

October 2, 2013

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
Email: marketregulation@osc.gov.on.ca

Attention: Market Regulation Branch

RE: Ontario Securities Commission Staff Notice and Request for Comment dated August 13, 2013 Regarding Proposed Structure of Trading Facilities for a New Exchange Proposed to be Established by Aequitas Innovations Inc.¹

Dear OSC Staff:

Barclays would like to take this opportunity to express support for the pre-filing by Aequitas Innovations Inc. (Aequitas) to establish a new stock exchange in Canada. Barclays Corporation Limited, the parent company of Barclays Capital Canada Inc. (BCCI) – an IIROC Dealer Member and OSC registered dealer in the category of investment dealer – is one of the founding investors/partners in Aequitas. Barclays intends to serve as a market maker on the proposed exchange, bringing Barclays' commitment, expertise, and eight decades of U.S. market-making experience to the Canadian marketplace. In the U.S., Barclays Capital Inc. is a leading Designated Market Maker (DMM) for the New York Stock Exchange (NYSE), where we cover approximately 1,200 NYSE-listed issues and are responsible for approximately 40% of volume.²

Barclays supports innovations that seek to promote fair and orderly capital markets. We have evaluated Aequitas' plans and commend its end goals – “to build an exchange in Canada that provides an innovative and cost-efficient marketplace, which protects the interests of all investors and reflects the fundamental purpose of markets: the efficient allocation of capital between issuer and investor as a central force driving the Canadian economy.”³ We believe that this objective supports market quality and stability by promoting essential market structure principles of competition, innovation, market integrity, fairness, price discovery, and liquidity.

To the extent the foregoing principles are advanced, Barclays supports the Hybrid Book and Market Maker Program, two features that OSC Staff highlighted in the Request for Comment.

Hybrid Book

The Hybrid Book seeks to create an execution venue that is distinct from existing marketplaces in Canada. The proposal represents an initial attempt to design an alternative for market participants that have expressed concerns regarding the evolution of the market structure for equities trading and its impact on market quality in Canada.⁴

Aequitas' vision for the Hybrid Book reflects fundamental features of free markets in its effort to craft a commercial solution to perceived inefficiencies in the Canadian equities market. We recognize, however,

¹ See: http://www.osc.gov.on.ca/documents/en/Marketplaces/xxr-aequitas_20130813_rfc-pro-structure.pdf.

² Barclays Capital Inc. is ranked the #2 DMM for NYSE-listed securities. For more information about our role as market makers, see: <http://group.barclays.com/corporates-and-institutions/global-markets/nyse-market-makers>.

³ See Appendix A at: http://www.osc.gov.on.ca/documents/en/Marketplaces/xxr-aequitas_20130813_rfc-pro-structure.pdf.

⁴ OSC summarizes the concerns on page 8 of its Request for Comment. These include, among others, increased levels of intermediation and the creation of an un-level playing field for traditional investors.

that design elements of the Hybrid Book need to be fully examined and vetted in the context of existing securities laws and market structure rules in Canada. We fully support industry engagement on these issues and advocate for a resolution that preserves the spirit of fostering investor needs.

Market Maker Program

Barclays believes that consistent and sustainable liquidity is essential for a market structure that supports a strong economy. Our experiences in the U.S. demonstrate that obligations of market makers to provide liquidity during periods of heightened volatility foster market stability and orderly price discovery.⁵ The reliable liquidity and price discovery that market makers supply improve market confidence among issuers and investors alike.

We believe that market maker programs enhance the quality and stability of equity markets to the extent that they combine clear obligations with reasonable advantages. Aequitas' proposal is designed to enable market makers to provide liquidity in a sustainable way. The advantages conferred to market makers will constitute rational compensation for the costs associated with the requirements. We are confident that the balanced ownership structure of Aequitas will ensure that market maker incentives remain fair and reasonable.

Perhaps the most exciting characteristic of Aequitas' proposed exchange is its innovative approach in the context of Canada's market structure. We recognize that some of the features contemplated by Aequitas may challenge the existing regulatory framework. But that is the nature of innovation since regulatory practices are often designed to address the status quo. Barclays believes that it is important for regulators to look positively at the solutions proposed by Aequitas which seek to improve trading practices in Canadian capital markets. We encourage the Commission to be flexible in its approach in this regard.

Barclays fully supports the market structure principles underlying Aequitas' mission. We commend OSC Staff for their initiative to engage industry participants in dialogue, and we appreciate the opportunity to provide input.

Yours sincerely,



Bruce Rothney
Country Head Canada
President & CEO
Barclays Capital Canada Inc.
Direct Line: +1 416 863 8930
Email: bruce.rothney@barclays.com



Michael Wilson
Chairman, Barclays Capital Canada
Director, Aequitas Innovations Inc.
Direct Line: +1 416 863 8901
Email: michael.wilson2@barclays.com

⁵ Barclays would be pleased to further discuss our experiences as a NYSE DMM with OSC Staff.