



**CPP
INVESTMENT
BOARD**

Canada Pension Plan Investment Board
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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
Ontario Securities Commission
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

and

Madame Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec H4Z 1G3

and

James E. Twiss
Market Regulation Services Inc.
Suite 900
145 King Street West
Toronto, Ontario
M5H 1J8

**RE: JOINT CANADIAN SECURITIES ADMINISTRATORS / MARKET REGULATION
SERVICES INC. NOTICE ON TRADE-THROUGH PROTECTION, BEST EXECUTION AND
ACCESS TO MARKETPLACES**

Dear Sirs and Mesdames:

The CPP Investment Board is a professional investment management organization based in Toronto. Our purpose is to invest funds received from the Canada Pension Plan with the objective of maximizing returns without undue risk. Income from the money that we invest today will be used by the Canada Pension Plan to help pay the pensions of working Canadians who will begin retiring 16 years from now.

In order to build a diversified portfolio of CPP assets the CPP Investment Board is currently investing cash flows in a diversified portfolio of public equity, private equity, real estate, infrastructure, and fixed income. At March 31, 2007, the CPP Fund totaled \$116.6 billion, of which \$67.5 billion was invested in public equities.

The CPP Investment Board was incorporated as a federal Crown corporation by an Act of Parliament in December 1997 and made its first investment in March 1999. With a mandate from the federal and provincial governments, the CPP Investment Board is accountable to Parliament and to the federal and provincial finance ministers who serve as stewards of the CPP. The CPP Investment Board is governed and managed independently of the CPP and at arm's length from governments.

According to the 21st Actuarial Report of the Canada Pension Plan, which was tabled in Parliament on December 8, 2004, the Chief Actuary of Canada expects the assets will grow to \$250 billion within a decade. The CPP Investment Board is a major participant in the Canadian marketplace, and as such, is interested in assisting in efforts to ensure that the regulatory structure of the Canadian marketplace reflects global best practices.

A key mandate of the CPP Investment Board is to invest in ways that continuously improve total portfolio efficiency, having regard to the immediate and long term financial obligations of the CPP.

We are pleased to have this opportunity to comment on these issues.

The emergence of new developments in equity markets and new theories on market structure are not surprising and there will undoubtedly be more changes in the future. For this reason, we continue to believe that encouraging innovation is an important factor that regulators should support when considering a trade-through requirement and because a trade-through requirement may inhibit innovation we are pleased that the CSA is reviewing the need for and impact of a trade-through requirement on Canadian investors and marketplaces.

Below are our responses to some of the questions in this request.

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?

Protecting orders outside of Canada is not a trade-through issue that Canadian regulators need to resolve at this time; instead, it is a best execution issue for marketplace participants and should be addressed by them in this particular context. Moreover, addressing this issue should probably not be considered until there are agreements with the foreign markets to not trade-through Canadian marketplaces.

Question 2: What factors should we consider in developing our cost-benefit analysis for the trade-through proposal?

We believe it is very important for any cost-benefit analysis to recognize that significant amounts of trading are done on a portfolio or multiple order basis. To just look at the cost-benefits for trade-throughs on a single stock basis is not sufficient and would not recognize how portfolio management and trading are being conducted today. To only look at single security trading would not address the total cost and risk factors that are included in a portfolio trade. We also believe that a cost-benefit analysis should be quantitative and include estimated dollar figures for specific time periods. These types of cost-benefit analyses may be more difficult to conduct, but are necessary for evaluating the full and real costs and benefits of any trade-through rule.

Question 3: Would you like to participate in the cost-benefit analysis by providing your input?

We would provide input for a cost-benefit analysis.

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

No. Trade-through protection should apply when two or more marketplaces are open simultaneously and there are the reasonable means to access them. Trade-throughs of marketplaces that are closed should be allowed. Regulators should let marketplaces set their trading hours.

Question 5: Should the consolidated feed (and, by extension, trade-through obligations) be limited to the top five levels? Would another number of levels (for example, top-of-book) be more appropriate for trade-through purposes? What is the impact of the absence of an information processor to provide centralized order and trade information?

No. Trade-through protection should be applied to the full depth-of-book. We do not know of any research into whether five levels are appropriate. If the CSA pursues this top-of-book approach then it should conduct quantitative research of Canadian marketplace data to determine the best number of levels, which undoubtedly change over time.

Question 6: Should there be a limit on the fees charged on a trade-by-trade basis to access an order on a marketplace for trade-through purposes?

No. Marketplaces should be free to set their fees and to compete on that basis. Market participants already have to calculate a number of factors to determine best execution and adding the different market fees to this calculation should not be difficult when determining the all-in prices for accessing marketplaces. Fees should be determined by competition as this competition will lead to lower costs and innovation.

Question 7: Should the CSA establish a threshold that would require an ATS to permit access to all groups of marketplace participants? If so, what is the appropriate threshold?

No. The CSA should not have a threshold for requiring an ATS to permit access to all groups. The CSA practice of looking at this issue on a case by case basis from the broad public interest point of view is appropriate. Allowing limits to access for specific types of marketplace participants, for example, is a reasonable interpretation of its public interest powers. The reason is that marketplaces may be successful and useful to market participants because of their limits to access. Forcing these marketplaces to automatically change their model may lead to the loss of useful trading venues for market participants.

Question 13: Should a last sale price order facility exception be limited to any residual volume of a trade or should it apply for any amount between the two original parties to a trade? What is the appropriate time limit?

The last sale price order facility exception should apply to any amount between the two original parties to a trade. We agree that there should be a time limit, but do not have any suggestions.

Question 24: Should DMA clients be subject to the same requirements as subscribers before being permitted access to a marketplace?

No. DMA clients should not be subject to the same requirements as subscribers before being permitted access to a marketplace. Clients rely upon the dealers' expertise on trading compliance and consider that to be part of the service provided by dealers. Moreover, RS recognizes this role for dealers with its gatekeeper rule. DMA is an important means to obtain best execution and should not be inhibited by unnecessary regulatory burden.

Question 27: Could the proposed amendments lead dealer-sponsored participants to choose alternative ways to access the market such as using more traditional access (for example, by telephone), using foreign markets (for inter-listed securities) or creating multiple levels of DMA (for example, a DMA client providing access to other persons)?

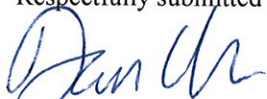
Yes. The proposed amendment could lead dealer-sponsored participants to choose alternative ways to access marketplaces. Fund management firms are risk averse and this includes regulatory risk. It is reasonable to believe that they will avoid the risks and the costs of additional requirements and the uncertainty of another regulator.

Question 28: Should there be an exemption for foreign clients who are dealer-sponsored participants from the requirements to enter into an agreement with the exchange or regulations services provider? If so, why and under what circumstances?

If the arguments for this proposal are reasonable then it should apply to foreign clients. We believe, however, that in doing so many of these foreign clients will choose not to trade in Canada and there will be a loss of the liquidity in Canadian marketplaces.

Thank you for providing us with this opportunity to comment.

Respectfully submitted on behalf of the CPP Investment Board,



Daniel Chiu
Director - Capital Markets
CPP Investment Board