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Submitted via electronic filing: [tsxrequestforcomments@tsx.com](mailto:tsxrequestforcomments@tsx.com);  
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Cc:  
Market Regulation Branch  
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**Re: TSX Inc. Notice of Proposed Amendments and Request for Comments – MOC  
Modernization Proposal (“Proposal”)**

Dear Sirs/Mesdames:

BlackRock Asset Management Canada Limited is an indirect, wholly-owned subsidiary of BlackRock, Inc. (“**BlackRock**” or “**we**”) and is registered as a portfolio manager, investment fund manager and exempt market dealer in all the jurisdictions of Canada, a commodity trading manager in Ontario, and as an adviser under *The Commodity Futures Act* (Manitoba).

BlackRock is one of the world’s leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers, and other financial institutions, as well as individuals around the world. BlackRock Canada is the investment adviser to the Canadian-domiciled iShares family of exchange-traded funds (“**ETFs**”). BlackRock also advises non-Canadian ETFs.

BlackRock uses Market-On-Close (“**MOC**”) facilities extensively in our investment process. We actively employ MOC auctions in the execution of orders for index funds, which typically seek to achieve the closing price as a benchmark. MOC auctions also provide an essential source of liquidity for non-indexed strategies, as they concentrate trading activity at the end of the day. Further, as a leading issuer of ETFs, BlackRock utilizes closing prices determined by MOC auctions to value securities and fund constituents. As such, we have a diverse and comprehensive perspective on the function and design of MOC facilities.

## **General Observations**

As we noted in our *ViewPoint* on MOC activity, the closing price is vitally important to equity markets.<sup>1</sup> It is used as a benchmark to assess portfolio returns, calculate asset values, and as a basis for derivative contracts. Consequently, a well-designed MOC mechanism for determining closing prices plays an integral role in promoting and maintaining market quality. We believe that an effective MOC facility requires the following key features:

- *Accessible and Fair Pricing* – MOC mechanisms should facilitate price discovery to establish fair and representative closing prices which are achievable or attainable by market participants using the facility.
- *Transparency* – A transparent closing process which provides ample visibility on indicative prices and order imbalances attracts liquidity and increases investor confidence.
- *Flexibility* in accepting orders and subsequent modifications promotes price discovery and encourages MOC participation by enabling traders to effectively respond to changing market conditions.
- *Stability* – MOC facilities should deter manipulation and dampen excessive volatility by implementing appropriate guardrails and price stabilization measures.

Against these principles, BlackRock supports the TSX's proposal to modernize the MOC mechanism in order to improve transparency and facilitate greater auction participation.

## **BlackRock's Response**

The Proposal would increase both the content and publication frequency of auction imbalance messages. We believe that this change will enhance transparency as it fuels price discovery and leads to more effective advertisement of MOC trading interest. Further, the dissemination of real-time imbalance data will attract more natural liquidity to the auction by encouraging participation from investors responding to MOC activity.

The Proposal also establishes new order entry dynamics and auction phases, such as the "MOC Freeze Period." Taken as a whole, these amendments strengthen price formation while imparting greater flexibility to market participants in submitting MOC orders. This improves the ability of investors to interact with the auction and set relevant price limits. Investors will also be more inclined to send orders to the facility, because such orders will be committed for a more reasonable window of time in today's market.

Lastly, TSX is introducing mechanics which will help to stabilize the auction and create more consistent outcomes for market participants. In particular, the handling of Limit On Close (LOC) orders during the MOC Freeze Period should reduce the potential for auction imbalances to be exacerbated or flipped. This will boost confidence in the integrity of the MOC facility relative to the capricious and unpredictable nature of the current model which is susceptible to volatility from late aggressive orders.

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<sup>1</sup> BlackRock, *ViewPoint, A global perspective on market-on-close activity* (Jul. 2020), available at <https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-a-global-perspective-on-market-on-close-activity-july-2020.pdf>

## **Conclusion**

We applaud the TSX for pursuing a collaborative process which sought input from stakeholders representing a broad cross-section of the industry. Their engagement was exemplary of how market structure changes should be effected. The resulting Proposal will improve the MOC mechanism for the benefit all market participants. BlackRock thanks the OSC for this opportunity to comment upon and express our support for the TSX MOC amendments. We welcome any additional questions or further discussion.

Sincerely,



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Managing Director, Global Head of Market Structure and Electronic Trading



Margaret Gunawan  
Managing Director, Head of Canada Legal & Compliance