



**NATIONAL
BANK**

FINANCIAL MARKETS

March 17, 2015

Market Regulation Branch
Ontario Securities Commission
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Toronto, ON M5H 3S8

Matt Thompson
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BY ELECTRONIC MAIL: marketregulation@osc.gov.on.ca ; matthew.thompson@chi-x.com

Dear Sirs and Mesdames:

RE: OSC NOTICE AND REQUEST FOR COMMENT PROPOSED CHI-X Market-On-Close ORDER ("Comment Paper") published on February 19, 2015.

NBF is part of the diverse National Bank Financial Group ("NBFG") which: (i) is an IIROC-regulated investment dealer across Canada; (ii) operates a discount brokerage firm; and (iii) manufactures mutual funds, owns proprietary distribution channels and supplies services to third party distributors. We therefore take great interest in the regulatory initiatives contained in the Comment Paper and their potential impact on investors, the mutual fund industry, the investment industry and financial intermediaries.

Accordingly, our intention is to share our concerns regarding the regulatory initiatives contained in the Comment Paper and our experiences. We trust that our comments will be taken into account during the review process and also provide a positive and productive contribution to the outcome of the regulatory initiatives proposed in the Comment Paper.

Chi-X proposal for a new market-on-close order is a relatively simple one to which we offer a simple comment: we are strongly in support of it.

It is well observed that the advent of multiple markets has ushered an era of increased fragmentation and complexity in Canadian equity trading. We must be careful, however, not to overlook the benefit of that same marketplace competition: innovation and pricing power.

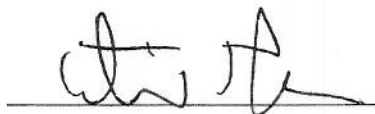
A smoothly functioning closing auction is extremely important to the health and stability of Canadian equity markets. While improvements and enhanced functionality continue to be made to the legacy closing auction, we believe that competition can only help to speed these to production. Specifically, the MOC order type is currently among the most expensive in Canada. NBF would expect the proposed competition to help bring relief in the form of some much needed pricing power to the Canadian trading community.

It should be noted, there is precedent for a trade-matching auction without price discovery in the currently offered pre-open VWAP match. As we see it, the Chi-X MOC match will operate with a similar function, matching trades at a benchmark price to be discovered later.

As for the specifics of the new order type, the only detail we would address is that the timing of the match should strike a balance between utility (later) and operational flexibility (sooner). We suggest no later than a 3:35pm as five minutes is plenty of time to re-route unmatched or missed shares, and no earlier than 3:30pm which would harm the utility of such a match.

As always, NBF appreciates the opportunity to comment on this significant development in the Canadian trading landscape.

We look forward to our continued participation in any further public consultation on these topics and our objective is to find solutions that are relevant for, and serve the needs of the Canadian market. NBF and its employees are willing to take a leadership role in this issue participating in consultations with investors, industry participants and the OSC.



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