

July 19, 2007

Via E-Mail

John Stevenson
Secretary
Ontario Securities Commission
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Anne-Marie Beaudoin
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Dear Mr. Stevenson and Ms. Beaudoin,

**Re: Notice and Request for Comment
Trade-through Protection, Best Execution and Access to Marketplaces**

We are writing on behalf of RBC Asset Management Inc. ("RBC AM") to provide you with our comments in respect of the above-captioned proposals to amend National Instrument 21-101 *Marketplace Operation* (NI21-101), National Instrument 23-101 *Trading Rules* (23-101) and the related companion policies (together, the "ATS Rules"). These comments will also serve as our response to Market Regulation Services Inc.'s request for comments on Market Integrity Notices 2007-008 and 2007-009. RBC AM is an indirect, wholly-owned subsidiary of the Royal Bank of Canada and provides a broad range of investment services to investors through mutual funds, pooled funds and separately managed portfolios.

We commend the Canadian Securities Administrators (the "CSA") and Market Regulation Services Inc. ("RS") for jointly continuing with the thorough public consultation in the area of market structure developments. RBC AM is pleased to be able to provide further comments on the trade-through policy framework and proposed amendments to the ATS Rules related to best execution and access to marketplaces.

Trade-through Protection

We support the direction of the proposed framework to protect all visible, better-priced, immediately accessible limit orders across all marketplaces. As indicated in our prior comment

letter, RBC AM believes that trade-throughs should not be allowed and that all market participants should be treated equally under the same set of rules for all marketplaces. To ensure fairness and efficient price discovery, this protection must be provided for the visible portions of the market book. It is our view that the most practical way to extend trade-through protection across all markets would be to impose the trade-through rule on marketplaces, through linkages and market integration. We refer you to our prior comment letter on this issue submitted to the CSA on October 27, 2005.

Execution of Orders on Foreign Marketplaces

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?

Yes, marketplace participants should be required to address trade execution on foreign markets as technology exists that would allow market participants to monitor execution on a foreign market.

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

In developing a cost-benefit analysis, we recommend that factors to be considered include benefits to clients in savings that would result from enhanced liquidity and better pricing.

Question 3: Would you like to participate in the cost-benefit analysis by providing your input?

We would be pleased to work with the CSA on the cost-benefit analysis and share our experience on measuring best execution.

Scope of Trade-through Protection

Question 4: Should trade-through protection apply only during “regular trading hours”? If so, what is the appropriate definition of “regular trading hours”?

To prevent participants from avoiding a trade-through obligation and to avoid confusion that may come from different interpretations of “regular trading hours”, protection should not be limited to a portion of a trading day. Also, given a world-wide market, it would be difficult to define “regular trading hours”.

“Protected Orders”

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?

We believe that all visible, better-priced orders should be protected. There should be no advantage to any level over another, that is, all levels should be considered to ensure best execution.

What is the impact of the absence of an information processor to provide centralized order and trade information?

In absence of an information processor, it would be very difficult for market participants to access timely and accurate market information and prove best execution. We feel that a reliable central information processor is a pre-requisite for implementation of trade-through protection.

Access Fees

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?

We agree with the view that access fees should be limited in order to ensure that prices are easily comparable across marketplaces and to prevent significant price distortion after the fee is applied. Marketplaces should only charge a fixed nominal fee for accessing an order for trade-through purposes.

Specialized Marketplaces

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?

While we believe in full and open access to all participants, we feel that a threshold of sufficient quantity should be established to demonstrate commitment to a trade and prevent abuse of the system.

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?

Yes.

- Should an ATS be required to provide direct order execution access if no subscriber will provide this service?

Yes.

- Is this solution practical?

No comment.

- 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?

Imposing a percentage threshold below which a trade-through does not apply would not be practical as it would require additional ongoing monitoring that may result in lost opportunity.

Exceptions

Question 9: Are there any types of special terms orders that should not be exempt from trade-through obligations?

As stated in our previous comment letter, there is a legitimate need for some special terms orders to receive exemption from the trade-through obligation and any abuses of these terms are sufficiently covered by the Universal Market Integrity Rules.

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

No comment.

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?

No comment.

Question 12: Should this [after-hours trading session] 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?

No comment.

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?

No comment.

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?

Refer to the answer to Q9.

Best Execution Requirements

We are supportive of the proposed best execution definition. In line with our previously submitted comments, RBC AM believes that best execution can only be considered in the context of the market conditions at the time of the transaction and specific instructions given in respect of the trade. We refer you to our prior comment letter on this issue submitted to the CSA on May 12, 2005.

Question 15: Are there other considerations that are relevant?

We fully agree that the identified elements of best execution (i.e. price, speed of execution, certainty of execution and overall cost of the transaction) are the key considerations.

Question 16: How does the multiple marketplace environment and broadening the description of best execution impact small dealers?

No comment.

Question 17: Should the best execution obligation be the same for an adviser as a dealer where the adviser retains control over trading decisions or should the focus remain on the performance of the portfolio? Under what circumstances should the best execution obligation be different?

Best execution is the obligation of all participants. Therefore, the best execution obligations should not be different even though the scope of how each participant evaluates best execution may differ (i.e. on a portfolio level or on a trade-by-trade basis).

Question 18: Are there any other areas of cost or benefit not covered by the CSA?

It is highly likely some of the costs incurred by dealers will be passed on to the advisors, such as cost of the published marketplace statistics. Smaller advisors may be more affected than others as they do not have the same economies of scale as larger advisors have to help cover the cost.

Reporting of Order Execution and Market Quality Information

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?

As an advisor, RBC AM is a purchaser of execution services and has an obligation to monitor dealer execution performance. Disclosure of order 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. However, there could be several mitigating factors that would impact executions and, as a result, any reporting should be deemed informational in nature. Information such as the number of orders, the number of trades executed and speed of execution to assess best execution could be used by advisors to assess quality of execution received from intermediaries. Other information supplied by dealers should include: identity of market centres where they route a significant portion of their orders, disclosure of their relationship with such market centres or any conflict of interest that may exist. This type of information may currently be less useful in Canada as there are not many market centres available but as alternative market places develop over time, this reporting requirement should be added.

Question 20: Should trades executed on a foreign market or over-the-counter be included in the data reported by dealers?

Yes, inclusion of those trades would provide additional data points for internal analysis. Technology exists that enables advisors to analyze and monitor best execution of the trades executed on a foreign market. Although 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, i.e. government issues.

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

Yes, this information should be provided as it will help advisors monitor whether trade-through obligations are fulfilled.

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

Yes, this information is important for conducting transaction cost analysis in the form of implementation shortfall analysis. Advisors can use this information (i.e. mid bid-ask spread statistics) to evaluate the effectiveness of various trading strategies, analyze trading costs and evaluate the quality of execution provided by brokers. RBC AM currently performs this type of the analysis. Ultimately, this analysis may result in cost savings for the client.

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?

Information included in the proposed reporting requirement would still be useful. Transaction cost analysis can be conducted even if securities are traded on a single marketplace.

Direct Access Issues

RBC AM supports the proposal to harmonize regulatory treatment of non-dealers (institutional clients, more specifically) whether they access a marketplace through a dealer or directly as a subscriber to an ATS.

Question 24: Should DMA clients be subject to the same requirements as subscribers before being permitted access to a marketplace?

Yes, all participants should have the same obligations

Question 25: Should the requirements regarding dealer-sponsored participants apply when the products traded are fixed income securities? Derivatives? Why or why not?

We believe that all assets and all markets should be subject to the same requirements.

Question 26: Would your view about the jurisdiction of a regulation services provider (such as RS for ATS subscribers or an exchange for DMA clients) depend on whether it was limited to certain circumstances? For example, if for violations relating to manipulation and fraud, the securities commissions would be the applicable regulatory authorities for enforcement purposes?

No comment.

Question 27: Could the proposed amendments lead dealer-sponsored participants to choose alternative ways to access the market such as using more traditional access (for example, by telephone), using foreign markets (for inter-listed securities) or creating multiple levels of DMA (for example, a DMA client providing access to other persons)?

No comment.

Question 28: Should there be an exemption for foreign clients who are dealer-sponsored participants from the requirements to enter into an agreement with the exchange or regulations services provider? If so, why and under what circumstances?

All market participants should be treated equally, and should be required to enter into an agreement with the exchange or regulations service provider. There should be no advantage to any participant.

Question 29: Please provide the advantages and disadvantages of a new category of member of an exchange that would have direct access to exchanges without the involvement of a dealer (assuming clearing and settlement could continue to be through a participant of the clearing agency).

No comment.

UMIR Amendments

1. Should UMIR establish uniform criteria for the granting of access to any marketplace subject to UMIR or should an Exchange or QTRS be able to continue to establish rules regarding the grant of Direct Market Access?

Exchanges or QTRS should be able to establish rules regarding the grant of Direct Market Access. Regulatory oversight should be limited to requiring an Exchange or QTRS to sufficiently support the granting of access.

2. Should an ATS be able to establish criteria for the granting of access to its marketplace in the contract between the ATS and any Participant that is a subscriber to the ATS?

Yes, providing that the criteria for all participants is equal and scalable.

3. If training requirements are adopted for each Representative of an Access Person should marketplaces be relieved on any further training obligations in respect of Access Persons or should the requirement be continued in lieu of "continuing education requirements" for Representatives?

We support a flexible approach to training requirements and alternatives to the CSI's Trader Training Course.

4. *Should there be an exemption from the requirement for a foreign DSA Client to enter into an agreement directly with RS? If so, why and under what circumstances should such an exemption be available?*

All participants should be under the same obligations and requirements. There should be no exemption for any market participant including foreign DSA clients.

5. *If a DSA Client is exempted from executing an agreement with RS, should the Participant accept a higher level of responsibility for the conduct of the foreign DSA client.*

As indicated in the previous answer, we don't think there should be an exemption for foreign DSA clients.

Thank you for the opportunity to submit our comments. We would be pleased to discuss with you any of the matters outlined in this letter.

Yours truly,

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