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To whom it may concern,

I am writing on behalf of David Rea Ltd. in response to the request for comment issued by the OSC, related to the proposed new exchange to be established by Aequitas Innovations Inc.

Davis Rea is a leading Canadian wealth management founded in 1997 through the merger of D.A.C. Davis Investment Council Inc. and Lewis-Rea Ltd. Davis Rea supports the plans of Aequitas to offer new competition in the operation of a marketplace. Since demutualization and multiple markets in Canada, we have seen a growing gap between the needs of investors and the strategic focus of TMX Group and other marketplaces. Today it seems clear that marketplaces are no longer motivated to service investors.

The recent focus of marketplaces on high-frequency trading has hurt the reputation of equity markets. By selling preferred access to trading infrastructure and rewarding HFT activities through the payment of rebates, Canada has attracted a large amount of low quality orders to our market. While this may be profitable for marketplaces, it has undermined the quality and sense of fairness in these markets. Today investors are discouraged to display limit orders. The decline in average trade sizes driven by small HFT orders has led to open season for gaming of investors on marketplaces. Taking liquidity from today's markets is equally challenging with disappearing quotes and trading ahead by HFTs. Since both posting and market orders cause a flurry of HFT activity, marketplaces have made it much harder for investors to trade. This does not bode well for the confidence of investors in secondary markets.

Deploying strategies for investors who entrust our firm with their hard earned dollars, we rely on equities as a critical component of their investment plans. Needing to trade but forced to cope with today's realities, we use discipline to avoid engagement with marketplaces. We rely on intuition to pick our spots and try to source block liquidity whenever possible. However, given the increase in short-term price volatility, it can often be difficult to find a counterparty willing to transact.

The Aequitas proposal is worth serious consideration because they have taken the time to construct a plan to restore a sense of balance and fairness to investors in markets. Their plans call for much needed and seemingly reasonable controls on HFTs who have been granted far too many benefits. The Aequitas 'Hybrid Book' is a novel concept that should be encouraged by the OSC. We approve of the idea that the liquidity of Hybrid would be preserved for real investors and not HFTs. Also welcome is a mechanism that allows larger and more patient resting orders to get filled first. We find the Aequitas "Lit Book" attractive because it will put investors ahead of HFTs. These two order books offer real competition to the technology arms race of virtually every Canadian marketplace.

One concern we have with the Aequitas proposal is the lack of detail provided regarding its market making program. There is the risk of potential abuse if market maker relationships are not properly managed. We do agree however that HFTs have proven to be a poor substitute for market making so we would like to hear more detail about the Aequitas program and how it proposes to manage the associated risks.

It's clear from the notice that regulators have many questions about how Aequitas can operate within its regulations. Davis Rea believes the OSC should consider that today's regulations might be growing too unwieldy and certainly appear to be falling short of fostering healthy markets as presumably intended. With multiple trading venues operating in Canada but TMX continuing to hold 80% market share it also seems clear that the OSC's efforts to foster competition have been ineffective. Accordingly the OSC should be receptive to proposals aimed at addressing the problems we have outlined. In the absence of other meaningful and timely plans to restore balance, we think the Aequitas proposal has merit.

Please contact the undersigned should you wish to discuss further.

Regards,



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