

Independent Trading Group's commentary regarding Aequitas Innovations Proposal

Thank you for the opportunity to comment.

Independent Trading Group is an Investment Dealer singularly focused on Market Making. We have been conducting market making obligations on behalf of the TSX for over 20 years

We are encouraged by Aequitas Innovations proposal as it pertains to Market Making. We are of the opinion that in today's fragmented and inefficient marketplace, a return to more committed and meaningful liquidity is to be applauded.

Currently, it is very difficult for Designated Market Makers to interact with order flow on their Stocks of Responsibility. Fragmentation, bypass makers, there are many market structure changes which have marginalized the market makers ability to be a mitigating factor in the marketplace. We are in favour of Aequitas' desire to put the Market Maker "back in the mix". A market maker cannot maintain a meaningful market if he cannot be involved in the flow of a stock.

We agree with the OSC's concerns regarding a market maker employed by a sponsoring dealer who facilitates a great deal of flow. It is very likely that this market maker would take advantage of broker preferencing and intercept the majority of that firms flow, as well as his share of all other flow, disenfranchising other market participants. A balance is required.

Our main concern is with the intention to allow Direct Electronic Access clients to be market makers. We do not believe that there is any way a sponsoring broker can provide adequate oversight and supervision of its clients in a role as a Person With Marketplace Obligations. Whether it is through multiple access points, the ability to hide behind a numbered company, there are many ways a client can avoid scrutiny if he so desires. We are also concerned about the uniformity with which each sponsoring broker will enforce "accountable for their actions" criteria and apply performance standards evenly among different sponsoring brokers. We feel these codes of conduct can only be enforced and monitored fairly by one centralized regulatory authority.

The Regulatory Requirements assumed by Registered Traders on the TSX are robust and considerable. We feel these are in keeping with the expectations of a Person With Marketplace Obligations. To allow a participant to conduct the same duties without the burden of the same regulatory regime would be anti competitive. The cost benefits a client market maker would enjoy would create an unlevel playing field. Registered participants would have to examine the cost benefit to remaining in the business. It seems ludicrous to think that a registered participant would have to leave the business to remain in business. We hope the regulators agree.

If Equitas truly believes in a fair and equitable market, and a market where each participant is treated equitably, DEA clients with marketplace obligations seems to be contrary to this goal.

The unintended consequence would seem to be an unlevel playing field between regulated participants and sponsored clients. We do not believe that this is in the investing public's best interest. A market making facility, if it is to be effective and committed, needs to be scrutinized and regulated, in our opinion.

We understand the regulators desire to foster competition. But it has to be done in a fair and equitable manner. You cannot have "outside of the business participants" performing similar functions as approved persons. The regulatory burden borne by one and not the other renders one uncompetitive. Competition must exist on a level playing field .And accountability must be enforced evenly across all participants.

If you have any questions, please do not hesitate to contact us

The Independent Trading Group / ITG Inc.