

Appendix A

Summary of Public Comments on Proposed Amendments to National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules* regarding the Trade-Through Proposal and Canadian Securities Administrators Responses

<p>General Comments</p> <p><i>Framework for Trade-Through Proposal</i></p> <p>General support was expressed by a number of commenters for the proposal that responsibility for trade-through protection should lie with marketplaces.</p> <p>Two commenters did not favour a trade-through rule. One of these commenters stated that it did not believe a trade-through rule was necessary, particularly for institutional orders.</p> <p>A couple of commenters urged Canadian regulators to implement a consistent system with that of the U.S.</p> <p>Finally, another commenter remarked that marketplaces must be responsible for ensuring accessibility on a consistent and reliable basis prior to launch involving the dealers, the marketplaces and the vendors. This commenter further stated that since the Canadian marketplace relies on third party vendor technology for access to marketplaces and post-trade processing, coordinated and successful industry-wide testing is a critical success factor to the introduction of new marketplaces in Canada.</p> <p><i>Need for Data Consolidation and Smart Order Routers</i></p> <p>Some commenters expressed the view that a</p>	<p><i>The Canadian Securities Administrators (CSA or we) believe that a trade-through protection rule will help in maintaining investor confidence and fairness in our markets. In addition, imposing the obligation on marketplaces would allow flexibility in determining how to best implement the trade-through protection rule.</i></p> <p><i>Where appropriate, the CSA have endeavoured to make the proposed trade-through protection regime consistent with the system used in the U.S.</i></p> <p><i>We have updated existing provisions to require a marketplace to publicly make available its technology requirements in their final form for at least three months immediately prior to operations and to provide public testing facilities for interfacing with or accessing the marketplace for at least two months immediately prior to operations. However, industry-wide testing is not being proposed at this time.</i></p> <p><i>While we are of the view that a centralized</i></p>
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<p>centralized data consolidator and order routers are necessary to comply with a trade-through rule.</p> <p><i>Requests for Clarification</i></p> <p>One commenter highlighted the lack of guidance for how the specific needs of institutional investors would be addressed in the trade-through proposal. Specifically, this commenter called for accommodation for institutional investors as the proposed system would inhibit the legitimate trading and price discovery activities of this element of the Canadian capital markets.</p>	<p><i>data consolidator is not critical for compliance with a trade-through obligation, the CSA are working towards the introduction of an information processor to facilitate data consolidation. In addition, we expect that information vendors will respond to market demand and make consolidated data available. With respect to smart order routers, there are a number of ways in which a marketplace can implement its policies and procedures. Providing a smart order router is one such mechanism. It is the CSA's understanding that many of the marketplaces carrying on business in Canada do or plan to offer routing services to their participants.</i></p> <p><i>The CSA are of the view that all marketplace participants should respect better-priced limit orders already displayed. However, the ability to use an inter-market sweep order has been included to facilitate block trading.</i></p>
<p>Question 1: In addition to imposing a general obligation on marketplaces to establish, maintain and enforce written policies and procedures to prevent trade-throughs, would it also be necessary to place an obligation on marketplace participants to address trade execution on a foreign market?</p>	
<p><i>Comments</i></p>	<p><i>CSA Responses</i></p>
<p>An overwhelming majority of commenters were not supportive of imposing an obligation on marketplace participants to address trade execution on a foreign market.</p>	<p><i>The CSA agree that the trade-through obligation should not apply to protect better-priced orders displayed on a foreign market. However, we note that currently, best execution would require marketplace participants to consider foreign markets when executing a trade. We have also proposed an anti-avoidance provision (section 6.7 of NI 23-101) to prevent the routing of orders to foreign marketplaces only for the purpose of avoiding the trade-through regime in Canada.</i></p>

Question 2: What factors should we consider in developing our cost-benefit analysis for the trade-through proposal?

<i>Comments</i>	<i>CSA Responses</i>
<p>Commenters recommended the following factors should be considered when developing a cost-benefit analysis for the trade-through proposal:</p> <ul style="list-style-type: none"> • Total cost to the marketplace of imposing trade-through obligations on various marketplace participants; • Total industry costs; • Access fees, settlement and clearing fees, cost of surveillance and monitoring of trading on each marketplace; • Costs of a system that is inconsistent with the U.S.; • Benefits of maintaining strict trade-through protection; • Net measurement of the benefit to the client; • Aggregate cost to the industry rather than on a dealer by dealer basis; • Cost of surveillance and monitoring within the dealers’ compliance units; • Regulatory costs of the market regulator(s); • Impact of latency – missed opportunities, information leakage and high transaction and clearing costs if orders must travel to many destinations before they are filled; and • Look at the cost-benefits for trade-through on a portfolio or multiple order basis in addition to a single stock basis. <p>One commenter stated that it is important to view all of the limit orders at the bid or ask in the aggregate in order and to consider the contribution made by retail orders.</p>	<p><i>The CSA thank all commenters for their input. We are publishing a cost-benefit analysis which examines the anticipated incremental impact of the proposed amendments. The comments received have, where appropriate, informed that analysis. For example the current participant level obligation, removing current requirements and applying the trade-through obligation at the marketplace level were considered in the CBA.</i></p>

Question 3: Would you like to participate in the cost-benefit analysis by providing your input?	
<i>Comments</i>	<i>CSA Responses</i>
<p>Seven commenters expressed an interest in providing input into the cost-benefit analysis.</p>	<p><i>The CSA thank these commenters for their interest in participating in the cost-benefit analysis. We are publishing a cost-benefit analysis along with the proposed amendments and invite all interested parties to provide comments and estimates of the anticipated costs and benefits of the proposal. We will be considering conducting targeted consultation in the future.</i></p>
Question 4: Should trade-through protection apply only during “regular trading hours”? If so, what is the appropriate definition of “regular trading hours”?	
<i>Comments</i>	<i>CSA Responses</i>
<p>Ten commenters believe that trade-through protection should only apply during “regular trading hours”. Many of these commenters suggested that 9:30 a.m. to 4 p.m. ET should be the appropriate definition of “regular trading hours”.</p> <p>Some commenters did not believe that trade-through protection should be limited to a portion of a trading day.</p> <p>A few of these commenters cited that trade-through protection should apply when two or more marketplaces are open simultaneously however trade-throughs of marketplaces that are closed should be allowed.</p> <p>Some reasons cited for this stance included:</p> <ul style="list-style-type: none"> • Applying trade-through protection at all times would prevent liquidity to migrate to hours when trade-through obligations do not apply; and • Will avoid the confusion that may arise from different interpretations of 	<p><i>The CSA are of the view that trade-through protection should apply across markets whenever two or more marketplaces with displayed protected orders are open for trading. Consequently, we have not defined “regular trading hours” but have provided some guidance in 23-101CP.</i></p>

“regular trading hours”.	
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Question 5: Should the consolidated feed (and, by extension, trade-through obligations) be limited to the top five levels? Would another number of levels (for example, top-of-book) be more appropriate for trade-through purposes? What is the impact of the absence of an information processor to provide centralized order and trade information?	
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<i>Comments</i>	<i>CSA Responses</i>
<p>Most commenters believe that that all visible, better-priced orders should be protected and that the trade-through obligation should extend through the whole depth-of-book.</p> <p>One commenter remarked that trade-through protection for the top five levels would be an onerous requirement and concurs with the U.S. approach that trade-through protection should extend to top-of-book quotations only.</p> <p>Another commenter was of the view that a trade-through rule is only appropriate where a consolidated quote is available.</p>	<p><i>The CSA agree that the trade-through obligation should apply to the full depth-of-book. Under the proposed trade-through protection rule, all visible, better-priced orders displayed on marketplaces with automated functionality would be protected, subject to certain “permitted” trade-throughs as described in our response to comments in Question 9 below.</i></p> <p><i>The CSA agree that a consolidated quote would assist in meeting the trade-through obligation but this is not a necessity to effectively meet this requirement. As stated above, we are currently working towards the introduction of an information processor.</i></p>

Question 6: Should there be a limit on the fees charged on a trade-by-trade basis to access an order on a marketplace for trade-through purposes?	
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<i>Comments</i>	<i>CSA Responses</i>
<p>The majority of commenters responding to this question indicated that they are not supportive of imposing a limit on the fees charged on a trade-by-trade basis to access an order on a marketplace for trade-through purposes. Many of these commenters cited that fees should be determined by competition.</p> <p>Six commenters did favour fee caps. Some reasons for this position included:</p> <ul style="list-style-type: none"> • The playing field for all participants would be level and memberships to an 	<p><i>In response to the comments received, we are proposing not to impose a specific limit on the fees charged but to refer to the minimum price increment outlined in IIROC Universal Market Integrity Rule 6.1. We have also prohibited a marketplace from imposing terms that have the effect of discriminating between orders routed to the marketplace to prevent trade-throughs and orders that originate on that marketplace. We have requested further comment as to whether it is appropriate to set a cap with a specified dollar amount.</i></p>

<p>ATS may increase;</p> <ul style="list-style-type: none"> • Prices would be easily comparable across marketplaces; • Dealers would be protected from becoming captive to unreasonable marketplace fees; and • Investors would not have to indirectly bear a disproportionate amount of the costs for accessing quotes under the trade-through obligations. 	
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Question 7: Should the CSA establish a threshold that would require an ATS to permit access to all groups of marketplace participants? If so, what is the appropriate threshold?

<i>Comments</i>	<i>CSA Responses</i>
<p>Most commenters responding to this question were in favour of establishing a threshold that would require an ATS to permit all groups of marketplace participants. Suggested appropriate thresholds included: 20%, 10%, and 5% of market share. One commenter stated that ATSs should provide access to all groups of market participants when they have been deemed to be a relevant marketplace.</p> <p>Another commenter was of the belief that marketplaces should not unduly restrict access and that all categories of marketplace participants should be allowed to trade.</p> <p>Another commenter was unsure of an appropriate threshold in the absence of a fully competitive environment. This commenter suggested that this concept be revisited after a year of the operation of multiple marketplaces to assess the feasibility of establishing a suitable threshold for Canadian marketplaces.</p> <p>Five commenters did not support a legislated threshold that would require ATSs to allow access to all groups of marketplace participants. Some of these commenters believed that:</p> <ul style="list-style-type: none"> • The CSA practice of looking at this issue on a case by case basis from the 	<p><i>Rather than requiring that a marketplace provide direct access to all groups of participants when it meets a certain threshold, we have instead provided additional guidance regarding fair access in 21-101CP. We will continue to monitor this issue.</i></p>

<p>broad public interest point of view is appropriate; and</p> <ul style="list-style-type: none"> • It is unclear whether exchanges are complying with the U.S. fair access rule since only dealers can be members. 	
<p>Question 8: Should it be a requirement that specialized marketplaces not prohibit access to non-members so they can access, through a member (or subscriber), immediately accessible, visible limit orders to satisfy the trade-through obligation?</p> <ul style="list-style-type: none"> • Should an ATS be required to provide direct order execution access if no subscriber will provide this service? • Is this solution practical? • Should there be a certain percentage threshold for specialized marketplaces below which a trade-through obligation would not apply to orders and/or trades on that marketplace? 	
<p><i>Comments</i></p>	<p><i>CSA Responses</i></p>
<p><i>Access of Non-members to Specialized Marketplaces</i></p> <p>Many commenters responding to this question supported the requirement of specialized marketplaces allowing access to non-members so that they can access immediately accessible, visible limit orders to satisfy the trade-through obligation.</p> <p>Some reasons cited for this position included:</p> <ul style="list-style-type: none"> • the trade-through obligation is a duty owed by all marketplace participants to the capital markets in general and therefore all marketplace participants with such an obligation should have fair access to all better-priced orders; and • such a prohibition creates a powerful disincentive to join new marketplaces as compliance burdens will increase. <p>Other commenters not in favour of this requirement submitted that:</p> <ul style="list-style-type: none"> • marketplaces that limit membership contain, by definition, orders that are 	<p><i>With respect to issues relating to access to marketplaces by non-members/subscribers to a marketplace, we are not proposing that a marketplace provide direct access to non-members/subscribers. Under the proposed amendments, marketplaces would be given the discretion to determine how best to meet their trade-through obligations. This issue will be discussed with the industry implementation committee.</i></p>

<p>not immediately accessible, visible limit orders (by virtue of the fact that excluded members cannot see or execute against orders in this type of marketplace) and therefore these orders should be deemed “excluded orders”; and</p> <ul style="list-style-type: none"> • it is not appropriate or necessary to force a specialized marketplace to change its technology or by-laws merely to allow the occasional and otherwise non-qualifying market participant to displace a quote for trade-through purposes. <p><i>Direct Order Execution Access</i></p> <p>The majority of commenters responding to this question did not believe an ATS should be required to provide direct order execution access if no other subscriber would provide this service.</p> <p>A few commenters, however, were in support of such a requirement.</p> <p><i>Practicality of Direct Order Execution Access</i></p> <p>Some commenters responding to this question believe that it is practical to require an ATS to provide direct order execution access if no subscriber will provide this service. One of the reasons provided in support of this stance is that ATSS are registered brokers and they should be able to handle inbound order flow as client flow.</p> <p>Two commenters did not believe this is a practical solution.</p> <p><i>Threshold Limits for Trade-Through Obligation</i></p> <p>Suggested thresholds for which a trade-through obligation would not apply to orders and/or trades on a marketplace ranged from</p>	<p><i>The CSA have not set a threshold at which the trade-through obligation would apply and believe that the obligation should apply to all</i></p>
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5% (after one year of continuous trading) to 10% of trading volume of a Canadian issuer.	<i>visible limit orders on a marketplace.</i>
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Question 9: Are there any types of special terms orders that should not be exempt from trade-through obligations?

<i>Comments</i>	<i>CSA Responses</i>
<p>Many commenters remarked that the exemption of special terms orders listed in the joint notice is appropriate.</p> <p>One commenter cited that special terms orders that are used to establish the last sale price should not be exempt from the trade-through obligation.</p> <p>Another commenter contended that all special terms orders should be exempted.</p> <p>Another commenter specified that the ability for a “fill” term order (all-or-none, minimum fill) to trade-through a better-priced order on another marketplace should be consistent with how it is treated in a market and any exemptions for marketplaces with larger minimum order sizes. This commenter also added that “settlement” terms such as cash, delayed delivery etc. and odd lots should also be exempt from the trade-through rule.</p> <p>One commenter stated that the exclusion of special terms orders should be consistent with UMIR.</p>	<p><i>We have not proposed a general exemption for all special terms orders. However, subsection 5.1(3) of Companion Policy 21-101 CP outlines that special terms orders that are not immediately executable or that trade in special terms books, such as all-or-none or minimum fill orders, are not required to be provided to an information processor or an information vendor. Therefore, these types of orders would not fall under the definition of “protected orders” under the proposed rule and hence would not receive trade-through protection. However, those executing against these types of orders are required to execute against all better-priced orders first.</i></p> <p><i>In addition, orders with special settlement terms and “calculated price orders” have been included in the list of “permitted” trade-throughs in paragraph 6.2(e) of NI 23-101.</i></p> <p><i>As well, certain marketplaces provide an after-hours trading session at a price established by that marketplace during its regular trading hours for marketplace participants who are required to benchmark to a certain closing price. In these circumstances, a marketplace would not be required to take steps to reasonably prevent trade-throughs of orders on another marketplace.</i></p>

Question 10: Are there current technology tools that would allow monitoring and enforcement of a flickering quote exception?

<i>Comments</i>	<i>CSA Responses</i>
<p>While commenters responding to this question were not aware of any technology tools available to allow for the monitoring and enforcement of a flickering quote exception, some suggested an “inter-market sweep order” to address this issue.</p> <p>Another commenter stated that it would be possible to develop a non-real time monitor at RS that would compare time stamps of orders and trades.</p> <p>Some commenters stated that it would be impractical to monitor for flickering order exceptions.</p> <p>Commenters offered the following alternative suggestions to a flickering order exception:</p> <ul style="list-style-type: none"> • dealers should demonstrate that their trading policies and procedures are designed to minimize instances of trade-through caused by “flickering orders”; • initially monitor the reality of a multi-market operating environment in order to ascertain if this will actually be a material issue that warrants development work; • dealers to keep a log book that documents the instances and rationale as to why an order was non-executable, and if appropriate, the Participant could send an exception report to RS when this occurs; and • use “pattern” based regulation so that if a participant demonstrates a consistent pattern of abusing the exception it would be dealt with by regulators at that time. 	<p><i>It is expected that a marketplace will conduct periodic reviews to test the effectiveness of its policies and procedures for reasonably preventing trade-throughs and ensuring compliance with Part 6 of NI 23-101. We are of the view that a marketplace must retain relevant information so that the effectiveness of its policies and procedures can be adequately evaluated by regulatory authorities. In certain circumstances, such as sending an inter-market sweep order, it may be appropriate for marketplace participants to maintain relevant information so that compliance with Part 6 of NI 23-101 can be adequately evaluated by regulatory authorities.</i></p>

Question 11: Should the exception only apply for a specified period of time (for example, one second)? If so, what is the appropriate period of time?

<i>Comments</i>	<i>CSA Responses</i>
<p>A number of commenters responding to this question believe that a specified time period may not be practical. One commenter suggested that instead of a specific period of time after the trade that would provide a safe harbour from trade-throughs, dealers should be required to demonstrate through either system documentation or through their audit trail that, at the time of order entry their orders were routed to the best priced marketplace given their current view of market data.</p> <p>Other commenters suggested that the appropriate duration should vary given the nature of the order, time of day and transaction load and one commenter suggested that it may be appropriate to have several time periods based on the nature of the order entered. One commenter suggested a quote which lasts for less than 5 seconds should not be subject to trade-through protection.</p>	<p><i>We have allowed for the provision of “flickering orders’ where a marketplace displaying the best price was traded through but had displayed, immediately prior to execution of the trade-through, an order with a price that was equal or inferior to the price of the trade-through transaction. We have asked a specific question as to what length of time should be considered an “immediate” response by a marketplace to a received order in the attached Notice. In our view, because of the high speed of trading, one second may be too long.</i></p>

Question 12: Should this exception only be applicable for trades that must occur at a specific marketplace’s closing price? Are there any issues of fairness if there is no reciprocal treatment for orders on another marketplace exempting them from having to execute at the closing price in a special facility if that price is better?

<i>Comments</i>	<i>CSA Responses</i>
<p>Three commenters specifically stated that they support the exemption from trade-through obligations of Market-On-Close (MOC) orders.</p> <p>One commenter requested further clarification on what factors will be used to determine what the opening and closing price is for a security.</p> <p>One commenter referred to its position that</p>	<p><i>As mentioned above, if a marketplace is operating a special trading facility with a set closing price, under paragraph 6.2(e of NI 23-101), a marketplace could execute closing price orders and would not be required to take steps to reasonably prevent trade-throughs of orders on another marketplace. Otherwise, if two marketplaces with displayed protected orders are open for trading in their regular trading session, the trade-through protection</i></p>

trade-through protection should apply to all marketplaces that are open for continuous trading at any given time.	<i>rule would apply.</i>
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Question 13: Should a last sale price order facility exception be limited to any residual volume of a trade or should it apply for any amount between the two original parties to a trade? What is the appropriate time limit?

<i>Comments</i>	<i>CSA Responses</i>
<p>While five commenters were in support of a last sale price order facility exception they varied in their stances as to how this exception should be applied. One commenter stated that the last sale price exemption should be limited to the residual volume while others argued for the exception to be limited to the volume traded during the session the trade in question took place. Another commenter cited that trades should be encouraged to take place in the current context of the market and would not be supportive of a last sale price order facility exception being granted for residual volume of a trade.</p> <p><i>Appropriate Time Limit</i></p> <p>Suggestions for the duration of the exception ranged from 60 seconds to two minutes. Another commenter deferred to the expertise of the marketplace to determine volumes and time limits.</p> <p><i>Opposition to Last Sale Price Order Facility Exception</i></p> <p>Five commenters were of the view that there should not be a special exception for a last sale price order facility. One of these commenters, while not in favour of an exception for a last sale price order facility that operates during a market’s normal trading hours, was supportive of the idea of allowing trades to continue at the closing price of a marketplace.</p>	<p><i>We have not allowed for trade-throughs by transactions resulting from the execution of residual volumes of a trade within a last sale price order facility. We believe that better displayed prices should be honoured by all marketplace participants.</i></p>

Question 14: Should trade-throughs be allowed in any other circumstances? For example, are there specific types or characteristics of orders that should be subject to an exemption from the trade-through obligation?

<i>Comments</i>	<i>CSA Responses</i>
<p>The following exemptions from trade-through protection were suggested by commenters:</p> <ul style="list-style-type: none"> • specialty price crosses (including basis, VWAP, contingent and special trading session crosses); • special settlement terms; • Market-On-Close orders; • Derivative-related trades; • All-or-none orders (re: orders that are already in the special terms book where the trade is triggered by the marketplace algorithm); • Minimum size orders; and • Stop orders and short orders where pricing is managed by an exchange. <p>Another commenter is of the view that trade-throughs should not be allowed in any circumstance other than those listed in the joint notice.</p> <p>One commenter supported trade-through exemptions for situations where the trade price is not known at the time of order entry.</p> <p>Two commenters called for the CSA to maintain flexibility with respect to trade-through exemptions.</p>	<p><i>As mentioned above, the current proposal permits trade-throughs for orders containing special settlement terms, closing price orders and orders where the trade price is not known at the time of order entry and is to be calculated based on, but will not necessarily be equal to, the price of the security at the time of execution.</i></p> <p><i>All-or-none, minimum fill and other special terms orders that are not immediately executable or that trade in special terms books are not required to be provided to an information processor or information vendor under subsection 5.1(3) of 21-101CP. Therefore these types of orders would not fall under the definition of “protected orders” under the proposed rule and would not receive trade-through protection.</i></p>

Comments to Questions 15 to 18 and the corresponding CSA responses were published on June 20, 2008 in the Ontario Securities Commission Bulletin at (2008) 31 OSCB 6306.

Question 19: Please comment on whether the proposed reporting requirements for marketplaces and dealers would provide useful information. Is there other information that would be useful? Are there differences between the U.S. and Canadian markets that make this information less useful in Canada?

<i>Comments</i>	<i>CSA Responses</i>
<p>Four commenters suggested that multiple marketplaces should be in operation for some time before determining the usefulness of reporting information.</p> <p>The majority of commenters responding to this question supported the proposed information requirements placed on marketplaces. One commenter suggested that the marketplace reporting requirements should be modeled after “Dash 5” reports produced in the U.S. given the significance of interlisted trading in Canada. This commenter stated that while the basic metrics proposed by the CSA are appropriate, they are insufficient since the structures of different marketplaces also need to be considered and the metrics provided in the Dash 5 type reports provide information that allows the end recipient to compare the costs and benefits of executing on various marketplaces.</p> <p>Some commenters did not believe that the information to be provided by the dealers would be useful to the public or for firms.</p> <p><i>Suggestions for Other Useful Information</i></p> <p>One commenter suggested that disclosure of routing and execution practices by marketplaces and dealers would provide valuable tools for monitoring and assessing best execution and help to improve the efficiency of capital markets. This commenter also stated that dealers should still provide the identity of market centres where they route a significant portion of their orders, disclosure of their relationship with such market centres</p>	<p><i>The CSA delayed the implementation of the reporting requirements to enable multiple marketplaces to begin operations and for marketplace participants to adjust to the changing market structure. We continue to think that this reporting is important.</i></p> <p><i>We have further streamlined the proposed reporting requirements to focus on areas that we think would provide useful information to assess quality of execution.</i></p>

<p>or any conflict of interest that may exist.</p> <p>One commenter was of the view that ATSS should provide standardized and periodic data in order for market participants to be able to reasonably consider any dark pool options for best execution.</p>	
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Question 20: Should trades executed on a foreign market or over-the-counter (OTC) be included in the data reported by dealers?

<i>Comments</i>	<i>CSA Responses</i>
<p><i>Foreign Trades</i></p> <p>The majority of commenters who responded to this question do not believe there should be a requirement to report foreign trades in Canada. Two commenters elaborated that there is a great potential cost in providing this information with little tangible benefit.</p> <p>Three commenters favoured the disclosure of foreign trades. One of these commenters supported this type of disclosure when there is a relationship between the parties which dictates how orders are routed. Another commenter suggested that this information would provide additional data points for internal analysis.</p> <p><i>OTC Trades</i></p> <p>With respect to OTC trade information, one commenter noted that although a lack of transparency combined with limited comparative information can make it difficult to measure best execution on the OTC market, such information may be useful in certain cases such as government issues.</p>	<p><i>We are not proposing that trades executed on a foreign market or over-the-counter be included in the data. We are focussing on where securities are traded on multiple marketplaces in Canada.</i></p>

Question 21: Should dealers report information about orders that are routed due to trade-through obligations?

<i>Comments</i>	<i>CSA Responses</i>
<p>The majority of commenters responding to this question did not believe that dealers should report information about orders that are routed due to trade-through obligations. Reasons for this position included:</p> <ul style="list-style-type: none">• Detailed information about routing of orders and decisions made in the trade process is more appropriately collected as part of the TREATS initiative;• This requirement would induce more delays and offloads undue operational and regulatory costs onto participants; and• Additional reporting requirements should be deferred until the market has been operating in the context of the proposed regulations for a reasonable amount of time and careful study reveals a compelling regulatory need for such a requirement. <p>Two commenters supported the reporting of information relating to orders routed for trade-through compliance purposes. One of these commenters however stated that it wants the CSA to be confident that the benefits of receiving such reports outweigh the costs associated with building a reporting structure before mandating this information.</p>	<p><i>We are not proposing at this time to include information about orders that are routed due to trade-through obligations. This may be re-assessed once the trade-through requirements have been in place for a period of time.</i></p>

Question 22: Should information reported by a marketplace include spread-based statistics?

<i>Comments</i>	<i>CSA Responses</i>
<p>Six commenters did not support the requirement of marketplaces reporting spread-based statistics. Some reasons listed for this position include:</p> <ul style="list-style-type: none">• There are difficulties in setting objective standards so that everyone reports in similar ways and the statistics could be manipulated by selectively including/omitting execution data;• Depending on the nature of the marketplace, it may be completely irrelevant information; and• Spread based statistics will not assist in determining speed of execution, certainty of execution and over-all cost of the transaction. <p>Five commenters indicated that spread based statistics should be reported for the following reasons:</p> <ul style="list-style-type: none">• Spread statistics are required when considering best execution for passive order flow;• This information is important for conducting transaction cost analysis in the form of implementation shortfall analysis; and• This information is the best metric for liquidity.	<p><i>There were mixed views on whether to include spread-based statistics. As a result, we have proposed that marketplace reporting include spread-based statistics and have specifically requested comment on this point.</i></p>

Question 23: If securities are traded on only one marketplace, would the information included in the proposed reporting requirements be useful? Is it practical for the requirement to be triggered only once securities are also traded on other marketplaces? Would marketplaces always be in a position to know when this has occurred?

<i>Comments</i>	<i>CSA Responses</i>
<p>Most commenters responding to this question did not believe the information included in the proposed reporting requirements would be useful if securities are traded on only one marketplace. Some commenters reasoned that the value of the information would not be justified by the cost of collection of the information.</p> <p>Three commenters did think that the information included in the proposed reporting requirements would be useful even if the securities were traded only on one marketplace. One commenter contended that this historical set of data can be used if or when the issuer graduates to a larger market where its securities will be listed on multiple marketplaces. Another commenter believes that transaction cost analysis can be conducted even if securities are traded on a single marketplace. As well, another commenter noted that the reporting requirements offer metrics to measure the expected execution quality of a marketplace and that since it is difficult to track interlisted securities on a real-time basis, this commenter is of the view that the best alternative is to standardize marketplace reporting requirements regardless of whether the securities traded are interlisted.</p>	<p><i>We have not limited the marketplace reporting requirements where securities are traded only on one marketplace. We think that the proposed reporting requirements contain useful information to assess execution quality.</i></p>

II. List of Respondents

1. Bloomberg Tradebook Canada Company
2. BMO Financial Group
3. Canadian Security Traders Association Inc.
4. CNQ
5. CPP Investment Board
6. egX Canada
7. Highstreet Asset Management Inc.
8. Investment Industry Association of Canada
9. ITG Investment Technology Group
10. Liquidnet Canada Inc.
11. Merrill Lynch Canada Inc.
12. Perimeter Markets Inc.
13. Raymond James Ltd.
14. RBC Asset Management Inc.
15. RBC Dominion Securities Inc.
16. Scotia Capital Inc.
17. TD Asset Management Inc.
18. TD Newcrest
19. TSX Group Inc.