BBS Securities Inc.

August 5th 2014

Market Regulation Branch

Ontario Securities Commission

20 Queen Street West, 20th Floor

Toronto, ON, M5H 3S8

Via email: marketregulation@osc.gov.on.ca

Re. OSC Notice and request for comments regarding the application for recognition of Aequitas Innovations Inc. and Aequitas Neo Exchange Inc. as an exchange

BBS is a leading Canadian Broker Dealer that provides a wide range of innovative brokerage and trading services to a diverse client base that includes institutional investors, portfolio managers and professional traders.

BBS is supportive of the Aequitas and Aequitas Exchange ('Aequitas') exchange applications because Aequitas is an innovator and provider of differentiated competition in areas that have either stagnated by the lack of competition (listings and market data) or evolved but solely to the benefit of High Frequency Trading ('HFT') firms (trading). In addition, the various focused market structure and technology solutions that Aequitas seeks to put in place acknowledge the fact that electronic trading can be extremely beneficial to the markets and that it is the predatory strategies that need to be addressed. Finally, the Aequitas ownership structure caters to a balanced representation of the exchange users which we believe will not only allow it to stay in touch with the real needs in the capital formation process but also ensure that Aequitas will not deviate from its vision to put investors and issuers first.

We did notice that the Recognition Order includes terms and conditions applicable to the Aequitas shareholders and while we are supportive of such terms and conditions for shareholders that could be in a position of influence, we urge the regulators to reconsider them for shareholders that would not be in such a position. In particular, we believe that the concept of significant shareholder should be limited to those shareholders than own over 5%. We believe there are sufficient checks and balances in place within the overall Aequitas governance model with respect to smaller shareholders. Maintaining the current proposal could be detrimental for Aequitas to attract new shareholders, particularly those that are smaller, and this would prevent broadening the ownership which we believe can be extremely valuable to further align the interests of Aequitas with the overall user community.

4100 Yonge Street, Suite 504A, Toronto, Ontario M2P 2G2 Tel / Fax: 416.235.1227

BBS Securities Inc.

Please find below our answers to the specific questions raised by Staff.

Benefits and obligations of market markers

Aequitas seeks to re-engage a type of market participant that has been neglected by exchanges in general: the exchange Designated Market Makers (DMMs) who, contrary to most HFT firms, have both obligations and benefits.

The benefits program that Aequitas proposes seems balanced to us in consideration of the DMMs presence, volume and spread obligations, leading them to be exposed to bad trades, putting capital at risk and holding inventory. The key issue that DMMs face today is their limited ability to participate to good trades or to trade their position out in an effective way due to the presence of opportunistic HFT firms that crowd out the quote. This is leading current DMMs on incumbent exchanges to depart from this business or fulfil their obligations in a minimalistic way to the detriment of liquidity in periods of stress and of liquidity in less actively traded securities. The Aequitas benefits program will allow DMMs, by providing them with access to a certain percentage of the incoming order flow, to be profitable again in doing what their business model is all about: provide quotes and trade. And we have to keep in mind that these benefits only apply if the DMM is quoting at the best price which further incentives them to provide quality liquidity at quality prices.

We don't see an issue with DMMs also having benefits in the Aequitas Dark Book without having obligations in that book. The benefits are an overall package that will promote liquidity provision in Aequitas both displayed books. We are not sure what obligations would mean in a dark book.

We are very supportive of Aequitas proposing a proper benefits program to DMMs in a world where exchanges only seek to provide High Frequency trading firms, without obligations, with benefits through fee structures, co-location solutions, high-speed networks, etc.

Market Makers Commitment ('MMC)

The MMC feature, which has similarities with the Capital Commitment Schedule of NYSE, allows to dampen volatility in the markets in case of runaway algos, fat finger orders or other events leading to extreme price fluctuations. It demonstrated its benefits during the 2010 Flash Crash when NYSE was the sole US market where prices fluctuations were dampened. The use of this feature, as indicated in the Aequitas application, is optional but when a DMM uses it he does commit capital that will be engaged in the case of a price fluctuation. Using this feature is a substantial risk for the DMM while it provides a substantial service to the market. We do not see how the triggering mechanism underlying this feature represents a substantial benefit for the DMM in comparison with the risks that he would be taking.

We believe that bringing features to the Canadian market that have been proven to be beneficial to investors and issuers in other market places should be strongly supported and that more scrutiny should be placed on "imported" features that are only beneficial to High Frequency Trading firms.

4100 Yonge Street, Suite 504A, Toronto, Ontario M2P 2G2 Tel / Fax: 416.235.1227

Listing and Cross-Listing of Investment Products

We are supportive of the Staff's view to put a specific process or protocol in place to inform staff of listing or cross-listing applications in this space to minimize opportunities for regulatory arbitrage. It will be important though to ensure that this process is efficient and does not negatively impact the timelines for taking such an Investment Product to market.

With respect to the Aequitas proposed requirements for Investment Products, we are very pleased to notice that Aequitas acknowledges the specific nature of these products and the specific needs of the issuers in this space. This will promote competition and innovation in a space that is currently clearly lacking it, to the benefit of issuers and investors.

Emerging Market Issuers – Gatekeeper Concerns

We are supportive of Staff's view that the Aequitas Exchange should develop its own targeted response to the listing of EM issuers. Using a standardized approach based on the approach being developed by the TSX and TSXV would be detrimental to innovation and competition. When it comes to vetting the fitness of these companies, whereof many are not beneficial to the capital formation process in Canada, on a Canadian exchange we believe it is important to have financial reviews and expert report to be provided by institutions registered in Canada and subject to Canadian oversight.

Application of the Order Protection Rule

(a) Application of the OPR to the Neo Book

We agree with Staff that the different treatment of the LST orders in the Neo Book does not unreasonably prohibit, condition or limit access to the Neo book. On the contrary, it is our view that it levels the playing field between those market participants that have a speed advantage and those who don't. We strongly support the fact that OPR should apply to the Neo book for the reasons mentioned above.

If this was not to be the case, Staff should also consider not applying the OPR to other displayed books in the Canadian market where Broker Dealers are forced to route their orders while one class of participants (those with LST orders) has a systematic advantage. This advantage is exacerbated by the marketplaces that provide, specifically to the benefit of this one class of participants, services such as co-location, special order types, special fee-structures and special networks that are only meaningful to this class of participants and often not even known about by other participants.

(b) Application of OPR to new marketplaces

We are supportive of the intent of the CSA underlying its proposed amendments to OPR. We are concerned however that the solutions proposed may lead to consequences that are detrimental to

4100 Yonge Street, Suite 504A, Toronto, Ontario M2P 2G2 Tel / Fax: 416.235.1227

competition in the Canadian marketplace and that they will re-establish market concentration in the Canadian exchange business. Before considering to apply such amendments to a new market, it is important for the CSA to fully understand all unintended consequences of their proposed solutions. This will take time. One immediate consequence that comes to mind is that the emergence of new marketplaces will only be possible with the support of HFT firms and that any proposal based on promoting long-term investors will no longer be possible: not many long term investors would accept to see their orders resting in a book that is not price protected. We suggest that CSA seeks to identify other mechanisms such as a net benefit test to decide whether OPR should or should not be applicable, or considers fee constraints until a certain market share has been reached.

Not applying the current OPR to any new marketplace, that launches in the time period between the publication for comment and implementation of the Proposed Amendments, is very dangerous for the reason mentioned above, seems contrary to due regulatory process and puts Aequitas in a competitive disadvantage in comparison to the established marketplaces.

The implementation of Aequitas will come with additional complexity and cost, but this is in their case balanced by the net benefits that they provide.

Aequitas is providing the Canadian market with a unique opportunity to develop an exchange that goes against the behaviors demonstrated by other marketplaces and exchanges. Putting issuers and investors first is critical to the capital formation process and is particularly critical in Canada where meaningful competition remains very limited.

Sincerely,

Name: Bardya Ziaian

Title: President & CEO