

January 27, 2009

Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
New Brunswick Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Nova Scotia Securities Commission
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut
Ontario Securities Commission
Prince Edward Island Securities Office
Saskatchewan Financial Services Commission
Registrar of Securities, Government of Yukon

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and

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
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Dear Sirs/Mesdames:

Re: CanDeal Response to CSA Request for Comments on Notice of Proposed Amendments to National Instrument 21-101 Marketplace Operation and Companion Policy 21-101CP and National Instrument 23-101 Trading Rules and Companion Policy 23-101CP, dated October 17, 2008.

Introduction

CanDeal is the leading online marketplace for Canadian dollar debt securities (www.canddeal.ca). CanDeal provides online access to the largest pool of liquidity for Canadian government bonds and money market instruments. CanDeal's marketplace is available to institutional investors in Canada, the United States and Europe. CanDeal is registered as an investment dealer and regulated as an ATS.

CanDeal appreciates the opportunity to respond to the request for comment to the Canadian Securities Administrators (CSA) regarding proposed amendments to the ATS rules and policies (National Instruments 21-101, 21-101CP, 23-101 and 23-101CP). As the notice accompanying the amendments makes clear, the majority of the amendments appear to have been drafted with trade-through principles and equity marketplaces in mind. The relevance of these to an ATS dealing in Canadian government debt like CanDeal is small. Only the amendments related to clock synchronization, technology requirements for marketplaces, and best execution reporting requirements are of specific concern to CanDeal and these are the focus of our response.

Synchronization of Clocks

Proposed s. 11.5(2) seems to include the activities of a dealer trading away from a marketplace governed by NI 21-101. Dealer telephonic trading in Canadian fixed income securities would fall into this category of activity. Given the nature of telephonic trading, CanDeal doubts that this requirement will be implemented effectively in the telephonic market.

Potentially as a solution to this implementation issue, section 13.2 of the CP to 21-101 provides a carve-out for IDB and dealer trading which only needs to synchronize "as appropriate". When synchronization is "appropriate" is not addressed at all. In addressing this issue, regulators should apply the rule consistently to participants in the corporate and government debt securities markets and if there are to be exceptions, the basis for that exception should be outlined.

Reporting of order execution information by marketplaces

CanDeal submits the additions included in Section 11.1.1 of NI-21-101 and section 13.1.1 of the Companion Policy should not apply to marketplaces dealing in unlisted debt securities because imposing such a requirement will bias market participants against ATS participation.

CanDeal's trading methodology is based on simultaneous one-to-one request for quotes that are specific to a dealer, an institutional investor, a specific security and size of trade. This methodology is patterned after traditional telephonic trading, but it is faster and provides for a much higher standard of compliance and audit. Mandatory reporting of a request for quote on an ATS that is not accompanied by parallel reporting requirements in the telephonic environment will create an unfair advantage for the telephonic market. It will drive participants who wish to avoid trade reporting away from disclosed, electronic request for quote trading to the more opaque telephonic market.

CanDeal respectfully submits that this section should specifically exempt ATSS dealing in unlisted debt securities.

Marketplace Systems

CanDeal is in agreement with the amendments to section 12.1 and 12.2 which remove the exemption from an ATS performing an annual systems review if that ATS represents less than a certain percentage of their market.

CanDeal does have concerns regarding section 12.3 of the Instrument requiring all ATSS to provide full disclosure of system API's and testing facilities. Section 12.3 seems designed to facilitate access to marketplaces so that, among other things, marketplaces or their users can establish direct linkages to other marketplaces as part of the trade through amendments. See, for example, s. 6.1 of the Proposed Part 6 to Companion Policy 23-101 CP. It is important to note that ATSS that facilitate trading in fixed income instruments do not employ protected bids or offers on which the proposed trade through obligations are based. Rather they offer a means by which a proposed institutional buyer or seller of debt can solicit binding quotes from dealer counterparties selected by the quote seeker to compete for a specific transaction. There is no published bid/ask spread. For systems like CanDeal's forced publication of access requirements or a testing facility do not make sense. These are ultimately designed for competing equity systems that can each execute a given order and publish a binding bid/ask spread.

It is therefore CanDeal's opinion that this section should specifically apply only to entities dealing in exchange traded products.

Yours sincerely

CANDEAL.CA INC

A handwritten signature in black ink, appearing to read 'Aubrey Baillie', written in a cursive style.

Aubrey Baillie
Chief Financial Officer