



August 25, 2014

Market Regulation Branch
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON M5H 3S8

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

Dear Sirs & 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*

I am writing on behalf of True North Vantage and its parent, Select Vantage, in response to the above noted OSC Staff Notice and Request for Comments and thank the OSC for providing market participants with the opportunity to provide comments on a very important initiative for Canadian capital markets.

Our corporate group represents on average approximately 8% (double-counted) of all volume traded across all Canadian marketplaces.

As we mentioned in our comment letter of September 27, 2013 with respect to the *OSC Staff Notice and Request for Comment Regarding Proposed Structure of Trading Facilities for a New Exchange to be Established by Aequitas Innovations Inc.*, we welcome the Aequitas initiative, and support their exchange application, as it represents a refreshing approach to marketplace offerings by proposing truly innovative solutions to issues our markets are currently facing. The Aequitas offering is not based on another variation of trading fees or a technology that shaves off microseconds from an order round-trip, but it proposes a truly new marketplace model that will benefit its core stakeholders. We are very supportive of the fact that Aequitas acknowledges the importance of true liquidity in markets as only designated market makers can provide. The Aequitas approach to market making also recognizes that there is a need for adequate compensation to allow market makers to fulfill meaningful obligations.

Please find below our answers to the questions grouped by theme.



Market marking

Market makers with obligations, defined by Aequitas as Designated Market Makers (DMM), are a critical component to true liquidity in securities. For newly listed securities, DMMs are critical to initiating liquidity and, in periods of market stress, they provide a liquidity safety net. This is beneficial both for new issuers and for investor confidence generally.

In the Canadian marketplace, the role of true market makers has been overlooked and we should therefore not be surprised by the lack of liquidity in the vast majority of Canadian listed securities. Treating High Frequency Traders as true market makers is a fallacy as they generally serve to add liquidity in already highly liquid stocks and will pull back when markets are under pressure.

We understand the market making program Aequitas proposes will be based on the principle that market makers should be able to actively participate to trading under all circumstances (including in the dark pool), not only when they are critically needed to support liquidity and price discovery. This should establish a fair balance between being able to generate profitability and providing a critical, often loss-generating, service in periods of stress or for less liquid securities. The 15% participation level that Aequitas proposes seems reasonable. The MMC feature is quite comparable to a similar feature on NYSE, which we believe proved to be quite beneficial during the 2010 Flash Crash.

We commend Aequitas for the transparency standard they have set around explaining their model, and such transparency should also apply to how obligations are being fulfilled by DMM's in the future. We also recommend that the regulators require similar transparency for other Canadian exchanges where market maker programs are kept today under a veil of secrecy.

We regret that Aequitas no longer supports the concept of permitting DEA clients that are not subject to the direct regulatory authority of IIROC to act as market makers. This is a short-sighted position that in the long-term will be detrimental to liquidity in the Canadian marketplace and further support the transition of flows into US markets. Concerns regarding regulatory oversight can be addressed by clear, DEA access requirements that would be imposed by the IIROC member firm sponsoring the access.

Listings

While this is not our area of expertise, we are supportive of competition and differentiation in the listings business. Canada lacks any form of meaningful competition in this area making issuers captive of the incumbent exchange, to the detriment of reasonable costs and quality of service.



Order Protection Rule

Denying OPR at this stage to Aequitas would be, in our view, inappropriate.

Our view, and we believe that this view is more and more widely shared in the industry, is that the proposed amendments to the OPR will not achieve their intent and will lead to unintended consequences that will be detrimental to the market overall.

While we will comment in more details about this in a specific comment letter, we would like to share a few initial thoughts:

- The proposed amendments to the OPR will stifle competition as no dealer will rest client orders in an unprotected book. Only HFT driven markets will be able to emerge and flourish.
- The cost issue of a new marketplace or, where applicable, a new book is simply not that significant for trading firms. We are now connected to over 100 different marketplaces globally and setting up a new marketplace or book is a marginal expense for us.
- The proposed solutions with respect to market data are not addressing the fundamental issue of excessive market data costs in Canada. High costs will continue to force data users to limit their data to that of the TMX group, hence further strengthening its stronghold on this business, while denying market participants from having a true and transparent view of the markets. This is particularly true for the weakest of the market participants, the retail investors, which almost always receive only TMX group quotes.

We are fully supportive of the Aequitas Neo Book being subject to the current OPR. This will be the sole protected book in Canada where all market participants can participate on a level playing field, which will counter initiatives such as the establishment of a micro-wave network between Canada and the US markets that will only be available to a select few trading firms.

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In conclusion, we believe that the Canadian market needs an exchange solution like the one Aequitas is proposing. This will enable meaningful competition and innovation in what is currently a highly concentrated market. The risk of not having such competition is the migration of trading flows to the U.S. to the detriment of our economy.



Sincerely

A handwritten signature in blue ink, appearing to read "D. Schlaepfer".

Daniel Schlaepfer

President