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ITG would like to thank the Ontario Securities Commission for this opportunity to comment on the TSX's proposed long life order type.

Our initial thoughts around the long life, were to applaud and welcome any effort to reward more natural liquidity, and offer up priority to those making a real commitment to the market. While we believe that 1 second is on the very low end of what we would consider to be long life, or extraordinary commitment, we do believe this to be a positive starting point. With that said, we were also of the view that the long life order priority would be of far greater value to the market if it were not secondary to broker preferencing. An order matching logic that was Price/Long Life/Broker/Time is far more rewarding to providers of stable liquidity, than the proposed Price/Broker/Long Life/Time mechanism, and would likely result in a significant decrease in fleeting orders on highly liquid names. Currently the most liquid names in our market have an alarming number of orders that persist for a fraction of the time it typically takes for the market to trade shares

equal to the stocks average queue length. These orders, in bulk, only make sense if they are
being rewarded via broker preferencing. Otherwise their fill rates should be near microscopic and unprofitable to the entities placing them.

Having said all of this, our view of long life is now less certain as a result of recent proposals around order protection and speed bumps. The wording of the proposal that in the event a market has created intentional latency on liquidity seeking orders, even if it only impacts some order types or participants, then said market is “no longer providing the functionality contemplated by OPR” and may be deemed unprotected. Our current understanding of long life would result in such a delay on any CFO of an existing long life order, to a marketable order. The TMX is explicit, in their Order Type Guide[1] (page 28) that CFO is an order type. If such orders will be delayed by the long life feature, we are hard pressed to understand how the TSX will be able to implement and remain a protected market. Given our distaste for the hybrid protected proposal, we would not be in favour of this feature if it were to change the protected status of the TSX market.

Finally we feel the need to state that while we are supportive of the long life order type, and the attempt to offer real liquidity providers greater ability to trade on the passive side of the quote, it does come at the cost of other pressing changes to the TSX marketplace. In particular, the inclusion of long life features will push back the much needed changes to cancel on disconnect until at least 2016.

In summary, we are fully supportive of market models that preference real, long term liquidity. We believe such features should take priority over broker preferencing for short termed orders. And believe all changes should be considered not just with a view on the impact of the change, but also the impact of changes that are put off. Finally, we are not fans of the proposed hybrid order protection regime, and should the TSX fall into this category as a result of the delays they will be applying to actionable CFOs, we are no longer supportive of long life. (We would be very confused if the intentional delay did not result in TSX being deemed non protected given the precise wording of the proposal).

We thank the Ontario Securities Commission for the opportunity to comment on this is, and offer our continued feedback on this and all related issues.

[1] http://apps.tmx.com/en/pdf/TMX-Order-Types-Guide.pdf

Sincerely,

Doug Clark
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