cboe have established a fantastic track record with the LIS model in Europe and are now looking to bring that successful model to Canada. Our planned expansion into Canadian equities will provide BIDS customers around the world with trading access in a new market, while bringing a differentiated network of global buy-side investment managers and self-side constituents to the Canadian equities trading ecosystem and further growing the block trading market in the region.

Finally, we know that the buy-side participants greatly value BIDS' unique Sponsored Access Model, which allows them to use their commission dollars more effectively when executing trading strategies. We look forward to extending these same benefits to Canadian participants. And Vince will touch more on this in just a moment.

In closing, we believe Cboe – BIDS - MATCHNow is a powerful combination that will provide even more choice and opportunity to Canadian investors, and we look forward to bringing the Cboe LIS powered by BIDS offering to Canada next year.

With that, I'll hand it off to my colleague, Vince, to touch on some of the specifics in greater detail.

### **Vince Poil**

Thank you, Bryan, and good day everyone.

With that strategic overview as a backdrop, I'd like to walk you through some of the most significant enhancements you can expect from our planned Cboe LIS powered by BIDS offering. I'll hit on some of the high points of each feature, but we'll have plenty of time at the end for the Q&A and a deeper dive on any follow-ups you might have. Additionally, a complete overview of all these planned changes is now available on the integration microsite at [matchnow.cboe.com](https://matchnow.cboe.com).

I'll begin with the new Sponsored Access Model. MATCHNow Subscriber's Direct Electronic Access clients will be eligible to send Conditionals through the new Sponsored Access Model. To do so, these DEA clients will need to be properly set up as clients of one or more specific MATCHNow Subscribers, or where permitted, as clients of those clients. The MATCHNow Subscriber will also be required to execute a new "Sponsored Access Addendum" to their MATCHNow Subscriber agreement. At firm-up, each DEA client will be required to select a specific "sponsoring" Subscriber.

MATCHNow will provide a new risk management gateway and portal, powered by BIDS technology, to assist the sponsoring broker in carrying out its regulatory supervisory and risk control obligations in accordance with, in particular, Section 3 of National Instrument 23-103 and UMIR 7.1.

We plan to incorporate several new features within this functionality, including fat-finger checks, single order limits, traded value limits, (i.e. per-execution maximum), and cumulative daily traded value limits for all symbols combined.

It is important to note the risk control responsibilities will remain at the Subscriber level, but at a minimum, MATCHNow will verify that every sponsoring Subscriber has set static limits of its choosing for each DEA client and has the ability shut off any sponsored DEA client at any time.

Another planned feature of our Cboe LIS offering will be new invitation sequencing and time limits for our proposed Conditionals interactions. We plan to offer three types of Conditional interaction: Subscriber-to-Subscriber, which currently exists today, plus Subscriber-to-DEA Client and DEA Client-to-DEA Client, which are both new.

For Subscriber-to-DEA Client interactions, or electronic-to-human, a DEA Client, using the BIDS Trader interface, would be sent an invitation first and would have up to 30 seconds to firm up. We believe it's necessary to give human traders the practical ability to make a deliberate, conscious decision to firm up or to adjust the size or price of a firm order after receiving an invitation, in light of any other Conditional and/or firm order the person may have placed on MATCHNow or any other marketplace.

In this scenario, once a system has received the firm order from the DEA client, an invitation will go out to the contra-side Subscriber, which will have one second to respond. MATCHNow's existing Conditionals Compliance Mechanism will prevent human traders from abusing the 30-second window by mitigating the risk of information leakage through suspensions, which apply for the duration of the trading day where a threshold of fall-downs has been reached.

For Subscriber-to-Subscriber interactions, or electronic-to-electronic, invitations will be synchronous, and the time limit will continue to be one second, as is the case today.

For DEA Client-to-DEA Client, or human-to-human interactions, invitations will also be synchronous, but with the 30-second timeout limit for both.

Additionally, the new minimum size threshold, which was recently approved by the OSC as part of our opt-in feature, will continue. This means with the new offering, all Conditionals will need to meet the same minimum order size requirements as those set forth in UMIR 6.6, namely, a quantity greater than 50 standard trading units and a value greater than \$30,000, or any quantity with a value greater than \$100,000.

In addition, in the new offering, executions will be permitted anywhere within the Protected National Best Bidder Offer, or “PNBBO”. This will be achieved through a new optional pegged order functionality that will also include the support of peg-offset in half-penny increments. We will support three types of peg order: Near-Side, Far-Side and Mid.

We expect that moving away from mid-point-only executions to executions anywhere within the PNBBO will increase the number of matches and facilitate more activity in the book.

Our Conditionals Compliance Mechanism will evolve as well. Planned changes here will include replacing full suspension of all trading when the firm-up ratio falls below the designated threshold, with a symbol-by-symbol suspension. This is a more targeted way to help combat information leakage, which tends to be a symbol-by-symbol issue.

The one-second “look back” feature will also be eliminated, as it will be no longer necessary, in addition to the fact that this is not a feasible feature for DEA clients. MATCHNow will continue to report daily suspensions of Subscribers, included affected symbols, to IIROC and to affected Subscribers in real time via e-mail.

Now, I’d like to hand off to Adel for a couple of comments before rejoining you in a moment for our Q&A session. Adel, over to you.

**Adel Sarhan**

Thank you, Vince, and hello everyone.

We are excited about a couple of additional enhancements the new offering will provide. First, Cboe LIS powered by BIDS will include improved reporting functionality for Subscribers. The BIDS technology-based reporting is already well regarded in the U.S. and Europe, and we believe this enhanced reporting will benefit the Canadian market as well.

Turning to allocations, the pro-rata model will be replaced by a price-broker-size-time priority model. Conditionals will interact on a one-to-one basis, rather than one-to-many. This is expected to enhance user experience through fewer fall-downs and smaller wait times for firm-ups. BIDS Technology is already configured this way.

To reiterate, allocations will no longer follow pro-rata logic but instead, will be done based on price-broker-size, and then time priority, in that order. This model has worked well in the U.S. and Europe, and we believe it will have a similar positive impact in Canada.

With that, let me turn it back over to Vince.

**Vince Poil**

Thanks, Adel.

I’ll close with a couple of final comments before we begin the Q&A.

We plan to introduce Cboe LIS powered by BIDS, in conjunction with the completion of the MATCHNow platform migration, which is scheduled for Feb 1, 2022, subject to regulatory approval. Cboe Technology will serve as our matching engine, while BIDS Technology will serve as the engine for our Cboe LIS offering.

As just outlined, Cboe LIS powered by BIDS will include many new enhancements and features, including a new Sponsored Access Model, improved reporting functionality, moving away from mid-point-only executions in favor of PNBBO executions, enabling both human and electronic interactions and replacing pro-rata allocation with price-broker-size-time priority.

All the resources and documents related to the technology migration, including details on Cboe LIS powered by BIDS being published today, can be found on our integration microsite at [matchnow.cboe.com](https://matchnow.cboe.com).

Lastly, please don't hesitate to reach out to your contacts on the sales team if you have any further questions, or feel free to contact MATCHNow trade desk, 416-861-1010, ext. 0, for all your support needs.

With that, I'll hand you over to the operator, and we'll begin the Q&A session.

## **QUESTION-AND-ANSWER SESSION**

### **Operator**

Yes, thank you. We will now begin the question-and-answer session. To ask a question, you may press star then one on your touch-tone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. You also can submit questions to the webcast by typing your questions in the Submit Questions box on your screen.

At this time, we will pause momentarily to assemble the roster. And, once again, you may ask a question on the phone by pressing star and then one. Support, would you like to take a question online at this time?

### **Vince Poil**

Thanks, operator. No questions on the line at the moment. Let's give people another 30 seconds... I think we can move forward, operator.

### **Operator**

Yes. And then, as this does conclude the question-and-answer session, I would like to turn the conference back over to Mr. Bryan Blake for closing remarks.

## **CONCLUSION**

### **Bryan Blake**

Yes, thank you, operator, and thank you all for dialing into today's call. As with everything we do, your continued input and feedback is greatly appreciated, so please continue to engage with us as we work alongside you through this integration. Have a great afternoon, everyone, and thank you very much for your time.

### **Operator**

Thank you. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines.

**-END-**