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For Immediate Release

Flash Boys: Why What Happened in the U.S. Didn't Happen Here

Not all equity marketplaces are created equal

Monday, June 2, 2014 (Toronto) – In a letter distributed today, allegations raised in Michael Lewis' latest book, *Flash Boys*, are described by Ian Russell, President and CEO, the Investment Industry Association of Canada (IIAC), as less applicable to the Canadian experience, due largely to significant structural differences between U.S. and Canadian equity marketplaces.

"In his book, Mr. Lewis' contention that investors' interests are being compromised has ratcheted the debate over high-frequency trading to a much higher level. Balanced discussions about the costs and benefits of HFT have been displaced by emotional rhetoric, and repetition of Lewis's extreme allegation that 'the markets are rigged'," Russell said.

"Let me state categorically that Canadian equity markets are definitely not rigged."

Russell explains why this is the case: "The unique design of Canadian rules often reflect the lessons learned from U.S. market changes that presage change in our markets, and the experience with the U.S. rule framework. This has resulted in a vastly different market structure and correspondingly different investor behaviour in Canada. As a result, market observations and developments in the U.S. cannot simply be extrapolated to the Canadian context."

Examples of significant structural differences between the respective markets can be found in Russell's [letter](#) which was distributed to [IIAC member firm](#) executives.

Russell concedes that although the regulatory and structural differences between Canada and the U.S. result in a different trading environment, the Canadian marketplace also has vulnerabilities to abusive activities that may damage market integrity. However, practices such as the predatory market trading described in Lewis' book have not occurred on the same scale in Canada. While further investigation into possible abuse is warranted, it is important that, in order to avoid unintended consequences, the potential and actual problems be well understood before remedial regulatory action is undertaken. In general, Canadian regulators have taken a more methodical and measured approach to regulation, avoiding interference from the political process that has characterized U.S. regulation," Russell said.

"Canadian investors can be assured that, unlike the U.S. experience reported in *Flash Boys*, our markets operate efficiently, and serve investors with a high degree of integrity."

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The IIAC – Representing Canada’s Investment Professionals

The Investment Industry Association of Canada (IIAC) is the national association representing the investment industry’s position on securities regulation, public policy and industry issues on behalf of our 160 IIROC-regulated investment dealer Member firms in the Canadian securities industry. These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations. The IIAC provides leadership for the Canadian securities industry with a commitment to a vibrant, prosperous investment industry driven by strong and efficient capital markets.

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