

## **ANNEX E**

### **SUMMARY OF COMMENTS AND CSA RESPONSES**

#### **List of Commenters**

1. BMO Capital Markets
2. Canadian Independent Finance and Innovation Counsel Inc.
3. Investment Industry Association of Canada
4. Nasdaq Canada
5. National Bank Financial Inc.
6. Scotiabank
7. TD Securities
8. TMX Group Limited
9. Tradelogiq Markets Inc.
10. Virtu Financial

**Question 1:**

- a) **Do you agree with the proposal to align the maximum fee for executing an order involving a U.S. Inter-listed Security priced at CAD 1.00 or more with the reduced access fee cap adopted by the SEC:**
- i) **at CAD 0.0010, without consideration for the current foreign exchange rate, or**
  - ii) **at CAD 0.0014, which approximates the SEC’s adopted access fee cap with consideration for the foreign exchange rate (USD 0.0010 x 1.44)?<sup>5</sup>**
- b) **Alternatively, do you support aligning the access fee cap for U.S. Inter-listed Securities with the current fee cap for non-U.S. Inter-listed securities (CAD 0.0017)?**
- c) **Do you support any alternatives not listed above?**

**Please provide rationale in support of or against any alternatives above.**

<b>Summary of Comments</b>	<b>CSA Response</b>
<ul style="list-style-type: none"><li>• Five commentors supported a CAD 0.0010 fee cap.</li><li>• One commentor supported eliminating the distinction in fee caps between U.S. Inter-listed Securities and non-U.S. Inter-listed Securities. The fee cap for non-U.S. Inter-listed Securities is currently CAD 0.0017.</li><li>• One commentor supported a CAD 0.0025 fee cap.</li><li>• One commentor supported a CAD 0.0030 fee cap, but if they had to choose one of the options listed, they would support a CAD 0.0017 fee cap.</li><li>• Two commentors supported eliminating fee caps in favour of a market-driven fee structure.</li></ul>	We have amended NI 23-101 to implement a CAD 0.0017 fee cap.

<sup>5</sup> The CAD/USD exchange rate was approximately 1.44 at the time of publication of the Request for Comment.

**Question 2:**

**Will the competitiveness of the Canadian capital markets be impaired if only the trading fee caps are lowered for U.S. Inter-listed Securities? Please provide supporting rationale.**

Summary of Comments	CSA Response
<ul style="list-style-type: none"><li>• One commentor believes that any change in trading fee caps will not impact how companies use U.S Inter-listed Securities</li><li>• Two commentors believes that lowering Canadian trading fee caps on U.S. Inter-listed Securities could incentivize Canadian investors and traders to use more U.S. marketplaces where higher rebates can be offered, leading to decreased order flow in Canada</li><li>• Three commentors believe having a harmonized fee cap for all securities in Canada would reduce marketplace fee complexity. There was some disagreement on what that harmonized fee should be – some commentors supported a CAD 0.0010 fee cap for all securities, whereas others supported a CAD 0.0017 fee cap for all securities</li></ul>	<p>We are monitoring and will continue to monitor how any changes to the trading fee cap impact the competitiveness of the Canadian capital markets.</p>

**Question 3:**

**Should the trading fee caps apply to trading fees paid by passive orders in inverted (taker-maker) markets? Please provide supporting rationale. What would be the costs and benefits of applying the cap to inverted markets?**

<b>Summary of Comments</b>	<b>CSA Response</b>
<ul style="list-style-type: none"><li>• Two commentators supported applying the same trading fee caps paid by passive orders in inverted markets as those in non-inverted markets as externalities and distortions raise overall transactions costs for the market</li><li>• Two commentators said that there should be no regulatory restriction on the level of fees for passive orders or associated rebates for active orders on inverted venues because a natural limit, determined by market forces, already exists. At some point, the liquidity providing fee becomes too expensive for participants to make markets and liquidity providers will stop routing orders to the marketplace.</li></ul>	<p>The fee cap is intended to apply to orders that a marketplace participant may be required to interact with as a result of the order protection rule. No one is required to post a passive order on an inverted market.</p>

**Question 4:**

**As part of the final rules adopted on September 18, 2024, the SEC rules prohibit a national securities exchange from imposing any fee or providing any rebate for the execution of an order in an NMS stock unless such fee or rebate can be determined at the time of execution. Please discuss whether we should take a similar approach in Canada.**

<b>Summary of Comments</b>	<b>CSA Response</b>
<ul style="list-style-type: none"><li>• Generally, all commentors support pre-trade transparency in trading fees. Some commentors agreed that investors benefit from understanding the full extent of the trading costs at the time of execution. However, other commentors believe that using the existing published fee schedules is sufficient for pre-trade fee transparency.</li></ul>	<ul style="list-style-type: none"><li>• Generally, Canada’s marketplaces offer different volume discount programs than exist in the U.S. which result in less frequent routing conflicts in Canada. As such, there is no change to the pre-trade fee transparency requirements at this time.</li></ul>