



**NATIONAL  
BANK**

**FINANCIAL MARKETS**

August 17, 2015

The Secretary  
Ontario Securities Commission  
20 Queen Street West, 22nd Floor  
Toronto, ON M5H 3S8

Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22<sup>e</sup> étage  
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BY ELECTRONIC MAIL: [comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca) ; [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

Dear Sirs and Mesdames:

**RE: CSA NOTICE AND REQUEST FOR COMMENT – Proposed Amendments to the Companion Policy to National Instrument 23-101 *Trading Rules: Application of Order Protection Rule to Market Places Imposing Systematic Order Processing Delays* (“Comment Paper”) published on June 12, 2015.**

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NBF is part of the diverse National Bank Financial Group (“NBFG”) which: (i) is an IIROC-regulated investment dealer across Canada; (ii) operates a discount brokerage firm; and (iii) manufactures mutual funds, owns proprietary distribution channels and supplies services to third party distributors. We therefore take great interest in the regulatory initiatives contained in the Comment Paper and their potential impact on investors, the mutual fund industry, the investment industry and financial intermediaries.

Accordingly, our intention is to share our concerns regarding the regulatory initiatives contained in the Comment Paper and our experiences. We trust that our comments will be taken into account during the review process and also provide a positive and productive contribution to the outcome of the regulatory initiatives proposed in the Comment Paper.

There is a larger public debate to be had on OPR in general. It will be long and complex, but extremely important. We believe that the simplest and best outcome for Canadian investors is to do away with order protection, in favour of a more principals based “best-execution” regime.

NBF appreciates, however, that the CSA deem it necessary to examine more immediately the systematic order processing delays being introduced, “speedbumps”, and their relation to order protection as it exists today.

NBF agrees with the CSA that marketplaces with order processing delays should not enjoy protection; and furthermore that if some are to be unprotected (as Alpha has been deemed to be) then all should be considered on similar terms. We would broaden the speedbump notion to include any feature which exists to advantage different users or order types over others.

We believe that NBF routers and strategies will be able to work better for their users without the explicit constraints that protection imposes; and if that's the case, then the protection is working in the opposite manner intended. This goes for all relevant stakeholders in our firm, which include Retail, Institutional, *and* Liquidity Providers. Each of these stakeholders have different needs and are better served by a more open set of trading rules, though ultimately governed by Best Execution.

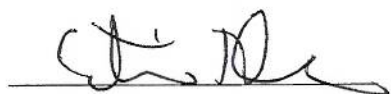
The more difficult questions involve market data. What constitutes an actual NBBO, how vendors will handle it, what retail customers will think of the data they view are all topics that were well covered in the May 2014 OPR review (and remain at large). Given the impending changes at Alpha and should Aequitas be deemed an unprotected market by virtue of its speedbumps, Canadian investors will need some quick decisions regarding the data framework within which we operate.

Assuming vendors and investors can cope with having two-or-more different NBBO feeds in a cost-neutral manner, a fairly large and unlikely assumption, the most pressing question will be which NBBO is used for price-improvement on dark orders and for midpoint determination.

NBF believes that the *protected NBBO* is the answer. A protected bid or offer is more reliable bid or offer, and it seems only fair that the most reliable quotation is what is used for such relative pricing.

As always, NBF appreciates the opportunity to comment on this significant development in the Canadian trading landscape.

We look forward to our continued participation in any further public consultation on these topics and our objective is to find solutions that are relevant for, and serve the needs of the Canadian market. NBF and its employees are willing to take a leadership role in this issue participating in consultations with investors, industry participants and the OSC.



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