



June 14, 2017

Delivered Via Email: legal@tmx.ca ; consultation-en-cours@lautorite.gc.ca

M^e Martin Jannelle
Legal Counsel
Office of the General Counsel
Bourse de Montréal Inc.
Tour de la Bourse
P.O. Box 61, 800 Victoria Square
Montréal, Québec H4Z 1A9

M^e Anne-Marie Beaudoin
Corporate Secretary
Autorité des Marchés Financiers
Tour de la Bourse
P.O. Box 246, 800 Victoria Square, 22nd Floor
Montréal, Québec H4Z 1G3

Dear M^e Jannelle and M^e Beaudoin:

Re: Request For Comments - as per Circular 068-17 issued by Bourse de Montréal Inc. (the "Bourse") on May 16, 2017 (the "Circular") – Introduction of Auctions – Introduction of Article 6369B and amendments to Articles 6007, 6368, 6371, 6372, 6375 and 6391 of rule six of Bourse de Montreal Inc.

The Investment Industry Association of Canada (the "IIAC") would like to take this opportunity to express its views on the proposed changes via Request for Comments - as per the Circular.

The IIAC and its Mandate

The IIAC is the national association representing the position of 130 IIROC-regulated Dealer Member firms on securities regulation, public policy and industry issues. We work to foster a vibrant, prosperous investment industry driven by strong and efficient capital markets.

The Bourse's Proposed Amendments

The IIAC and its members understand that the Bourse's proposed amendments were prompted by the lack of trading activity on certain existing products.

The Bourse wishes to *"develop a solution that will attract liquidity to both existing and future products"* and the Bourse believes that *"...introducing auctions at different points throughout the trading day could increase trading volumes, generate liquidity, and improve the price discovery process for products that have yet to reach their full potential."*

IIAC's Position on the Proposed Amendments

The IIAC and its members are not supportive of the auction process suggested by the Bourse.

We strongly doubt that the auction process proposed by the Bourse will provide the desired liquidity for currently illiquid products.

Furthermore, regarding the Bourse's suggestion to introduce *"auctions at different points throughout the day"*, members require clarification with respect to whether auctions would be taking place as per a regular schedule or at the discretion of the Bourse.

Increased Liquidity

As previously mentioned the industry does not believe the auction process will enhance liquidity for illiquid products. We believe the lack of liquidity is a fundamental aspect of the underlying contract demand.

Market Dislocation and Required Controls

We further believe that auctions on very illiquid products could result in inappropriate pricing for these products creating a market dislocation.

Consequently, controls would need to be implemented by the Bourse to ensure that auctions are not inappropriately impacting pricing for the illiquid products. It should be noted that controls that are not properly constructed and implemented could also create inappropriate pricing for these products.

Additional Risk and Burden

The proposal would also create additional risk on participants due to inadvertent order entry on auction vs. live market, or vice versa.

Furthermore, if auctions described in the proposal are implemented, they will create additional burden on members to track which products are subject to auctions as well as to implement internal controls to managed increased risk.

Launching New Products

We strongly believe that it would be more appropriate for the Bourse to develop a methodology to appropriately determine customer demand at the outset when new products are introduced rather than introducing products that participants have no interest in supporting and applying auctions to try to increase liquidity. A good example is the existence of carbon futures without the existence of legislation that make the product useful.

We believe the Bourse should, before launching a product, prepare a thorough analysis which should include consultation with market participants in order to determine if a launch will be successful (i.e. is there a demand and will the product be liquid).

Conclusion

The industry does not believe auctions will have any meaningful impact on increasing product liquidity. Instead, auctions would increase risk and the supervision burden for our members.

We fail to see added value for our members or for the marketplace and do not support the proposal.

Please note that the IIAC and its Members, as always, remain available for further consultations.

Yours sincerely,



Annie Sinigagliese
Managing Director
Investment Industry Association of Canada
asinigagliese@iiac.ca