

Market Regulation Branch
Ontario Securities Commission
20 Queen Street West, 20th Floor
Toronto, ON, M5H 3S8

Via email: marketregulation@osc.gov.on.ca

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 the Chairman of Venturion Oil Limited and a Director of Range Royalty LP, OSUM Oilsands Corp and Velvet Energy Ltd. Previously I had a 25 year career as an investment banker in Calgary and Toronto. I have also been acting as an “Ambassador” for Aequitas Innovations in Calgary and had agreed to do so when I became convinced of the merits of the new stock exchange and their business plan. While I have been active in the financial markets for my entire career I do not consider myself to have detailed knowledge of the inner workings of stock exchanges, so I will limit my comments to more general issues and concerns.

1. Competition

I believe that meaningful competition with more than one significant stock exchange is beneficial to the Canadian capital markets. While there have been two new exchanges created over recent years (one of whom is no longer active i.e. the Alpha Exchange), the Aequitas Neo Exchange has a significantly different business plan and has the potential to be a meaningful player that will compete more directly with our current major exchanges in Canada the TSX and the TSXV. This type of competition is beneficial and should drive all exchanges towards improving their practices, offerings and fees.

2. High Frequency Trading

I believe that high frequency enabled predatory trading strategies have impaired the quality of the capital markets and have been detrimental to longer term fundamental investors and to issuers. My understanding is that this has led to substantial amounts of profit being taken out of the markets with essentially no positive service or benefit contributed. Furthermore the existing practices of many current exchanges, driven by the revenues high frequency trading represents, are essentially focused on creating additional opportunities for the HFT community. The Aequitas exchange has a business plan that is specifically trying to address and limit the opportunities for predatory high frequency trading, and to create a fairer exchange for the benefit of longer term investors, dealers and issuers. This is needed in Canada.

3. Aequitas Ownership Structure Should Drive Strategies

When the stock exchange in Canada and those in other countries ceased from being member owned and went to broader public ownership it created a more specific “for profit” motivation that has made

the exchanges less responsive to investor and issuer concerns, and has in many cases created motivations to cater to HFT firms who generate higher trading volumes. Aequitas' ownership, with a majority held by institutional investors and a plan to open it up to a much broader group of investors and dealers, should ensure a strategy for its management team and board of directors that is responsive to the objectives of longer term investors, dealers and issuers. I understand that the draft OSC Recognition Order proposes a definition of "significant shareholder" that may subject most shareholders to extensive requirements which may prevent/discourage small and mid-sized institutions from investing into Aequitas. I encourage the OSC to work with Aequitas to create requirements that encourages broader shareholder ownership by long term investors, issuers and dealers as I believe this will be beneficial to creating an exchange that will be responsive to market needs both today and into the future.

4. Market Making and Dealer Support

The formal market making function and the indirect dealer support through their sales desks and fundamental research are an integral part of the success of public markets. Aequitas specifically plans to create an exchange that encourages the formal market maker by allowing them to function successfully and it proposes an approach to fees that should help dealers reduce their cost burden and should encourage them to invest again in supporting markets. We need an exchange that creates a market place where market makers and dealers are able and encouraged to enable trading and liquidity in most or all listed securities.

5. Confidence in the Public Markets

I believe that investor, issuer and dealer confidence in the public markets has significantly eroded over the term of my career. I know from first hand experience that the challenges of running a public company and of investing in public companies have never been greater. As a result many corporations and investors have turned to private markets as a better alternative to conduct business. While there is a role for the private markets, I believe that we need to have a well-functioning public market that provides Canadian companies with the ability to succeed and access capital efficiently both domestically and globally. The Aequitas Neo exchange proposes a refreshing strategy as it seeks to develop a successful business plan by improving the marketplace as opposed to trying to profit from the inefficiencies of the market.

I thank the OSC for providing the industry with the ability to comment on the Aequitas Neo Exchange application and I am confident that the process will create the regulatory foundation for a successful new stock exchange in Canada.

Sincerely

Vincent L. Chahley