

Summary of Comments to CSA/CIRO Staff Notice 23-331 Request for Feedback on December 2022 SEC Market Structure Proposals and Potential Impact on Canadian Capital Markets

September 20, 2024

On October 19, 2023, the Canadian Securities Administrators (CSA) and the Canadian Investment Regulatory Organization (CIRO) published [CSA/CIRO Staff Notice 23-331 Request for Feedback on December 2022 SEC Market Structure Proposals and Potential Impact on Canadian Capital Markets \(Staff Notice 23-331\)](#). The notice was in response to the four proposals published by the U.S. Securities and Exchange Commission (SEC) on December 14, 2022 seeking to change certain fundamental elements of U.S. market structure (**SEC Proposed Amendments**). Staff Notice 23-331 proactively sought comment on certain aspects of the SEC Proposed Amendments with a focus on the potential impacts on Canadian capital markets, and potential policy responses.

CSA and CIRO received 12 comment letters. We thank all of the commenters for taking the time and effort to respond. Copies of these comments are publicly available on the websites of [CIRO](#), the [Ontario Securities Commission and the Autorité des marchés financiers](#). Appendix A provides a summary of the comments received.

The British Columbia Securities Commission did not participate in this summary of comments due to publication restrictions related to the upcoming B.C. provincial election.

Please refer your questions to any of the following CSA or CIRO staff:

Tim Baikie

Senior Legal Counsel, Market Regulation
Ontario Securities Commission
tbaikie@osc.gov.on.ca

Michael Grecoff

Securities Market Specialist
British Columbia Securities Commission
MGrecoff@bcsc.bc.ca

Clayton Mitchell

Registration and Compliance Manager
Financial and Consumer Services Commission (New Brunswick)
Clayton.mitchell@fcnbc.ca

Sasha Cekerevac

Manager, Market Oversight
Alberta Securities Commission

sasha.cekerevac@asc.ca

Jesse Ahlan

Senior Regulatory Analyst, Market Structure
Alberta Securities Commission

jesse.ahlan@asc.ca

Serge Boisvert

Coordonnateur expert à la réglementation
Direction de l'encadrement des activités de négociation
Autorité des marchés financiers

Serge.Boisvert@lautorite.qc.ca

Xavier Boulet

Analyste expert à la réglementation
Direction de l'encadrement des activités de négociation
Autorité des marchés financiers

Xavier.Boulet@lautorite.qc.ca

Kim Legendre

Analyste aux OAR
Direction de l'encadrement des activités de négociation
Autorité des marchés financiers

Kim.Legendre@lautorite.qc.ca

Kent Bailey

Senior Policy Advisor
Canadian Investment Regulatory Organization

kbailey@ciro.ca

Tyler Ritchie

Market Surveillance – Investigator
Manitoba Securities Commission

tyler.ritchie@gov.mb.ca

Appendix A
Summary of Comments to [CSA/CIRO Staff Notice 23-331](#) – Request for Feedback on December 2022 SEC Market Structure Proposals and Potential Impact on Canadian Capital Markets

List of Commenters

1. National Bank Financial
2. Canadian Securities Traders Association
3. Virtu Canada Corp.
4. TMX Group Limited
5. TD Securities
6. CBOE Global Markets Inc.
7. Tradelogiq Markets Inc.
8. Investment Industry Association of Canada
9. Scotiabank Global Banking and Markets
10. BMO Capital Markets
11. Nasdaq CXC Limited
12. Canadian Securities Exchange

General Comments

- Overall, the commenters were in agreement that Canadian markets should seek to align with US rules, where practical, to minimize complexity, achieve efficiencies and avoid being put at a competitive disadvantage. Some also cautioned Canadian regulators about moving too aggressively and ensuring SEC rules are final before proposing any changes.
- Generally, commenters communicated that the most pertinent SEC Proposed Amendments to the Canadian capital markets were with respect to establishing a variable minimum pricing increment model and, in conjunction, reducing the access fee caps charged in the U.S.
- A number of commenters noted that many of the concerns that gave rise to the SEC Proposed Amendments do not exist in Canada to the same extent, and therefore there is no need for a policy response in Canada. As such, there was little support for changes to best execution rules, disclosure of order execution information and an order competition rule.

Variable Minimum Pricing Increments (Questions 1 - 6)

- Overall, there was strong support for matching U.S. tick sizes for interlisted securities exactly, regardless of whether they are tick-constrained in Canada and despite any potential increase in complexity or impact on systems.
- A broad concern is that if tick sizes are not matched for interlisted securities, market participants would likely favour U.S. trading venues, resulting in less order flow to Canadian marketplaces.
- It was generally agreed that if the U.S. approach to tick sizes is adopted in Canada, the Canadian methodology for calculating minimum pricing increments should be aligned with that in the U.S. Some suggested reviewing the methodology after 12 months to consider its effect.
- One commenter suggested considering smaller tick sizes for non-interlisted securities, but several commenters cautioned that this should only be contemplated after further study.
- Other commenters noted that exchange-traded funds (ETFs) might require special consideration as reducing tick sizes on ETFs might cause a disproportionate increase in message traffic that tests systems capacity without commensurate improvements in liquidity.
- Although there was no consensus on the extent of investor education that would be necessary, several commenters noted that these challenges were not insurmountable, and that dealers and marketplaces would have to share the responsibility of educating investors.
- Comments demonstrated little support for changing the definition of “better price” in Universal Market Integrity Rules as a result of modifying trading increments in Canada.

Reducing Access Fee Caps (Questions 7 – 9)

- Overall, commenters supported matching U.S. access fee caps for interlisted stocks but were less supportive for changing caps for other stocks; one commenter noted that Canada does not have to harmonize access fee caps with the U.S. as a higher fee cap will improve Canada's competitive position.
- Responses to whether fee caps should also apply to taker-maker models were mixed; however, even those in favor were of the view that more analysis will be required before such a change is proposed.
- There was also mixed support regarding adopting in Canada the SEC proposal to require access fees to be determinable on order entry.

Enhanced Transparency about Better Priced Orders in the Market (Question 10)

- Overall, commenters expressed little support for changing board lot sizes in tandem with the U.S., since there are few Canadian securities that trade at high prices and odd lot order and trade data is sufficiently available in Canada.
- However, several commenters supported a review of policy concerning odd lots as the traditional concept of board lots might be obsolete. For example, it might be prudent to consider a board lot of one share as is already available in other jurisdictions. However, any such proposals should follow a thorough analysis.

Best Execution (Question 11)

- There was a strong agreement that the Canadian best execution framework is already robust and does not require changes.

Disclosure of Order Execution Information (Question 12)

- Overall, commenters expressed little support for requiring disclosure of order execution information as the Canadian requirement that all trades occur on a marketplace does not give rise to the same issues that the SEC seeks to address with its disclosure rules.
- A few commenters supported the enhanced disclosure of order execution information and recommended forming a working group.

Order Competition Rule (Question 13)

- There was a strong agreement among commenters that in Canada there is no need for an order competition rule.
- One commenter encouraged Canadian regulators to consider the benefits of the wholesaler model available in the U.S.