

November 23, 2012

The Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
e-mail: comments@osc.gov.on.ca

Re: Request for Comments – Proposed Amendments to OSC Rule 13-502 Fees and Companion Policy 13-502CP Fees

Dear Sirs/Madams:

Liquidnet Canada would like to thank the OSC for the opportunity to respond to the Request for Comments (RFC) on OSC Rule 13-502 Fees and Companion Policy 13-502CP.

We acknowledge the complexity and activity in today's equity capital markets, both domestic and global, are far more than when the original OSC fee model was implemented. As such we are hard pressed to disagree with the stated goals of the proposal:

Fees need to evolve with changing OSC areas of work focus;
Fairness of share of fees among service users - registrants and issuers;
Predictability of OSC fee revenues; and
Increase in reserve fund.

However we are unclear on the guiding principles the OSC followed in the development of these goals. These may or may not have been defined, we cannot say as our involvement in this rule change is limited to this RFC. This leads to our second comment about the rule development process.

Liquidnet's position is that the process leading up to the publication of this Request for Comments (RFC) on OSC Rule 13-502 Fees and Companion Policy 13-502CP lacked the necessary transparency and community stakeholder involvement. As far as we are aware, prior to the posting of this RFC on August 23, 2012, the OSC had not engaged the community stakeholders to review the current state of fees and the options to address any deficiencies or issues. Given the impact of the proposed changes, a simple 90 day comment period seems inadequate.

We contrast this with the way IIROC managed its recent fee model change (IIROC Notice 12-0043). For this change, IIROC convened industry committees, representing a diverse cross-section of stakeholders, to help facilitate development of the Dealer Regulation Fee Model and Market Regulation Fee Model, respectively. These committees met at length before an RFC was published to the greater community. These committees had the opportunity to learn about the evolving requirements in surveillance and monitoring of our markets, the cost drivers, the future needs and options to address them. IIROC encouraged discussion and responded to feedback where appropriate. This involvement ensured that the community understood the challenges facing the regulators and were a part of the solution.

We believe that using an approach similar to what IIROC did would have been a more inclusive and productive way of updating the OSC fee model. Key to the IIROC discussions was the establishment and agreement by stakeholders of a set of guiding principles such as Fairness, Transparency, Industry Competitiveness and Cost Recovery of Regulatory Services Provided. We suspect at this point in time this approach is not feasible but would encourage any other regulatory bodies considering a fee model change (as per the OSC) to establish a community stakeholder committee to develop any new model.

The second comment that we would like to make is on the proposal to create a new participation fee termed in the RFC as "Participation Fees for Specified Regulated Entities (Part 3.1 of the rule). In concept Liquidnet does not have issue with this new fee category. However we do feel that as proposed ATs, who are mandated to also register as broker dealers under NI 21-101 6.1(a), are imposed an duplicate fee that is not faced by other participants. As proposed, all Canadian ATs would have to unfairly pay a Capital Markets Participation Fee plus a Participation Fee for Specified Regulated Entities.

From the details provided in this RFC document, this new and additional cost to the ATs brings no defined increase in service(s). We propose that ATs only be required to pay one of the two fees.

Again, Liquidnet appreciates the opportunity to provide comments on this rule change proposal and would be more than happy to discuss our comments with OSC staff.

Regards,

Liquidnet Canada

A handwritten signature in black ink, appearing to read "R. Young", with a long horizontal stroke extending to the right.

Robert Young
CEO