

March 8, 2019

Sanka Kasturiarachchi  
Policy Counsel, Market Regulation Policy  
Investment Industry Regulatory Organization of Canada  
Suite 2000, 121 King Street West  
Toronto, Ontario M5H 3T9  
e-mail: [skasturiarachchi@iiroc.ca](mailto:skasturiarachchi@iiroc.ca)

and

Market Regulation  
Ontario Securities Commission  
Suite 1903, Box 55 20 Queen Street West  
Toronto, Ontario M5H 3S8  
e-mail: [marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

**Re: Proposed Amendments Respecting Provision of Price Improvement by a Dark Order**

TriAct Canada Marketplace LP (a wholly-owned subsidiary of Virtu ITG Canada Corp.) is an Alternative Trading System that operates MATCHNow®, Canada's leading dark pool for Canadian listed equities. MATCHNow is a broker-neutral, fully confidential trading book where order information is not visible to traders or brokers, and buy and sell orders are matched by size and price, using a combination of frequent call matches and continuous execution opportunities.

MATCHNow appreciates the opportunity to comment on the recent IIROC December 13, 2018, Proposed Amendments Respecting Provision of Price Improvement by a Dark Order. MATCHNow feels this proposal would be detrimental to all market participants, will further limit trading in low-priced securities in dark pools in Canada, and thus should not be ratified.

Despite not being a protected marketplace under the Order Protection Rule ("OPR") as defined by IIROC, MATCHNow Subscribers have elected to route orders to MATCHNow to obtain for investors the benefits of liquidity, price improvement, and execution cost savings. In 2018, MATCHNow estimates it has provided more than \$250 million in price improvement to end investors. The compelling product has earned MATCHNow approximately 6% of average daily share volume in Canadian equities. Important to this discussion, MATCHNow's recent growth in low-priced securities (i.e. securities priced at

\$0.10 or below) has been to the benefit of retail investors who have been rewarded with additional liquidity, price improvement and cost savings.

### **The Importance of Data-Driven Policy Analysis**

MATCHNow is a strong believer in innovating and in responding to the needs of the market to better serve investors and issuers. However, MATCHNow performs rigorous data analytics and modeling before proceeding with any significant changes to ensure that we consider possible ripple effects.

MATCHNow has highlighted in public forums and with regulators that policy initiatives – such as this proposal – should be data driven and not just “do no harm,” but also be optimized to deliver the greatest benefit and security to the broadest array of market participants. When considering policy initiatives that impact overall market quality, it is imperative to (1) define the objective of the change and (2) quantify the desired impact. Although a few market participants have theorized concerns about the growth of dark trading, a thorough, quantitative analysis of empirical data should be conducted before making changes that could affect our markets.

IIROC is in the privileged position of having a deep data set to model the consequences of such proposed policy changes, including outcomes such as: (1) changes to overall costs for customers; (2) the possibility that this may result in increased internalization and its related consequences; and (3) true price discovery may not improve.

MATCHNow respects that IIROC is in the difficult position of protecting market integrity, without picking winners or losers when constructing policy change proposals. MATCHNow believes that the benefits of our efficient, transparent and evolving capital markets should not be victim to tradition. Today’s interplay of dark and lit marketplaces has allowed for the natural, but reasonable, growth of market share in dark pools in Canada.

MATCHNow implores IIROC to conduct further data analytics before proceeding towards a material policy change that could have negative consequences for investors and issuers.

### **This Proposal Will Harm Retail Investors**

Retail Investors have been the main beneficiary from the growth in dark trading in low-priced securities. By trading low-priced securities in the dark, retail brokers are rewarded with reduced execution fees and their retail clients receive price improvement, improved fill quality and fills that are two times the average fill size in TSX Venture and CSE listed names. Combining this fill size with MATCHNow’s capped execution fees and minimal price impact results in significant cost savings to retail investors. The Proposed Amendments

will eliminate these cost savings for retail investors and result in higher fees and reduced trading activity.

**This Proposal Will Harm Issuers:**

Issuers benefit from dark pools as it allows investors to source liquidity with reduced market impact. Smaller capitalized issuers who see little liquidity and wide spreads on lit marketplaces have benefitted the most from the increased liquidity available in the dark. Limiting this valuable source of liquidity would likely increase execution costs, discouraging participation in Canada's innovation lifeblood, namely smaller capitalization companies.

**Implementation Period:**

MATCHNow feels strongly that this proposal should not be ratified. However, if any such major change should be imposed by regulators, the implementation time frame should be at least 180 days to account for significant system changes by Subscribers and vendors. Market participants, vendors and marketplaces are already resource constrained with planning for other regulatory related initiatives including the Trading Fee Rebate Study and IIROC Data Center move.

**Public Comments:**

MATCHNow anticipates there will be insufficient public commentary on this proposal. The larger institutions that have both institutional and retail arms might find it difficult to get internal approvals to publicly comment if there are two divisions who might be at odds. It is also noted, that ownership of the incumbent lit marketplaces, who would stand to benefit from this proposal, is largely held by these larger institutions.

MATCHNow strongly urges that this proposal needs much more data, analysis and considerations. The proposal will be detrimental to most market participants, and thus should not be ratified.

Sincerely,



Bryan Blake  
Chief Executive Officer  
TriAct Canada Marketplace LP



Kuno Tucker  
Chief Compliance Officer  
TriAct Canada Marketplace LP

