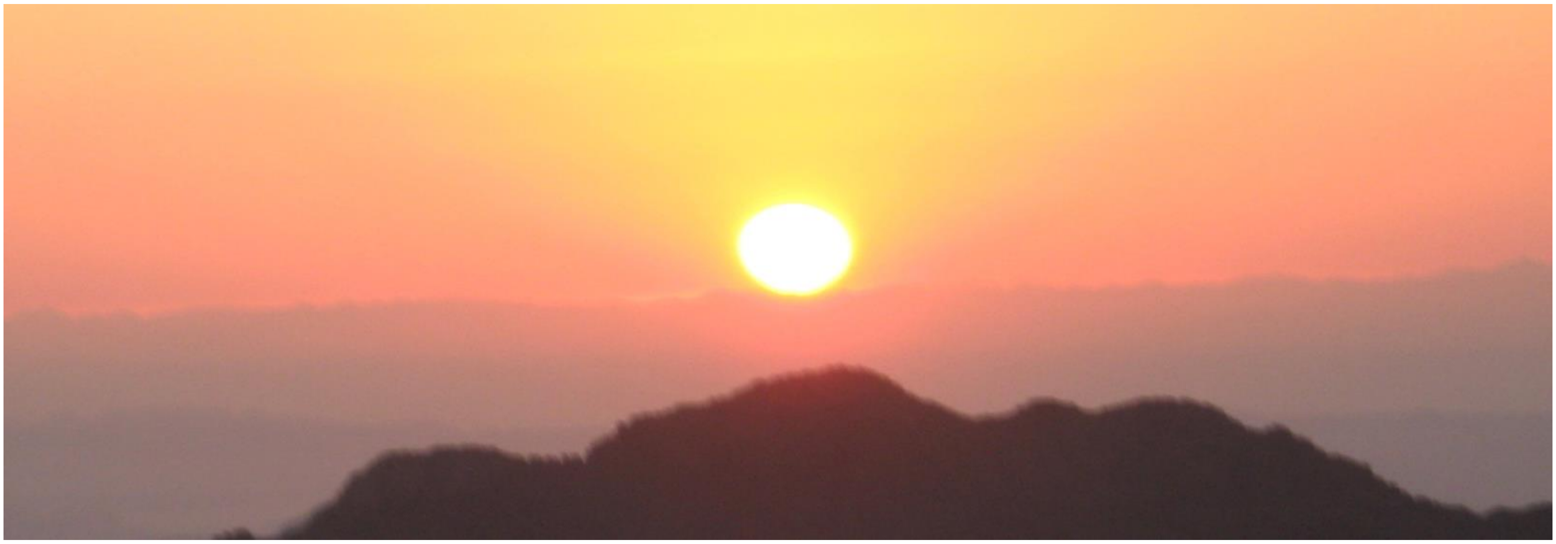

August 15, 2013

John Stevenson
Secretary, Ontario Securities Commission

Ref: OSC Staff Seek Input on New Exchange Proposed by Aequitas Innovations Inc

OSC new mandate – A market structure to create economic growth and be the national leader

The Ontario 2013-2014 budget was passed recently and assigned new mandate to OSC. The legislators want to improve capital markets structure to create economic growth and want OSC become Canada's leading regulator. Legislators want OSC's role expanded to promote market stability. OSC can fulfill its broader mandate by first understanding the needs of investors, issuers and all other market participants with diverse objectives in all regions and then facilitate them with a market structure that offer their choices. Offering the choices of what stakeholders desire in a market structure, is the way capital gets allocated fairly and efficiently to create economic growth. This approach fundamentally differs from the previous regulatory approach of imposing a market structure of the dominant players against the interest of investors, issuers and dealers.

Canadian small and mid- cap corporations (SMEs) produce 45% of GDP and employ 60% of workforce. Canadian securities laws haven't changed to cater to SMEs capital needs. The Canadian securities market structure is focused on creating statutory laws that burden markets with inefficiency and higher cost than creating economic growth or investor confidence. Regulators couldn't nourish innovations that offer competitive choices but have to allow dominant exchange to serve high frequency traders (HFT), creating market volatility and loss of confidence in market quality. The regulations are geared towards serving the dominant exchange objective of providing HFT with many temptations such as rebates and turn them into predatory traders to increase profits against public interest. Canadian dominant exchange model reflects the trend of global exchanges catering to HFT .Even in US where few equally powerful exchanges compete, 64% of NYSE Euronext and 82% of

Nasdaq OMX revenues for 2012 were generated through trading while revenues from listing represent only 12% for both .

OSC new mandate can facilitate Aequitas proposal become a part of capital market structure to restore market as a place for issuers and investors and help to raise needed capital for SMEs in all regions of Canada. Under the new mandate OSC will consider oil and gas investor- issuer needs in the western provinces. OSC hasn't consulted its newly created SME committee on Aequitas contribution toward economic growth. The regulator's 20 page Notice and Request for Comments related to Aequitas propoasl mentioned 34 times the word OPR (order protection rule), but the word "JOB" that Canadians are longing for and legislators want to deliver is mentioned zero times. OPR a job killer that decimate economic and job growth in Canada and there is a need to educate all about the serious consequence on this type of rule on capital markets and economy. Canadians can't live on laws alone but every job that comes out of new capital at an exchange like Aequitas that provides income to put bread on the table.

The monopoly stock exchange structure in Canada has increased the operational cost and decreased the revenue for both small and large dealers. The success of primary market participants like the issuers and investors depend on the quality of services they can obtain from dealers. Many dealers are leaving the markets or merging to survive due to monopoly structure that increases trading cost. Outdated regulatory compliances such as OPR further burden dealers with huge administrative cost. Free and democratic market place creates efficient and fair markets and markets overburden with regulations creates inefficiency and administrative cost. The Canadian retail boutiques revenue has declined from $600 million in 2007 to $18 million last year. Aequitas proposals especially the Lit Book while offering diverse choices to investors will also be an instruments to lower trading and administrative cost. TSX Venture failed to generate needed capital for economic growth. In 2011, there were only 176 venture capital financing under $ 1 million mainly with government funds. Many globally successful corporations initially needed speculative venture capital. Unfortunately Canadian regulatory framework offers fewer opportunities for Canadian resource base companies to raise needed capital. Lack of co-operation among provincial regulators makes it further hard to raise capital. Aequitas objective is not to compete for the same clientele but grow market by providing more opportunities for SMEs to raise needed capital.

Aequitas wants to restore traditional role of capital market stakeholders and help companies specially the start up and mid stage corporations get needed capital. Corporations owned by retiring baby boomers need to be bought for continuity otherwise it would result in liquidation. For corporations that need not go public, Aequitas hope to create a centralized marketplace for exempt securities (ESM) and raise capital from accredited investors and other permitted participants. Investors can get needed liquidity in the secondary trading. Aequitas proposals offer the regulator many opportunities to work on its new mandate to serve investors and issuers and contribute towards economic growth.

OSC readiness to fulfill its new mandates

It is imperative that OSC staff prepares themselves first, take sabbatical if needed for this new mission and later under federal- provincial regulatory structure to be successful as Canada's leading regulator. Aequitas mandate of "charter of choices" represents the desires of those who manage millions of Canadians investment assets worth hundreds of billions of dollar. Aequitas innovative products like the Hybrid Book will be a book of the future and it provides the regulator with the opportunity to let it sail under the new mandate and earn the respect in the global markets.

It is important that regulators should acknowledge that capital markets belong to investors and issuers and not to lawyers and let the natural behavior of investors, issuers and brokers respond to the price, supply and demand than let lawyers destabilize the naturally well balanced issuer -investor markets.

Unlike other industrialized countries that have a national regulator, Canada remains a country where legislation related to securities are within the exclusive jurisdiction of the ten provinces and three territories. In 2011, the Supreme Court of Canada reconfirmed this position and no progress has been made since the 1867 confederation to have a single regulator serving the interest of all regions with diverse needs. The regulatory system discourages raising capital and weakens economic growth. The damage to the economy is far greater than the protection investors hardly experience under regularity supervision.

One main obstacle to create a national regulator for market efficiency and fairness is the provinces' concerns of being dictated by Ontario which account for 80% of market activities and 50 % of GDP related to financial industry. OSC must be more willing to be open for an innovative market structure and technology that creates choices to fulfill the diverse capital market needs. It is the only way to evolve from regional regulator to be national leader. CSA's passport system gives market participants automatic access to capital markets in other provinces by meeting the requirement in one province. Unfortunately Ontario doesn't accept passport system thereby forcing market participants to first get OSC approval. For the benefit of market, other provincial regulators in the passport system are compelled to accept OSC's decision. OSC's dominant status cultivated over the decades from colonial times makes it harder to accept a culture of openness for economic growth.

The Montreal Stock Exchange was the first Canadian stock exchange to begin operation in 1832. Quebec sovereignty movement and French language laws drove corporate listings and head offices from Montréal to Toronto and shifted the balance of power between the two older provinces. By 2007, TSX acquired Montreal Exchange and since then OSC that was created in 1928 was in a position to dominate and dictate securities laws to other regions. TMX exchange in Ontario now accounts for the majority of capital market activities. The current consolidated power structure of TMX –OSC is seen by other provinces as two bullies on the Bay Block, creating fears among other provinces and preventing them from giving away the powers they possess under Canadian confederation .The mistrust of small and weaker provinces and challenging reactions from emerging rich western provinces like Alberta towards Ontario for dictating to them securities policies and defining market structure needs to be reconciled. Peaceful harmony among provincial regulators helps to create a well balance regulatory structure to serve public interest. Investors and issuers are now happy to witness OSC's willingness to accommodate other provinces priorities. This helps to improve regulatory efficiency and reduced cost related to raising capital. Once earned the trust and confidence of other provinces, Ontario will be in a position to provide expertise and prevent other provinces unnecessarily maintaining a larger regulatory workforce.

The old regularity approach only results in expressing concerns over modern and progressive solutions presented by Aequitas. The old colonial Canadian financial regularity structures must accommodate new economic realities, changing demographics and multicultural Canada. Regulators under an outdated mandate lack the ability to understand ground realties in Canadian financial markets and economy. In the past few years, Bank of Canada warned investors with margin investment accounts about bank's rapid rate hikes, but rate remained unchanged at 1%. The OFSI (Office of the Superintendent of Financial Institutions Canada) who supervise capital markets and financial institutions introduced rules to cool housing markets in regard to concern over financial systemic risks, yet housing prices in cities continue to increase with price wars while economy is in recession with high unemployment. These are examples of federal regulators' failures in understanding investors, capital markets and the economy. Regulators can learn by regular field trips to grocery stores to understand investors. Loblaws owns Nofrills and sell apples from the same farm at higher price at Loblaws stores and at lower price at Nofrills stores and prices further vary with locations. Loblaws understand affordability is not the same for all Canadians and offer choices. In 1919, the Loblaws slogan was "we sell for less" and that strategy is still valid today. Loblaws understand Canadian diversity and purchased T & T to capture the ethnic markets. Canadian investors like those shoppers want choices. Unlike Canadian and US superstores in Canada that import cheap products from Asia and exploit cheap labour and working conditions elsewhere, Aequitas want to create choices for investors and issuers in Canada and thereby help SME get needed capital to create jobs and economic growth in Canada. Applying one rule for all the markets with divers investor needs, make markets inefficient and market stakeholders to lose confidence in market quality.

Canada is a country of provinces and immigrants and their diverse risk taking attitudes hasn't reflected in capital market structure. 49% of population is of non English- French origin and 33% of annual immigration in recent years was from Asia, who are more risk tolerant. Canada's diverse social, economic and cultural values haven't been incorporated into capital market structure. This is another reason for regulator to express concern over investors' charter of choices expressed through Aequitas. OSC is the only bilingual regulator west of Quebec trying to serve 11% of French speakers in Ontario, yet failed to understand the diverse investment objectives and investor profiles of the major ethnic minorities in Ontario who represent more percentage of investors and assets. The old market structure doesn't' reflect current Canadians' needs and enforcing an outdated model deprive investors their choice and prolong the period of slow economic growth.

Unlike OSC, the regulators in the western provinces ensure securities laws reflect the choices of Canadians in those provinces. The risk tolerant western investors are well aligned with provinces relaxed securities laws. Alberta caters well to the issuer – investors need specially the small and medium corporations in the resources and mining industry. Under Alberta's more relaxed securities laws, corporations can raise capital by filing an offering of memorandum instead of going through stringent disclosure requirements under prospectus like in other provinces. On the contrary in Ontario where there is diverse investment objectives and investor profiles, regulator still impose risk averse regulations on investors who are more risk tolerant. A national market structure must harmonize diverse investor needs and not impose an investor profile that benefit dominant market player and load investors with costly and outdated laws.

OSC is now listening to a broader scope of markets participants who are the driving force behind Canadian economic growth. OSC last month acknowledged the role small and medium corporations play in Ontario's economy and the value of capital raised through prospectus exemption. The OSC now willing to listen and consider changes to those rules .OSC now believes it is possible to be innovative and globally competitive to raise capital while protecting investors. The harmonized federal –provincial regulatory structure can lift the burden of cost related to raising capital and help to grow the capital markets with exchange like Aequitas that offers innovations and diverse choices. The change in OSC attitude is a progressive forward step in building stronger relationship with other regions . Aequitas and OSC can create a stable, fair and efficient capital markets and earn investor – issuer confidence in all provinces and territories

Canadian capital market monopoly, a paradise for predatory trading.

The Canadian capital markets consist of a monopoly exchange serving the needs of high frequency traders (HFT) and exhibit the following market characteristics. a) Fail to display real spreads, liquidity and lack of price discovery. HFT helps to create market illusions such as the narrowing of visible spread but the real spread at which investors make decisions has widened. The price level and depth of interest are altered and the displayed liquidity supply is distorted and no longer reliable. Liquidity illusion is created by reducing the values of market marker's resting orders and by increasing the value of how fast orders can be placed and cancelled. Liquidity providers without obligation only provide liquidity to large –caps stocks. b) Hundreds of million data/ messages of HFT result in stale data and increase the trading cost, forcing investors to exit the markets. IIROC updating its monitoring capability to handle up to 1 billions messages per day that would be created by HFT under the exchange monopoly incentives. Computer algorithms are replacing human interactions and moving away the markets from its traditional role. In Europe, LSE and Intel recently achieved a 130 mirco second order latency with the ability to process one million orders/ second. c) The number of traditional market makers who provide small and mid –cap listed corporations with needed liquidity is on the decline. d) Higher price volatility and significant increase in the intraday activities make it difficult for investors to make prudent decisions. Regulator did nothing to protect buy -side institutional large size orders as HFT often front run them and make trade expensive. Markets have suffered significantly under HFT than the so called benefits from regulatory OPR protection. Regulators conduct various study such as the recent IIROC 's HOT (high order -to-trade ratio) study which found HFT account for 94% of new and amended orders. The traditional market players leave because the regulators prevent them from getting market initiatives such as the proposed Aequitas protection. e) HFT algorithms amplify cross-stock correlation during high volatility and increase possible systemic risks. Marketplace no longer does its traditional role of matching issuers with investors but become a predatory paradise, favouring HFT to the detriment of traditional stakeholders thereby losing its market quality & integrity.

Canadian capital market monopoly

The current Canadian market structure based on a maker-taker pricing model attracts HFT, often manipulative and deceptive in nature. These trades are always at the expense of other market participants and negatively impact market quality and integrity. The dominant exchange offers rebates and other incentives to increase trade volumes resulting in increased market volatility and trading cost for dealers and clients. The maker- taker pricing model is detriment to markets and economic growth because investors and dealers are unable to make reasonable profits and are forced to leave. Rules such as OPR though a source of revenue for law firms and for the dominant stock exchange, it provides no real benefits to investors, instead create complexities and inefficiency in the market. Under monopoly, investor choices are restricted and this lead to price and other data manipulations.

Canadian market quality had declined due to lack of competition, price discovery, liquidity, transparency under maker- taker pricing model of single marketplace. Dominant marketplace model hardly create sustainable market making and increased the trading cost. Canadian monopoly market makes it hard for early and mid-stage companies to raise needed capital. In the past 5 years public listing is on decline while intraday volatility has risen rapidly under current market structure.

IIROC recently found that 42% of trades and 94% of all order messages originated from HFT. Recent review revealed over 90% of HFT activities originated from few IIROC members. HFT represent 60% of all Canadian trading in ETFs and ETNs, and 36 % of all Canadian share volumes trades in US inter-listed securities. 40% of HFT were trading through DMA using algorithms. HFT earn $250,000 more per day in rebates than they pay in fees! IIROC acknowledge existent of at least four types of trading practices that are abusive and manipulative in nature such as layering, quote stuffing, quote manipulations and spoofing. Market participants understand markets better and are in position to eliminate these deceptive practices and have spoken through Aequitas on how to restore confidence in the market. There are additional HFT deceptive practices observed by Aequitas such as rebate arbitrage, latency arbitrage and exploratory trading that negatively impact market quality. Markets are evolving but market structure hasn't changed to protect investors from predatory practices. Regulators are aware of the negative impacts of these manipulative practices, but unable to find solution under current market structure and under the old mandate.

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The truth – The exchange of the predatory traders is not the choice of investors

If provincial regulator now request comments from investor Bumble about regulator's last year ruling " law supposes that Canadian exchange monopoly is good for investors", he would then say, " if that law supposes that, then Canadian securities law as ass, an idiot". Mr. Bumble will provide exhibit A. Alpha Trading, created in 2007 as ATS grew rapidly & within years captured 22% of the market and was about to become an exchange. Alpha was the choice of investors because it provided them with lower trading cost, low latency, better liquidity and superior trading technologies and earned investors' confidence. It was the choice of investors who were victims of predatory trading, data manipulations, marker taker pricing model and intermediation of dominant exchange. Alpha could have belonged to the world of trading today, but Alpha competitiveness that created efficiency in the marketplace was eliminated when regulator blessed TMX acquisition of Alpha in 2012. Since then Alpha's market share fell from 22% to just 9% and trade volumes fell 46% by July 2013 as investors moved elsewhere. Chi-X Canada an independent ATS increased its market share to 24% over the same period. Investors want choices and trade where there is market confidence. The truth is crystal clear. Canadian market structure and regulatory laws governing them are losing credibility and investor confidence.

The objective of demutualization of Canadian stock exchange through creation of ATS was to create competition and improve operational efficiency and fairness in Canadian capital market. Last year regulators rejected this progress made over the years through ATS by imposing again the exchange monopoly under Maple Group. Under the new monopoly, Canada's trading; clearing and settlement of equities, fixed income and OTC came under Maple Group. Lawyers representing Maple and provincial regulators imposed their views on markets claiming monopoly create competition, choices and reduce trading fees. These claims now proven to be great deception because markets now witness inefficiency, higher trading cost, unfair practices and now another new evil, market filled with conflict of interest.

Traditional market stakeholders are longing for capital market of real investor – issuer interaction with choices that best serve their interest. But past regulatory changes to reintroduce stock exchange monopoly has created grey areas for the blending of manipulative motives and algorithmic trading technologies. IIROC estimates up to 40% of trades are HFT and predators have plenty of buffaloes to hunt as 85% equity & 100% exchange trades option and futures are listed at Maple's TMX territory. TMX had offered seats and tables to predatory traders and turned the stock exchange a "Den of Predatory Traders".

Aequitas: The mandate from majority of capital market stakeholders

Founders of Aequitas don't represent few but millions of investors best interest. As long term investors, Aequitas stakeholders contribute in many ways for an efficient and fair Canadian capital markets. Aequitas has earned the legitimacy to present a proposal on behalf of market stakeholders for legislative approval.

Aequitas proposal is the voice of retail and institutional (pension funds, mutual fund) investors, issuers, dealers and other market participants who want choices and the freedom to choose. Investors and issuers want competitive, efficient, cost effective capital markets that fulfill their individual needs. Founding shareholders of Aequitas represent the majority of Canadian long term investors who want an exchange that can restore market confidence. The existing exchange has evolved to serve high frequency traders , many of the HFT are manipulative and deceptive predators creating a market of high intraday volatility, higher buy- sell trading cost and inferior trade execution, yet surprisingly within CSA's best execution and OPR rules! Aequitas planned entry to capital markets is already creating competition making trade affordable. CNSX Markets is offering a 60% discount on fees to those who switch from TMX . Aequitas objective is not to compete for the same clients but create new clients by offering choices & grow markets that create economic growth, jobs & prosperity

The founders of Aequitas such as IGM Financial (Investors Group and Mackenzie Financial) manage millions of Canadians investment and retirement accounts through active trading. Last year IGM traded over $25 billion Canadian equities and has $124 billion assets under management. Other Aequitas founders like CI investments ($74 billion in assets under management), PSP Public Markets ($76 billion in assets under management) also provide wealth management services to millions of Canadians through thousands of financial professionals. Another new stakeholder, OMERS manage over $60 billion assets of Ontario's 968 employers with 429,000 members. Aequitas founding members also include RBC Royal Bank, Canada's undisputed leader and largest bank and a global leader in capital markets and wealth management by assets and market capitalization. RBC Dominion Securities has over $200 billion in asset under administration, higher asset value than CPPIB, with over 1500 professional providing wealth management services to Canadians. RBC Direct Investing help Canadians operate self directed trading accounts.

Aequitas is a democratic capitalistic trading entity where capital and control is widely held. Aequitas is a stock exchange of the stakeholders, by the stakeholder and for the stakeholders of capital markets. Aequitas will further widen the ownership before launching its exchange to include issuers, investors , dealers or anyone interested in restoring market quality and creating an exchange that provide innovative choices to raise new capital efficiently and cost effectively and help economic growth.

Aequitas Management and Board

Aequitas management team consists of executives with proven leadership in Canadian and European stock trading and on regulatory matters. In Canada, the C.E.O and his team successfully introduced a competitive and innovative ATS for investors and grew market share to a significant level within a short period of time. They earned the respect and confidence of the markets. Chairman of Aequitas is also a chair of IIROC committee and help to create the right balance between capital market stakeholders and public interest by writing rules and setting higher ethical standards. The Board of Directors represents Canada's former federal finance, trade and diplomatic leaders who took the forward steps to move Canada from trading within the confederation of provinces to engage in global trade through mutually rewarding trade agreements. Aequitas directors have earned the respect and confidence of Canadians by introducing and implementing many federal polices that created investment opportunities and economic growth in Canada. Their vision strengthens Canada's business relationship with US, Canada's biggest trading partner where Canadian investors have substantial investments and hold significant percentage of equities in US dollars. Aequitas proposals put forward by the board and management on behalf of capital market stakeholders are the best choices and solutions for markets and for the economy.

Aequitas innovative technology

Aequitas wants to differentiate itself by being a leader providing innovative technology for the betterment of the industry. Markets have moved from open cry auctions to algorithmic trading and there is the need to protect and promote the traditional role of capital markets from predatory trading. RBC Capital Markets, one of the founding shareholders of Aequitas is hoping to bring innovative solutions. RBC's THOR®, the smart order routing technology will eliminate latency arbitrage and liquidity concerns in the market structure by sending orders to reach designations at the same time and void investors becoming a prey to the pirates of the TMX.

Aequitas- the choice of capital markets

Aequitas is the choice of free markets that believe self regulation serve public interest better than regulations that serve self interest as seen in Canadian capital markets. Long term investors and exchanges operators have a better understanding of the markets than regulators and are in a position to improve markets with fewer restrictions. Free markets generally become self regularity bodies to bring efficiency and fairness where good can triumph evil. Negative regulatory interventions eliminate competitive choices, create inefficiencies and unfair practices. By the time regulatory discussions become rules, perpetrators have already found new ways to outsmart the rule, resulting in huge regulatory burden and administrative cost to investors, dealers and issuers. Regulatory intervention only ends up providing the shield and the sword to market manipulators. IOSCO and IIROC study reveal the intent, not the means of technology cause market manipulation. One of Aequitas founder, RBC Capital Markets had advised IIROC that under Canadian monopoly market structure , the intent and the means become significantly blurred creating temptations to HFT to be predatory HFT. Last year RBC proactively addressed certain unethical practices not covered in notice 12-0221 such as latency arbitrage and rebate arbitrage and other systemic factors that collectively provide both the incentives (i.e. rebates) and tools (i.e. fragmentation and co-location) that provide advantages to some market stakeholders at the expense of others. Aequitas have innovative solutions to protect investors and provide cost effective services to clients and make markets a level playing field for all

Aequitas robust and sustainable market- making

Aequitas wants to differentiate itself by being a stock exchange that maintains a robust market making program and sustain that momentum even during market volatility. Investors' need market structure with committed market- making programs. During the May 2010 computer glitch that halted trades on Nasdaq , business was usual at NYSE because of active market making program. Aequitas committed market -making program will not only grow market and economy, it will also protect investors and financial systems from systemic risks.

Aequitas innovative and comprehensive compensation program will cover market- making for both Aequitas listed and securities listed in other exchanges. Aequitas wants to set new standards in providing better liquidity and price discovery. Market makers will be IIROC and Aequitas Exchange members. Aequitas innovative SOR (smart order routing) will prevent "book fade" and will ensure market makers are held accountable to their quotes they display. This approach fundamentally differs from the dominant player who provide financial subsidy based on maker –taker fee model which display an illusive narrowing of spread, create liquidity in large stocks where there is no obligation and lack of liquidity in volatile situations.

Aequitas market- making program will promote fair profit making among market participants. Aequitas will refocus on the market maker the obligation to provide reliable liquidity and offer compensation to execute undesirable trades and other related cost. In order to retain a robust market –making, Aequitas will also get other market participants involved and offer various compensation that best serves each interest groups. For example, Aequitas hopes to get issuers involved and allow issuers enjoy preferential trading fees. For securities of responsibility, priority in Dark and Hybrid Books would be offered to market makers. Aequitas Dark Book will allow market markers have priority over time in the Dark and in the Hybrid Book to improve price discovery and price efficiency. Marker Makers will enjoy protection from predators in the Dark and Hybrid Books. The protection from predators offered in the Dark and Hybrid Books will encourage many market makers to get involved in this program. Aequitas priority proposal is fair because it only provides compensation to market maker and doesn't artificially impact or exclude other flow from fair treatment.

Aequitas market making program will offer opportunities to DEA (Direct Electronic Access) clients including non Canadian domiciled traders who are sponsored by a dealer to act as market makers. Under Aequitas model, the DEA must be a designated market maker or be subject to an acceptable SRO like FINRA or a national regulator like SEC. Similar type of market making already allowed in Canada (TSX allow DMM - formal market maker to trade ahead of orders with higher time priority in the book and Alpha for odd lot executions) and in other countries. Yet provincial regulator want to regulate the DEA directly because of unfounded concerns about the competency of other provincial or foreign regulators like SEC, though provincial regulator often follow the leadership of SEC.

Aequitas can address any concern or any other potential risks by monitoring and providing reporting tools for DEA client and its sponsoring dealer. There is the need for regulator to have confidence in other regulators and share and delegate the supervisory role. Regulator assigns similar responsibility to the dealers in regard to the supervision of the registered brokers (RR).

Aequitas hopes its innovative market making program will create a higher trading volumes and decline in the bid/ ask spread. Aequitas is confident the market making program ensures the characteristics of liquidity such as market depth, breadth and resiliency remain in all situation like an evergreen tree. Investors' great concern is liquidity specially when markets face great volatility and these incentives boost investor confidence in the market. Recently a bill was introduced in the US Congress to encourage stock exchanges to allow small listed issuers to directly compensate market makers for liquidity provision.

Aequitas diverse investor choices – Hybrid, Dark and Lit Books

Aequitas innovative market structure provides investors with three choices of order books that best serve their needs. The distinct feature is the predatory protection offered to long term investors in the Hybrid and Dark Books. Manipulative and deceptive trade practices such as quote stuffing, quote manipulations, spoofing, layering and abusive liquidity detection strategies will not be possible in these books. These books will create investor confidence and improve market quality that has eroded over the years by active predatory trading in Canadian monopoly market.

The Aequitas Dark Book offers a safe haven from market predators and operate under Canada's dark order rules such as matching at the mid –point of NBBO. Aequitas will impose restriction on manipulative HFT mainly those orders with SME (short -marking exempt) to prevent them take liquidity out of the market. Only the retail and qualifying institutional clients get the opportunity to take liquidity and this will encourage more traditional players to participate and restore investor confidence in the markets. The matching priority is based on price, broker, market maker for its allocated security and weighted size/time. This matching priority creates fairness and makes it a level playing field for all the participants. Aequitas Dark Book offer an alternative to investors who are concerned about maker taker fee model of the dominant exchange. The dominant monopoly exchange offers rebates to predatory HFT to encourage them be more aggressive because it increases the exchange revenue. Aequitas on the contrary will encourage more retail clients' participation by offering them discount on fees. Aequitas model will attract investors who seek shelter from predatory traders and investors generally have lesser concerns about the dark pools.

The Hybrid Book will be a book of the future. Hybrid Book will be a safe haven from market manipulators and have the dark and the lit characteristics. The Hybrid Book has many features of Aequitas Dark Book related to matching priority and taking liquidity will be limited to retail, institutional and non SME orders. It is not based on a maker /taker fee model. Hybrid Book is a semi-transparent book and display of order is limited to the aggregate size of passive orders at each price level based on NBBO. Trades are executed within NBBO and this would prevent trade done at an inferior price. A trade through may happen at other marketplace for predatory trades marked SME, but the objective of OPR is not to protect predatory trades. Therefore the Hybrid book restriction on predatory trades marked with SME designation is fair and just. The partially visible liquidity in the

Hybrid Book will promote better price discovery and provide protection against information leakage thereby protecting larger size orders becoming a prey to predatory HFT. The transparent segment of the book will act as "reference check " to verify false data and signals created by HFT in other Lit books and help to build investor confidence and market quality.

The Aequitas Lit Book will be light for the other Lit Books. Aequitas Lit Book will be similar to those in the marketplaces but the objective will be to be a "prompter of lower fees". This book will promote of larger trade sizes, rewards market makers and gives preference to Non- SME orders. The non – SME orders get priority in Aequitas Lit Book to promote better average trade sizes in other Lit books to the benefit of investors. The Aequitas Lit will highlight those false and deceptive signals in other Lit books to the benefit of issuers and investors and boost investor confidence.

Majority of investors will choose Aequitas protection over OPR protection because becoming a victim of manipulative predator is real whereas being a victim of a trade through (inferior price execution) based on an unreliable market data may not be true. Regulator must accommodate investor choices than imposing irrelevant, outdated and costly rules on them.

Lawyers feasting & investors fasting on Order Protection Rule

The old market conditions for which the OPR was introduced now doesn't exist and applying these rules make markets lose confidence in the regulator and in the laws. Securities regulators are generally slow to act and by the time regulators impose rules, markets would have changed, making rules irrelevant and imposing these rules make markets inefficient. In November 2009, CSA introduced OPR (order protection rule) by amending NA 21-101 and OPR came into effect in Feb 2011. Since then OPR has become an over protective rule and it took time for regulators themselves to realize this fact. Regulators themselves losing confidence on OPR and now requested comments on OPR, Notice 11- 768, April 2013. The SEC introduced the OPR (rule 611) ruled 8 years ago in April 2005 and since then has to issue exemption on many occasions to retain market confidence. In Canada, OPR make investors & market participants lose confidence. OPR is a golden goose for lawyers as it lay golden eggs since 2009 by feeding on taxpayers, investors, issuers and dealers.

Climatizing OPR to Canadian securities environment was a total failure because it is foreign and still unknown to investors outside of US and Canada. Other countries didn't attempt to adopt this US rule because of different market structure and had observed its negative impact on market quality. In Canada OPR created market inefficiencies, increased trading cost for investors and forced dealers to leave the market. OPR is a job terminator and had major negative impacts on economic recovery. OPR failed to bring price discovery and liquidity. OPR only benefited the dominant exchange to increase its trading revenues and offered predatory traders more opportunities for a kill. The OPR failed to accomplish its objectives because markets often display distorted or false data.

Majority of investors will choose Aequitas protection over OPR protection. Investors' concern about predatory traders is real whereas success of an OPR protection can't be verified because what was displayed at the time of the execution at the exchanges may not be true. The benefits of OPR are unknown while the damage to investors and economy by imposing OPR can be quantified .Regulator must respect and accommodate investors' choices than imposing irrelevant rules on them.

OPR may be suited for US capital markets where equally powerful exchanges compete and that creates the need to prohibit trade at inferior prices than what was displayed. Even this SEC controversial OPR 611 rule was not unanimous. It was adopted on a 3-2 split. It makes no sense in Canada where even though there are six visible markets and four dark markets, in reality more than 80- 100% of various type of securities are executed at one exchange.

The intent of OPR is better served by targeting and applying within a limited scope than applying it on each trade. SEC has realized this truth and has granted numerous exemptions to prevent OPR hurting markets quality and the economy.

IOSCO has not even considered OPR as a priority. Other countries are of the opinion an overhaul application OPR does more harm than good. Their concerns are well founded because in Canada predatory traders and the dominant stock exchange benefit from the misunderstanding and misinterpretation of the US rule. Provincial regulator failed to understand the intent of US and international bodies trading standards and blindly applied the OPR rule without granting exemption where needed. The IOSCO recommends regulators to periodically review existing market structure and bring in the needed changes to improve market efficiency and fairness.

OPR rule only apply to trade orders that are visible and protected but those in the Hybrid Book are unprotected and not fully visible. Therefore applying OPR rule to the Hybrid Book is an error. Even the IIROC / CSA trading rules NI 23-101 acknowledges that not all trading rules should be subject to OPR. Information in Hybrid Book is made available to Information Processor (IP) because Aequitas wants the Hybrid Book to be the light for price discovery in other Lit books. Providing information should not make the Hybrid Book a Lit book. Hybrid has the characteristic of dark pool such as all resting orders are pegged to or bound by NBBO before being able to trade.

Another concern of the regulator is the imposing of the US fair accesses policy in Canada. Even SEC only applies the fair access requirement to marketplaces where there is significant percentage of trading of a security. SEC has excluded fair access requirements to ATS that matches customers orders with other customers for the same securities at that price outside such system. The fair access rule make more sense for US markets where the object of the rule is to prevent discrimination against non members or non subscribers access to a system. It was not aimed at those that limit services to make markets fair as in the case of Aequitas Hybrid Book. Fair access does not mean all market stakeholders should have same access. Fair access requirement were intended to avoid arbitrary differentiation and to encourage access to information. Aequitas differentiation is therefore not arbitrary because it promotes better market quality. It is clear Aequitas market structure is based on the type of trade flows or trading strategies and not the type of participation in the market. In fact some marketplaces limit access to dealers even to Lit books. Aequitas Hybrid model is semi-transparent to improve price discovery and restore traditional investor roles in the Aequitas books as well as in other Lit books and improve market quality.

The battle between lawyers and investors

Capital market is a place where issuers and investors exchange capital. Unfortunately lawyers' intervention as regulators to give priority to control bad behaviours over the economy, issuers and investors has resulted in market manipulation, inefficiency and lack of confidence in the market.

The future of Canadian capital market has two different choices. Aequitas wants to serve its stakeholders, the long term investors while the monopoly exchange is interested in serving HFT who are often the predatory traders who hardly hold securities at the end of the day.

Aequitas proposal creates another battle between good and evil. The evil intention is about how to continue protecting the existing market structure of predatory trading that drive out market stakeholders into exile or out of business, a market structure detriment for economic growth with potential systemic risk. The good intentions is about on how to provide business and individuals many choices, a market of issuer – investors, free of predatory trading that promote liquidity, stability, fairness, cost saving and economic growth.

Regularity bodies are made of lawyers and not investors and past rulings were in favour of the letter of the law. Lawyers lack the ability to assess the economic impact of their decisions on Canadian capital markets and economy. Legislators pass law to ensure laws serve investors but regulatory enforcements make investors serve the law. Aequitas proposals are to fulfill Canadian and global securities standards and not to break them.

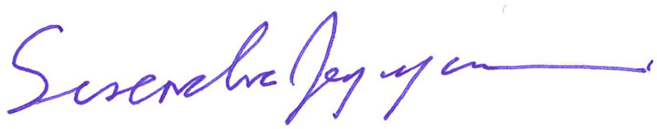
Markets are pleased with Aequitas proposals but not the regulator. The provincial regulator last year imposed monopoly believing a monopoly market structure creates efficiency, offer choices and lower trading cost . This again highlights the fundamental differences between the regulators and investors in defining the free, fair and efficient capital markets. Conceiving unfounded concerns and then formulating laws to regulate behaviours only create market growth for lawyers at a cost to investors, issuers specially the small and mid –cap corporations and economy. In recent years lawyers began to impose rules such as OPR on computer trading technologies. Yet there own study reveal what market has observed over the years, the intent of the perpetrators and not the means of technology cause market manipulation. The benefit to investors from OPR rule is unknown but the benefits lawyers received and revenue decline experienced by investors, dealers and issuers can be quantified.

The current market activities are not focused on traditional interaction between issuer and investor but moving towards serving the manipulative and deceptive trading practices of HFT. For doubting regulators whether those benefits of Aequitas proposals a myth or real can only be revealed by implementing Aequitas proposals. The risk averse regulator can run pilot projects to monitor Aequitas impact on the markets and the economy. Regulators have the technology to monitor Aequitas proposed activities. This way regulators and Aequitas can work together on market myths and realities and improve market quality.

Aequitas proposal must be assessed fairly and capital market should not be deprived of Aequitas benefits. Regulators can easily monitor activities in all exchanges and ATS. IIROC's Surveillance Technology Enhancement Platform (STEP) can monitor market activities in real time to ensure trades are in compliance with UMIR and detect unusual movements in price, volume and size of trade and refer their concerns to Trading Review and Analysis Team . Aequitas can work with IIROC to update IIROC National Instruments, the market operation 21-101 and the trading rules 23-101 and become an active partner in promoting fair and efficient market that serve public interest.

IOSCO recommends periodic evaluation of rules and market conditions and to change laws or grant exemptions to ensure laws are useful to changing market conditions. Aequitas innovative proposals such the Hybrid Book will be the trading books of the future. It is therefore imperative for regulators to ensure choices of investors are not denied, restricted or conditions imposed that make investors lose confidence. Investors and issuers are consenting adults and what they want to do prudently in the dark pool, lit pool or hybrid pool in upstairs of a dealer shouldn’t be the business or under parental guidance of securities regulator.

In the beginning the Trading Post facilitated trades between the native Canadians and European settlers. The trading principle was based on fairness (Aequitas) because the Great Spirit displayed through nature’s balance, one should not dominate but share the resources in a fair and just manner. Aequitas inspired by the same principle has invited all to the round table during this harvest & thanksgiving season to discuss and create a market place that will benefit all.



Surendra Jeyarajan. FMA, FCSI.

301-330 Alton Towers Circle.
Toronto, Ontario. Canada. M1V 5H3