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Market Regulation Branch
Ontario Securities Commission
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Aequitas Innovations Inc.
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Dear Sir or Madam:

I am writing in response to the request for comment dated 13 August from the Ontario Securities Commission related to the exchange to be established by Aequitas Innovations Inc. I am submitting this letter in my capacity as President and Chief Investment Officer of Aston Hill Financial.

Founded in 2001, Aston Hill is a Canadian wealth management firm managing about \$7 billion in assets on behalf of Canadians. We are a publicly traded company with offices in Calgary and Toronto that manages institutional portfolios, provides portfolio advisory services, and offers an in-house suite of mutual funds. As a public issuer and asset manager, Aston Hill has a vested interest in the health of Canada's equity markets.

I have studied with interest the materials supplied by Aequitas and their plans to inject investor-centric competition to Canadian capital markets. Having considered the proposal carefully, I am writing to voice my support for this important initiative.

In recent years the Toronto Stock Exchange has increasingly focused on courting the trading activity of high-frequency traders. Unlike Aston Hill, HFTs neither invest in Canadian companies nor do they manage the long-term assets of individuals. Their interests are solely to turn a profit on a day-to-day basis through extremely short-term intermediation – walking away with no interest at the end of each trading day.

Markets have always needed to intermediate buyers and sellers – this is not new. So what has changed in recent years? In pursuit of their share of volume in an increasingly fragmented marketplace, the TSX and new competitors such as Chi-X have fought for their share of the volume pie by serving as the middleman by passing on subsidies from brokers to HFTs and offering up front of the line preferred access to their trading systems.

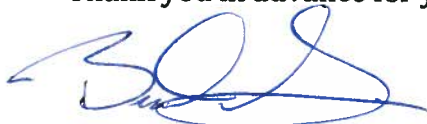
While quotes today might well be narrow, 50% of orders on the TSX are present for less than a second and a staggering 30% are present for less than a tenth of a second. Not only this, but average trade sizes are near the lowest I've seen in over two decades in this industry and the tendency for HFT's to trade ahead of investors is now well known to most market practitioners. I encourage the OSC to consider just how much of this activity actually represents liquidity that is useful to investors and how much it may be damaging to perceptions of fair play in our markets.

Having looked at Aequitas' plans, I am encouraged to see a proposal for a market that will focus on the needs and concerns of investors. Their plans to curb rich incentives for HFTs while discouraging questionable trading behavior are a model that not just exchanges but regulators should study and learn from. With north of 55% of volume in the United States and about 30% of Canadian trading driven by HFTs, it seems clear that regulators have allowed exchanges to go too far in encouraging short-term players with no stake in our markets.

For markets to remain liquid and robust, regulators need to encourage different types of liquidity from different kinds of players. While HFTs may be many in number it appears clear to me that they are generally 'chasing the same trade' with the same tool sets. One need not look too far in the history of finance to see dramatic examples of how this can lead to very negative outcomes for markets. Given this risk, I am again encouraged that Aequitas plans to offer real market makers with real responsibilities.

So, having considered the proposals of Aequitas carefully, I encourage the OSC to welcome the new form of competition that Aequitas proposes to bring to Canadian markets.

Thank you in advance for your consideration in this matter,



Ben Cheng
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