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and

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Re: Proposed Guaranteed Execution Facility

ITG Canada Corp. ("ITG") would like to thank the Ontario Securities Commission ("OSC") for this opportunity to comment on Nasdaq's proposed new Guaranteed Execution Facility ("GEF").

ITG's thoughts on this proposal, and all market structure matters, will be largely influenced by our overall views on the benefits to our natural customers of fostering healthy competitive markets and a positive, dynamic market structure. We have written several comment letters, over the past 18 months, arguing against further segmenting of flow, and increased ability for market makers to trade exclusively against the smallest, most short term uninformed flow. While we have the same concerns with this most recent proposal, in the interest of time and efficiency we will limit our comments to those features that are unique to the GEF proposal.

Our first concern with the proposal is that it appears market makers will only be offering net new liquidity on the most liquid names. Unlike the TSX Minimum Guaranteed Fill ("MGF") facility which operates for almost all TSX-listed names, the GEF facility will only operate on names designated as eligible by Nasdaq. While the proposal does not include a list of names, or criteria for selection, the inverted pricing mechanism at Nasdaq CX2 strongly suggests that only liquid names will be included in the facility. While we have concerns around the TSX MGF facility, we do appreciate the attempt to obligate liquidity provision in less liquid names, as a prerequisite to market makers enjoying favourable trading in the more liquid names. The GEF facility does not offer such a portfolio of obligations, and thus will almost certainly offer liquidity and intermediation when it is least needed.

We further note that the GEF can change dynamically, during the trading day, such that market makers can capture more retail flow during times of least risk. These changes will not be made transparent to the street at large, making routing decisions more difficult and creating an informational asymmetry. We question the upside of such a feature. The downside is increased intermediation, frustrating natural investors in time of low volatility, coupled with minimal liquidity being introduced during times of greater volatility.

It should be noted that the most liquid names in the Canadian market, and those most likely to be included in this facility, are inter-listed. Canada has lost significant market share in inter-listed names over the last 24 months, and adding undue intermediation and complexity to our trading is unlikely to reverse this trend. The retail clients that will enjoy whatever minimal marginal liquidity is provided, are the least likely investors to migrate their flow to U.S. markets, for regulatory and logistical reasons.

We further note that the lack of visible obligations makes it near impossible for retail dealers to know what additional liquidity may be available. In our comment letter on the CSE GMF facility we wrote the following:

> Finally, we note that this facility, like the Alpha speed bump, is designed to attract retail style orders by offering benefits to dealers that are willing to assign additional latency and missed quote risk to a client. This client does not participate in any upside. How can this possibly be allowed in a best execution environment? We certainly would never subject our clients to a facility with highly uncertain fills, without offering real benefits in the form of price improvement. The regulators really need to clarify how these offerings fit within a best ex environment.

We believe this statement is equally true for the GEF facility.

Perhaps the most concerning feature of the GEF is the notion that participants wanting to be deemed GEF Members, must maintain a minimum monthly market share across all the trading venues operated by Nasdaq CXC Limited. This concerns us for two reasons. One, it strikes us as a bundling of services. We question why market share on the Nasdaq CXC and Nasdaq CXD venues should have any impact on a participant's ability to enjoy preferential trading benefits on Nasdaq CX2. Secondly, the notion a participant must ensure minimum volume on the Nasdaq venues strikes at the very heart of best execution. This is particularly true for firms that have smaller overall market share, and need to ensure a larger portion of their own trading occurs on the Nasdaq venues. The facility is designed in a manner that is unacceptable for smaller firms, who can't easily commit to a minimum market share threshold, offering larger dealers the ability to skim the cream from the most highly liquid names in our market. The benefit being offered to the marketplace is not at all apparent. We appreciate that other somewhat similar facilities have been approved at CSE, Aequitas and the TSX, but suggest this proposal is yet another step in the wrong direction for Canadian markets and should be denied. We reiterate our call for Canadian regulators to undergo a holistic review of market making, internalization and broker preferencing in order to build consensus around a strategic vision for secondary equity trading in our market.

Finally, we note that the proposal appears to lack the normal statements on marketplace impact and consultation that regulators typically require. We believe that such statements should be mandatory, and would like to see them on all future such proposals.

We thank the OSC for this opportunity to share our thoughts on the GEF, and offer our continued consultation should you have any questions.

Profoundly,

Doug Clark
Managing Director
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