

Tuesday, October 11th, 2011

Ontario Securities Commission
Secretary of the Commission
c/o Jonathan Sylvestre
20 Queen Street West
Toronto, ON
M5H 3S8

Dear Mr. Sylvestre;

Desjardins Securities appreciates the opportunity to comment on the Alpha Group trading policies and member agreement provision respecting the proposed Market Making program. OSC Bulletin at (2011) 34 OSCB 9427 dated September 09, 2011.

Desjardins Securities is an approved participant on the Montreal Exchange and the Toronto Stock Exchange, as well as a participating member of the TSX Venture Exchange. In addition, Desjardins Securities is a member of both the Investment Industry Regulatory Organization of Canada (IIROC) and the Canadian Investor Protection Fund (CIPF).

Desjardins Securities offers a complete range of securities brokerage products and services through its Investment Advisors and its Disnat Online Brokerage division. The needs of businesses and institutions are handled by its Corporate Financing, Debt Capital Markets, and Equity Capital Markets departments, which are solidly backed by its highly reputed Research department.

Desjardins Securities International Inc., a Desjardins Securities Inc. subsidiary, is a broker/dealer, registered with the Financial Industry Regulatory Authority (FINRA) and the Securities and Exchange Commission (SEC), whose primary business is buying and selling Canadian equity securities on behalf of U.S. institutional clients and broker/dealers.

Desjardins Securities sees three key items that need to be noted for a better understanding. Our items of concern are as follows:

- Definition of Approved Trader/Market Maker Approved Trader
- Lead Market Maker and Market Maker on the same security
- Alpha Exchange Listed Issuer negotiate with LMM

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Definition of Approved Trader/Market Maker Approved Trader

As stated in the document, under “Definitions and Interpretations”, an Approved Trader can be *“an employee of a Member who has been approved as a trader, or an employee of a client of a Sponsoring Member who has been approved as a trader.”* Under the same definitions you have Market Maker Approved Trader as *“The Approved Trader, given responsibility to fulfill a Market Maker’s responsibilities under these Trading Policies”*. Desjardins feels that an employee of a client should not be given these responsibilities on any Canadian Listed issues. Only approved traders or local traders that are fully registered with a member and a market place can be given Market Making responsibilities.

Lead Market Maker and Market Maker on the same security

Desjardins is of the opinion that only a Lead Market Maker is sufficient in maintaining its trading obligation per listed securities. By officially allowing more than one market maker on the same security, this will lead to the erosion of liquidity. This example can be viewed with the Montreal Exchange multiple option market makers. In the past, option market makers provided liquidity as a team (group) of various traders. When the process was automated and each player displayed their own interests, traders no longer worked as a team and rather aggressively competed against each other and therefore causing erosion of liquidity.

Alpha Exchange Listed Issuer negotiate with LMM

As defined under the Market Maker Performance Criteria and Compensation Structure *“Each Alpha Exchanged Listed Issuer may negotiate with its LMM to set a better Maximum Spread and Minimum Quote Size than Standard Requirements”*. Desjardins Securities strongly believes that this structure is in a conflict of interest between the Issuer and Market Maker. Such involvement between the two parties should not be put in place.

Once again, we thank you for the opportunity to provide you with our comments. Should you require additional information, we are always available.

Sincerely

Lafèche Montreuil
Compliance Manager
Trading Desk
Desjardins Securities

