

CAC Member Report to Local Board January 21, 2019

The CAC met on the phone on January 15th, 2019.

The council's attention shifted to planning our next in-person meeting in January. The agenda is full and I expect it will be a productive use of time. Below are two active proposals the council is working on.

The Trading Fee Rebate proposal focuses on the incentive structure used by equity trading venues to attract orders. Trading fee rebates can create conflicts of interests between brokers and their clients. Often brokers are incentivized to place orders where they reap the largest rebates, but not necessarily where their clients receive the best execution. A study of the rebate incentive structure was originally discussed back in 2014 and is long overdue. Regarding the OSC Burden Reduction proposal, the council invited the OSC to discuss the initiative at our next meeting. A roundtable discussion will follow on March 27th and the CAC was invited to participate.

The CAC is actively working on a response to the following consultations:

- CSA Staff Notice and Request for Comment 23-323 Trading Fee Rebate Pilot Study (due March 1, 2019)

About the notice

The CSA is studying the impact of transaction fees and rebates on order routing behaviour, execution quality and market quality by applying temporary restrictions on marketplace transaction fees applicable to trading in liquid equity securities. Where possible, the study will occur in conjunction with the SEC's study for interlisted securities, and 3-6 months prior to the SEC study for non-interlisted securities. For example, they will study the impact of the prohibition on the "maker-taker" model where the participant that provides liquidity is paid a rebate and the other is charged a fee, as well as on the "inverted maker-taker" model. Potential issues that have been identified include conflicts of interest for dealers, segmentation of order flow (retail vs. institutional) and increased intermediation of trades where the liquidity is such that intermediation may not be needed.

- OSC Staff Notice 11-784 Burden Reduction (due March 1, 2019)

About the notice

The OSC is looking for ways to reduce unnecessary regulatory burden, with a focus on (1) Operational and procedural changes. In particular, identifying changes to make day-to-day interactions with the OSC easier, less costly and provide certainty regarding regulatory requirements and outcomes. (2) Rule changes with a focus on identifying rules that are inconsistent with the rules of other jurisdictions and specific requirements that no longer serve a valid purpose. (3) Enhancing and improving investor experience with the disclosure provided to them, for example, by promoting plain language disclosure.

General Affairs:

The CAC is still looking to add a few members to its membership base. If you are a dedicated volunteer with strong communication skills and interested in helping shape the future of our capital markets we would like to hear from you! Feel free to contact us for more information at cac@cfacanada.org.

Reminder:

All letters can be seen on the CAC website, www.cfaadvocacy.ca

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Chair, Canadian Advocacy Council