

May 30<sup>th</sup>, 2016

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Ontario Securities Commission  
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Dear Sirs and Mesdames:

RE: **OSC NOTICE AND REQUEST FOR COMMENT PROPOSED CHANGES TO Nasdaq CX2 / CXD** (“Comment Paper”) published on April 28, 2015.

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National Bank Financial Inc. (“NBF”) appreciates the opportunity to comment on this Comment Paper. We support the OSC’s statutory mandate to provide protection to investors from unfair, improper or fraudulent practices, and to foster fair and efficient capital markets and confidence in capital markets.

NBF is part of the diverse National Bank Financial Group (“NBFG”) which: (i) manufactures mutual funds, owns proprietary distribution channels and supplies services to third party distributors; (ii) operates a discount brokerage firm; and (iii) is an IIROC-regulated investment dealer across Canada. We therefore take great interest in the regulatory initiatives contained in the Comment Paper and their potential impact on investors, the mutual fund industry, the investment industry and financial intermediaries.

Accordingly, our intention is to share our concerns regarding the regulatory initiatives contained in the Comment Paper and our experiences. We trust that our comments will be taken into account during the review process and also provide a positive and productive contribution to the outcome of the regulatory initiatives proposed in the Comment Paper.

NBF largely supports Nasdaq CX2’s proposal to introduce a new dark trading book, CXD. New local competition in the Dark space is most welcome.

NBF understands from the proposers themselves that CXD will be operating separately and “completely independent” from the CX2 trading book. We believe that complete independence between books is the cleanest and best outcome and that there is precedence within other ATS & Exchanges to operate multiple independent books within one banner. However, we would appreciate some additional clarity from regulators to be sure they explicitly agree with this interpretation as well.

There have, in the Canadian trading community, been a fair number of objections to the NCSO order type as described within the proposal. We feel it's well covered ground and have every confidence that the point shall be well made elsewhere in profound detail. NBF will not add additional content on this item at this time. Please note that NBF suggests that CXD must assume responsibility for correctly pricing trades within PNBBO.

NBF also takes some exception to the proposed market hours of 8:30-5pm as the PNBBO is not a reliable pricing mechanism prior to 9:30 or after 5pm. This is more of a business concern than a market structure one – users could simply limit their engagement to hours at which the primary listing exchange(s) are open. NBF suggests that by having the OSC limit the hours it will assist in the integrity of the market prices. NBF will not be routing there outside 9:30-4:00 and have asked the proposers to consider observing those operating times as well.

Subject to these changes & inquiries, NBF look forward to working with CX2 & CXD, welcoming the competition in Canada.

NBF appreciates the opportunity to comment on this significant development in the Canadian trading landscape.

We look forward to our continued participation in any further public consultation on these topics and our objective is to find solutions that are relevant for, and serve the needs of the Canadian market. NBF and its employees are willing to take a leadership role in this issue participating in consultations with investors, industry participants and the CSA.

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Cc: Judith Ménard, Vice-President and Chief Compliance Officer, National Bank Financial