



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

-and-

IN THE MATTER OF EXECUTION ACCESS, LLC.

**STATEMENT OF ALLEGATIONS OF
STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

A. Overview

1. This matter concerns a company carrying on business in Ontario as a marketplace without complying with National Instrument 21-101 (*Marketplace Regulation*) (“NI 21-101”). It is essential for the protection of investors that marketplaces are appropriately recognized as exchanges or registered in a manner that allows them to operate as an alternative trading system.
2. In 2013, Execution Access, LLC. (“EA” or “the Respondent”) acquired the assets of a business (the “Initial Platform”) that provided certain Canadian entities operating in Ontario with access to a trading platform for US treasury bills (“US Treasuries”). The assets acquired comprised the fully electronic portion of the asset vendor’s benchmark U.S. Treasury brokerage, data and co-location service business. The Initial Platform was not operated as a recognized exchange or an alternative trading system pursuant to NI 21-101.
3. From 2013 to 2017 (the “Material Time”) EA has operated the Nasdaq Fixed Income trading system (“NFI”) (formerly called eSpeed), a fully executable central limit order book for electronic trading of U.S. Treasuries. NFI is an electronic system that brings together orders from multiple buyers and sellers and matches orders using established, non-discretionary methods. NFI therefore falls within the definition of “marketplace” in section 1(1) of the *Securities Act*, R.S.O. 1990, c. S.5 as amended (the “Act”). Because

EA provided access to NFI to entities operating in Ontario during the Material Time, EA is considered to be carrying on business in Ontario.

B. The Respondent

4. EA is a Delaware company. In June, 2013, EA was approved by the Financial Industry Regulatory Authority in the United States to operate as the broker-dealer for NFI.

C. Carrying on Business as ATS without registration

5. During the Material Time, EA operated NFI, to facilitate matching of client orders in U.S. Treasuries, in Ontario.
6. Subscribers to NFI are institutional entities, including but not limited to banks, broker-dealers and proprietary trading firms. EA has no natural person clients. Orders entered by subscribers may interact with other subscriber orders.
7. NFI is available to all subscribers with authorized access. Prospective subscribers must satisfy certain eligibility criteria, and are required to complete all onboarding documentation and execute an Electronic Trading Agreement (“ETA”).
8. Pursuant to the terms of the ETA, subscribers have contractual obligations to abide by all applicable rules and regulations, and the procedural, operational and technical requirements of NFI. Subscribers have access to all NFI’s features and functionalities once approved by EA.
9. During the Material Time, EA operated a marketplace in Ontario without either obtaining an order recognizing it as an exchange under the Act or registering as an investment dealer so it could operate as an alternative trading system under NI 21-101.
10. By operating from June 2013 to July 2017 without either obtaining an order recognizing it as an exchange under the Act or registering as an investment dealer with the Ontario Securities Commission, EA did not pay regulatory fees estimated in the amount of \$470,000.

D. Conduct contrary to the public interest

11. By carrying on business in Ontario as a marketplace without complying with NI 21-101, EA acted contrary to the public interest.
12. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

Dated at Toronto, this 18th day of October, 2017.