

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:

My name is D. Keith MacDonald, I received an Honours BSc., Geology in 1980, and since that time I have pursued a 34 year career in the oil and gas industry. Throughout this period I have been based in Calgary. My career has included the founding, and CEO role, of three successful private exploration and production companies. Currently I am an independent businessman and investor; I am also a founder and director of Venturion Oil Limited – a private oil and gas exploration and production company.

While my background and expertise is not directly involved in the workings of stock exchanges or investment banking, I have certainly been indirectly involved as a significant investor, and as an issuer, through the companies I've been involved with. As such, I have been dismayed to recently find out about some serious, systemic, issues in various stock exchanges (including Canadian ones) which centre on High Frequency Trading (HFT). I am very concerned about this issue, which is allowing some market players to profit unfairly at the expense of honest, long term, investors, who represent the foundation upon which the whole system is built. As the regulator of this industry in Canada I wish to appeal to the OSC, with specific comments and concerns below, to exercise its powers to end these unfair practises.

1. High Frequency Trading

As the issue(s) of HFT are now coming to light it is quite apparent that a **few** traders (they cannot even be called investors) have been taking unfair advantage (through their speed based technologies) of **many** bona fide investors. Their savvy in recognizing this opportunity, and their significant sums of money to carry it out matter not – this is fundamentally wrong and unfair. I believe the vast majority of investors and Canadians would share this opinion. To make matters worse, it appears the TMX Group Ltd., the “for profit”, public operator of the TSE, is clearly looking to join in on this unseemly practise. In that, it recently announced the purchase of a high speed (microwave) network provider. They too are after the revenues derived from HFT, taking a “musical chair” and hoping “the music doesn’t stop”! Well the buck now clearly stops with the OSC and other regulators to step in and stop the unfair antics of HFT traders. To postpone this any longer will condone their actions and erode investor confidence in the market, the exchanges and the regulators. That would be **bad** for everyone – citizens, companies and economies. One must only look to 2008 to find unscrupulous practises by the financial/investment community which precipitated a worldwide recession. People are sick of this, and are legitimately jaded about the financial industry. Financial markets not only need to seem fair they need to be regulated

diligently and **made** fair. In my opinion HFT amounts to condoned front running -which is supposed to be illegal.

In short, unfair HFT trading strategies need to be stopped by you the regulators. Traders who have profited should profit no more; they can write off the balance of their capital costs to date.

The proposed business plan of the Aequitas Exchange is specifically trying to address and limit the opportunities for predatory HFT, and to create a fairer exchange for the benefit of long term investors, dealers and issuers. I believe this is now needed in Canada.

2. Competition

I would like to see the return of a more traditional exchange in Canada; one that is privately owned and run by, and in the best interest of, long term institutional investors. This will in turn benefit smaller institutional investors, individual investors, and issuers alike. As with most markets, meaningful competition, with more than one significant stock exchange, would be beneficial to Canadian capital markets, their investors and issuers. The Aequitas Neo Exchange has a different, but sound, business plan and has the potential to be a meaningful player competing directly with our current major exchanges in Canada - the TSX and the TSXV. Competition should drive all exchanges towards improving their practices, offerings and fees to the best interests of investors and issuers.

3. Market Makers and Dealer Support

I understand that HFT practises have significantly impaired the incentive for dealers to provide their traditional research, market making and stock support functions. If so, this is inherently bad for all investors and issuers – and bad for Canada. The formal market making function and indirect dealer support, through their sales and research desks, are integral parts for the success of public markets.

Aequitas specifically plans to create an exchange that encourages the traditional formal market makers by allowing them to function successfully and it proposes an approach to fees that should help dealers reduce their cost burden and encourage them to invest again in supporting markets. We need an exchange that creates a market place where market makers and dealers are encouraged to enhance trading and liquidity in most or all listed securities.

In closing, I believe Canada needs a new, well-functioning public market, one that provides Canadian companies with the ability to flourish with ongoing support and efficient access to capital both here and abroad. The Aequitas Neo exchange proposes a fresh strategy, which seeks to develop a fair to all business plan, by improving the marketplace; as opposed to condoning and profiting from activities such as HFT.

Finally, the practise of HFT in Canada should be banned, forthwith, by you the regulating body which has the powers to do so. Thank you for your consideration in this matter.

Sincerely,



D. Keith MacDonald