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**RE: Notice of Proposed Amendments Respecting Provision of Price Improvement by a Dark Order**

Dear Sirs / Mesdames:

Independent Trading Group (ITG) Inc. thanks you for this opportunity to comment on the proposed amendments to Provision of Price Improvement by a Dark Order. Our specific comments to the issues posed are attached, we also summarize our core positions.

Independent Trading Group **does not support** IIROC's proposed amendments to UMIR to Dark Order Requirements. We highlight major concerns and potential solutions in detail to ensure that there can be an equitable resolution for all participants in the Canadian markets.

**Response to Request for Comments:**

Our specific feedback is as follows:

1. The proposal would make every price level a different minimum number of shares to participate in the dark pool ATT (At-the-Touch), making it confusing for retail traders, programs, and market makers to adjust orders to every price level. An easier solution is to raise the minimum board lot level for stocks under 10 cents. The \$30,000 per order minimum is an exceedingly high level for sub-10 cent stocks, it disincentivizes both the market maker and retail investor to trade or offer liquidity for larger orders as they will be forced to use a lit market which increases both trading costs and price slippage.

2. Dark pool ATT orders provide liquidity to thinly traded or junior stocks with a wider spread without causing undue market price volatility and increased costs to fill orders. Raising the minimum threshold to a prohibitive level (\$30,000 per order) will cause less dark order volume to flow through these junior stocks, and possibly total volume in general, as investors will have to pay higher prices to buy or lower prices to sell to facilitate trades in the lit market.
3. The proposal would drastically diminish dark pool trading on junior stocks which contravenes IIROC's practice of allowing the dark market to place large orders without adverse price impact and increased costs. (i.e. even \$30,000 is a substantial order size on sub-10 cent stocks that few participants use with regularity).
4. The minimum proposed dark ATT threshold is larger than many lit market's bid/offers on junior stocks, especially nascent industries. Few stocks priced at 3c have posted offers of greater than 1 million shares or greater than 500k at 6c so placing larger orders that don't meet threshold in lit market can have substantial price and cost impacts by trading all volume "out loud".
5. The proposal makes it exceedingly difficult for non-insiders or non-institutional players to participate in a dark pool without compromising their price or to pay increased fees; additionally, it unfairly prioritizes non-retail investors. Generally, only an insider or a rare institutional order would be capable or willing to buy or sell millions of shares on junior securities that meet the minimum threshold; a lower threshold is required to be equitable to all investors. Stocks sub-10 cents are highly distressed or highly speculative and this proposal gives less reasons to invest in these companies.
6. Institutional traders, mutual, and pension funds are rarely if ever involved in sub-dollar or sub-10 cent stocks, the space is predominately for **retail traders and market makers**. This proposal would drastically reduce opportunity and liquidity for retail traders to trade contra or interact with market makers and those providing liquidity as the proposed dark pool ATT minimum is too large for market makers to consistently offset the trade that the lit market cannot. This initiative would deprive retail investors of receiving liquidity from non-lit volume and from professional market makers. There is often a substantial amount of volume available in dark markets versus volume posted in lit markets, and a trader would be forced to pay higher levels to complete their orders.
7. The overwhelming majority of junior stocks under 10 cents do **not** move more than one price level throughout a given day so the current trading structure is not dramatically inhibiting price discovery as the price is readily apparent and able to be executed at level 1 prices.
8. Stocks 10 cents or less are by nature highly speculative. By implementing measures to restrict liquidity and increase costs, that will only serve to push out retail traders and market makers which could lead to more manipulation and less willingness to invest in these securities. Forcing



trades to be in a lit market unless their order is over \$30k, increases the chances of gaming and having traders taken advantage of when showing relatively large orders (i.e. just less than \$30k) in a lit market

9. Some of the minimum threshold orders to be dark ATT-eligible, would be a high percentage of outstanding shares/float of the companies for investors who do not wish to own such a large amount of a company yet want to execute orders in a dark market. For example, a 2-cent stock requires a **minimum** order of 1.5 million shares which can be up to 5% of outstanding shares. *A much lower floor level is necessary to avoid this issue and would be much more appropriate especially in the junior market to allow all players to participate fairly in the market.*
10. The current structure encourages traders and market makers to enter larger non-lit orders to facilitate contra-trades and hence more shares to trade at the Level 1 price as opposed to trading through multiple levels when large orders come to the market. The proposal raises the threshold to an exorbitant level that most market makers and/or professional traders cannot accommodate and would be disadvantaged due to *Broker Preferencing*.
11. The fee caps on most dark pool orders exist to encourage trades to place larger orders, providing more liquidity and a way to keep the costs of trading in check. Raising the level and by extension, removing most ATT dark trades, forces trades to take place in markets which are uncapped, which both raises costs to all market participants and lowers liquidity in stocks that need it as they are overlooked by large institutional traders.

We wish to reiterate that Independent Trading Group supports proposals that would help overall market structure, however we feel this proposal does not help the market as a whole. This proposal will have a negative effect on retail access, liquidity in the junior market, and costs of trading. The \$30,000 minimum order proposal is excessively high and greatly hinders the necessary liquidity and ease of market access in the junior market. *We ask that you reconsider this initiative or at the very least greatly reduce the minimum dollar threshold to help better serve all market participants.*

Thank you for the opportunity to provide comments. Please feel free to contact us with any questions or requests for clarification.

Sincerely,

Independent Trading Group (ITG), Inc.