

DELIVERED BY EMAIL

February 10, 2023

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, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Service NL
Northwest Territories Office of the Superintendent of Securities
Office of the Yukon Superintendent of Securities
Nunavut Securities Office

c/o Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

Dear Sirs/Mesdames:

Re: CSA Consultation Paper 21-403 - Access to Real-Time Market Data

Wealthsimple is pleased to provide comments to the Canadian Securities Administrators (“CSA”) regarding CSA Consultation Paper 21-403 - *Access to Real-Time Market Data* dated November 10, 2022 (the “**Consultation Paper**”). We support enhancements to the regulation of market data fees that will enable retail investors to access the market data that they require to make informed investment decisions. We believe it is essential that dealers serving the retail investing community can access a real time consolidated market data feed for their clients at a reasonable price. The current market data pricing structure makes it cost prohibitive to provide consolidated market data to retail investors. This means retail investors are often looking at incomplete market data, which erodes trust in the Canadian market.

Wealthsimple’s mission is to help everyone achieve financial freedom. We do this by building low-cost, innovative and accessible financial products across investing, tax filing, spending and saving. We currently serve 3+ million Canadians and manage over \$18 billion assets. We’re immensely proud of the impact we’ve had improving the financial futures of millions of Canadians: 75% of our clients are under the age of 40 and more than half of them have told us we were their first introduction to investing.

Apply a data fee methodology to non-professional subscriber fees

By any account, non-professional consumption of market data far exceeds professional consumption, considering the number of investment advisors, retail portfolio managers and self-directed retail clients in the Canadian market. However, the CSA's current data fee methodology (“DFM”) only applies to professional subscriber fees. The Consultation Paper notes that the current DFM has helped slow the growth of professional subscriber fees. Therefore, we believe that the CSA should adopt a DFM for non-professional subscriber fees. Additionally, any DFM must consider the total cost of market data, and should therefore include any fees marketplaces charge dealers to access data, not just subscription fees. Finally, the DFM must take into account the size of the Canadian market. The data in Appendix A to the Consultation Paper indicates that Canadian market data fees are out of proportion to fees in the U.S., when taking into account the relative sizes of the market. We are supportive of enhancements to the DFM that reflect the relative size of the Canadian market

Require marketplaces to publish changes to market data fees for public comment

We believe that marketplaces should be required to publish changes to market data fees for public comment. The Consultation Paper notes that specific data from one marketplace cannot be substituted with data from another. The dealer community is a captive consumer of real time market data, and there is no competition among marketplaces to create downward pressure on data fees. Therefore, at a minimum, marketplaces should be required to publish changes to real time market data fees for public comment. This will enable stakeholders to voice concerns about the impact of fee changes on their ability to access market data. In their requests for public comment, marketplaces should be required to explain to the investing community how a change to real time market data fees is consistent with the DFM, and to explain how the change is consistent with the fair access requirements in National Instrument 21-101 - *Marketplace Operation*.

Standardize key terms used for real time market data

We are supportive of a CSA initiative to standardize the key terms and contractual provisions used in the distribution of real time market data, particularly the definitions of “professional” and “non-professional” users. One big hurdle we face as consumers of market data is the administrative burden created by the nuances in the different contracts used by the marketplaces, which are not administered in a standard way and which lack standardized definitions. Therefore, we support the creation of an industry committee to standardize the key defined terms and provisions in market data contracts. The dominant stakeholders in such an industry committee should be dealers - the consumers of data. This will give dealers the ability to negotiate key contractual terms with the marketplaces as a group, which will ensure consistency across the Canadian market.

Enhance the current information processor model

It is essential for retail investors to have access to a consolidated market data feed to foster trust in the Canadian market and for clients to understand that they are getting best execution. It is currently too expensive for dealers to provide a consolidated market data feed to retail investors, so most dealers instead provide a data feed from the primary listing marketplace. However, according to IIROC's Report of Market Share by Marketplace as of December 31, 2022, only approximately 60% of volume was traded on TSX and TSXV over 2022. Therefore,

many retail investors are looking at incomplete information. The true high or low of the day, and the true volume or liquidity of the security, is not reflected in the data available to retail investors.

The current market data experience of the retail investing community can create confusion and erode trust in the Canadian market. For example, a retail investor may sell a stock at \$1.00 on the non-primary market, but the published low price on the primary market was \$1.01. While the security traded at price(s) lower than \$1.01 over the course of the day, the market data available to the retail investor tells them otherwise. If only 500 shares trade on the primary market but 5,000 shares trade elsewhere, clients may be confused as to how they bought 1,000 shares, and may have concerns about internalization. Therefore, we believe it is imperative that the information processor provide a consolidated market data feed at a price that makes it accessible to the retail investing community. This will enable the retail investing community to make informed investment decisions. This consolidated market data feed must provide the official open price, the total volume traded on the day and the high and low price, in addition to the last sale, best bid and best offer. All of these pieces of information are important to retail investors. We believe that the fee the information processor charges for this consolidated market data feed should be comparable to the data fee for the market data currently provided by the primary listing marketplace.

Therefore, we believe the CSA should closely study the creation of an enhanced information processor model, with the goal of making consolidated real time market data more accessible to the retail investing community. We believe the enhanced model should include fee caps on the consolidated real time market data that the information processor distributes. A third party free of conflicts of interest should then determine the distribution of that fee to the various marketplaces. These fee caps should include all of the fees associated with market data, such as display and non-display use fees and distribution fees. Further, consumers of this consolidated market data should enter into a contract with the information processor directly. This would meaningfully reduce the current administrative burden associated with consuming the information processor's consolidated market data, where consumers must enter into a contract with each marketplace.

Given the size of the Canadian market, we are not convinced that a new information processor, or a multiple information processor model, will present a net benefit to the market. Whenever there is the creation of a new piece of market infrastructure, the cost is usually borne, directly or indirectly, by market participants. Therefore, we believe that the CSA should focus on improving the current information processor offering.

Finally, we believe that easy access to real time (or even delayed) consolidated market data is critical to demonstrating the depth of the Canadian market to foreign investors. We have seen the Canadian market lose foreign investment order flow on interlisted names to the U.S. market. A continued hollowing out of the Canadian marketplace will make it even more expensive for investors to invest in Canadian listed issuers, both due to higher explicit costs but also widening spreads. Therefore, an enhanced information processor model, that provides consolidated data at a reasonable price, may attract foreign investment to the Canadian market and provide a benefit to Canadian investors.

We commend the CSA for its work to date reviewing market data fees in Canada. We hope that our comments will be received positively by the CSA, and are helpful in future considerations regarding access to real time market data. We welcome the opportunity to discuss our comments with you.

Yours truly,

“Blair Wiley”

Blair Wiley
Chief Legal Officer

cc: Tara Kennedy, *Wealthsimple*
Constance Lo, *Wealthsimple*
Catherine De Giusti, *Wealthsimple*