



May 30th, 2016

Cindy Petlock
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BY ELECTRONIC MAIL : legal@aequin.com ; marketregulation@osc.gov.on.ca

Dear Mesdames:

RE: Aequitas NEO Exchange REQUEST FOR COMMENT on PROPOSED AMENDMENTS TO TRADING POLICIES – AEF Order type (“Proposal”) published on May 11, 2016.

National Bank Financial Inc. ("NBF") appreciates the opportunity to comment on this Proposal. We support the AMF's statutory mandate to provide protection to investors from unfair, improper or fraudulent practices, and to foster fair and efficient capital markets and confidence in capital markets.

NBF is part of the diverse National Bank Financial Group ("NBFG") which: (i) manufactures mutual funds, owns proprietary distribution channels and supplies services to third party distributors; (ii) operates a discount brokerage firm; and (iii) is an IIROC-regulated investment dealer across Canada. We therefore take great interest in the regulatory initiatives contained in the Comment Paper and their potential impact on investors, the mutual fund industry, the investment industry and financial intermediaries.

Accordingly, our intention is to share our concerns regarding the initiatives contained in the Proposal and our experiences. We trust that our comments will be taken into account during the review process and also provide a positive and productive contribution to the outcome of the initiatives proposed in the Proposal.

Now is an interesting time in Canadian securities markets as industry participants are examining market making structures on a number of fronts. A number of the new structures being discussed involve some degree of order segmentation, and many are essentially non-binding referenda on Canadian Dark rules.

Like most important decisions, these will not be easy. Different types of participants enjoy or suffer very different outcomes from many these proposed revamps. We must be careful at this time to make sure we take the most holistic view possible of these issues, looking beyond immediate commercial interests, out into the future to consider what the Canada's securities industry should look like.

Auto Execution Facility (AEF)

As one of Canada's larger and more active market makers, NBF takes great interest in rule changes and new order types like the Auto Execution Facility (AEF) contemplated in this proposal. We appreciate that there is considerable demand from the retail trading community for greater and more reliable liquidity at the touch for their order flow. We hear this from our own wealth management division often, as well as from others who come to us for liquidity provision.

NBF supports broadly the concept of the AEF and its proposed functionality, especially the focus on automation contemplated therein. It is clear to us, however, that the facility is tantamount to a dark order type that would be in violation of the Canadian Dark rules. If the intention of Aequitas is to initiate another debate on the effectiveness of these rules, we would be happy to participate. We are not sure that this is the time or place for such a debate though.

NBF fails to appreciate the need for retail segmentation in the AEF facility. NBF has regularly opined against order segmentation in Canada. We believe that the best structure for the long term health of the marketplace is one that boasts the most diversity of flow interacting in the simplest possible way.

Other marketplaces with similar facilities (TSX's MGF, CSE's GMF) discriminate on the type of order in terms of parent order size and degree of automation. And, to some extent, these conditions do provide for some natural segmentation. But, importantly, they are not literally segmenting out different counterparties to enjoy different rights & privileges.

NBF would advocate adoption of the AEF without the explicit Retail segmentation. At the very least, we suggest simply using the existing NEO segmentation for LST/NEO with a view to remaining more consistent with the exchange's current structure and bifurcated treatment of its participants.

NBF appreciates the opportunity to comment on this significant development in the Canadian trading landscape.

We look forward to our continued participation in any further public consultation on these topics and our objective is to find solutions that are relevant for, and serve the needs of the Canadian market. NBF and its employees are willing to take a leadership role in this issue participating in consultations with investors, industry participants and the CSA.

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