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BY EMAIL

February 12, 2019

Sanka Kasturiarachchi,
Policy Counsel, Market Regulation Policy
Investment Industry Regulatory Organization of Canada
Suite 2000
121 King Street West
Toronto, Ontario M5H 3T9
e-mail: skasturiarachchi@iiroc.ca

Dear Mr. Kasturiarachchi,

Re: Proposed Amendments Respecting Provision of Price Improvement by a Dark Order (“Proposed Amendments”)

We thank IIROC for providing us with the opportunity to comment on the Proposed Amendments, published on December 13, 2018.

We are in support of the Proposed Amendments, because we believe they address certain developments in the market that are contrary to the intended policy objectives of the requirements in UMIR for dark orders to provide price improvement (the “Dark Order Requirements”) while minimizing the impact on the various market stakeholders. We note that:

- considering the results of the IIROC review and analysis of the matter, in our view adding the \$30,000 floor value to the minimum volume threshold of 50 standard trading units adequately distinguishes between small orders requiring price improvement versus large orders, in line with the policy objectives of the Dark Order Requirements;
- considering the approach taken, i.e. the implementation of an additional threshold without significantly changing the requirements, the 90-day implementation period appears to be reasonable; and
- we do not see any other unintended consequences.

We are also supportive of the review of the UMIR thresholds in general and within the framework of IIROC’s joint review with the CSA of internalization practices.

As part of this general review and the joint review with the CSA, we ask that consideration be given to other developments in the market that are also contrary to the intended policy objectives of the Dark Order Requirements, such as the proliferation of various market making programs with minimum guaranteed fill facilities. In the Canadian securities markets, the developments that the proposed amendments seek to address and the other developments mentioned above are both symptomatic of market participants seeking to establish a form of wholesale market making, as it is known in the U.S., which is not allowed under the current regulatory framework.

We believe that it is important that the regulators review their position on order exposure and dark trading in Canada and then review functionality (new and existing) to ensure that, regardless of the form, the functionality is consistent with the principles behind the Dark Order Requirements.

Thank you again for the opportunity to comment on the Proposed Amendments.

Yours truly,

“Cindy Petlock”

Cindy Petlock
Chief Legal Officer

cc: Market Regulation, Ontario Securities Commission
Joacim Wiklander, Chief Business Officer, Neo Exchange Inc.