



## **Delivered by Email**

August 26, 2014

Market Regulations Branch  
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Toronto, ON M5H 3S8

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Dear Sirs/Mesdames:

### **OSC Staff Notice and Request for Comment Regarding Application for Recognition of Aequitas Innovations Inc. and Aequitas Neo Exchange Inc. as an Exchange**

Thank you for the opportunity to provide comments to the OSC Staff Notice and Request for Comment published on June 27, 2014 regarding the application for recognition of Aequitas Innovations Inc. and Aequitas Neo Exchange Inc. ("Aequitas") as an exchange ("the Notice").

#### **Background**

GLC Asset Management Group Ltd. ("GLC") is a diversified asset management firm responsible for providing discretionary portfolio management services on over \$37 billion of assets, including Canadian fixed income, Canadian equity, and US equity. Within the Canadian equity marketplace we manage \$17 billion including large, mid, and small cap issues. It would be fair to characterize our operation as a significant participant within Canadian capital markets.

Our firm is a wholly owned subsidiary of The Great-West Life Assurance Company and we manage corporate assets, segregated funds, and mutual funds on behalf of Great-West Life and its subsidiaries. While we note that one of Aequitas' founding investors (IGM Financial Inc.) is an affiliate of GLC through common ownership by Power Financial Corporation, the comments presented within this response reflect the views of the senior leaders and portfolio management team at GLC.

#### **Comments**

We present our responses to the questions raised in the Notice as follows:

##### **Market Making**

GLC believes that market makers can play an integral role in an efficient market place to the benefit of long term investors. We also recognize in order to do so they require appropriate incentives. The appropriateness of those incentives and obligations will ultimately be reflected in the volume of order flow and success of the exchange.



In our opinion the existence of benefits and no obligations in the Dark Book does not present a specific problem given the purpose of the Dark Book is for anonymous orders which must occur within the National Best Bid and Offer framework. Having said this, it will be essential that market makers are subject to an ongoing evaluation and that corrective mechanisms are put in place to ensure they are acting in the interest of supporting liquidity and price discovery.

### **Order Protection Rule (“OPR”)**

We believe that investor confidence is being eroded by the increasing role of High Frequency Trading (“HFT”) within the marketplace. HFT’s primary goal is to take advantage of the maker-taker pricing model offered by exchanges to attract volume. This predatory trading practice interferes with fair trading practices and is detrimental to the integrity of the market as a whole. Therefore, subjecting the NEO Book to the OPR with the application of higher trading fees and a speed bump to HFT’s does not unduly harm HFT’s and more importantly helps ensure fair trading practices. In addition, HFT’s will still enjoy speed advantages in all other market places to the detriment of long term investors.

We do not believe the Proposed Amendments to National Instrument 23-101 Trading Rules published on May 15, 2014 and specifically proposed amendments to the OPR should apply to the Aequitas submission. Given that the proposal is not finalized and would not currently apply to any other exchanges, it would make for an unlevel playing field for Aequitas. If the proposed changes to NI 23-101 are ultimately implemented then Aequitas, like all other exchanges, would have to ensure its compliance with the new regulations.

### **Listing/Cross Listing of Investment Products**

We would strongly suggest the listing of such instruments by Aequitas follow the same protocols and standards that are applicable to the other Canadian exchanges.

### **Emerging Market Issuers**

In our view the issues raised in OSC Staff Notice 51-719 Emerging Markets Issuer Review provide a suitable roadmap for the formulation of a set of policies and procedures to identify and assess the requirements relating to listings by emerging market issuers. We trust the elements contained within any Aequitas listing review process will be at least as onerous as those applied to the other Canadian exchanges.

### **Conclusion**

The current market structure has evolved to the point that market quality and integrity have been damaged by the increasing negative influence of predatory trading strategies employed by HFTs. Maker-taker pricing models have led to activity that’s sole purpose is to drive the appearance of liquidity at the expense of a fair and efficient marketplace. Aequitas has addressed many of the concerns that we face on a daily basis when we execute trades on behalf of our clients.



Our firm believes the Aequitas proposal will provide capital market participants with a new and innovative alternative. Combined with an appropriate level of regulatory oversight, it is our belief that market participants and ultimately our investors, will benefit from a new marketplace for Canadian issuers.

Please do not hesitate to contact me should you wish to discuss any of these comments.

Yours truly,

A handwritten signature in blue ink, appearing to read "RH", with a long horizontal flourish extending to the right.

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