

March 1, 2019

Attention CSA  
British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Financial and Consumer Services Commission, New Brunswick  
Superintendent of Securities Government of Prince Edward Island  
Nova Scotia Securities Commission  
Office of the Superintendent of Securities, Service NL (Newfoundland and Labrador)  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Yukon  
Superintendent of Securities, Department of Justice, Government of Nunavut

Regarding Request for Comment 23-323 - Trading Fee Rebate Pilot Study:

The CSA's role is vital to marketplace integrity and we hope it is fully aware of the far reaching positive impacts that organic market makers (Registered Traders) provide to help ensure an orderly and liquid market for listed securities on the Toronto Stock Exchange (TSX). We also trust the CSA is well aware of the assumption of risk and extensive direct costs shouldered by individual registered traders and sponsoring firms who perform those market making responsibilities, which benefit issuers and investors alike. We believe that removing or negatively adjusting the rebate fee structures as they pertain to registered traders (RT's) and their stocks of responsibility without equal or enhanced alternative options in place would be detrimental to investors and the overall integrity of the TSX listed market in the immediate, near, and long term.

We support the pilot study and look forward to the resulting insights. We strongly believe it is imperative to the overall health of the TMX, and Canadian capital markets that officially sanctioned market making participants are encouraged to remain participants with the aid of specific and sustaining rebate fees, cost offsets, and/or other compensation formulas directly from the Toronto Stock Exchange. Also, it is strongly recommended that the pilot allow the TSX and other Canadian exchanges to maintain a risk and cost offset formula specifically for registered market making during the pilot trial period so that market makers may maintain a manageable risk exposure and be incentivized to ensure their continued presence.



The field of registered trading participant firms is shrinking rapidly to the detriment of a healthy and transparent marketplace. Registered traders (RT's) for listed securities provide a variety of valuable direct and indirect benefits to issuers, investors, and the broader integrity of Canadian marketplaces. Direct and indirect benefits include:

- Registered market makers adhere to predetermined market quality obligations in agreement with the Toronto Stock Exchange.
- Market Makers consistently represent and maintain narrow and competitive Bid/Ask spreads to facilitate price points attractive to retail and institutional investors. Bringing buyers and sellers together with visible and narrow price spreads is beneficial to all issuers and particularly important for medium and low liquidity issues.
- Market liquidity and price stability through market depth participation.
- Order execution benefits for retail investors through minimum guaranteed fill obligations and odd lot executions.
- Posted markets supported by registered market makers are key to investor and issuer protection as transparent marketplaces. There is direct and indirect linkage to long term market quality and investor protection in the face of ever increasing usage of dark marketplaces and order execution internalization.
- Price discovery in the secondary market is important to issuers.
- Supportive and necessary gatekeeper function for regulatory bodies including IIROC.

The elimination of trade rebates for registered market making would be detrimental to market efficiency, investor objectives and confidence, issuers, and pricing in both our equities markets and of derivatives and funds. Naturally, some aspects of the rebate fee format may need adjusting and some alternative options are available, however, without tangible and guaranteed offsets for the risks and rising costs borne by independent market making firms, they may choose to abandon this area of contribution to the marketplace.

We appreciate this opportunity to comment on the Trading Fee Rebate pilot study and offer our assistance with further explanation and thoughts at your convenience.

Very Truly Yours,

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