



Wade Cox
wcox@egXCanada.com
604.622.1035 - direct

July 18, 2007

BY E-MAIL

Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
New Brunswick Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Nova Scotia Securities Commission
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut
Prince Edward Island Securities Office
Saskatchewan Financial Services Commission
Registrar of Securities, Government of Yukon

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
e-mail: jstevenson@osc.gov.on.ca

Madame Anne-Marie Beaudoin
Directrice du secretariat
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec H4Z 1G3
e-mail: consultation-en-cours@lautorite.qc.ca

James E. Twiss
Market Regulation Services Inc.
Suite 900
145 King Street West
Toronto, Ontario M5H 1J8
e-mail: jim.twiss@rs.ca

Dear Sirs/Madam:

Re: Request for Comment: Proposed Amendments to National Instrument 21-101 *Market Place Operation* and National Instrument 23-101 *Trading Rules* and Related Universal Market Integrity Rules



Thank you for the opportunity to comment on proposed amendments to National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules* and Related Universal Market Integrity Rules (UMIR).

About egX Canada

The British Columbia Securities Commission (BCSC) recognized **egX** Canada as an exchange under the *Securities Act* on March 14, 2007. **egX** Canada has filed an application with the Ontario Securities Commission to carry on business as a stock exchange in that jurisdiction.

egX Canada will be the first marketplace launched by **egX** Group Inc (**egX**). **egX** is developing a global securities marketplace designed for the listing and trading of real estate securities and related financial products. The **egX** Canada goal is to provide investors with a regulated, transparent and liquid market place for real estate securities.

Trade-through Protection

Comments on the General Proposal

egX Canada would first like to acknowledge the Canadian Securities Administrators (CSA) and Market Regulation Services Inc. (RS) for the manner in which this complex issue has been managed to date. Dialogue has been established and interested parties have been given the forum to voice opinions and concerns.

We support the widely held belief that trade-through obligations are important to maintaining investor confidence and fairness in our markets, and the position that trade-through obligations are obligations owed to the market as a whole. To this end, **egX** Canada looks forward to being an active participant in the development and implementation of trade through policies in the Canadian trading environment.

Under point one of the general proposal, each marketplace would be required to establish, maintain and enforce written policies and procedures that are reasonably designed to prevent trade-throughs. We feel that imposing such a requirement would be appropriate and valuable. As this process progresses we anticipate more direction as to how the CSA sees preventative procedures being implemented given available technology and the current Canadian environment. **egX** Canada further requests that adequate time be granted to decide on and implement the appropriate measures, being mindful that U.S. stakeholders worked on Reg NMS implementation and compliance projects for over two years. An appropriate implementation timeline would also help to ensure that the scope of the Canadian problem is clear.

Point two of the general proposal would require marketplaces to regularly review the effectiveness of the policies and take prompt action to remedy deficiencies. Again the implementation of such a proposal would be agreeable to **egX** Canada as we feel the obligation already exists to regularly review the effectiveness of all policies and procedures.

egX Canada believes that marketplaces play a key role in the guiding principles of investor protection and market integrity. We look forward to working with the marketplace community on projects that will enhance the overall liquidity of Canadian securities while ensuring trade-through obligations are met.

Comments on Specific Questions

Question 1: In addition to imposing a general obligation on marketplaces to establish, maintain and enforce written policies and procedures to prevent trade-throughs, would it also be necessary to place an obligation on marketplace participants to address trade execution on a foreign market?

egX Canada questions whether such an obligation would be manageable given the global nature of trading in many securities. Operational issues such as market hours and the access to reliable market information would seem to make this a difficult obligation to administer. Imposing such obligations on Canadian marketplace participants (without reciprocal obligations) may place them at a competitive disadvantage.

Question 4: Should trade-through protection apply only during “regular trading hours”? If so, what is the appropriate definition of “regular trading hours”?

We are of the opinion that trade-through protection should apply only during regular trading hours as defined by 9:30 am and 4:00 pm Eastern time. The practical and cost implications of extending the regular trading hours, such as increased staffing requirements, would negatively impact all marketplace participants.

Best Execution Comments

Comments on the proposed best execution amendments

By redefining best execution as “trading at the most advantageous execution terms reasonably available under the circumstances” the CSA appears to be addressing the fact that the definition needed to extend beyond achieving the best price. Dealers need the flexibility to expand the definition based on other determinants also relevant to their business models and the clients’ directions.

egX Canada feels that the best execution amendments as proposed lay the appropriate foundation for the current Canadian landscape. Hopefully new technology choices will also emerge that simplify obligations, but until then, allowing flexible solutions tailored by the involved business groups will be the best approach.

If implemented, **egX Canada** would support the proposal that marketplaces report certain information on a monthly basis. If the CSA and the dealer community feel that information such as the number of orders, the number of trades executed and the speed of execution will support the best execution of orders in Canada, **egX Canada** will gladly collect and publish this data. **egX Canada** intends to work with dealers to ensure access to all information which enhances their ability to meet best execution obligations.

Summary

The proposed amendments to National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules* and UMIR appear to provide marketplaces and dealers with a flexible regulatory framework under which they can set the policies and procedures that best meet their business needs.



Thank you for your consideration of this letter. If you have questions or would like further information regarding the comments made, please contact the undersigned.

Yours truly,

“Wade Cox”

Wade Cox
Manager, Trading & Disclosure
egX Canada Inc.

cc: Mary Wong, President **egX** Canada Inc.
Leo Chamberland, President of **egX** Group Inc.
Susan Toews, General Counsel, **egX** Canada Inc.
Rosy Mondin, Vice President Legal Affairs, **egX** Group Inc.