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Market Regulation Branch
Ontario Securities Commission
20 Queen Street West, 22nd Floor
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Dear Sirs/Mesdames:

Re: OSC Staff Notice Regarding Proposed Structure of Trading Facilities for a New Exchange Proposed to be Established by Aequitas Innovations Inc.

We are writing in respect of OSC Staff Notice and Request for Comment published on August 13, 2013 regarding the proposed structure of trading facilities for a new exchange proposed to be established by Aequitas Innovations Inc. (the "Notice"). We appreciate the Commission's Staff Notice and the opportunity for market participants to provide their views and inputs on some very important issues and questions.

IGM Financial Inc. ("IGM") is a diversified financial services provider which operates through its business units Investors Group Inc., Mackenzie Inc. and Investment Planning Counsel Inc. and their respective subsidiaries. Principal subsidiaries include registered portfolio managers I.G. Investment Management, Ltd. and Mackenzie Financial Corporation, and mutual fund dealer Investors Group Financial Services Inc. Collectively the registered portfolio managers provide advice on approximately \$39 billion in Canadian traded securities and, as such, are a dominant and long term participant in the Canadian equity market and have a vested interest in fair, efficient and effective marketplaces.

IGM is a founding investor in Aequitas Innovations Inc alongside many other significant market participants, many of which are from the "buy side". Our involvement as an investor is testament to our belief that, as informed market participants, certain market activities are at odds with the long term interests of the millions of clients that we serve and represent. We believe that the interests of long term investors have been compromised and, as a result, the general public has tarnished faith in capital markets. Aequitas offers a competitive and innovative alternative opportunity that addresses the offending activities. We believe strongly that competition and innovation is in the very best interests of the economy, capital formation and long term growth.

A recent CFA Institute & Edelman Investor Trust Study indicated that while nearly 75% of investors are optimistic about their ability to earn a fair return in capital markets, only 19% strongly agree that they have a fair opportunity¹. IGM is of the view that through the proposal offered by Aequitas Innovations Inc., fairness and integrity can be greatly improved in the Canadian equity marketplace.

Responses to Questions

The OSC Staff Notice and Request for Comment questions can generally be summarized into four categories. Our responses to the questions raised will address each of the broad categories.

Order Protection Rules

Order protection rules (“OPR”) were established in a trading environment which is substantially different than what participants currently face. The rules were well thought out and well intentioned when designed for the marketplace at that time. But the marketplace has evolved while the regulation has not. We believe that certain high frequency activities were never contemplated in the design of the OPR. Fairness existed in the marketplace as no one investor or category of investor had unfair access to the marketplace. That has changed however. We believe that the OPR is used advantageously and counter to the intentions of the rules in some offending high frequency activities that use informational advantages, not available to all, to essentially manipulate quotes and front run genuine long term order flows. Like many regulations the OPR needs to evolve to address these unforeseen harmful activities. The previous view that every order on the marketplace is the same as all other orders (i.e. fair) no longer holds true. Priority must be given to those investors who have a long term view of the market and provide true liquidity and price improvement to participants.

Fair Access

The concept of fair access for marketplaces was developed in an environment where certain negative behaviours which exist today, were not as prevalent or did not exist. The central premise of fair access is that participants are not to be unfairly given priority in execution or access to information or the marketplace itself. Fairness can also be viewed as a matter of perception and perspective². The current environment, as evidenced by the CFA research study referenced earlier, clearly demonstrates that the majority of participants have the perception of being treated unfairly. Certain participants in the current marketplace possess and act upon informational advantages over other participants, which is not “fair access”. The proposed marketplace reinstates the concept of fairness by removing elements which enable certain types of participants to have unfair access and other advantages over other participants.

¹ CFA Institute/Edelman Investors Trust Study, August 14, 2013

² Eric Kizner, “Ideal Attributes of a Marketplace”, June 22, 2006, page 116.

The proposed marketplace is fully accessible to all participants for the purposes of making liquidity. Limiting access for the taking of liquidity to those participants whose interests are in the longer term growth of Canadian listed companies is crucial to ensuring meaningful price discovery and price improvement. If access is not limited, the same issues around fairness in the marketplace will continue to prevail. Marketplaces as they operate now have done little to deal with inequities that currently exist.

Arguably “fairness” is a subjective judgment and while those participants whose negative behaviors previously were protected would now be denied informational advantages this is not, in our view, being treated unfairly. The reality is without these harmful activities, price volatility in quotes will lessen and the perception and perspective of the investment community as a whole will improve.

Market Quality and Integrity

The proposal made by Aequitas recognizes that High Frequency Trading (“HFT”) is a reality of the current environment and that all types of participants can play some type of role in a properly functioning marketplace. However, the intent of the proposed structure is to create an environment where the quality and integrity of the market is improved by restricting the utilization of predatory practices by certain HFT firms.

In particular, the Hybrid book, because it has adopted properties of both a lit and a dark book, will further enhance the quality and integrity of the market. The current regulatory regime, because it requires a marketplace to fall under either the rules for dark books or lit books, needs to recognize the innovation offered by the Aequitas proposal where positive aspects of both books are able to be integrated. The benefits of making available for display resting orders together with the utilization of a reference price for those resting orders and segmentation of order flow to ensure the quality of the participants in the marketplace, will improve the quality of the overall market. While we agree that Hybrid may in fact absorb certain order flow which may previously have been directed towards more traditional lit or dark books, this would be order flow which clearly was seeking a higher quality marketplace where price discovery and price improvement are key elements.

Innovation and competitive alternatives should be welcomed by all marketplace stakeholders. Innovation that provides a viable alternative will be judged by long term market participants in terms of the effectiveness and efficiency of the marketplace. We believe that progressive competition, which has the interests of market integrity at heart, will attract meaningful transactional activity of the highest quality.

We are also of the view that making it more difficult for predatory practices to exist will result in an overall improvement in the quality and integrity in the market. The more the market is seen to improve, the more participants will be willing to engage in that marketplace, and attract additional participation both within this country and outside of Canada.

Market Making

The Aequitas proposal's fundamental premise is to acknowledge the critical role that market makers have in a fair and equitable marketplace. Market makers have traditionally represented a key component of a marketplace as they provide the foundation for liquidity in the market and have a vested interest in a fair and efficient marketplace. We have had favorable experience under market structures with market making participants and believe they are an effective, integral and efficient model with aligned long term interests of issuer, dealer, buyer and seller.

The Aequitas proposal recognizes the importance of market makers and that in order to be compensated for the risk to capital they are accepting, certain benefits including priority of execution must be provided. In addition, by instituting an evaluation process on market makers, we believe this further enhances the quality and integrity of the market as only those firms who are providing meaningful price discovery and improvement will enjoy these benefits. We note that Liquidnet Canada has in place an evaluation process for its members in order to ensure the quality and integrity of the marketplace it has developed.

We are also supportive of DEA client market makers being proposed by Aequitas. By providing additional sources of liquidity to the marketplace, price improvement and price discovery can only be enhanced. Concerns over the quality of the liquidity being provided are mitigated since not only is the sponsoring dealer regulated by IIROC and is responsible for the actions of their clients, but also the DEA client market maker must be regulated in their home jurisdiction. Regulatory authorities such as FINRA and the SEC are acceptable and reputable authorities which Aequitas can approach should any issues be identified.

Conclusion

The current state of the Canadian marketplace needs to change. Liquidity, in many cases, is illusory, as HFT participants rapidly generate and then cancel orders when large order "footprints" are detected. We would note that in a recent study completed by IIROC, for participants who were identified as having certain characteristics of HFTs, i.e. high order to trade ratio, while they represented 42% of volume traded in the study period, they accounted for 94% of new and amended orders during that same

period.³ This is affecting the quality and integrity of capital markets to the detriment of institutional and retail investors, capital formation and economic growth.

The innovative and competitive alternatives that Aequitas Innovations offers are exciting and compelling, offering Canadian investors an attractive alternative for the trading of securities.

We appreciate having this opportunity to share our views regarding this Request for Comment and would be pleased to discuss any of these comments with you at your convenience. If you would like to do so, please either contact myself or Scott Penman at (204) 956-8318 or scott.penman@investorsgroup.com.

Yours truly,

IGM FINANCIAL INC.

A handwritten signature in black ink, appearing to read 'J. Carney', with a stylized flourish at the end.

Jeffrey R. Carney
Co-President and Chief Executive Officer

cc: Murray J. Taylor, Co-President and Chief Executive Officer

³ Investment Industry Regulatory Organization of Canada, "The HOT Study", page 20.