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***Delivered by Email***

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Market Regulation Branch  
Ontario Securities Commission  
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Toronto, Ontario  
M5H 3S8

Email: [marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

Dear Sirs and Mesdames:

**RE: OSC Notice and Request for Comments regarding the Application for Recognition of Aequitas Innovations Inc. and Aequitas Neo Exchange Inc. as an Exchange.**

Thank you for the opportunity to provide comments on the OSC's Notice and Request for Comment issued on June 27, 2014 regarding the Application for Recognition of Aequitas Innovations Inc. and Aequitas Neo Exchange Inc. ("Aequitas") as an Exchange.

CI Financial Corp. ("CI") is a diversified wealth management firm and one of Canada's largest independent investment fund companies. The principal business of CI is the management, marketing, distribution and administration of mutual funds, segregated funds, structured products and other fee-earning investment products for Canadian investors.

As expressed in our comment letter of September 25, 2013, CI is supportive of the Aequitas exchange application. We believe the use of innovation and new technologies in the development of a new exchange is an appropriate and necessary development which will introduce competition and choice, improve market fairness and restore investor confidence in Canada's equity markets. In contrast to the exchange structure that currently exists in Canada, the broad and diverse ownership and governance structure of the Aequitas exchange will ensure that the interests of investors, issuers, and dealers are aligned and focused on providing value for long-term investors.

Before responding to the specific questions raised in the Notice, we have a more general comment regarding governance. We do not believe that a small shareholder of Aequitas



should be considered a “significant shareholder” for purposes of the Recognition Order and subject to the more extensive obligations, unless that shareholder has a director, officer or employee on the Board of Aequitas or one of its subsidiaries. We are concerned that if the current definition of “significant shareholder” is adopted this may discourage smaller market participants from participating in the ownership of Aequitas and impact the ability of Aequitas to attract investors from all parts of the capital markets community.

With respect to the specific questions raised in the OSC Notice and Request for Comment, we provide the following comments:

*1. Benefits and obligations of market makers*

CI does not have concerns with the market maker program as outlined in the application as we believe Aequitas has achieved a reasonable balance between the obligations of the Designated Market Makers (“DMM”) and benefits offered. Further, we believe the important role of the DMM, providing stability and liquidity to the market, will be achievable over time as the Aequitas exchange negates the impact of predatory High Frequency Trading (“HFT”), enabling the DMM to effectively execute their obligations to the market at all times.

Specific obligations are not imposed on DMMs in the Aequitas Dark Book as quoting obligations must be visible to benefit price discovery, which runs contrary to the purpose of a dark book. Furthermore, trading in the dark book cannot take place outside of the National Best Bid and Offer (“NBBO”), which acts as the true goal posts for this trading book and which the DMM helps to set through their obligated responsibilities in the visible trading books.

We believe the DMM must be afforded the opportunity to mitigate their risk by using all available sources, including the Dark Book.

*2. Market makers’ commitments (“MMC”)*

As long as a DMM does not impede retail and natural flow, a layered market consisting of bids and offers can effectively dampen market volatility and reduce the type of shocks experienced with the Flash Crash. Therefore, the MMC feature seems to provide an appropriate incentive for the commitment to provide liquidity. In addition, the MMC is consistent with the NYSE Market Maker Capital Commitment Schedule which has proven effective in the US.

*3. Listing and Cross-Listing of Investment Products*

CI understands that the listing standards on the Aequitas exchange are equivalent to, or more onerous than the current Canadian senior listing standards. As such, CI supports the Aequitas proposal. The requirement to develop a process or protocol to inform OSC Staff of listing or cross-listing applications as a means to minimize regulatory arbitrage of “Investment Products” would be beneficial, provided that the same standard is required of all Canadian exchanges.



#### 4. *Emerging Market Issuers - Gatekeeper Concerns*

We are supportive of the OSC's view that Aequitas should be afforded discretion to develop its own policies and procedures for the listing of Emerging Market Issuers ("EM Issuers"). These policies should be consistent with the framework outlined in OSC Staff Notice 51-719 *Emerging Markets Issuer Review* and address the risks to the Canadian markets associated with the listing of EM Issuers.

#### 5. *Application of the Order Protection Rule ("OPR")*

As the Neo Book is a displayed book and conforms to the requirements of a protected market it should be subject to the same rules and treatment as any other lit book and receive price protection under the OPR. In addition, CI agrees with the OSC that differential treatment of orders from Latency Sensitive Traders ("LST") do not unreasonably prohibit, condition or limit access in the Aequitas Neo Book. LSTs have a distinct advantage in other venues via co-location (speed), order types and fee rebates. We believe that it is appropriate to level the playing field by introducing a speed bump on LST orders to the Neo Book and increasing the fees to these participants so that real long-term market investors can participate without fear of having their clients orders disadvantaged.

With respect, we do not believe it is appropriate to subject this new market to rules that are still out for comment and which may or may not be implemented in whole or in part. Requiring Aequitas to adhere to the Proposed Amendments to the OPR is contrary to due process and would put Aequitas at a competitive disadvantage. The Aequitas exchange should be subject to the existing OPR until such time as amendments are approved by the regulators.

Included in the Proposed Amendments to the OPR is the concept of a market share threshold that a market would need to achieve before orders on that market would be protected. Assuming the rule is adopted, we believe new markets, such as Aequitas, should not be required at launch to comply with the 5% market share rule.

\* \* \* \* \*

Thank you for the opportunity to respond to the questions posed in the OSC's Notice and Request for Comment. If you have any questions or wish for us to clarify any comments, please do not hesitate to contact the undersigned.

Sincerely,

A handwritten signature in black ink, appearing to be 'M' followed by a long horizontal stroke.

David Pauli  
Executive Vice President, Chief Operating Officer  
CI Financial Corp.