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BY EMAIL

April 11, 2019

Anastassia Tikhomirova
Legal Counsel, Regulatory Affairs
TMX Group
300-100 Adelaide Street West
Toronto, Ontario M5H 1S3
Email: tsxrequestforcomments@tsx.com

Dear Ms. Tikhomirova,

Re: TSX Proposed Enhancement of "Seek Dark Liquidity" (SDL) Functionality

Neo Exchange Inc. ("NEO") appreciates the opportunity to comment on the proposed functionality.

Although we are big proponents of marketplace innovation, especially when it is based on a features versus fees differentiation, we believe the proposed "SDL Plus" order type is an inappropriate development that would be harmful to Canadian market structure. This order type is another example of functionality that is squarely focused on segmentation of order flow, and also triggers fair access concerns for smaller dealers, as it will likely further exacerbate the concentration of order flow amongst the larger dealers.

The spirit of the "SDL Plus" functionality is not dissimilar from TMX's other recent proposal to introduce "Dynamic Order Protection Rule Repricing". Although the type of flow taking advantage of this functionality may be different from the one benefitting from "SDL Plus", both order types enable further segmentation in the market. The "Dynamic Order Protection Rule Repricing" order type has been designed for member firms' proprietary business and/or their DEA clients with high frequency trading capabilities. Other passive participants in the markets will have less of an opportunity to participate in a significant number of trades and be "segmented" out. This order type, like "SDL Plus", also triggers fair access concerns, in our opinion.

We firmly believe both order types do not comply with the securities regulators' regulatory objectives and will impact market fairness, overall market quality and ultimately investor confidence, and should not be approved.

We would also like to bring an additional consideration to the attention of the securities regulators. In our view, whenever a marketplace seeks to propose functionality that replaces one or more functions typically performed by a dealer, as is the case with the two order types discussed above, the proposal should be put through the following lens: would that functionality be allowed if performed by a dealer? Allowing marketplaces to design order types that not only enhance the likelihood, but actually guarantee, that dealers will only to trade with their own flow sets a dangerous precedent. We have little doubt that if a dealer were to develop that capability internally they would be required to become a marketplace and be subject to fair access obligations.

To conclude, given the ongoing consultation process and concerns expressed by the CSA and IIROC regarding current

retail segmentation and internalization within the Canadian equity markets, we find the timing of these proposals from the TMX very inappropriate, especially when you add to the equation the recently proposed fee change by TMX Alpha. All these proposals have one core commonality: aggressively enabling further segmentation. We believe it is important that the results of the CSA and IIROC consultation are published with clear guidance from the regulators on what is acceptable, before any proposals designed to fuel further internalization and/or segmentation are approved.

Yours truly,

"Joacim Wiklander"

Joacim Wiklander
Chief Operating Officer, NEO Exchange

cc: Market Regulation Branch, OSC