

September 11, 2014

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Dear Sir:

**Re: Application by Aequitas Neo Exchange Inc. to the British Columbia Securities Commission for an exemption from recognition as an exchange (the Aequitas Application)**

The Canadian Advocacy Council<sup>1</sup> for Canadian CFA Institute<sup>2</sup> Societies (the CAC) appreciates the opportunity to comment on the Aequitas Application. Capitalized terms used in this letter and not defined herein will have the same meaning as in the Notice and Request for Comment published by the British Columbia Securities Commission (BCSC) regarding the Aequitas Application (the Request for Comments).

Although the Request for Comments set out a deadline of August 26, 2014 for submitting comments, pursuant to a conversation between Mr. Michael Brady of the BCSC and Ms. Cecilia Wong, Chair of the CAC, the CAC obtained permission to submit comments by no later than September 12, 2014.

The CAC's comments will respond to the specific questions set out in the Request for Comments. The numbering below corresponds to the numbering in the Request for Comments.

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<sup>1</sup>The CAC represents the 13,000 Canadian members of CFA Institute and its 12 Member Societies across Canada. The CAC membership includes portfolio managers, analysts and other investment professionals in Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. See the CAC's website at <http://www.cfasociety.org/cac>. Our Code of Ethics and Standards of Professional Conduct can be found at <http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx>.

<sup>2</sup> CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors' interests come first, markets function at their best, and economies grow. CFA Institute has more than 119,000 members in 147 countries and territories, including 112,000 CFA charterholders, and 143 member societies. For more information, visit [www.cfainstitute.org](http://www.cfainstitute.org).

*1. What are the potential benefits and risks of the Aequitas market maker program to TSX-V trading, particularly for securities with smaller trading volumes?*

The presence of market makers is intended to increase liquidity and this is particularly beneficial where securities have low trading volumes. This liquidity will help to tighten spreads and reduce the costs of trading. As long as market makers are limited to only a reasonable share of the volume of any security (as is the case with the Aequitas market maker program, where market makers are limited to 15% of the volume), there should not be any significant risks.

*2. Will [order priority based on size rather than time] provide large institutions with an inappropriate advantage over individual, retail investors? Will this have adverse, unintended consequences for the venture market? Will a dealer's obligation to achieve best execution for its clients influence whether they post orders for retail clients on the Lux (sic) facility?*

The CAC does not believe that order priority based on size rather than timing is a disadvantage for retail investors. As a starting point, it is not certain that larger orders are always placed by institutions rather than retail clients. However, even if it is assumed that larger orders are placed by institutions, giving priority to such orders means that the market is reflecting the best price information rather than simply reflecting the pricing dictated by parties that are able to utilize speed advantages to obtain priority in the order queue.

### **Concluding Remarks**

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have and appreciate the time you are taking to consider our points of view. Please feel free to contact us at [chair@cfaadvocacy.ca](mailto:chair@cfaadvocacy.ca) on this or any other issue in future.

(Signed) Cecilia Wong

**Cecilia Wong, CFA**  
**Chair, Canadian Advocacy Council**