

March 24, 2025

By email

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Service NL
Northwest Territories Office of the Superintendent of Securities
Office of the Yukon Superintendent of Securities
Superintendent of Securities, Nunavut

The Secretary
Ontario Securities Commission
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Toronto, Ontario M5H 3S8
Email: comment@osc.gov.on.ca

M^e Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour PwC
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Email: consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames,

Re: CSA Notice and Request for Comment – Proposed Amendments to National Instrument 23-101 *Trading Rules* and Companion Policy 23-101 *Trading Rules* to Reduce Fee Caps for “U.S. Inter-listed Securities”

We appreciate the opportunity to comment on the above-noted proposed rule amendments and the related revisions to the associated guidance (together, the **Proposed Amendments**).

Tradelogiq Markets Inc. (**Tradelogiq**) is a regulated Canadian marketplace operator with two separate alternative trading systems (**ATs**): Omega ATS and Lynx ATS. By accessing our two ATs, our subscribers, all being registered investment dealers and CIRO members, can trade securities that are listed on Canadian recognized exchanges and are charged trading fees, which are the subject of the Proposed Amendments.

Our responses to the specific questions asked are provided in the attached appendix.

Our general views on the matters for which commentary is being sought remain unchanged since we provided feedback on substantially similar questions in connection with CSA/CIRO Staff Notice 23-331 *Request for Feedback on December 2022 SEC Market Structure Proposals and Potential Impact on Canadian Capital Markets* (our response to that CSA/CIRO Staff Notice referred to herein as the **2023 Response**).¹

Our general view continues to be that we should tread carefully and only follow the US's lead where the risks of not doing so (or any benefits) more than offset the additional costs, complexities, and challenges. A low-touch approach that minimizes the risks and costs while also allowing room for further consideration through study of the impact of the SEC changes on the US markets is more desirable than following an unproven lead.

Regarding the proposed changes to the fee caps for interlisted securities, we support an approach that reduces the existing caps on those securities, but only to the level necessary to avoid certain distortions that would arise if taking fees (and the associated passive rebates) were to exceed a half-trading increment. Specifically, for interlisted securities that would have their tick size reduced to a half-penny if related proposed amendments² are implemented (**Affected Interlisteds**), we suggest a reduction in the fee cap from 30 mills to 25 mills (25 mills being half of the reduced tick size). For simplicity of implementation, and considering that most of the trading on make-take markets in securities priced \$1 and over is already occurring at a fee rate of around 26 or 27 mills per share,³ we suggest our proposed reduction to the interlisted fee cap to 25 mills be extended to all interlisteds.

This represents the least intrusive approach, while leaving the most flexibility in terms of fee competition – both within Canada and with the US. A scenario whereby Canadian marketplaces are afforded the opportunity to pay higher passive rebates on interlisteds than what is available in the US due to a higher access fee cap in Canada should be expected to lead to improved liquidity provision and tighter spreads in Canada – the opposite of the potential negative outcomes that contributed to the previous CSA decisions to not reduce access fee caps for interlisteds to levels below the US caps.

We also wish to voice our concerns with the proposed repeal of Section 6.6.2. Without a replacement to account for the reverse scenario, its repeal would lead to the same outcome of technical non-compliance that Section 6.6.2 was originally meant to address. Under the Proposed Amendments, and under the assumption that marketplaces are expected to continue to follow the existing processes involving the quarterly identification and communication by the listing exchanges of a “list” of interlisted securities to be used for the purposes of the application of the fee caps for the quarter, the same issue of non-compliance could arise in the more-likely scenario where a non-interlisted security subject to a higher fee cap becomes interlisted in the US and would therefore be immediately subject to a lower fee cap. A modified form of Section 6.6.2 to address this reverse scenario is therefore both appropriate and necessary.

Otherwise, if it is to be expected that all marketplaces immediately apply lower fee caps for interlisted securities upon a security becoming interlisted, then mechanisms should be developed to ensure consistency in application given that non-listing marketplaces like Tradelogiq do not currently source and integrate information to identify interlisted securities from anywhere other than the quarterly lists published under the existing fee cap regime. To address this, listing exchanges – being the only parties with direct relationships with their issuers – could be made responsible for maintaining and publishing a list of interlisted securities on a daily basis. Or, if CIRO were to determine that it will need to publish a daily list of interlisted securities to avoid similar issues of technical non-compliance arising from its related proposed changes to tick sizes, then marketplaces could all rely on CIRO's published list for both the reduced tick size and revised fee cap regimes. We suggest the CSA communicate and coordinate with CIRO on possible solutions as we expect that CIRO is presumably considering similar issues with its related tick size proposal.⁴

¹ Our 2023 Response is available at: https://www.osc.ca/sites/default/files/2023-12/com_20231204_23-331_tradelogiq.pdf.

² See CIRO Proposed Amendments Respecting Trading Increments at: <https://www.ciro.ca/rules-and-enforcement/consultations/proposed-amendments-respecting-trading-increments>.

³ Based on our review of the fee schedules for TSX and Nasdaq CXC.

⁴ Tradelogiq raised concerns about similar technical non-compliance issues in relation to CIRO's proposal. See our comment letter to CIRO at: <https://www.ciro.ca/media/11436/download?inline>.

Thank you again for the opportunity to provide our views on this important initiative.

Should you have any questions or would like to discuss these views further, please do not hesitate to contact us.

Best regards,

“Jonathan Sylvestre”

Jonathan Sylvestre
Chief Compliance Officer & Head of Market Structure
Tradelogiq Markets Inc.

cc: Laurence Rose, Chairman, President and CEO, Tradelogiq
Cindy Petlock, Chief Legal Officer and Corporate Secretary, Tradelogiq
Travis Felker, Head of Product and Strategy, Tradelogiq

**APPENDIX
RESPONSES TO SPECIFIC QUESTIONS****Question 1:**

- a) *Do you agree with the proposal to align the maximum fee for executing an order involving a U.S. Inter-listed Security priced at CAD 1.00 or more with the reduced access fee cap adopted by the SEC:*
- i) *at CAD 0.0010, as proposed above, without consideration for the current foreign exchange rate, or*
 - ii) *at CAD 0.0014, which approximates the SEC's adopted access fee cap with consideration for the foreign exchange rate (USD 0.0010 x 1.44)?*
- b) *Alternatively, do you support aligning the access fee cap for U.S. Inter-listed Securities with the current fee cap for non-U.S. Inter-listed securities (CAD 0.0017)?*
- c) *Do you support any alternatives not listed above?*

We do not agree with the proposal to align the maximum fee for interlisteds with either the adopted US reduced access fee cap or the current non-interlisted fee caps for the same reasons as provided in our 2023 Response.

Instead, we propose essentially the same alternative approach now as we put forward then – that current fee caps only be adjusted for securities subject to reduced tick sizes (which would be limited to Affected Interlisteds, but for simplicity could be extended to all interlisteds), and then only to the extent needed to address certain distortions that would arise if taking fees (and the associated passive rebates) were to exceed a half-trading increment – to address this, we suggest reducing the current cap from 30 mils to 25 mils. This would generally limit the scope of change, and allow instead for study of the broader impacts of the US fee cap changes before making further reductions in Canada.

For our supporting rationale, see the response we provided for Question 9 in the Appendix to our 2023 Response.

Question 2: *Will the competitiveness of the Canadian capital markets be impaired if only the trading fee caps are lowered for U.S. Inter-listed Securities? Please provide supporting rationale.*

We question the extent to which a 3 to 4 mil per share differential on an FX-adjusted basis between a 10 mil USD per share cap applicable to trades in NMS securities in the US and a 17 mil CAD per share cap applicable to trades in non-interlisteds might negatively impact the competitiveness of the Canadian capital markets.

Consistent with our comments in this letter and in our 2023 Response, we suggest studying the impact of the US amendments before making any further changes.

Question 3: *Should the trading fee caps apply to trading fees paid by passive orders in inverted (taker-maker) markets? Please provide supporting rationale. What would be the costs and benefits of applying the cap to inverted markets?*

Our response to this question is the same as was provided in our 2023 Response to a similar question. The regulatory rationale for capping taking fees do not extend to posting fees, and it is not necessary to cap posting fees given the application of implicit economic constraints on those fees, and the resulting effect of market and competitive forces. In fact, imposing restrictions to passive fees where liquidity provision is voluntary, and thereby also effectively restricting active rebates, does nothing other than limit our ability to attract volume and compete domestically, as well as with US markets on interlisteds given the access fee caps in the US do not apply to inverted fees.

Please refer to the response we provided for Question 7 in the Appendix to our 2023 Response, from the paragraph that starts with “In addition, the SEC proposed rule changes contemplate only a change in the capped fee levels for taking liquidity...”, for the purposes of the remainder of our response to this question. Also, please refer to our response for Question 9 in the Appendix to our 2023 Response – specifically the paragraph that starts with “As indicated in our response to Question 7, we also do not think it is necessary to cap liquidity-taking rebates for securities subject to reduced tick-sizes...”.

Question 4: *As part of the final rules adopted on September 18, 2024, the SEC rules prohibit a national securities exchange from imposing any fee or providing any rebate for the execution of an order in an NMS stock unless such fee or rebate can be determined at the time of execution. Please discuss whether we should take a similar approach in Canada.*

We do not believe this is necessary for the same reasons as was provided in our 2023 Response to a similar question. Please refer to the response we provided for Question 8 in the Appendix to our 2023 Response for the purposes of our formal response to this question.