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Re: NOTICE OF PROPOSED CHANGE AND REQUEST FOR COMMENT

1) Fair Access -- Staff question whether the Fee Proposal would be unfair to passive participants because their fees are determined by the nature of an incoming order and not by their own actions or decisions.

From a trading perspective we do not find this unfair to the passive participant. They have the choice of markets on which to post, and the potential fees are within the existing range of fees on current markets. Participants can base their decisions on the worst case, and treat any improvement as a bonus.

However, for administrative purposes, we consider this to be a bit of a step backwards. The statement that *"In the case of the CSE, all (resting) orders in TSX and TSX-V-listed securities come from proprietary sources."* is not entirely accurate. While from a Scotiabank perspective it generally does not represent a large percentage of order flow due to the limited trading on the CSE, Scotiabank does post institutional agency resting orders where the CSE appears to be the best market for a security, and would expect that other brokers do so as well.

Institutional investors are increasingly focused on broker transparency and in some cases are asking for reports on the fees paid on each of their orders. In addition some clients are on pass-through trading models. Brokers also calculate these fees for their own internal trading reports. Given the increasing complexity and rate of changes in marketplace fee schedules, we would like marketplaces to work towards each execution report being marked with the fee/rebate associated with the order. This would be much more efficient than each broker attempting to track the changes and calculate on their own. Having orders where the fee is not known until end of day requires a separate process to reconcile, and is cumbersome.

2) Leakage of Information -- Staff are concerned that the Fee Proposal would allow for passive participants in the CSE to have an informational advantage over other

marketplace participants, as they would know, based on the fee they pay, whether they are trading against GMF Orders (i.e. "agency" or "non-agency") orders. This information is not available to any other marketplace participant. We note CSE's assertions against the "real time" information leakage, but do remain concerned that passive participants would have information that allows them to determine the type of counterparty to the trade.

Despite this concern, we feel the benefit to the retail community outweighs concerns about information leakage (and if anything would prefer it to be available in real-time). We would also support this information being made publically available if there are fairness concerns about only the counterparty having access to this information.

General

Based on our experience to date, we have had positive results with the existing GMF program, and are supportive of measures to improve fill quality and costs for Canadian retail order flow.

We also continue to feel there are additional opportunities to improve the competitiveness of Canada for serving retail investors. Our view remains that the various market initiatives targeting retail orders (MGF, GMF, differentiated pricing, broker preferencing, TMX Alpha, cross-border routing, etc...) are adding significant complexity to the overall Canadian marketplace and would prefer to see the regulatory framework allow dedicated retail targeted facilities that would service this market without adding complexity to the institutional market. The Alpha Intraspread facility was functioning well for this purpose prior to the introduction of the dark trading rules.

We do approve of the open nature of this proposal which allows all participants to post passive orders to attempt to interact with retail rather than having a marketplace or broker select a market-maker. While we would like to see more broad changes made in the areas noted above under the current model, as things are we are fine with this proceeding.

As always, we appreciate the opportunity to comment on these proposed changes and would be pleased to provide more details if desired.

Sincerely,

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