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Re: Nasdaq CXC Limited Notice of Proposed Change and Request for Comment

Scotiabank appreciates the opportunity to comment on the proposal by Nasdaq CXC Limited to introduce a change in functionality, and the manner in which the associated fees are applied, to expand the eligible orders that a Midpoint Extended Life Order (M-ELO) can execute against to include certain Mid-Peg orders in Nasdaq CXC Limited CXC Trading Book.

General Remarks

Scotiabank is supportive of the proposed changes as proposed. We believe that liquidity in the Canadian equity market currently suffers due to too much segregation that has been increasing thanks to new marketplaces, venues and order types. Efforts to improve liquidity provisioning within these venues and/or order types should be applauded.

Responses to the OSC's specific comments

1. Fair access – how would the Proposed Change, which entails a passive Mid-Peg order paying trading fees or receiving a rebate depending on the type of the contra order it executes against, impact fair access to such participants?

As a general principle, we believe that fees for trade should be fully known at the time of order entry. This allows the dealer community to better serve their clients and allows for the most optimal execution decisions to be made for investors. Furthermore, we continue to push for marketplace access fees to be included on execution reports by the marketplaces.

This proposal allows for interactions between passive mid-point orders and M-ELO orders, which would result in a fee rather than a rebate, creating an ambiguous fee regime for mid-point orders. We don't agree with this aspect of the proposal.

Given the traditional rebate-driven fee structure tied to passive order types, and Nasdaq's proposed optional mechanism to restrict mid-point interactions with M-ELO, we recommend that non- ELO

interactions be designated as the default. This approach ensures that investors are clearly informed about the potential costs before making an active decision to access M-ELO liquidity.

2. Informational advantage – would the passive participant have an informational advantage over other market participants since they would have information about the type of the contra order it executes against, which is not available to other market participants?

M-ELO orders are fundamentally institutional in nature, as the behaviour of the M-ELO order type is inconsistent with typical retail usage. On the other hand, mid-point execution (against normal mid-point orders) can occur from all order flow.

Under the proposal, mid-point users would be able to infer that they are interacting with M-ELO orders by observing the public order marking of executions, or potentially from fee disclosure which may be provided on order execution. This would allow midpoint users to infer that the interaction is with M-ELO orders, signaling directional contra-flow. This information would only be available to the originator of the mid-point order, putting them at an information advantage which can be used to the detriment of contra order flow.

The materiality of this advantage is currently unknown. However, we believe asymmetric information advantages fundamentally raise questions around fairness in the market and should be avoided. In this proposal, the defect can be mitigated by ensuring that all mid-point interaction fills are communicated identically regardless of the nature of the contra order (including fee information), including by suppressing M-ELO attribution from public feeds.

Closing

We applaud Nasdaq Canada for continuing to look at ways to improve the trading mechanics of their venues, and support the optionality presented in allowing participants to de-segregate orders into M-ELO and their mid-point order type.

We appreciate the opportunity to comment on this matter.

Respectfully,

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