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Ontario Securities Commission  
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July 29, 2014

Re: OSC Notice and request for comments regarding the application for recognition of Aequitas Innovations Inc. and Aequitas Neo Exchange Inc. as an exchange

To whom it may concern,

I am writing on behalf of Perennial Asset Management which is an independent Canadian investment manager that has been managing discretionary portfolios for private individuals and institutions since 2006.

Before answering some of the specific questions put forward in the notice, we would like to express a number of general considerations:

- We believe that the quality of execution in markets today, including the Canadian markets, is impaired by predatory trading strategies deployed by high frequency trading firms. This creates significant intra-day price fluctuations which are not driven by any fundamental information, significant differences between the price at which liquidity is displayed in the markets and the price at which trades effectively take place, high order cancellation rates and an ever declining average trade size.
- We believe that meaningful liquidity is more and more concentrated in an ever shrinking number of publicly listed securities, particularly in Canada, constraining investors to an ever decreasing number of possible investment choices. We believe this is, amongst other reasons, the consequence of an erosion of real market makers crowded out by high frequency trading firms.
- We believe that existing exchanges and marketplaces lost touch with their fundamental purpose, by putting their shareholder returns ahead of investors and issuers interests, leading them to support the market stakeholders that generate the largest revenues rather than the market stakeholders who need their services as part of the capital formation process
- We welcome the Aequitas exchange initiative for multiple reasons:
  - Its strategy is driven by the fundamental purpose of an exchange: bringing investors and issuers together in the most efficient way.
  - Its current and anticipated broadened future ownership will ensure that the interests of all key participants in the capital formation process are taken into consideration and that it will stay true to its strategy.
  - It seeks to establish solutions that will counter predatory high frequency trading strategies.

- It seeks to re-establish true market makers, which are a corner-stone of liquidity in the markets
- It seeks to develop a new approach to public listings that will promote more liquid publicly traded companies.

With respect to the specific questions raised in the OSC Notice, please find below our considerations:

- Market Making
  - As indicated above, we believe market makers are a critical corner-stone of liquidity in the markets. Their role is particularly important in periods of stress and when companies go public. We see that the Aequitas exchange proposes an innovative program and set of tools to allow market makers to be successful in performing their obligations which will provide the markets with a critical service. The market users will be the ultimate judge and we are convinced, considering the Aequitas ownership and strategy, that any issues would be rapidly streamlined. We believe market makers could help in dampening extreme price volatility in the markets.
- Listing requirements
  - We believe that from a listings perspective the Aequitas exchange is proposing a differentiated approach fostering quality listings, recognizing the different needs of different types of issuers and promoting transparency. We do not see any issues with the approach proposed and believe it is important to promote differentiation and competition across exchanges.
- Application of OPR
  - We do not believe that it would be appropriate to apply new OPR regulations on Aequitas while those new regulations are published for comments and not yet in place. This does not seem in line with the regulatory process and also seems quite unfair in comparison to established marketplaces.

One final consideration that we would like to bring forward relates to the definition of significant shareholder in the proposed Recognition Order. The current definition covers all Aequitas existing and anticipated future shareholders and subjects them to extensive requirements. We believe this may negatively impact Aequitas' intention to broaden its ownership towards smaller and mid-size market stakeholders. We believe that the broadening of the ownership of Aequitas is an important feature of its proposition and that extensive shareholder requirements should be limited to those shareholders that can be in a true position of influence by having a director, officer or employee on one of the Aequitas boards.

We wish to thank the Ontario Securities Commission for giving us the opportunity to comment on an important initiative for the industry that will promote competition and innovation, and provide all market stakeholders with true choice.

Sincerely



Murray Belzberg  
Perennial Asset Management Corp.