

Liquidnet Canada Inc.
200 Bay Street Suite 3400
Toronto, ON M5J 2J1

September 19, 2014

By e-mail

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (NB)
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

c/o The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

and

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

Re: Liquidnet Canada Inc. – Response to CSA Notice and Request for Comment dated May 15, 2014

Ladies and Gentlemen,

Liquidnet Canada Inc. (Liquidnet) appreciates the opportunity to submit this comment letter on “CSA Notice and Request for Comment – Proposed Amendments to National Instrument 23-101 Trading

Rules” dated May 15, 2014 (the Proposed Amendments). Liquidnet has provided comments below in response to certain questions posed in the Proposed Amendments.¹

Question 9: Are there any implementation issues associated with the ‘protected market’ approach?

The Liquidnet Canada ATS executes 89.28% of trades at the mid-point (YTD) of the consolidated best bid and offer in Canada. This provides 100% price improvement to the investors on both sides to the trade. Our understanding is that, upon adoption of the proposed rule, mid-point executions would be priced based on the protected bid and best offer. We feel that in executing mid-point executions, marketplaces should have the option of pricing based on the protected best bid and offer; marketplaces also should have the option of pricing based on the best displayed bid and offer, whether or not the displayed bid and offer are protected. In making our determination as to which approach we would take, Liquidnet would take into account input from our Members and customers during the implementation phase of the rule proposal.

Question 12: Is the guidance provided sufficient to provide clarity yet maintain flexibility for dealers? If not what changes should be considered?

As part of fulfilling its best execution obligation, a dealer should have an obligation to take into account the opportunity for a block execution at the mid-point, whether that mid-point is based on a protected or unprotected marketplace that displays quotes. Mid-point executions provide 100% price improvement to both sides to the trade and protect institutional block orders against adverse market impact.

Question 13: Please provide your views on the proposed dealer disclosure to clients.

Liquidnet’s institutional customers worldwide want to know how their orders are handled, who they are trading with, and how their information is protected. We have spent considerable time implementing global technology solutions to enhance the level of transparency and control that our Members and customers have when interacting with us. Through this work, we’ve learned that transparency is not simply a ‘check the box’ exercise to set and forget. It is a continual process of assuring customers that their need for safe and efficient execution is being met as markets evolve.

Accordingly, Liquidnet supports an obligation for dealers to provide enhanced disclosure of execution performance to customers as a first step. Dealers should have an obligation to report on trade confirmations the amount of any price improvement that the customer received, or the amount of price dis-improvement that the customer incurred, on a trade. Price improvement or dis-improvement should be measured against the best protected opposite-side bid or offer, as applicable, at the time of order receipt.

Question 24: 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 CSA proposal focuses primarily on the allocation of market data revenue among marketplaces; it focuses less on whether the aggregate amount of market data fees that are paid by market participants is fair and reasonable. It is important for the CSA to evaluate the reasonableness of aggregate market

¹ Liquidnet has not reproduced, or responded to, every question posed in the Proposed Amendments.

data fees because each protected marketplace has a monopoly with respect to its own market data. The domestic reference proposal, in particular, would ignore the question of whether aggregate market data fees are reasonable. While the international reference proposal would rely on international comparisons, each international market likewise has a monopoly with respect to its own market data, so this approach would involve setting monopoly pricing in Canada based on monopoly pricing in other regions.

The review of market data costs should take into account not only direct feeds from marketplaces, but also market data fees paid to the information processor by subscribers to the consolidated market data feed, as the information processor likewise operates as a monopoly with respect to the consolidated market data feed.

Question 25: Do you have concerns with market data fees charged to non-professional data subscribers that securities regulatory authorities need to address? If so, how should the concerns be addressed?

The information provided by the OSC in their analysis of market data indicates that there are significant differences in the way non-professional data fees are determined in Canada versus comparable marketplaces. Clearly there is room for further discussion and we would support that. While this question focuses on market data fees incurred by non-professional subscribers, it is important to understand that the majority of Liquidnet participants are institutions trading on behalf of individual long-term investors. It is important to take into account the market data fees that are incurred by these institutions and the marketplaces through which they trade.

Liquidnet appreciates the opportunity to comment on the Proposed Amendments.

Very truly yours,



Robert Young
Chief Executive Officer, Liquidnet Canada