



FPL Canadian Electronic Trading Conference 2009

*Toronto Hilton
June 1 and 2, 2009*



Enhancing and Invigorating Investment Processes in Canada



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES



EXPERT PANEL ON
SECURITIES REGULATION



Session Participants

Enhancing and Invigorating Investment Processes in Canada

- Ian Russell, President and Chief Executive Officer, Investment Industry Association of Canada (Moderator)
- David Miller, Mayor of the City of Toronto
- Tom Hockin, Chair of the Expert Panel on Securities Regulation
- Randee Pavalow, Head of Operations and Regulatory Matters, Alpha Trading Systems
- Tom Sabourin, President and Chief Executive Officer, Polar Securities



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**His Worship David Miller
Mayor of the City of Toronto**





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Expert Panel on Securities Regulation

The Honourable Thomas Hockin, P.C.



EXPERT PANEL ON
SECURITIES REGULATION

Creating an Advantage in Global Capital Markets

FINAL REPORT AND RECOMMENDATIONS

January 2009



Selected Recommendations from the Expert Panel on Securities Regulation relevant to this Round Table

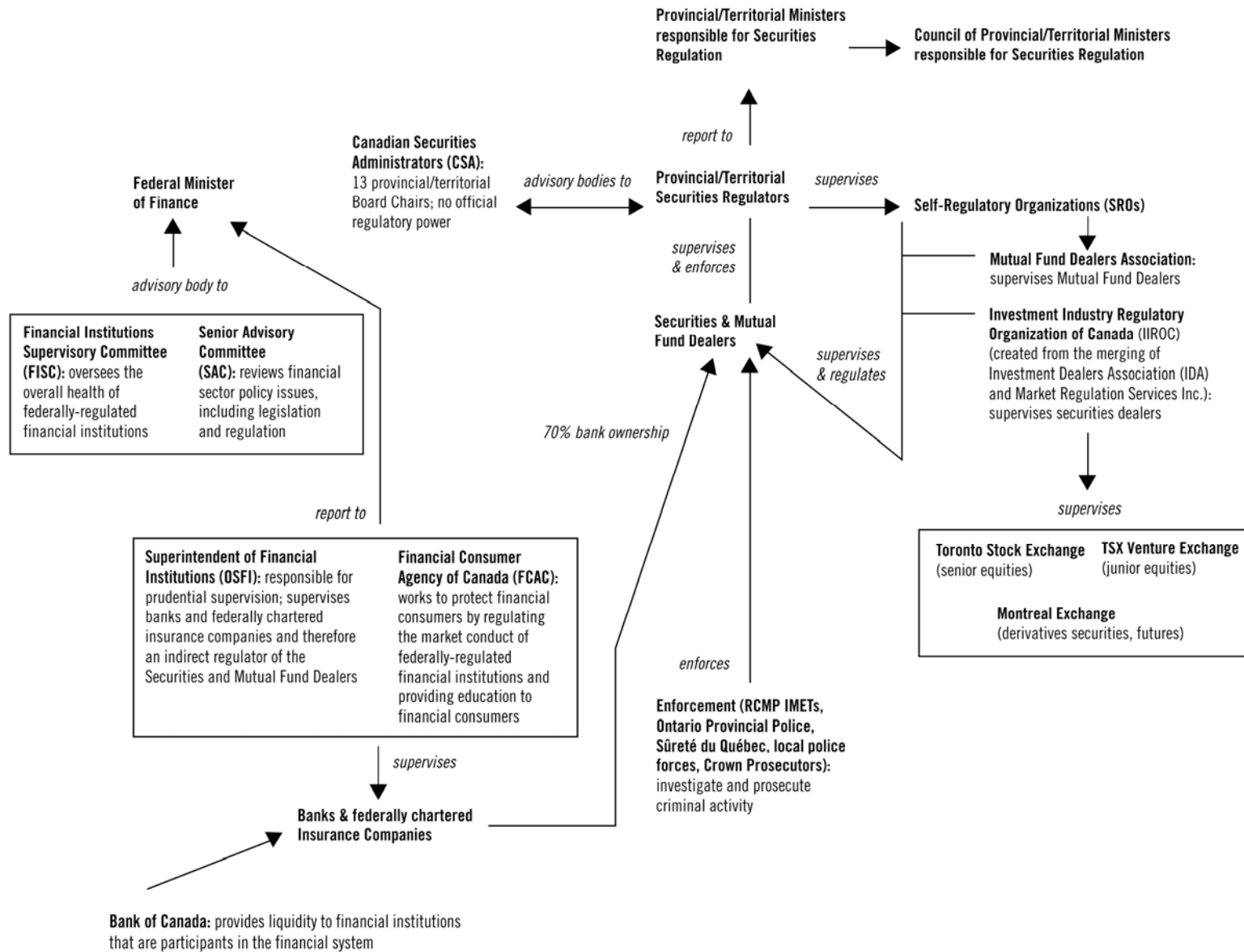
We recommend:

1. A uniform set of core objectives for securities regulation and guiding principles for regulatory conduct for Canada.
2. That the reduction of systemic risk be a guiding principle and that interim powers exist to allow regulators to quickly respond to market events that might pose systemic risks for Canada's capital markets.
3. "Principles – based" and "Outcomes-based" (not " Rules-only based") regulation.
4. "Proportionate, risk-based" regulation.
5. Establishment of the Canadian Securities Commission to administer a single Securities Act for Canada.
6. Establishment of a Capital Markets Oversight Office reporting to the Minister of Finance.
7. Regulation of Exchange Traded Derivatives be prescribed in Securities Legislation and for OTC derivatives the CSC have the depth and resources to determine the best path for the regulation of OTC derivatives.
8. The establishment of an Independent Tribunal and study the merits of a National Enforcement Branch that consolidates administrative and criminal functions.





Canada's Securities Regulatory System





Marketplace Developments and Challenges in Canada

June 2, 2009

Randee Pavalow

**FPL Canadian Electronic Trading Conference 2009
Session 4A · June 2, 2009 · 8:30 to 9:30 a.m.**



Agenda

- Elements of a Vibrant Capital Market
- Market Statistics
- Issues and Responses
- Trends and Challenges



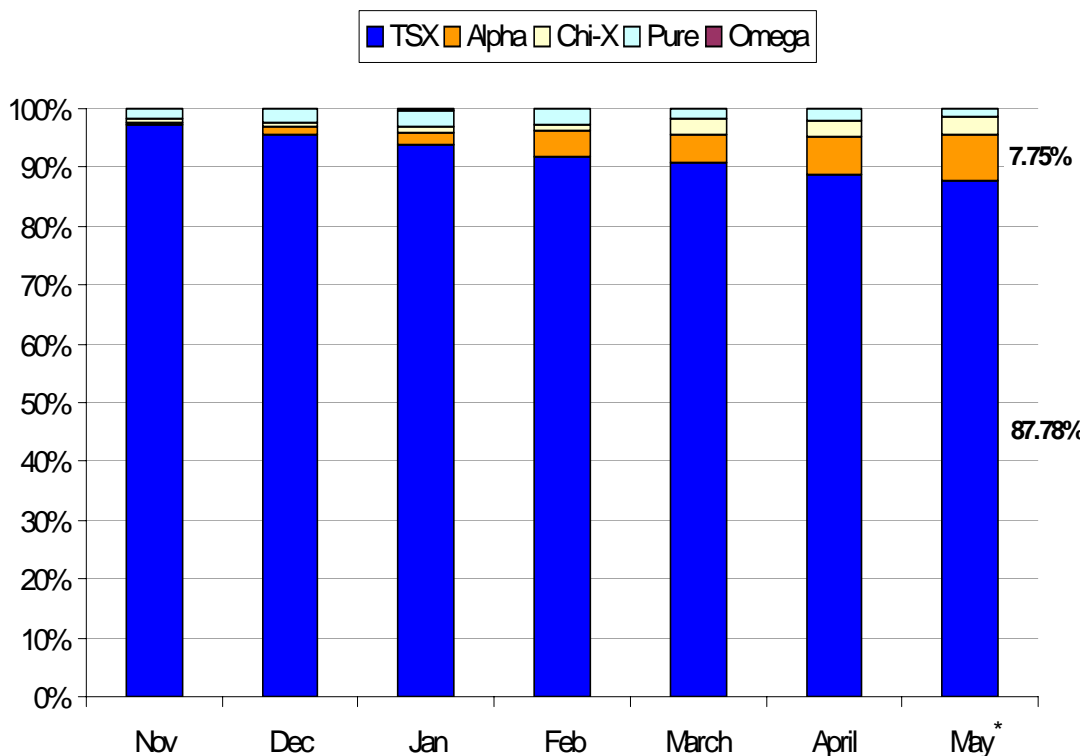
Elements of a Vibrant Capital Market

- Marketplaces: compete on price, speed, cost, functionality, and liquidity
- Technology and infrastructure: flexible and able to respond to complex and diverse multiple marketplace environment
- Regulation: principle-based to support different types of participants and marketplaces



Market Statistics

Marketplace Volume Shares



*Up to May 26th

Phase 1: from January 12
(Alpha Average Daily Trades ~ 8,500)

Phase 2: from March 10
(Alpha Average Daily Trades ~ 10,500)

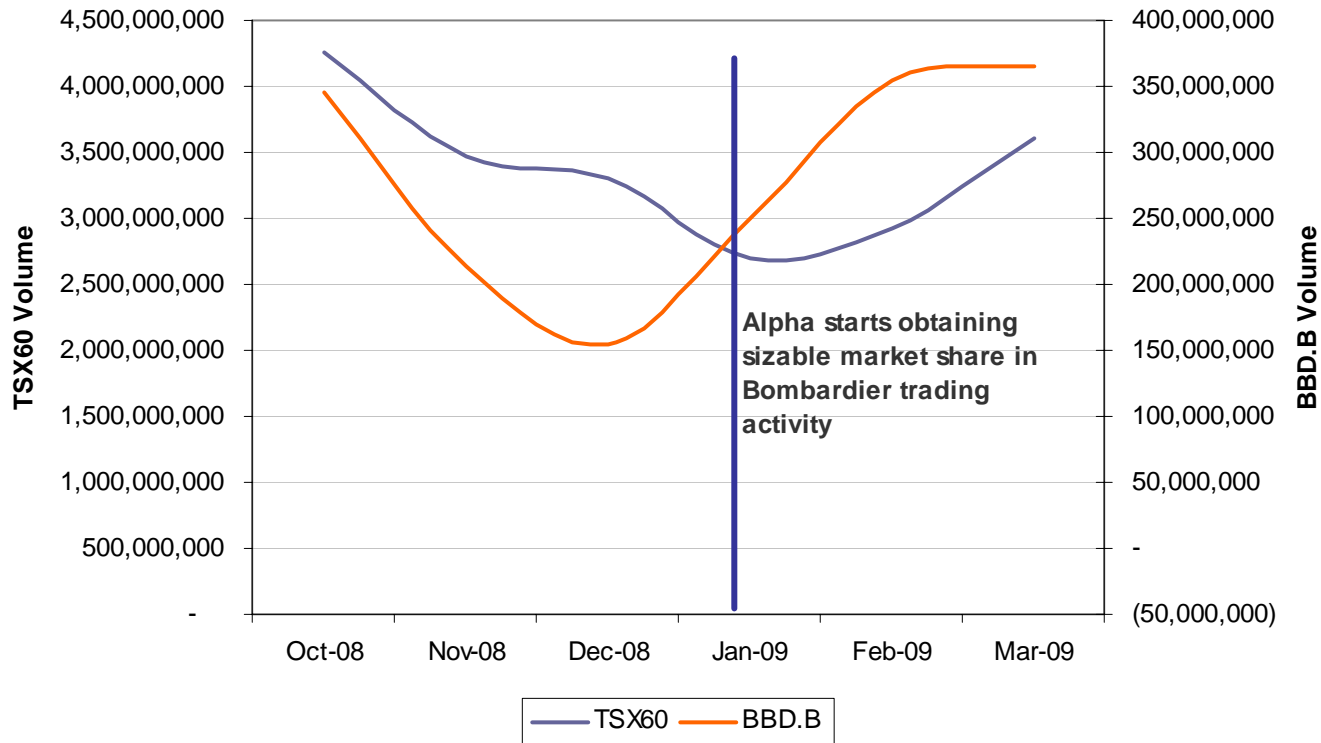
Phase 3: from April 21
(Alpha Average Daily Trades ~ 30,000)



Market Statistics

Increase overall Liquidity / Provide for Arbitrage Opportunities

Relative volume traded in BBD.B vs. all TSX 60 Securities



Market Statistics




The true Opening is no longer only on one marketplace

		11-May-09			12-May-09			13-May-09			14-May-09			15-May-09		
		Volume	Price	Trades	Volume	Price	Trades	Volume	Price	Trades	Volume	Price	Trades	Volume	Price	Trades
BBD.B	TSX	56,100	\$4.110	65	93,100	\$3.970	80	59,400	\$3.850	61	133,000	\$3.670	63	111,100	\$3.850	57
	ALF	55,400	\$4.150	30	70,000	\$4.010	36	45,500	\$3.850	40	71,200	\$3.660	26	19,100	\$3.850	14
BIR	TSX	1,800	\$6.800	7	2,600	\$6.860	8	1,200	\$6.640	2	8,200	\$6.050	12	6,900	\$6.050	8
	ALF	600	\$6.880	1	0	\$0.000	0	2,000	\$6.600	2	0	\$0.000	0	300	\$6.100	2
HQU	TSX	6,100	\$7.110	5	4,000	\$7.600	3	2,000	\$7.250	4	7,000	\$6.810	5	1,000	\$7.050	1
	ALF	0	\$0.000	0	0	\$0.000	0	0	\$0.000	0	5,200	\$6.920	3	0	\$0.000	0
HSU	TSX	9,500	\$7.000	7	5,000	\$6.940	4	500	\$6.640	2	7,400	\$6.380	11	100	\$6.610	1
	ALF	100	\$6.970	1	2,200	\$6.940	3	3,800	\$6.640	8	17,300	\$6.360	15	8,700	\$6.600	6
NT	TSX	117,500	\$0.335	47	102,500	\$0.240	25	61,000	\$0.230	8	18,500	\$0.230	7	29,500	\$0.225	10
	ALF	285,000	\$0.325	64	98,000	\$0.245	35	101,000	\$0.230	28	19,500	\$0.225	10	32,000	\$0.230	10
OIL	TSXV	50,000	\$0.110	9	14,000	\$0.105	7	16,000	\$0.100	7	98,500	\$0.100	13	40,000	\$0.100	9
	ALFV	54,000	\$0.105	9	21,000	\$0.100	7	46,000	\$0.105	7	27,500	\$0.100	4	40,000	\$0.095	4
OPC	TSX	229,700	\$3.410	187	187,200	\$4.300	156	282,400	\$3.410	182	298,300	\$2.750	165	66,400	\$3.200	48
	ALF	249,000	\$3.460	174	387,000	\$4.440	181	328,000	\$3.450	217	470,100	\$2.660	207	47,900	\$3.200	41
PWF	TSX	1,900	\$25.100	6	700	\$25.200	3	2,500	\$24.750	10	2,600	\$23.910	13	3,300	\$24.870	10
	ALF	1,600	\$25.070	9	4,600	\$25.100	5	1,500	\$24.790	8	3,100	\$23.900	11	700	\$24.670	3
RDV	TSX	20,000	\$0.010	1	1,279,000	\$0.010	26	600,000	\$0.010	10	1,512,000	\$0.025	25	390,000	\$0.020	12
	ALF	100,000	\$0.010	2	1,250,000	\$0.010	26	0	\$0.000	0	667,000	\$0.025	25	150,000	\$0.020	5
UUU	TSX	101,500	\$3.800	70	51,900	\$3.930	41	75,600	\$4.000	66	58,900	\$3.540	52	87,700	\$3.600	27
	ALF	79,600	\$3.790	89	72,800	\$3.950	39	62,700	\$4.020	51	133,500	\$3.560	75	18,100	\$3.620	18
XDV	TSX	3,000	\$16.000	11	3,200	\$15.990	12	3,400	\$15.620	8	2,500	\$15.080	10	300	\$15.350	1
	ALF	2,200	\$15.890	6	11,500	\$15.980	8	300	\$15.600	1	7,300	\$15.090	15	600	\$15.410	1
XFN	TSX	3,800	\$18.580	18	4,700	\$18.670	19	34,500	\$18.020	15	23,700	\$17.350	18	2,700	\$17.800	9
	ALF	13,000	\$18.500	37	12,500	\$18.670	24	27,500	\$17.920	31	5,600	\$17.330	19	1,500	\$17.790	7
XMA	TSX	2,300	\$14.540	7	1,700	\$14.860	4	2,300	\$15.110	5	3,100	\$14.930	8	2,600	\$15.360	3
	ALF	900	\$14.520	4	1,000	\$14.900	3	1,200	\$15.100	4	3,000	\$15.020	7	200	\$15.360	1
XRE	TSX	11,500	\$8.720	15	23,200	\$8.760	11	8,300	\$8.600	7	3,700	\$8.310	7	100	\$8.600	1
	ALF	9,000	\$8.720	6	1,000	\$8.760	3	200	\$8.600	1	2,100	\$8.300	5	2,500	\$8.610	6

999,999

Indicates when, at opening, volume traded and/or number of transactions is higher on Alpha than on the TSX

Issues and Responses Challenges to Innovation and Competition

- Technology: availability of appropriate routers  ■ Partnering with vendors and clients
- Data: availability and ease of access at reasonable cost  ■ Working with vendors to develop products and educate customers / IP initiative
- Regulatory: uncertainty regarding rules and enforcement  ■ Active participation in various industry committees

Trends and Challenges

Transformation is on-going and more Issues are to come

- With time, no marketplace will stand for more than 50% of the activity
- Canada has a fundamental market data distribution and cost issue
- Competition will cause fees to be continuously revisited based on various marketplace strategies
- Will regulators be able to keep up with innovations and technology

Regulatory Structure: Does it matter?

- Principle-based vs. Prescriptive
- Clear Policy Objectives
- Appropriate resources devoted to interpreting, monitoring and enforcing



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Enhancing and Invigorating Investment Processes in Canada

Tom Sabourin, Polar Securities



- Impact of Electronic Trading – Investment Manager
 - Our Firm
 - Impact of ET on Our Firm
 - Impact of ET on Our Industry
 - Impact on Fund Investors



- Impact of Electronic Trading – Investment Manager
 - Our Firm
 - AUM – US\$700M
 - Personnel – 12 Portfolio/14 Support
 - Investors – 75% non-Canadian
 - Strategies
 - Positions:
 - 50% Canadian
 - 50% U.S.



- Impact on Our Firm
 - Good
 - Better execution
 - Lower costs
 - Better returns
 - Early adopter advantage (?)
 - Bad
 - Impact of “relationship” benefits (?)
 - More tech costs (?)





- Impact on Industry
 - Good
 - Increased northbound traffic
 - Improved liquidity!!!
 - Unbundled research and CSA's
 - New issue allocation process?
 - Bad
 - ?





- Impact on Investors
 - Good
 - Tighter bid/offer spreads for all investors
 - Lower execution costs
 - Bad
 - ?





Impact of Electronic Trading on Investment Management Industry:

