



**TD Securities**  
TD Bank Group  
TD Tower  
66 Wellington Street West, 7<sup>th</sup> Floor  
Toronto, Ontario M5K 1A2

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
19th Floor, Box 55  
Toronto, Ontario M5H 3S8  
[comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

Me Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22e étage  
C.P. 246, tour de la Bourse  
Montréal, Québec H4Z 1G3  
[consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

Deanna Dobrowsky  
Vice President, Market Regulation Policy  
Investment Industry Regulatory Organization of Canada,  
121 King Street West, Suite 2000  
Toronto, Ontario. M5H 3T9  
[ddobrowsky@iiroc.ca](mailto:ddobrowsky@iiroc.ca)

*via e-mail*

September 19, 2014

**Re: CSA Proposed Amendments to National Instrument 23-101 Trading Rules and IIROC Proposed Provisions Respecting the Order Protection Rule**

Dear Sirs and Mesdames:

TD Securities welcomes the opportunity to comment on the CSA Notice and Request For Comment on the Proposed Amendments to National Instrument 23-101 *Trading Rules* (the Proposed Amendments) and on the IIROC Proposed Provisions Respecting the Order Protection Rule (the Proposed Provisions).

TD Securities is a leading securities dealer in Canada and the number one ranked block trader in Canadian equities and options based on dollar value and shares traded. TD Securities also acts as the executing dealer for TD Waterhouse, the largest discount brokerage firm in Canada.

## **Summary**

The Canadian marketplace has undergone rapid structural changes over past ten years, with the launch of multiple marketplaces under Alternative Trading System regulations, the introduction

of make/take fee models, and the codification of best execution price requirements into the Order Protection Rule. Each of these developments was done with the intention of improving competition and innovation in the Canadian market, and they have generally delivered a far more vibrant and efficient market than existed ten years prior. However each of these changes has also brought unintended consequences which were not foreseen at the time of their drafting:

- The Alternative Trading System regulations did not include provisions to manage the distribution of consolidated market data revenue, and as a result market data costs soared in Canada as each new marketplace added incremental fees on top of existing market data fees.
- The make/take fee model created an incentive for marketplaces to launch multiple order books, each with a different fee level to attract either passive or active flow, which created unnecessary fragmentation, encouraged intermediation by High Frequency Trading firms and reduced opportunities for natural orders to directly interact with each other.
- The Order Protection Rule granted protected status to all visible marketplaces regardless of their contribution to market quality or liquidity, which conferred monopoly power on each marketplace and eliminated the dealers' ability to negotiate access fees, connectivity fees, market data fees or participation terms.

We welcome the Proposed Amendments as a large step in the right direction in addressing these unintended consequences. The Proposed Amendments lay the groundwork for a fairer and more effective market which balances the interests of all market Participants. We are fully supportive of the thresholds on protected status for marketplaces, the pilot program to eliminate make/take fees, and the introduction of a framework to manage market data costs.

In some cases we do not think the Proposed Amendments go far enough, or are diluted by conflicting guidance in the IIROC Proposed Provisions. For example, the IIROC Guidance on Client Priority effectively prevents dealers from resting client orders on non-protected marketplaces, even if a non-protected marketplace can offer better execution. This guidance is anti-competitive as it limits the ability of smaller marketplaces to gain market share to achieve protected status, even if they offer a compelling value proposition for natural clients. We believe the proposed threshold for protected marketplaces would function well and achieve its intended goals if this conflict with the IIROC Proposed Provisions was eliminated.

The Proposed Amendments address the "captive consumer" problem for smaller marketplaces which fall below the proposed threshold, but do not address larger protected markets where monopolistic pricing concerns are even greater. The large protected marketplaces collect the majority of access fees and market data fees, and pose the greatest risk in terms of marketplace liability, yet are unaffected by the OPR revisions. We recommend greater regulatory oversight of access fees, market data fees and marketplace liability for the larger protected marketplaces.

We see the elimination of make/take pricing as offering the greatest potential to improve market quality, by reducing unnecessary fragmentation and intermediation. However this goal will only be achieved if marketplaces decommission many of their redundant order books, which is unlikely to happen during a pilot program which covers a subset of listed securities. We recommend the pilot program be accelerated to reach the end goal of reduced fragmentation in a reasonable period of time.

The market data fee review is at an early stage, and while the framework is a step in the right direction, its effectiveness will depend on how the details are resolved. We see the key issue as the choice of an international benchmark for setting aggregate Canadian market data fees. We note that many US data providers offer Multiple Instance Single User (MISU) billing which significantly reduces market data costs by not charging more than once for a single user accessing data through multiple applications. The effect of MISU billing should be included in the construction of a benchmark.

We are encouraged by the direction the CSA is moving in acknowledging and addressing the unintended consequences of OPR and ATS regulations. The CSA has requested comments on specific questions on the Proposed Amendments, which we offer below.

### **Responses to CSA Questions**

*Q1: Please provide your views on the proposed market share threshold metrics, including the types of trades to be included in and excluded from the market share calculations, and the weighting based on volume and value traded. Please describe any alternative approach.*

We agree the market share thresholds should include displayed orders during the continuous session only, and exclude intentional crosses, dark orders, opening and closing calls, odd-lot trades, market maker auto-executed trades and special terms orders. The elimination of these trades creates a meaningful metric of comparable trade volumes as a common baseline across all visible marketplaces and reduces opportunities for gaming. We support the equal weighting based on volume and value traded to recognise the trade activity in Venture securities, which play an important role in the Canadian market.

*Q2: Is a 5% percent market share threshold appropriate? If not, please indicate why.*

Yes, we believe 5% market share is an appropriate threshold to consider a marketplace's trade activity as meaningful, and is a suitable target for a new marketplace to achieve protected status. We note in the 2013 statistics there is a large gap between CX2 at 2.92% and Chi-X at 12.04% market share, so any threshold within those levels would result in the same classification of protected and non-protected markets. The 5% level strikes an appropriate balance of being an achievable goal for new marketplaces while protecting the majority of Canadian trade activity.

*Q3: Will the market share threshold as proposed help to ensure an appropriate degree of continued protection for displayed orders? In that regard, will the target of capturing at least 85-90% of volume and value of adjusted trades contribute to that objective?*

Yes, we believe the market share threshold will ensure an appropriate degree of protection for displayed orders, and the target of capturing at least 85-90% of trade activity is a reasonable objective.

Notwithstanding this target, a dealer should have the flexibility to rest client orders on non-protected marketplaces if they deem the benefits in best execution to more than offset the lack of protection. We have concerns on the IIROC provisions on Client Priority, which will preclude dealers from placing client orders on a non-protected marketplace, even if a dealer considers this

marketplace as providing better execution than a protected marketplace. The Client Priority restriction is anti-competitive as it will impede the ability of new marketplaces to achieve protected status, even if they offer a compelling execution advantage. We are concerned that an overly prescriptive approach to best execution guidelines will result in similar unintended consequences as OPR.

*Q4: Will the market share threshold as proposed affect competition amongst marketplaces, both in relation to the current environment or for potential new entrants? Please explain your view.*

We believe the market share threshold will improve competition amongst non-protected marketplaces by strengthening the negotiating position of dealers. Under the current Order Protection Rule, each marketplace controls a monopoly in terms of access to its own order book and market data, leading to excessive costs for access and market data relative to other jurisdictions. The Proposed Amendments will place competitive pressure on these fees, albeit this competition will be limited to non-protected marketplaces. The Proposed Amendments do not address competition or the captive consumer problem with respect to protected marketplaces and we recommend regulators place greater oversight on access fees, market data fees and participation terms for these marketplaces.

In terms of new entrants, we believe the market share threshold will improve competition by incentivizing marketplaces to create a meaningful value proposition and cross-industry support before launching a new order book, rather than relying on protected status to provide captive revenues while delivering marginal value to the Street.

*Q5: Is it appropriate for a listing exchange that does not meet the market share threshold to be considered to be a protected market for the securities it lists? If not, why not?*

Yes, we believe it is appropriate for an exchange to be considered protected for the securities it lists even if it does not meet the market share threshold.

*Q6: If the Proposed Amendments are approved, should an exchange be required to provide unbundled access to trading and market data for securities it lists and securities that it does not list? Please provide details.*

Yes, we believe access to trading and market data should be unbundled for those securities listed and not listed by an exchange. Otherwise an exchange could circumvent its non-protected status by listing a small number of securities and benefit from captive market data fees on non-listed securities.

*Q7: What are your views on the time frames under consideration for the market share calculation and identification of 'protected market' status?*

We agree that an annual market share calculation and identification of protected marketplaces, with a three month implementation period, is appropriate to minimize investor confusion and to simplify operational management for dealers and vendors.

*Q8: What allowances should be made for a new dealer that begins operations during the transitional notice period with respect to accessing a marketplace for OPR purposes that no longer meets the threshold?*

Given the relative stability of market shares across the Canadian marketplaces, we do not expect significant changes to the protected statuses of marketplaces year-over-year, and any reclassification is likely to affect only one or two marketplaces. A new dealer that begins operations during the three month transitional notice period (after the annual market share calculation but before implementation of the new protected marketplace classifications) should comply with the same protected classifications as existing dealers to simplify regulatory compliance and the application of trade-through and locked/crossed market rules.

We do not think the requirement to connect to a marketplace that no longer meets the threshold will place an undue burden on a new dealer, as a small dealer will likely outsource connectivity to a third-party vendor which already offers this access. The alternative of applying different protected status classifications on a per-dealer basis introduces extreme regulatory and compliance complexity.

*Q9: Are there any implementation issues associated with the 'protected market' approach?*

We expect there would be minimal implementation issues for dealers with the 'protected market' approach, as most dealers would initially maintain the status quo and consider all markets as protected in their order routing. The primary implementation challenges will be in the modification of the NBBO to exclude non-protected marketplaces, modification of compliance reporting for locked/crossed markets and trade-throughs, and the modification of dark order facilities to reference the protected NBBO. We recommend the Information Processor create a new NBBO which includes all protected and non-protected marketplaces, in addition to modifying the current NBBO to exclude non-protected marketplaces.

*Q10: What should the transition period be for the initial implementation of the threshold approach, if and when the Proposed Amendments are adopted, and why?*

A three month transition period would be sufficient following the adoption of the Proposed Amendments. We recommend the market share calculations be based on calendar year 2014 and be applied three months after the Proposed Amendments become effective. The first year of implementation could operate on a shortened cycle, with the next calculation period aligning with calendar year 2015.

*Q11: Please provide your views on the proposed approach to locked and crossed markets. If you disagree, please describe an alternative approach.*

We agree the locked/crossed market provisions should be limited to protected orders. The instances of crossed markets between protected and non-protected marketplaces will be minimized by natural economic forces of inter-market arbitrage.

*Q12: Is the guidance provided sufficient to provide clarity yet maintain flexibility for dealers? If not, what changes should be considered?*

Yes, in our opinion the CSA guidance on best execution is sufficient to provide clarity yet maintain flexibility for dealers.

*Q13: Please provide your views on the proposed dealer disclosure to clients.*

We are supportive of the proposed dealer disclosure requirements on best execution, order handling, order routing, ownership and fee considerations.

*Q14: What should the transition period be for the proposed disclosure requirements, if and when the Proposed Amendments are adopted, and why?*

A six month transition period would be sufficient to draft the proposed disclosures on best execution policies and post these disclosures to dealer websites or distribute to clients by other means.

*Q15: Are changes to the consolidated data products provided by the IP needed if the amendments to OPR are implemented? If so, what changes are needed and how should they be implemented?*

Yes, the Information Processor would need to modify the NBBO data products to include protected markets only. This should be implemented by removing non-protected marketplaces from the existing consolidated feed to minimize downstream disruptions to consolidated feed subscribers. The removal date should correspond with the transitional notice period following the adoption of the Proposed Amendments. An additional consolidated feed including both protected and non-protected marketplaces should be created by the IP for those subscribers interested in a full consolidated view.

*Q16: Please provide your views on the proposed trading fee caps as an interim measure. Please describe any proposed alternative.*

We are supportive of the proposed trading fee cap as an interim measure, but in our opinion the Canadian fee cap should be lower than the US fee cap of 30 mils to recognise the lower average price of Canadian securities. As an alternative, the fee cap could be tiered based on the price of the security to align the value of the fee with the value of the trade.

*Q17: What should the transition period be for the proposed trading fee caps, if and when the Proposed Amendments are adopted, and why?*

The proposed trading fee caps can be immediately effective when the Proposed Amendments are adopted. The reduction of the highest fee tier from 35 mils to 30 mils is a straight-forward and routine change for a marketplace, and can be filed and implemented on short notice.

*Q18: Is action with respect to the payment of rebates necessary? Why or why not?*

The payment of rebates by marketplaces is in conflict with UMIR prohibitions on payment for order flow and with the definition of minimum tick increments. Rebates paid by marketplaces enable securities to be effectively traded in sub-tick increments and establish payment for order flow arrangements between market participants. The marketplace rebates drive market fragmentation, complexity and intermediation by encouraging marketplaces to launch multiple order books, each with a different rebate schedule. Marketplaces benefit from inflated trade volumes resulting from rebate arbitrage, while the overall market is harmed by reduced order interaction between natural investors and increased intermediation by HFTs.

We prefer to see marketplace rebates replaced with equivalent levels of price improvement to provide transparency and to align trade economics for all market participants.

*Q19: What are your views on a pilot study for the prohibition of the payment of rebates? What issues might arise with the implementation of a pilot study and what steps could be taken to minimize these issues?*

We commend the CSA for taking action on marketplace rebates and taking a leadership role among global regulators. A key issue in the implementation of the pilot study will be the definition and measurement of success criteria. Many of the benefits of the pilot are subjective, and others may not be achieved when only a subset of securities is covered by the pilot. For example, the elimination of redundant order books would reduce market fragmentation, improve natural order interaction and lower operational complexity, but it is unlikely that marketplaces will take action to simplify their market structures while one set of securities is still eligible for rebate arbitrage.

The full benefits of the pilot may not be realised, as some dealers may be unable to customise their order routing on a per-symbol basis to differentiate between pilot and non-pilot securities, and will leave default routing in place rather than adapting to new trading economics.

If rebates are eliminated we expect average market spreads will widen by the amount of the rebate to maintain equivalence in the total trade economics. We see this as positive outcome, as it provides transparency and aligns the economic interests of all participants while not changing the actual economic spread. Slightly wider visible spreads will benefit natural passive orders by improving opportunities to interact with natural active orders and will reduce incentives for dealers to bifurcate order flow between high rebate and low rebate marketplaces. Any measurements of the impact of the pilot program on market quality should consider the total economic spread including rebates rather than measuring the displayed spread in isolation. The measurements should also balance the economic benefits for passive orders against the impact of wider spreads on active orders.

*Q20: Should all types or categories of securities be included in the pilot study (including interlisted securities)? Why or why not?*

Marketplace rebates have a dominant impact on high volume securities priced between \$1 and \$10 where the value of the rebate is high relative to the value of a trade. This category should be



the focus of the pilot study, with a test and control group created for a matched set of high-volume low-price securities.

Interlisted securities pose a risk for the pilot study, as the portability of order flow between US and Canadian markets may result in an erosion of Canadian market share. We believe this potential erosion may be offset by improved execution quality and reduced take fees in the Canadian market, but as a precaution we recommend that only a small number of interlisted securities be included in the pilot. The inclusion of a few interlisted names would be helpful to observe the effect of a rebate differential between jurisdictions and to accelerate the overall program.

The Canadian market is currently at risk of losing a large percentage of active retail orders to the US due to excessively high take fees on domestic marketplaces. Eliminating make/take on interlisted securities will reduce the incentives for dealers to send Canadian orders southbound and may attract greater northbound order flow. We also suggest regulators consider sub-penny price improvement for retail orders to allow Canadian marketplaces to compete with US wholesalers, to prevent further loss of market share.

*Q21: When should the pilot study begin? Is it appropriate to wait a period of time after the implementation of any change to OPR or could the pilot start before or concurrent with the implementation of the OPR amendments (with a possible overlap between the implementation period for the OPR amendments and the pilot study period)? Why or why not?*

We prefer to have OPR changes and the pilot study implemented on the same date rather than staggering the implementation periods. A common date enables our development and testing efforts to be bundled for efficiency, rather than running two independent projects with overlapping time periods and independent deployment dates.

*Q22: What is an appropriate duration for the pilot study and why?*

Twelve months would be sufficient for market participants to adapt to the removal of rebates and for the pilot study to collect data on the impact on market quality. A shorter pilot may not allow enough time for data collection, and a longer pilot will delay the rule making process and risk further market fragmentation.

*Q23: If rebates were to be prohibited, would it be appropriate to continue to allow rebates to be paid to market makers and, if so, under what circumstances?*

If rebates are prohibited, this prohibition should apply to all market participants for consistency, including market makers. Market makers are compensated through the visible spread and are entitled to preferential trade allocations through participation incentive programs. Additional rebate payments are not required to encourage liquidity provision by market makers.

*Q24: Will the implementation of a methodology for reviewing data fees adequately address the issues associated with data fees, or should other alternatives be considered? Please provide details regarding any alternative approach.*



The methodology for reviewing market data fees is a step in the right direction, but ultimately the success of the approach will depend on CSA's ability to lower total Canadian market data fees to a level that is comparable with international jurisdictions.

*Q25: Do you have concerns with respect to market data fees charged to non-professional data subscribers that securities regulatory authorities need to address? If so, how should the concerns be addressed?*

Total non-professional market data fees paid by the industry are an order of magnitude higher than professional fees, and similar concerns apply. As a result of excessively high market data fees in Canada, most non-professional users are limited to viewing market data from one or two marketplaces rather than having access to the full consolidated quote. Retail brokerage firms would readily distribute Canadian consolidated market data to their non-professional clients if these market data fees were comparable to other jurisdictions.

*Q26: Is modifying OPR by introducing a threshold, and at the same time dealing with trading fees and data fees, an appropriate approach to address the issues raised? If not, please describe your alternative approach in detail.*

The Proposed Amendments to introduce a market share threshold for order protection while dealing with trading and market data fees are a significant move forward and will help address some of the unintended consequences of Regulation ATS, make/take pricing and the Order Protection Rule. We are encouraged by the direction of the Proposed Amendments, but more detail is required on the make/take pilot study and market data fee review to evaluate their potential effectiveness.

The market share thresholds for order protection will help address some issues with market fragmentation arising from order books with low market share, but do not fully address the captive consumer problem with respect to larger marketplaces. As an alternative approach, the Order Protection Rule could be eliminated completely and replaced with best execution requirements. This approach would encourage a higher degree of competition among all marketplaces while continuing to safeguard client interests. Locked/crossed markets would be minimized by arbitrage economics and best execution obligations, resulting in a similar outcome as regulated order protection but with fewer unintended consequences.

*Q27: What is the expected impact of the Proposed Approach on you, your organization or your clients? If applicable to you, how would the Proposed Approach impact your costs?*

The market share threshold for order protection will give us greater flexibility in connecting to small marketplaces which add marginal value in terms of execution quality and liquidity. This flexibility will improve the effectiveness of our organization by focusing resources on business projects to benefit our clients rather than on mandated marketplace connectivity. The improved flexibility will also reduce our overall operational risk and infrastructure complexity.

The classification of smaller marketplaces as non-protected will reduce market fragmentation, minimize intermediation and improve interaction between natural orders, which ultimately benefits execution quality for our clients.

The impact of the make/take pilot program will depend on the conclusions and future rule making from the study. If rebates are eliminated in Canada we expect several order books will be decommissioned in response, which will reduce market fragmentation and intermediation, and improve natural order interaction and execution quality.

The market data fee review has the potential to reduce market data costs for the industry depending on the breadth and resolve of the review.

*Q28: Is the Proposed Approach an effective way, relative to the other approaches described, to support a competitive market environment that encourages innovation by marketplaces? Please explain your view.*

See Questions 4 and 26 above.

*Q29: Considering the Proposed Approach, is it necessary to take additional steps to regulate membership and connectivity fees charged by marketplaces? If so, why, and if not, why not?*

The flexibility to not subscribe to non-protected marketplaces provides a degree of relief for membership and connectivity fees and encourages competition between non-protected marketplaces. Given the low level of these fees relative to trading and market data fees, we are supportive of the approach to not directly regulate membership and connectivity fees at this time. Regulators should be alert to any increases in these fees which may be applied by marketplaces to offset reductions in market data revenue.

*Q30: Considering the Proposed Approach, is it necessary to take additional steps at this time to address issues relating to marketplace liability? If so, why, and if not, why not?*

Marketplace liability remains an open issue which is not addressed by the Proposed Amendments. The risk of material losses due to a marketplace failure is proportional to the number of open orders a dealer has resting on a marketplace. The highest risk exposure is to marketplaces which will continue to be protected under the Proposed Amendments, and which may continue to use OPR as leverage in the negotiation of agreements which contain unreasonable liability terms.

In our opinion it is appropriate for marketplaces to assume a reasonable level of liability for their own operational errors, as this liability focuses attention on preventative measures and reduces operational risk for the Canadian market as a whole. The August 14 failure of the TSX Market On Close facility is a prime example, which may have resulted in significant losses for dealers had the failure occurred on an index rebalancing date. The assumption of liability by marketplaces would properly align financial risk with the responsibilities for operationally managing that risk, and introduce a strong incentive for risk mitigation through system redundancy and safeguards. We believe additional steps beyond the Proposed Amendments are required to ensure Canadian marketplace agreements meet or exceed the liability terms offered by US marketplaces.

*Q31: Taking into consideration how these pre-trade metrics will be used within the various ranking models, are these reasonable proxies for assessing a marketplace's contribution to price and size discovery? Are there other metrics we should consider? Please provide details.*

The pre-trade metrics represent a full range of proxies for market quality and are sufficient for assessing a marketplace's contribution to price and size discovery. The '5-level \$Time' metric is the most direct measurement of the provision of liquidity by each marketplace, which we see as a primary metric for market quality. At the same time, we question the need for pre-trade metrics to be included in the market data framework. Ultimately, high quality quotes will result in greater trading activity on a marketplace, and well-designed post-trade metrics can be taken as a proxy for pre-trade market quality to reduce the complexity of the metrics.

*Q32: Are the pre-trade metrics described appropriate for a marketplace that predominantly trades less liquid securities? Please indicate and describe what pre-trade metrics would be appropriate to use for such a marketplace.*

The pre-trade metrics may be adjusted to account for less liquid securities by taking a similar approach as the protected marketplace thresholds, by calculating the metrics both on a volume basis and on a value basis and taking an average of the two. As an alternative, the metrics could be calculated as equally weighted across securities rather than weighted by the total volume or value for a security.

*Q33: Taking into consideration how these post-trade metrics will be used within the various ranking models, are these reasonable proxies for marketplace liquidity? Are there other metrics we should consider? Please provide details.*

The post-trade metrics represent a full range of proxies for market quality and are sufficient for assessing a marketplace's contribution to price and size discovery. The metrics may be adjusted in a similar way as the protected marketplace thresholds, by excluding intentional crosses, dark orders, opening and closing calls, odd-lot trades, market maker auto-executed trades and special terms orders to improve the quality of the metrics.

*Q34: Are the post-trade metrics appropriate for a marketplace that predominantly trades less liquid securities? Please indicate and describe any additional post-trade metrics would be appropriate to use for such a marketplace.*

See Question 32 above.

*Q35: Are the ranking models described appropriate for ranking a marketplaces' contribution to price discovery and liquidity? Are there other ranking methods we should consider? Please provide details.*

It would be useful to provide sample marketplace rankings for 2013 to assess the strengths and shortcomings of each ranking model. In the interest of simplicity, we recommend considering the same ranking model as used to determine protected marketplace thresholds. Although this model includes post-trade metrics only, we consider post-trade metrics as a strong proxy for pre-trade

market quality. The model has the advantage of using cleansed data and a balanced weighting of Senior and Venture securities, and has a lower risk of being gamed than more complex metrics.

*Q36: If you had to choose one of the three ranking methods described, which method would you chose and why?*

Between the three ranking methods described, we prefer Model 3 as the most comprehensive and the most fair in its consideration of Venture securities.

*Q37: Please provide your views on the reasonableness of the two approaches for establishing an appropriate reference amount for data fees to be used in applying the data fee review methodology?*

We do not consider the domestic reference model to be appropriate, as this model simply redistributes data fees which are already excessively overpriced relative to international levels. Without an external comparison to provide a benchmark, Canadian marketplaces may game the domestic reference model by inflating their own market data fees to capture a fixed percentage of a larger pool.

We support a model where the total pool of Canadian market data fees is capped with reference to comparable international fees, and redistributed among marketplaces based on their contribution to market quality. The proposal to consider international peers and scale market data fees based on the value of securities traded is a reasonable approach.

*Q38: What other options should we consider for identifying an appropriate reference amount? Please provide details.*

The international reference amount should consider the effect of netting on the data fees. Many US marketplaces charge market data fees on a Multiple Instance Single User (MISU) basis, with the ability to net fees if the same data is provided through multiple applications. Canadian marketplaces charge market data fees on a per-user and per-application basis, which significantly inflates the cost of Canadian market data relative to international peers.

*Q39: How frequently should any selected reference amount for data fees be reviewed for their continued usefulness?*

Reviewing the selected reference amount on an annual basis would be sufficient to maintain its continued usefulness.

We appreciate the opportunity to comment on the CSA Proposed Amendments respecting National Instrument 23-101 and IROC Proposed Provisions respecting the Order Protection Rule, and we would welcome a meeting with Staff to further discuss our views.

Respectfully,

*<digitally signed>*

David Panko  
Managing Director, Automated Execution Group  
TD Securities  
TD Tower, 7<sup>th</sup> Floor  
66 Wellington Street West  
Toronto, Ontario M5K 1A2