

October 23, 2020

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and

Valerie Lockerbie
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Via Email

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

Scotiabank appreciates the opportunity to comment on the proposal by Neo Exchange Inc. (“Neo”) to expand the availability of its derived “Closing Price” to consumers by publishing the value at the end of each day as a zero-volume cross trade, the “Closing Price Publication.”

We continue to be supportive of Neo’s efforts to provide the investors with indicative valuations for infrequently-traded ETFs. We believe Neo’s approach is reasonable. The alternative (being traditional “last sale”) would represent stale prices for the products affected, leading to worse investor experience and an erosion of investor confidence in the affected products. We continue to stand by our comments expressed in our letter dated August 30, 2018 in response to the original proposal by Neo¹.

The current dissemination method (FTP) is open only to a subset of participants: those who have both the need and the means to access them. These values are not readily available to lay investors, or to their vendors and service providers. By publishing these prices on a data feed – appropriately identified as calculated closing prices – Neo would be greatly expanding the range of participants who would be able to benefit from Neo’s Closing Price definition and use these valuations in the investing process.

¹ https://www.osc.gov.on.ca/documents/en/Marketplaces/com_aequitas_20180830_scotia.pdf

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This is a laudable outcome and we hope to see data vendors begin to use this information shortly after implementation.

We respectfully suggest that Neo consider also publishing the calculated closing bid & ask prices concurrently with the Closing Price. These bid-ask prices are currently calculated and published via FTP but are not widely available to investors. We believe a closing indicative quotation would provide investors with additional value by providing an indication of trading transaction costs which would be experienced by participants at the end of each day.

Finally, we note that Neo's calculated prices – however well-designed and well-intentioned – are a deviation from current accepted practices for the valuation of listed securities in various regulatory applications. Neo's approach correctly recognizes that exchange traded funds have structural differences from most other listed securities and should therefore be treated differently. We respectfully suggest that the CSA as well as Canada's SROs consider changes to acceptable valuation standards for listed securities when those securities are investment funds and alternate (and more accurate) valuation approaches are available. Such changes would allow Neo's Closing Price methodology to be applied more widely than is currently contemplated, to the benefit of the broader investment community.

We appreciate the opportunity to comment on this matter.

Respectfully,

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