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Omega Securities Inc. would like to thank the OSC for the opportunity to offer an opinion on the Aequitas markets that are still in pre-filling consultation with the OSC. Aequitas holds claim to being an idea filled with bold innovation, but this innovation seems to depend on wholesale exemptions or changes in the body of market regulation.

While we do not oppose changes in market regulation, the tailoring of regulation to fit the needs of group of new markets would not be acceptable to the trading community.

Aequitas wishes to curb HFT access to their marketplaces in order to re-establish market confidence and integrity. We doubt if the straw man of the HFT has been the source of lack of confidence in equity markets. The mortgage crisis in the United States the ABCP crisis in Canada, the destruction of untold billions in capital, and the exposure of a byzantine global derivatives market have all done more than any HFT to put our industry in doubt.

Omega offers here short answers to the questions posed by the OSC, we hope we will all have many more chances to address the changes and consequences of the Aequitas marketplace proposal.

Question 1: Should OPR apply to all visible markets and to all orders displayed on those

markets, or are there circumstances where the application of OPR should be

limited?

Yes with the traditional exemptions of odd lot and term markets, all visible markets should be governed by OPR. The equal treatment of all legitimate market participants and access to all visible quotes is fundamental to market confidence and integrity. Despite the opinions of some the creation of a private club is far more detrimental than the existence of HFTs.

Question 2: Should OPR apply to Hybrid? Should it continue to apply at least with respect

to active non-SME orders that are not restricted from accessing the best-priced

displayed orders on Hybrid?

Yes Hybrid should be governed by OPR if it were a visible marketplace, but to limit access to the market creates a number of problems in establishing the NBBO and thus OPR. The limiting of access in market that is not a dark pool is against fair practices. Retail trades care not if they trade with an HFT as long as the fill is prompt and at the top of the book. It cannot be in the best interest of the retail investor to limit fast liquidity providers, while recreating an old fashioned market maker trading environment.

Question 3: If Hybrid is implemented as proposed, how should the best-priced displayed orders on Hybrid be treated for the purposes of consolidated display requirements, and why?

Hybrid is not a free and open marketplace, large legitimate market participants are excluded from interacting with their best bid or offer. It cannot be included in the NBBO.

Question 4: What should the appropriate reference price be for determining whether a dark order on any other market has provided minimum price improvement as required under the Dark Rules – the Away NBBO or the NBBO that includes a Hybrid best bid and/or Hybrid best offer? Does the answer to this question depend on whether or not OPR applies to Hybrid?

Should Hybrid be accepted as proposed, it cannot be included in the NBBO as how it pertains to dark pools, unless there is OPR and full accessibility.

Question 5: How should fair access requirements be applied with respect to access to visible marketplaces?

It is unacceptable to attempt to restrict market access in a visible marketplace. To create a market that is designed to benefit assigned market makers, and by extension market making firms.

Question 6: Should visible markets be fully accessible or, like dark pools, should access restrictions be permitted? Why? What are the criteria that should be used to determine if the differences in access are reasonable? What impact, if any, could restricting access to the best displayed price have on confidence and market integrity?

Visible marketplaces should not be restricted. Having all the benefits of visible marketplace while at the same time excluding legitimate market participants cannot be seen as reasonable. A visible market, protected by OPR, and able to participate in NBBO by its very definition cannot exclude legitimate market participants.

If the primary motive is to renew confidence in equity markets, how can one create a new market closed to HFT's but granting special privileges to selected market makers?

Question 7: Are the access restrictions proposed for Hybrid consistent with the application

of the fair access requirements?

No, market participants who use the SME marker represent at least 22% of all shares traded in Canada, they are active providers of liquidity and price discovery. Moreover the SME participants have aided in the compression of price spreads offering a net benefit to the retail client.

Question 8: Is the SME marker an appropriate proxy to identify the behaviours Aequitas

seeks to restrict?

When IIROC created the SME marker, it was done so without prejudice. It was not done to penalize a segment of the market place. It was done for research purposes, that research is not complete. We at Omega think using an unproven theory to isolate a segment of the marketplace not acceptable.

Question 9: What, if any, is the impact on market quality and market integrity if market

makers are provided matching priority (after broker preferencing)?

Aequitas is formed by a group that sees the actions of SME marking traders as crowding the quote but is eager to grant assigned market makers the ability to crowd out the quote. The proposed assigned market makers are required to provide liquidity in the visible market but have priority in the Hybrid and Dark books. How can such a structure increase market confidence and integrity when it is structured to attract market makers and assure their profitability.

The market maker will control the square in all three books, active fills will default market makers repeatedly at the expense of the passive retail client the market is supposed to serve.

Question 10: In light of the details of Aequitas' proposed market maker program, is it

reasonable to provide the benefit of priority to a market maker in the Dark and

Hybrid books when the market maker's corresponding obligation is limited to

the Lit book? If not, should there be market making obligations in Aequitas'

Dark or Hybrid books?

The market makers obligations' should extend to the two visible markets, and he/she should have no priority in the Dark Pool. The limited amount of information one has in a dark marketplace can only be aggravated with a preferred participant dominating the market.

Question 11: Should market making benefits accrue with respect to obligations for market

making in non-Aequitas listed securities? If so, why and if not, why not?

It seems unusual that Aequitas would grant privileges on the informal trading of a TMX stock on their new market. We would need more information on how these stocks would be assigned. What would stop every market from assigning market maker privileges on any stock that it trades.

Question 12: Should DEA clients that are not subject to the direct regulatory authority of the

securities regulatory authorities, IIROC and/or the exchange be permitted to act

as market makers? Why or why not? How would the following facts affect your

response: (i) the DEA client market maker must be sponsored by an IIROC

member and (ii) the DEA client market maker must be a member of a self regulatory organization such as FINRA or otherwise subject to appropriate regulatory oversight?

That a marketplace designed to curb the negative influence of HFTs is planning to grant market maker privileges to a select group of HFTs is disturbing. Will a DEA HFT market maker be permitted to use algorithms combined with market maker privilege to dominate completely the trading of a single stock on Aequitas. Who will test and govern the HFT market makers.

Question 13: Will an un-level playing field be created between DEA client market makers

and registered investment dealers that also seek to become market makers on

Aequitas' proposed exchange? If so, what are the potential implications in

terms of fairness or market integrity?

A DEA HFT client market maker will have a number of advantages over an RT, even if registered with FINRA they will not answer to Canadian regulators. The Canadian market participants would need a greater understanding of how the OSC and IIROC would be able to use in a timely manner foreign regulators to control the actions of a foreign market maker.

Question 14: How might Hybrid impact the quality and integrity of the visible market as a

whole?

Hybrid seems to benefit market makers and market making firms, who have seen over the last few years their position eroded by the emergence of HFTs. The creation of a market that will exclude HFTs unless they are those chosen to be market makers will only erode confidence in fair access. Hybrid will confuse the concept of NBBO, and erode the ideal of fair access.

Question 15: Please comment on whether the potential benefits of Hybrid for the marketplace

participants in Hybrid outweigh any potential risks to the market as a whole?

Please identify the relevant benefits and risks.

Aequitas is innovative, but for who is it innovating? Its benefits are for the assigned marked makers, the market making firms, and select HFTs. By offering strong incentives for active order flow and planning super discounted active fees for retail networks, Aequitas will take retail flow away from the liquidity and price discovery provided by the open visible markets. Retail flow looks only for the best fill, there is no benefit for the retail client by not interacting with the SME participants.

Question 16: How should the principles of the current regulatory framework and any

potential for changes to that framework impact the OSC's consideration of

Hybrid? For example, should Hybrid go forward on a pilot basis and be re-evaluated based upon some criteria or threshold? What type of criteria or

threshold might be appropriate to minimize potential negative impact?

Hybrid should meet the present framework either as a dark pool or a fully accessible visible marketplace. Hybrid is a package that requires either exemption or modification of the current market regulations. Each one of these changes need to be discussed by regulators and market participants. Should the current market structure rules change to such a point as to allow for the creation of Hybrid, then Aequitas could file the appropriate changes and open the Hybrid market they are requesting.

Question 17: Alternatively, should Hybrid be required to be modified to fit clearly within the

established regulatory framework for either visible or dark liquidity? If so,

how?

See above