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**Comments regarding the application for recognition of Aequitas Innovations Inc. and Aequitas Neo Exchange Inc. as an exchange**

**The Genie Is Out of The Bottle**

Our capital markets' landscape have developed into a diverse pool of liquidity fragmented by multiple stock exchanges, dark pools and dominated by high frequency traders who have developed algorithms and poured handsome sums of money into technology improvements in order to give them a millisecond advantage. This system in our opinion, is the Achilles heel of our capital markets exposing us to multiple flash crashes, algo glitches, fat fingers and failed IPOs. Maison Placements Canada Inc. ("Maison") believes that markets have been corrupted by High Frequency Trading ("HFT") firms executing predatory trading strategies detrimental to long-term investors, market makers, agency dealers and, ultimately, the issuers.

The TMX has developed order types, fee structures and technological solutions that are only beneficial to HFT firms and impact the quality of execution of all other market participants, undermining investor and issuer confidence. Markets no longer fulfill their fundamental role of efficiently allocating capital between issuers and investors, critical to economic growth. Small firms such as ourselves are penalized.

The difficulty is how to put the cork back into the bottle after the genie has left.

Capital markets work best when all the participants, investors and companies come together in one place under a common set of rules. However today, one needs a super IBM computer in order to get a millisecond advantage which is in essence a blatant form of front running. Transparency in the market has disappeared with spoofing. Orders are often fictitious. The TMX believes that HFTs are providing liquidity when in fact many of our traditional clients have left because the Exchange no longer provides a real market. We believe the pendulum has swung too far. The OSC needs to simplify the markets.

**Maison Supports Aequitas' Application**

Maison is supportive of the Aequitas exchange application because it will be an exchange that comes with a different vision, true to the purpose of an exchange, and an approach to ownership that will ensure that that vision will always prevail. This is the type of competition that Canada needs in the trading, listing and market data areas. Currently there is no real competition in the listing and market data areas. In the trading area all marketplaces are the same, only competing on speed and variations of the make – take fee with the better interest of HFT firms in the back of their minds.

Maison would also like the definition of "significant shareholder" in the Recognition Order to be revised because it leads to restrictions on shareholders and conflict of interest requirements that are

inappropriate for small shareholders that have less than 5% holdings and do not have representatives directly involved with Aequitas as directors, officers or employees. The current definition would prohibit Aequitas' objective to attract a broader representation of industry stakeholders in its ownership, Maison considers a broad ownership is of great benefit to the future evolution of Aequitas and our Canadian markets.

Maison is also supportive of Aequitas' innovative strategy to fulfill its vision, such as:

### **Dual Books**

The implementation of a speed bump in the Neo Book for Latency Sensitive Traders ("LSTs"), the matching priorities in the Lit Book and the Aequitas approach to fees will level the playing field amongst all market participants, taking away the advantage HFT firms typically have. The answer to the question whether the current OPR rules should apply to the Aequitas Neo and Lit Books, Maison's answer is a firm yes. The intent of the OPR rules was to promote competition, protect less sophisticated investors and foster confidence. Aequitas will be the only marketplace seeking to achieve these objectives. In my opinion not applying the OPR rules to Aequitas and its two displayed books would go against the objectives regulators seek to achieve. Indeed, not applying OPR rules to the Neo book specifically, would eliminate the impact it could have on predatory trading strategies that HFT firms seeks to execute upon while trying to avoid Aequitas. In addition, Maison does not understand how it is legally possible to apply new OPR rules that are not yet in place which will likely see subsequent charges before they are implemented. The complexity and cost of a new marketplace are perfectly acceptable if that marketplace is providing real benefits to the industry and the various stakeholders.

### **Market Makers**

With its market making program, Aequitas will be the first exchange to recognize the importance of true market makers. The various features proposed in the program are well thought out and will re-energize market makers allowing them to be successful in fulfilling their role of real liquidity providers in the market, to the contrary of many HFT firms that only give a false impression of liquidity. Our experience is that market makers work providing liquidity, in good times and bad times.

- To the question whether it is appropriate to have benefits in the dark books and no obligations, Maison's answer is yes. Aequitas seeks to make market makers successful as providers of liquidity and enablers of price discovery in the displayed books, by providing them with the ability to achieve a minimal percentage of trading. Why would it matter where they trade? In addition what would be the benefit of market making obligations in the dark?
- To the question whether the Market Makers' Commitment ("MMC") feature is appropriate, the answer is yes. If this tool can help the market makers and at the same time be beneficial to liquidity in periods of market stress, it should be made available.

### **Listings**

Aequitas' approach to listings is also needed. It focuses on setting corporate issuers up for success when they go public by ensuring that they are ready and by providing them with a strong market making program to support their liquidity. It also acknowledges different types of issuers by proposing different types of standards and recognizing the specificities and needs of non-corporate issuers. In addition, their listing process is simpler and eliminates unnecessary discretion and rigid formulae. Maison is very supportive of having different listing requirements across exchanges, in general or specifically with respect to EM Issuers, as this will promote competition in a space where Canada is totally lacking competition.

The Canadian markets need competition, innovation and attention to the capital formation process. That is what the Aequitas exchange is proposing in a very genuine way and that is why Maison is supportive of the Aequitas and Aequitas Neo Exchange application.

**Maison Placements Canada Inc.**

Maison Placements Canada Inc. is an independent, Toronto-based investment dealer providing a comprehensive array of financial services to institutional investors and small to midsize corporate clients. Founded in 1955, Maison has established a reputation of providing Corporate Canada with high quality strategic investment banking advice and access to sources of financings. The heart and strength of the company is research, a small team of specialists providing both research and expertise. Maison has been able to execute successful financings, mergers, and acquisitions. Maison is also a shareholder of the TMX Group.

Best regards

A handwritten signature in black ink, appearing to read 'John R. Ing', with a stylized flourish extending from the end.

John R. Ing  
President and Chief Executive Officer  
Maison Placements Canada Inc.