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VIA E-MAIL

The Canadian Securities Administrators c/o
The Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
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comments@osc.gov.on.ca

Dear Sirs and Mesdames,

Re: CSA Consultation Paper 21-403 (published November 10, 2022) (the “Consultation Paper”)

I would like to thank the CSA for this opportunity to comment on the above-referenced Consultation Paper. The following comments are personal and do not necessarily reflect the positions of any organizations I am or have been associated with. However, my forty-six plus years spent creating and running markets, organizations, and companies centered on the Canadian capital markets hopefully inform the following.

You are to be applauded for engaging in this revisitation of the data markets. It is a daunting task given the complexities and myriad stakeholders involved. Since we embarked on the multi-market format in 2007, business models and practices have become entrenched and thus any attempt to effect significant improvements or changes to the overarching regulatory framework will likely occasion dislocation for some. That inevitable byproduct can be tempered by thoughtful consideration of the interests of both the impacted regulated and unregulated stakeholders with an eye to aligning otherwise seemingly divergent interests wherever possible. For the public interest, it can and should be done.

Some basic principles to consider prioritizing

We need to remember that, at its core, effective and efficient data availability is central to maintaining transparency and a functioning price discovery mechanism. I would thus suggest that the following maxims be fundamental to the review process:

- ***All data related fees should be transparent and changes subject to review.*** Easy to pronounce but perhaps difficult to implement given the significant role competitive and often unregulated data vendors play in the provision and administration of market data distribution. However, this is something that needs to be accomplished. This also argues for consistent terminology across markets and vendors.
- ***Approved marketplaces (and vendors) should not be allowed to charge data fees to Smart Order Routers (SORs) relied upon by participants when fulfilling their Best Price obligations.*** That should apply to all direct and indirect costs and fees. Best Execution (and its subset, Best Price) are public goods and should thus not be discouraged through direct or indirect taxation essentially created or sanctioned by regulatory fiat.
- ***Learn from and improve upon, but do not replicate, the mistakes of other jurisdictions.*** The SIP model in the US is appealing, but be very careful not to allow the gaming practices that have emerged there. By way of simple example, do not allow the revenue sharing practices that inevitably lead to meaningless flickering quotes and an overloaded data delivery infrastructure. Also, avoid falling for some of the more spurious by-products that can be later manipulated to permit perversions to market integrity. The fallacious concept of a *universal* National Best Bid and Offer (NBBO) would be a prime example. The adoption of same has fostered many undesirable internationalization-related schemes.
- ***Any SIP-like facility requires independent management and governance.*** It should be treated as a public good and thus be free of the dominating commercial interests and incentives naturally arising within a specific stakeholder or closely aligned subset of stakeholders.

Given the complexities of modifying now firmly entrenched business practices and interests, you are wise to consider creating an advisory board to guide this review. ***Success will be dependent upon assembling a team of qualified experts without any material conflicts of interest.*** That may not prove as simple as first appears. History has repeatedly shown that often simple market structure issues can confound even those directly involved, let alone the strongest experts from other disciplines. It is very easy for the uninitiated to get lost (or misdirected) in what is sometimes referred to as the “spaghetti-like internal plumbing” of our market apparatus. Thus, extensive, direct, industry and market expertise will be essential to achieve the re-alignment of interests required to effect substantial improvements.

Lastly, with respect to the market disruptions that occurred last November 1, this is a problem that has plagued every similar disruption in Canada over the last fifteen years. There are a number of factors at play and addressing such deficiencies will require thoughtful consideration. Availability of comprehensive, collective market data at affordable prices, providing the ability

for participants to easily terminate resting orders on effected marketplaces during such occurrences, and the establishment of protocols to seamlessly and immediately redirect order router flows are all areas that deserve consideration in your review. If these and related concerns can be properly addressed, I believe that sufficient confidence can be instilled in participants to facilitate orderly continuation of markets in such, fairly rare, circumstances.

Thank you for allowing me to comment on these matters and I hope this assists you in formulating a successful path forward.

Yours truly,

A handwritten signature in blue ink, consisting of a large, sweeping horizontal stroke with a smaller, more complex mark above it.

Ian Bandeen

Co-founder of the Canadian MBS and ABS markets
Co-founder and past Chair and CEO of the Canadian Securities Exchange
Co-founder and Chair Emeritus of the National Angel Capital Organization
Current Chair of the Advisory Board, Select Vantage Inc.