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October 9th, 2015

The Secretary
Ontario Securities Commission
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comments@osc.gov.on.ca

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
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Re: **CSA Staff Notice 21-315 on 'Next Steps in Regulation and Transparency of the Fixed Income Market'**

Dear Sirs/Mesdames:

We make the enclosed submission on behalf of Nicola Wealth Management Ltd. Of Vancouver, British Columbia (a registered PM, IFM and EMD in BC, AB, and Ontario among other provinces).

We first note the stated purpose of the **CSA Staff Notice 21-315 on 'Next Steps in Regulation and Transparency of the Fixed Income Market'** is to:

1. **Facilitate more informed decision making among all market participants, regardless of their size**
2. **Improve market integrity and**
3. **Evaluate whether access to the fixed income market is fair and equitable for all investors**

We will address our comments to these three aims and the question of using an SRO with a special interest:

1. **Facilitate more informed decision making among all market participants, regardless of their size**

The decision to create a second information processor, IIROC, and to collect, aggregate and disseminate fixed income trading data, post-trade is of limited value as the fixed income market is extremely dynamic and sensitive to economic, industry and issuer news and this means T+2 data is stale at the time of receipt. If this proposal provided more timely reporting then our comment would include that we would like to see additional data. This would include information on trades beyond price, limited volume data and timing, such as crosses and liability trade markers and as well it is unclear if dark pool trading would be captured and the absence of all these would be a detriment to more informed decision making as stated in the objective. But overall the proposed information is dramatically skewed by the absence of volume data for market moving, significant trades (over \$2MM for investment grade, over \$200k for junk bonds). This is, therefore, not an adequate degree of market transparency and as a result does not add value- the absence of true transparency instead diminishes the value of the data, hollowing out the aim of the proposal in our estimation.

To help explain why that is, complete post-trade transparency in the equity markets allows investors such as the small and mid-sized institutional investor to model the impact of trades they wish to make on the current market (in the absence of other fundamental data in circulation). No modeling would be possible with this proposal and this fact, combined with the stale nature of the data, means this program is created for no evident benefit to market participants. These analytics also allow a market participant to assess the execution of their trade, "was it a good and fair price?", for example, in the context of the issuer's overall trading. This proposal does not result in any additional insight for the investor.

Finally, we note the current independent information processor, CanPX, is doing a very good job of delivering value in the arena of gov't bonds and their service standards far exceed those proposed as they report gov't bond trading data on a T+ 1 hour basis, not T+2 days. One idea we would endorse would be to allow the open market to create this service (information processing for the corporate bond market), as it is clear that industry is more efficient, economical and driven to add value than institutions/governments. Additionally, if regulators feel this data acquisition and analysis enhances their ability to ensure fair markets for investors, then perhaps the regulators, the CSA or OSC and other provincial commissions, could simply collect and analyze the data for this purpose without the engagement of another sector-specific regulator, addressed below in #4, or the added effort and expense of providing reporting to the public of limited benefit.

2. **Improve market integrity**

We reviewed the OSC report and this staff notice in detail. A lack of integrity in the fixed income market is not evident from the OSC report or this staff notice. We do note that significant

improvements to the optics of market integrity have been accomplished by the introduction of the Client Relationship Model on the retail side requiring client-borne costs associated with retail fixed income trades to be made transparent to investors and feel this satisfies a significant historical deficiency in the industry. However, to argue that this initiative significantly improves market integrity is questionable in the absence of more information. True transparency, so that buyers and sellers can make informed decisions, as discussed at length above, and so investors can determine whether they are getting a good and fair price for their trade would accomplish this but that is not the outcome of this proposal for the reasons described in #1.

- 3. Evaluate whether access to the fixed income market is fair and equitable for all investors**
This is a significant matter for small and mid-sized institutional investors. Yet, we are concerned as we note the Staff Notice pre-emptively defends a number of inequities that exist in the marketplace for those investors who fall between the small, retail investor and the very large institutional investors (where we fall). For example, allocations of primary issues are made without any element of equity or fairness apart from client priority, instead driven by other consideration as outlined by the Staff Notice itself. These considerations mean that if an issue is oversubscribed by 200%, allocations are not made in any particular fair and equitable manner and in proportion to the oversubscription, but, instead of half the requested amount as would be balanced and equitable, can be some small sliver or none at all. In addition, the adoption of the considerations listed are not disclosed by the underwriter to the investor denied a full subscription so as to provide colour to the mid-sized or smaller institutional investor whereby they might better position themselves in the future for allocations based on such feedback. A further idea would be to suggest an intermediary of some kind be allowed to act as a purchaser, aggregating interest from small-to-mid-size institutional buyers and allocating its interest accordingly.

Finally:

Utilization of an SRO with a special interest in one segment of industry participants as a regulated service provider

We again endorse our preference for an independent processor of this proposed data collection and reporting and, if not, then would prefer to see the proposed national regulator or the CSA take this on to avoid the increased cost and challenges to us of serving another regulator and to limit the conflicts of interest that arise under this proposal.

Sincerely,



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