

## ANNEX D

### Summary of Comments and CSA Responses

Topic	Summary of Comments	CSA Response
<p><b>Size of Trading Fee Cap</b></p>	<p>Responses were mixed, with some supporting the proposed cap, some suggesting a higher cap, and one suggesting a lower cap.</p> <p>Two commenters were concerned about the impact on the market, as lowering active fees would lead to lower rebates, which may affect liquidity, particularly in exchange traded funds and less liquid securities. It was noted that marketplaces in Canada and the US lost market share when they unilaterally lowered fees and rebates. If liquidity is damaged, small cap Canadian issuers considering an initial public offering may choose to list in foreign markets, and currently-listed issuers may migrate to those markets. One commenter suggested a cap of \$0.0023 as a compromise.</p> <p>One commenter suggested that the proposed fee cap is too high and would permit rebates that overcompensate liquidity providers, as does the current \$0.0030 cap. The correct comparison is to the average US share price of \$75 rather than the Canadian average of \$25.26 for Inter-listed Securities. The cap should be closer to \$0.0006 per share.</p>	<p>We acknowledge that the comments received in relation to amount of the cap were mixed. However, we continue to be of the view that a cap of \$0.0017 per share or unit of Non – Inter-listed Securities is the most appropriate way to address concerns previously raised that the current \$0.0030 cap is too high.</p> <p>We believe the impact of the fee cap will be mitigated by the fact that it will apply to active orders on all lit marketplaces. We also note that the cap is proportionate to the existing \$0.0030 cap when the average price of Non-Inter-listed Securities is compared to the average price of Inter-listed Securities.</p> <p>We will monitor over time whether the level of the fee cap remains appropriate.</p>

<p><b>Application to Inverted-Fee Markets</b></p>	<p>One commenter suggested that the fee cap apply to marketplaces with inverted (take-make) pricing, where the passive order pays a fee and the active order receives a rebate. One commenter believed that it should not apply to these marketplaces.</p>	<p>The fee cap is intended to apply to orders that a marketplace participant may be required to interact with as a result of the order protection rule. No one is required to post a passive order on an inverted market. In an inverted maker taker structure, setting a fee to post liquidity that is too high would most likely result in a reduction in posted liquidity which will ultimately impact the passive flow routed to that marketplace and the corresponding trading revenue. This provides an incentive to keep any fee at a reasonable level.</p> <p>Despite this, we will continue to examine trading fees to determine what, if any, regulation is required for inverted fee models.</p>
<p><b>Application to Iceberg Orders and Dark Marketplaces</b></p>	<p>One commenter asked whether the cap would apply to iceberg orders.</p>	<p>The cap currently applies to iceberg orders on marketplaces that display orders. The fee cap does not apply to marketplaces that do not display orders.</p>
<p><b>Compliance Issues</b></p>	<p>One commenter suggested it may be difficult for marketplaces to know whether a security is a Non-Inter-listed Security, particularly in the case where an issuer of a security listed on a US exchange delists. The CSA or IIROC should provide a list of Non-Interlisted Securities.</p> <p>It will be difficult to change fees in the middle of a billing cycle if necessary.</p>	<p>We have amended the rule to require recognized exchanges to publish a quarterly list of their Inter-listed securities.</p> <p>To address this concern, we have amended the rule to provide that such changes must be made no later than 35 days following</p>

		publication of the quarterly list.
<b>SEC Trading Fee Pilot</b>	Three commenters suggested that the CSA monitor any Securities Exchange Commission (SEC) trading fee pilot and consider participating.	We are monitoring and will continue to monitor developments in the US, including the recommendations of the SEC's Equity Market Structure Advisory Committee for an access (trading) fee pilot.
<b>Ban Rebates</b>	One commenter suggested banning rebates on Non-Interlisted Securities, as there is no risk of loss of order flow to US marketplaces	Before considering a ban, we will monitor developments with the US fee pilot.
<b>Other Comments</b>	One commenter made a number of suggestions with respect to pricing and availability of market data.	These comments are out of scope of the request for comments. We note that the CSA has recently adopted a formal methodology for reviewing marketplaces' market data fees. See CSA Staff Notice 21-319 dated December 8, 2016.