NATIONAL BANK FINANCIAL INC.

February 24, 2021

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RE: **Nasdaq CXC Limited – Notice of Proposed Changed and Request for Comment**, as published January 21, 2021

National Bank Financial Inc. ("NBF") appreciates the opportunity to comment on Nasdaq Canada's proposed enhancement. We support the OSC's stated mission to provide a securities regulatory system that protects investors from unfair, improper or fraudulent practices and fosters fair, efficient, and vibrant 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 take great interest in the proposed size priority enhancement and its effect on the institutional traders and liquidity providers.

We support this proposal to introduce large-size priority to the Nasdaq CX2 order book, as we expect it will improve retail and institutional execution with minimal deleterious effects on overall market quality.

Incentivizing liquidity providers to display larger quotes will increase volume available to liquidity seekers in sub-dollar stocks. Being able to complete larger marketable orders on CX2 will increase likelihood of execution and would potentially reduce clearing costs.

As is often the case with innovative market structure proposals, there is a worry of unforeseen future consequences from precedents that might inadvertently be set. It is not difficult to evaluate the benefits and trade-offs in this specific sub-dollar stock group on a single taker-maker (inverted) venue, CX2. It is more difficult to constructively piece together the knock-on effects of market conditions unimagined.

"What if *everybody* did it?" is the refrain.

In our view, the proposed size priority does not pose a threat of permeating into other segments or venues. This change addresses a distinct need that exists specifically for low priced equities, namely the difficulty in finding a quote large enough to trade against. Because deep liquidity already exists for other classes of stocks, we think such a size priority rule would serve little purpose and would see little uptake if introduced for stocks priced over a dollar.

Furthermore, if ever we found ourselves in a trading landscape where all venues used size priority to the disadvantage of smaller orders, one must have faith that at least one enterprising venue would propose a conventional time-priority book to meet demand.

It is important to grapple with unintended consequences as regulatory authorities evaluate proposals such as this size-priority one. We have faith, however, in the dynamism of market structure forces, and more specifically, in the ability of the regulators to evaluate the merits of individual future proposals as they come.

As always, we appreciate the opportunity to provide comments on this proposal.

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