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October 13, 2000

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

c/o John Stevenson, Secretary
Ontario Securities Commission
Suite 1900, Box 55, 20 Queen Street West
Toronto, ON M5H 3S8

- and to -

Claude St. Pierre, Secretary
Commission des valeurs mobilières du Québec
800 Victoria Square
Stock Exchange Tower, P.O. Box 246, 17th Floor
Montreal, Quebec H4Z 1G3

Dear Sirs/Mesdames:

Re: Comments on Proposed National Instrument 21-101 Marketplace Operation and Proposed Companion Policy 21-101CP Released July 28, 2000

We are responding to the request for comments on Proposed National Instrument 21-101 - Marketplace Operation ("NI 21-101") and Proposed Companion Policy 21-101CP ("21-101CP")

which were released by the Canadian Securities Administrators ("CSA") for comment on July 28, 2000.

Dealing with the series of questions raised in the CSA's notice, we would comment as follows:

Question 1:

Should broker ID numbers be collected and disseminated by the data consolidator? If yes, should the customer decide whether the broker ID is disseminated?

Yes, broker identification numbers should be collected and disseminated by the data consolidator and No, the customer should not be the one to decide whether it is disseminated.

The Toronto Stock Exchange ("TSE") currently disseminates broker identification numbers on trades and this has proven to be an important element of market transparency and fairness in Canada. It allows all investors to know which dealers are involved in trading specific stocks.

Providing the broker identification number on a particular trade does not, of course, disclose the client's identity. Some certain clients who use only a few dealers may be concerned that other market participants may be able to guess who they are by the size of the trade and the dealer they use. Whether these clients are correct in their belief that their anonymity would be better preserved if broker identification numbers were no longer provided, this concern should not be addressed if it comes at the cost of compromising the goal of market transparency and fairness.

It has also been argued that one reason for the TSE not to provide broker identification numbers is that Alternative Trading Systems ("ATSs") provide anonymity to clients. However in this capacity ATSs are matching client orders and posting the trades under the ATSs' identification number in much the same way as a broker matches its clients' orders and crosses a block which is posted on the TSE under their identification number. In short this argument does not carry much weight.

While it has been suggested that since the New York Stock Exchange ("NYSE") does not disseminate broker identification numbers, the TSE does not need to provide them either, this is not a persuasive argument. In many areas the TSE has historically been ahead of the NYSE. For example, the TSE moved to decimals some time ago, which the NYSE is just doing so now. The TSE and other major world exchanges have moved to an electronic platform leaving the NYSE behind. Dissemination of broker identification numbers is simply another example of this and it makes no sense for the TSE to take a step backwards simply to be in step with the NYSE. A "lowest common denominator" argument such as this does not have much merit, particularly when it may well be the case that NYSE's failure to disseminate broker information on trades is determined by the cost of adding this to its existing systems.

Question 2:

Who should provide market regulation for ATSs? Please provide reasons for your answer.

Regulation of ATSs should not be placed in the hands of an organization that is in competition with them. For this reason, exchanges should not regulate ATSs. Although it has been suggested that these conflicts of interest concerns could be addressed by having the exchange set up a separate

division to handle market regulation, it is far from clear that this is a credible proposal. It would be better to vest this authority in the hands of a self regulatory organization ("SRO") that has both the expertise and independence to provide the needed regulation.

Question 3:

Is it appropriate for the IDA to assume the role of market regulator for all participants in the debt market?

The IDA probably has a role to play in the regulation of participants in the debt market although perhaps others, such as the Federal Office of the Superintendent of Financial Institutions, should also be involved. Having said this, given that the IDA is controlled by its members, many of whom are active in the debt market, perhaps the conflict of interest concerns this raises could be addressed by having the IDA spin off its regulatory aspects much like NASDR has done in the United States.

Question 4:

Should there be an exemption from the display requirement for debt securities based on the value of the order or some other criteria? If so what should the criteria be?

Clients should be able to determine how much of their order is displayed. In other words, they should not have to disclose "intention", only actual orders. Having said this, all actual orders should be displayed and there should be no exemption based on value or other criteria. To incorporate such an exception would hinder transparency.

Question 5:

Is the definition of market maker appropriate?

The definition of market maker would appear to be appropriate.

Question 6:

Should requirements imposed on market makers to provide pre-trade information for the debt market be implemented on a gradual basis? What information should be provided? When should this information be provided initially? If information is provided on an end of day basis, what time is appropriate? Is it appropriate to require this information be provided in real time in one year?

Market makers should be required to provide pre-trade information on a real time basis as soon as possible.

Question 7:

Should information only be required on a pre-trade basis for the most liquid debt securities or based on some other criteria? How should "most liquid" debt securities be defined? What information should be provided?

As much pre-trade information should be provided as possible. Restricting this to the "most liquid" debt security goes against this principle. In addition, any definition of "most liquid" is problematic.

Question 8:

Should requirements imposed on market makers to provide post-trade information for the debt market be implemented on a gradual basis? If so, when should this information be provided in initially? If information is provided on an end of day basis, what time is appropriate? Is it appropriate to require this information be provided in real time in one year?

As with pre trade information, market makers should be required to provide post-trade information on a real time basis as soon as possible.

Question 9:

Should information only be required on a post-trade basis for the most liquid debt securities? How would "most liquid" debt securities be defined?

As noted above, restricting any information to the most liquid debt securities is inconsistent with the principles of transparency. Again, defining "most liquid" would not be simple.

Question 10:

Should the CSA follow a similar approach?

Trade report information should contain as much information as possible.

Question 11:

Are there any other requirements that should apply to the information processor?

It is unclear whether any additional requirements other than those proposed in the notice should apply to the information processor.

Question 12:

Is Regulation 2100 of the IDA still appropriate?

The rules should not prevent inter-dealer bond brokers from becoming ATSs, as long as concerns about credit worthiness are effectively addressed.

Question 13:

Should there also be an exception based on number of shares traded (in addition to value of shares traded)? Are there any other exceptions to the display requirements that should be included?

Clients should be entitled to determine how much of their order is displayed since they own it. A mutual fund, for example, has a fiduciary responsibility to obtain the best possible price on a trade which may mean not displaying the full size of their order to the floor. Requiring that all orders having a value of less than $100,000 be fully displayed is inconsistent and may hinder clients from getting the best price.

Question 14:

Should the requirement regarding customer limit orders apply to the fixed income market?

The requirement regarding customer limit orders should apply to the fixed income market as well.

Question 15:

Should there be an exemption based on the value of the order or some other criteria for fixed income securities?

Incorporating an exemption based on the value of the order or some other criteria is inconsistent with the goal of transparency in the market.

Question 16:

Should special order audit trail requirements be adopted? Under what circumstances should the requirements be imposed? To whom should the requirements apply? What additional information should be collected?

All ATSs should be required to meet minimum audit trail requirements. In developing these requirements consideration should be given to ensuring that the rules be implemented in a cost effective manner.

Question 17:

Should the audit trail requirements be established by the CSA or should the requirements be determined by the exchange, approved agent or the IDA?

The audit trail requirements, as an element of market regulation generally, should be established by an SRO with the ability and independence to fulfill this role. As noted in our response to Question 2 above, this should not be the exchange.

Question 18:

Should the display requirements for over-the-counter orders or trades be expanded from market makers to all dealers?

Display requirements for over the counter orders and trades (pre-trade and post trade information) should be expanded from the market makers to all dealers for the sake of transparency and fairness.

Question 19:

Should the information be sent to the data consolidator or another party?

The pre-trade and post trade information should be sent to a data consolidator for availability to all investors.

Question 20:

Should the short selling provision be limited to trades facilitated on a marketplace or should they apply to dealers trading outside of a marketplace?

The short selling rules, to ensure consistency and fairness, should apply to all participants inside and outside the marketplace.

We appreciate the opportunity of commenting on this instrument. If you have any questions about our comments please do not hesitate to contact the undersigned or David Cheop at (204) 956-8444.

Yours truly,

W. T. Wright, Q.C.

DC/jb