

RAYMOND JAMES®

September 25, 2013

Market Regulation Branch
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, ON
M5H 3S8

VIA EMAIL

Email: marketregulation@osc.gov.on.ca

RE: Request for Comment Regarding Proposed Structure of Trading Facilities for New Exchange Proposed by Aequitas Innovations Inc.

Dear Sirs/Madams:

Raymond James Ltd. (RJL) appreciates the opportunity to comment on the *Proposed Structure of Trading Facilities Proposed by Aequitas Innovations Inc.* RJL's comments will be limited to the Hybrid structure.

RJL is supportive of marketplace competition and innovation among Canadian marketplaces within the current regulatory framework. However, we are concerned that the proposed Hybrid model structure will set a precedent which will result in additional marketplaces seeking to segment client access. We further believe such action would have a detrimental effect on investor confidence and market integrity.

Furthermore, while we fully support the concept of marketplaces free from "predatory trading", we are concerned that the proposed solution will not accomplish the stated goal. RJL believes that "predatory trading" should be addressed at the regulation level, not at the marketplace level.

Order Protection Rule and Fair Access:

RJL believes that the underlying principal of the OPR is that all visible orders will be accessible to all marketplace participants. The intent of the rule was to foster integrity and fairness within the marketplace. Denying access to specific segments of the marketplace undermines the intent and spirit of the rule. The proposed structure of Hybrid does not, in the opinion of RJL, meet the requirements of an effective order protection rule as accessibility is restricted to certain market participants.

Raymond James Ltd.

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In addition, a consolidated display book where all quotes are protected is integral to market integrity, fairness and instills investor confidence. If Hybrid is implemented as proposed, we believe the resulting trade-throughs and crossed or locked markets will compromise the consolidated book, cause investor confusion and thus erode confidence in the Canadian capital markets.

Fair access is fundamental to market integrity and RJL believes strongly that all “protected” marketplaces must be accessible to all marketplace participants. This concept contributes to price discovery (varied participants) and promotes investor confidence. In relation to the Hybrid proposal, RJL is concerned that in restricting certain participants ability to participate, Hybrid’s proposal is not consistent with fair access requirements.

SME Exclusion:

While RJL fully supports deterring “predatory trading”, we are not convinced that excluding SME orders from accessing liquidity will accomplish such a goal. As the proposed structure would allow SME orders to post liquidity to Hybrid, it will not address the common HFT strategy of placing and deleting quotes. Furthermore, in excluding SME orders, Hybrid will exclude many orders which contribute to liquidity such as registered market makers, institutional liability trading and client arbitrage accounts.

Market Makers:

In reviewing the proposal for non-registered DEA client market makers, RJL agrees with the Commission that such an arrangement is not consistent with expectations regarding regulatory oversight. We are concerned that a lack of regulatory oversight may lead to conflicts of interest and manipulative practices. Current regulated market makers perform essential duties not only in maintaining fair and orderly markets, but in a gatekeeper function. Furthermore, RJL fails to see the advantage of a DEA client being registered in a foreign jurisdiction in regard to trading Canadian listed securities.

Non-registered DEA clients will also have a distinct advantage over registered market makers. In addition to broker preferencing, some UMIR regulations will not apply to non-registered DEA market makers versus regulated market (restricted securities, client priority, gatekeeper responsibilities etc.). We believe this will create an un-level playing field.

Summary:

While RJL is supportive of competition and innovation in the Canadian marketplace, we believe a strategy of the “tail wagging the dog” is a mistake. All new marketplaces should be required to structure themselves within the existing regulatory framework. Hybrid’s attempt to curtail “predatory trading” is admirable but RJL remains concerned that the benefits do not outweigh the overall market risk. Industry costs, market structure issues and rule changes are significant issues associated with this proposal and as such, we believe that Hybrid should be required to fit within the current established regulatory framework.

Raymond James Ltd. appreciates this opportunity to provide our comment on the Aequitas Hybrid proposal. Should you have any questions, please do not hesitate to contact the undersigned.

Yours truly,
RAYMOND JAMES LTD.



Jamie Coulter
GM, Senior Managing Director
Equity Capital Markets