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Re: TSX International Board Proposal

Thank you for the opportunity to comment on the TSX's plan to introduce a separate board ("TSX International Board") for the trading of US-listed securities in Canadian dollars.

The TSX identifies 3 constituencies that will benefit from the ability to trade U.S.-listed stocks in Canadian dollars: retail clients, small dealers and market makers.

The focus of the TSX's proposal is on benefits to retail clients, including improved access to U.S.-listed securities, as well as greater transparency and reduced FX costs. The TSX does not make a compelling argument in this regard. First, as the TSX acknowledges, retail clients are quite active in trading U.S. securities, indicating that this market is already easily accessible. Second, trading U.S.-listed securities in Canadian dollars reduces rather than increases the transparency of FX costs—clients will have no idea of how foreign exchange has impacted the price that they receive. Third, while the TSX International Board may provide more competitive foreign exchange, clients would have no way of determining this, given the lack of transparency. Moreover, now that many dealers offer U.S.-dollar denominated registered accounts, foreign exchange costs for the retail investor have significantly declined.

Nor does the TSX make a compelling argument with respect to small dealer benefits. First, small dealers access the U.S. market via their clearing broker as part of bundled services that makes it impossible to ascertain whether an alternative is more cost effective or efficient. Second, choosing between two symbols for the same U.S.-listed security in making the routing decision to a U.S. market or the TSX International Board will require some effort in educating the advisor or the client—time and energy that dealers are unlikely to expend given intense competitive pressures.

This leaves market makers who have expertise in cross-border trading as the final constituency that may benefit from the TSX International Board. Indeed, this constituency may benefit from arbitrage opportunities that will surely arise. These may very well be HFTs who always seek opportunity to trade against retail flow. However, if the TSX International Board cannot deliver the retail clients, HFTs are not likely to participate.

In sum, while I do not foresee the intended functionality being widely utilized, it misdirects resources at a time when a rapidly shrinking dealer community might look to the TSX as a market leader to address key market structure challenges.

Sincerely,

Nick Savona