

September 4, 2014

Market Regulation Branch, Ontario Securities Commission

And

Cindy Petlock, Head Legal Regulatory and Compliance, Aequitas Innovations

To Whom It May Concern,

W.D. Latimer and Co. (WDL) welcomes the opportunity to comment on the proposed new Canadian stock exchange from Aequitas Innovations. Our desire to comment resides in the fact that we strongly believe in the spirit of entrepreneurial competition, transparency in the capital markets and the desire for a fair and level playing field for all participants.

It is not our wish at this time to rehash all of the current concerns with the state of Canadian equity market structure. The rising technological and regulatory burden facing all participants is making it increasingly more difficult for dealers of all sizes to remain competitive; however, this effect is amplified for small and mid-sized dealers that do not have the deep pockets necessary to maintain a prolonged technology arms race while at the same time fulfilling all of the measures needed to remain compliant. Our current market state effectively squeezes out the smaller dealers that are essential for Canadian capital origination through the systemic creation of an unfair market place.

WDL believes that a commercial endeavor that helps to address some of the issues facing our industry is welcome. Market place competition will, over the long term, be much more effective in returning balance to our equity capital markets than the slow moving regulatory process. The unique proposal from Aequitas and the innovative ideas that they have proposed should be adopted in some form in order to strengthen our capital markets for the long term, bring back the natural investor and foster growth through healthy competition.

Below we look at some of the more specific issues raised in the OSC request for comment.

Governance

WDL believes in transparency and openness. The proposed ownership structure will provide this. Smaller market participants should have a voice when it comes to how exchanges are operated, in our current environment this is not the case. The proposed additional round of financing is a good opportunity for smaller market participants to get involved. The issue relating to ownership and the regulatory burden associated with it is of some concern. As mentioned above, many small firms do not have the capability to keep up with the stringent demand of disclosure and are therefore unable or unwilling to become involved as owners. It would be beneficial to the market place if owners with less than the proposed 5% threshold were exempt from all but the most necessary reporting requirements.

Trading and Fair Access

The creation of the Aequitas exchange is a direct response to the current state of Canadian market structure. If there was not so much outcry among the investment community and confusion within the public there would be no need for an additional exchange. The current system caters to a small group of players that have created a framework that is consistently gamed at the expense of natural institutional and retail investors. The heart of a capital market beats by bringing together those that have capital and those that use capital. It should not be there to enrich an increasingly smaller number of players. Some of the proposals that Aequitas has put forward are designed to stop or at least slow some of these predatory practices and return confidence.

The most controversial of the exchange venues that Aequitas proposes is the Neo Book. Designed to prevent many of the high frequency trading programs; it is a welcome alternative to today's existing lit books. The speed bump and take-take fee structure have raised questions regarding fair access. These proposals are not a fair access issue, in fact, these proposals do nothing more than reduce the systemic advantage of most predatory trading tactics. We are in favour of the proposal for the Neo Book and believe that an alternative should be allowed to operate and let the competitive market forces determine whether or not the system is viable. It does create the question however of why there is a proposed standard lit book when the proposals in the Neo are meant to bypass this type of standard execution.

All books proposed should be governed under existing rules. Aequitas should be exempt from the proposed changes to the Order Protection Rules. The spirit of Aequitas is to provide an alternative way to trade, not to simply offer a carbon copy exchange that takes advantage of the connection requirement and disadvantageous maker-taker models. Aequitas should not be put at a competitive disadvantage while the proposed changes are still out for comment.

Market Making and Listings

Traditional market making has been the cornerstone of efficient capital allocation until relatively recent technological advancements have pushed this vital aspect of the market to the side. We are encouraged by Aequitas' effort to bring this role back. Without going into the specifics of the current environment, it can easily be argued that a more traditional, albeit still electronic, market making facility would enhance the strength of the Canadian equity marketplace.

Many of the small and mid-cap issues in our country are largely ignored in the present environment. The listing and trading of small cap securities has traditionally been where many Canadian dealers have had their most competitive advantage. Market making is an integral part in incubating deals to allow them to thrive. Orphans do not survive for long in the wild.

The advantages given to the Market Maker should be put in place and reviewed regularly so as not to create an environment that is disadvantageous to natural investors. Market Makers, like all participants are in the business, attempt to create revenue and hopefully a profit for the firm or themselves. The revenue generated from market making activities should not be looked upon as being predatory but rather should be seen as a fee received for maintaining orderly markets, reducing volatility and adding liquidity.

The streamlined listing requirements proposed by Aequitas are also encouraging. The compliance and legal requirements in our current situation can be discouraging for small non-public companies to go to the market and raise funds thereby slowing innovation and Canadian economic growth. The reduced requirements in conjunction with the Market Making facility could help restore some confidence.

Conclusion

WDL welcomes the Aequitas proposal as a private solution to a public problem. To prevent the further erosion of the core of our capital markets it is imperative the issues surrounding our current market structure are resolved. Investor confidence is the single biggest factor to maintaining robust capital formation and transfer. Any proposal that encourages real open competition and the growth of market integrity is welcome.

Thank-you for this opportunity.

Regards,

Stephen Fontaine

W.D. Latimer and Co.