



Via email: legal@neostockexchange.com & marketregulation@osc.gov.on.ca

October 23, 2020

Valerie Lockerbie
Head of Legal and Regulatory
Neo Exchange Inc.
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Toronto, ON M5H 3B7
e-mail: legal@neostockexchange.com

Dear Valerie Lockerbie,

Re: NEO Exchange Request for Comments on Proposed Significant Change to the Treatment of Weighted Closing Price Eligible Securities

This comment letter is being submitted on behalf RBC Dominion Securities Inc., and Capital Markets (“RBC” or “we”). We are writing in response to the joint Canadian Securities Administrators’ (“CSA”) and Investment Industry Regulatory Organization of Canada (“IIROC”) NEO Exchange Request for Comments on Proposed Significant Change to the Treatment of Weighted Closing Price Eligible Securities which was published on September 24th, 2020 (the “Proposed Amendments”). RBC appreciate the opportunity to provide comments in relation to the Proposed Amendments.

RBC commends the initiative of the NEO Exchange in improving the dissemination of closing prices for NEO-Listed ETFs. Adoption of ETFs continues to grow as investors look for simple low cost solutions that meets their investment needs. A readily available closing price reflecting the most up to date market information for ETFs is important to maintain investor confidence.

Closing prices for ETFs can present some unique challenges, NEO’s implementation of a 15min TWAP NBBO midpoint official close in the absence of a valid last sale is similar to the methodology adopted by U.S exchanges. This approach has helped dampened artificial P&L swings for market makers and investors alike – especially in the face of the unprecedented volatility we’ve observed in 2020.

We view the current proposal of disseminating a zero volume closing cross as a logical extension of the previous improvement NEO has implemented. While derived closing prices for illiquid ETFs improve their accuracy, consuming the prices can present a challenge for some market participants. This creates the potential for inconsistent closing price across market participants. NEO’s proposal for a new zero volume cross type addressed this concern directly. While it will require some technological work and, more importantly, regulatory support, for participants consume, the solution is mindful of these needs and implementation should be straightforward.

We hope that this proposal helps accelerate similar solutions from other Canadian exchanges to improve the accuracy of ETF closing prices. Which we believe will carry significant long-term benefits for market participants. We encourage other exchanges to adopt a similar approach for their ETF listings and regulators to mandate this improved data be used in order to promote better investor outcomes via more accurate data for their investment portfolios.

Thank you again for the opportunity to comment on the Proposed Amendments. If you have any questions or require further information, please do not hesitate to contact the undersigned.

Sincerely,

Ed Boyd, *Managing Director*
RBC Capital Markets

Cc:

British Columbia Securities Commission

Alberta Securities Commission

Financial and Consumer Affairs Authority of Saskatchewan

Manitoba Securities Commission

Ontario Securities Commission

Autorité des marchés financiers

Financial and Consumer Services Commission, New Brunswick

Superintendent of Securities, Government of Prince Edward Island

Nova Scotia Securities Commission

Superintendent of Securities, Provincial Government of Newfoundland and Labrador

Superintendent of Securities, Northwest Territories

Superintendent of Securities, Yukon

Superintendent of Securities, Department of Justice, Government of Nunavut