

Susan Copland, LLB, BComm
Managing Director
scopland@iiac.ca

March 15, 2019

Sanka Kasturiarachchi
Policy Counsel, Market Regulation Policy
skasturiarachchi@iiroc.ca

Dear Mr. Kasturiarachchi:

Re: Proposed Amendments Respecting Provision of Price Improvement by a Dark Order (the “Proposed Amendments”)

The Investment Industry Association of Canada (the “IIAC” or the “Association”) appreciates the opportunity to comment on the Proposed Amendments.

In general, our members support the policy objective of the Dark Order Requirements for small orders, “giving priority to visible orders on a marketplace that are at the same price as Dark Orders on the same marketplace,” and “ensuring Dark Orders provide a better price to small orders that could otherwise be executed on a transparent marketplace”.

Our members have stated, however, that investors benefit from exposure in as many venues as possible, which includes the dark market.

We appreciate that IIROC has undertaken an analysis of the historical trading data to ensure that the basis for the Proposed Amendments is grounded in data showing the increase in the number, volume and value of trades in the past two years.

IIROC Questions:

- 1. Will the proposed floor value of \$30,000 adequately capture small orders and address concerns regarding low priced securities trading in the dark without price improvement? Would a \$25,000 threshold be more appropriate?**

Based on IIROC's analysis, the \$30,000 threshold appears to adequately capture small orders and address IIROC's concern regarding the trading of low-priced securities in the dark without price improvement.

2. What is the scope of work required to make the appropriate system changes? Is a 90 day implementation period reasonable?

Although many members have indicated that the 90 day period is sufficient, certain members are concerned that the adjustment to their algorithms, routing methodology and tables will require a significant amount of work, and coordination with vendors, which will require a longer implementation period to ensure a smooth transition. All members note that it is critical that IIROC consult with relevant industry vendors as well as marketplaces to ensure that the timeline is consistent with the work required to develop, test and work with dealers to roll out the changes. Taking this into consideration, and subject to vendor and marketplace input, we recommend that the implementation period be set at 180 days.

3. Are there any unintended consequences arising from the proposed inclusion of the \$30,000 threshold in UMIR rule 6.6?

Some members have also expressed the concern that the rejection of smaller orders under the criteria imposed by the Proposed Amendments may create delays that would impair the ability to achieve best execution on such orders.

One member, whose firm is associated with a Dark Trading facility indicated that there is no client harm where the clients are obtaining the fills they are seeking in the Dark Trading facility. By requiring price improvement, clients may be deprived of liquidity.

Thank you for considering our comments. If you have any questions, please don't hesitate to contact me.

Yours sincerely,



Susan Copland