



Aequitas

Mario Vachon to: marketregulation@osc.gov.on.ca

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History: This message has been forwarded.

September 2, 2014.

Market Regulation Branch
Ontario Securities Commission
20 Queen Street West, 20th Floor
Toronto, Ontario

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

Re: OSC Notice and request for comments regarding the application by Aequitas Innovations to operate as an exchange in Canada.

I apologize that my comments are being delivered following the due date for comments of August 26, 2014. I was away and didn't realize the deadline had passed. I hope you will accept my comments.

My comments are fairly general in nature. I support Aequitas and its attempts to form a competing exchange. The reasons for this include:

- 1) While the "appearance" of liquidity in Canadian markets suggests that there isn't a problem, I believe that is misleading. Average trade sizes are growing ever smaller, intraday volatility is rising and it appears to me that true liquidity is actually diminishing and not rising. Bids and offerings seem to vanish at the most inopportune times, and I don't believe that is coincidental.
- 2) I believe a significant reason for that lack of true liquidity is the emergence of high frequency traders. Generally speaking, while their services can be used to provide a benefit to market participants, all too often that is not the case. All too often, it is used to make a margin at the expense of market participants. I won't speculate on the profits made by high frequency traders, particularly in the Canadian market, but I believe much of that is being made at the expense of the underlying clients of market participants who are actually legitimate investors. I also believe that their influence in the market has made it much more difficult for legitimate market makers to fulfill their intended function.
- 3) I am worried that the current dominant exchange, with its first and foremost allegiance to its shareholders, may not necessarily have the best interests of underlying investors who utilize the exchange and may be influenced by the ability to make additional margin through catering to high frequency traders. I like the proposed ownership structure of Aequitas, which I believe would help reduce potential conflicts.

Sincerely,

Mario Vachon
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