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TMX Equities Trading Conference

WEDNESDAY

MAY 10 | 2023

ARCADIAN LOFT, TORONTO

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525+
Registrants

318+
Attendees

215
Average Number of Panel Attendees

324
Buyside/Sellside

59
Regulator/Other

50
Vendors


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Session Summaries


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Canadian Market Dynamics

A look at evolving order flow trends, and the impact of **impending global regulator reforms** on Canada.

MODERATOR

Eshank Shah, Senior Manager, Market Structure and Business Strategy, TMX Group

PANELISTS

Patrick McEntyre, Managing Director Global Equity Derivatives, National Bank Financial

Kevin Chang, VP, Head of Trading, 1832 Asset Management

Lou Mouaket, Managing Director & Head of Program Trading, CIBC

In the current marketplace, liquidity is tight and turnover is lower than it was in the past. Market access fees and other costs are discouraging buyers and sellers alike. An increase in trading of exchange-traded funds (ETFs) has also had a dampening effect on market conditions. There has been a noticeable increase TSX Market on Close® (MOC®) volumes, which indicates that investors are using MOC® to manage overnight risk. Investors are also retaining cash, reflecting a lack of conviction in the marketplace.

To adapt to these conditions, the buy side and the sell side can work more closely together and with more transparency. The buy side operates under different time constraints than the sell side and, in a diverse marketplace, investors follow different styles, with different time horizons. They can benefit if each side understands the other's objectives and anticipated outcomes. Such proactive cooperation with portfolio managers can also reveal pockets of liquidity.

The marketplace will be affected soon by material regulatory changes. Canadian markets are moving to the same cut-off time as the U.S., for example, and this standardization should have a positive impact on liquidity. Canada will also have to follow the U.S. in adopting a common tick size and trading increment.

The panel discussed that, at the same time, the migration to T+1 trade settlement remains a challenge for brokers both operationally and technologically. In particular, the underlying assets of global ETFs trade on different markets with different settlement times, which increases risk. Participants will perhaps have to become accustomed to a higher failure rate, assuming that on-time T+1 settlement of 85% of trades is preferable to on-time settlement of T+2 of 98% of trades.


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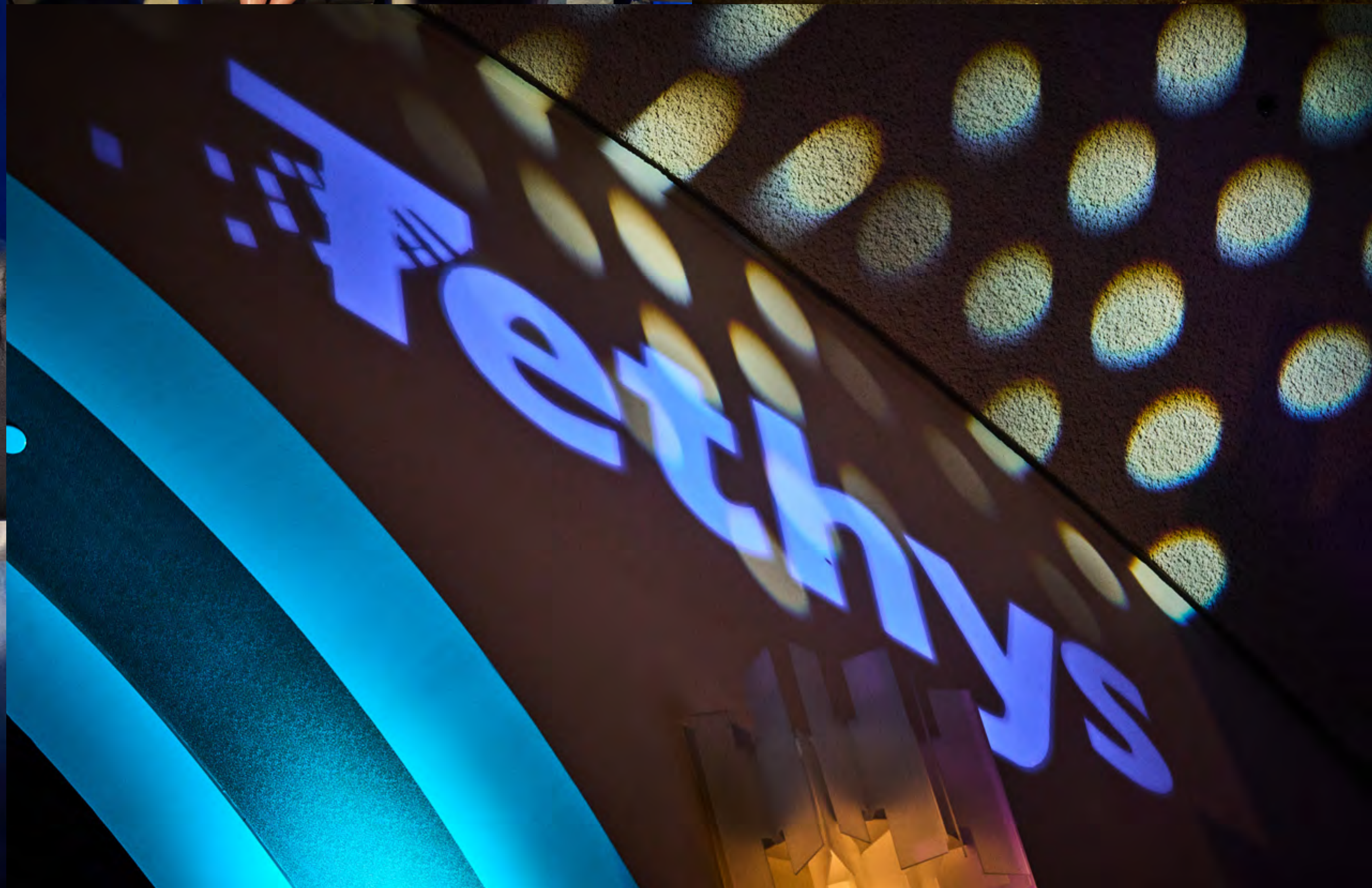
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The Evolving Role of Marketplaces

We join leading U.S. marketplace innovators to discuss how they are solving for client needs in improving execution quality.

MODERATOR

Rizwan Awan, President, Equities Trading and Head of TMX Markets, Products & Services, TMX Group

PANELISTS

Vlad Khandros, CEO, OneChronos Markets

John Ramsay, Chief Market Policy Officer, IEX

Roman Ginis, CEO of Imperative Execution Inc.

The current marketplace is constrained by liquidity and execution levels, but participants are finding ways to enhance liquidity. Price, fill rate, liquidity and timing all vary by client, which can affect their trading objectives and execution quality.

Electronic trading platforms take time out of the equation. Faster trades have led to an increase in trading volumes, requiring greater risk management. If these platforms can deliver price stability after trades, clients will feel that the market is fair, and they will continue trading there.

An automated trading system (ATS) can offer functionality to select clients while exchanges deliver functionality to all, according to the panel. An ATS can make adjustments more quickly since it does not have to follow the same extensive procedures as an exchange, panelists said, though investors may sometimes feel more secure in an exchange environment in which the exchange acts as a neutral party.

Because no one has to trade on an ATS, attracting business can be difficult. To raise awareness, an ATS can try to interact with as many brokers as possible, providing them with better reports and intelligent quotes. This objective is furthered by the trade reporting facility (TRF), which provides members of the Financial Industry Regulatory Authority with a mechanism for the reporting of transactions effected otherwise than on an exchange, displaying quotations and reporting and comparing trades.

Proposed SEC reforms will affect execution quality and market structure. Proposed reforms involving order competition and best execution have raised some controversy, while the marketplace is anticipating a reduction in tick size and a common trading increment. Along with the proposed reduction in access fees, these changes should enhance trading opportunities for all investors. Investors should gain reassurance knowing that orders placed in the national market system reflect the best prices available.


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What Does the Future Hold for the NEW SRO?

With the merger of MFDA and IIROC, the New SRO's CEO Andrew Kreigler will **share his vision** for the new entity and thoughts on the regulatory landscape both locally and globally.

MODERATOR

Luc Fortin, President and CEO MX & Global Head of Trading, TMX Group

PANELIST

Andrew J. Kriegler, President and Chief Executive Officer New SRO

At the beginning of 2023, the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association (MFDA), the two self-regulatory organizations that had overseen the investment industry in Canada, were replaced by an amalgamated organization called the Canadian Investment Regulatory Organization (CIRO).

The old organization reflected a world in which investors operated on two mutually exclusive sides of the industry. In this world, investment firms operated in silos, incurring unnecessary expenses involved in administration and management.

But that's not the world we live in now. The change in structure will eliminate silos and simplify delivery of oversight and regulation. It should significantly reduce the cost of compliance, as well, as the New SRO analyzes costs and benefits and evaluates not only the rules, but how the rules are applied.

The migration from two sets of technology and two sets of manuals to one will take some time, perhaps as long as two years, depending on an organization's progress in planning. It will also take about two years for the New SRO to produce its new rule book.

The goal is to make the system more efficient and reduce the regulatory presence in Canada's investment environment.

As a self-regulatory organization, the New SRO depends on participation from the industry to remain informed and relevant. With this in mind, it encourages participation from the industry on SRO committees, especially on the retail side. Under the old regime, IIROC's market rules advisory committee supported the organization in improving its rules and applying them to the industry more intelligently. The New SRO will seek similar input from the industry.

In striving to create a pan-Canadian SRO that represents the industry nation-wide, the New SRO has developed a close working relationship with the Canadian Securities Association (CSA) while focusing on the regulatory landscape in a global environment. It is participating with international bodies in setting global standards that address developments in the marketplace such as the movement and monitoring of cross-border data.

The increase in cross-border data has been extraordinary. Since 2019, message volume has increased by four times and by six times in the derivatives environment. Despite the challenges in managing such volumes of data, the benefits to such activities as client identification have been significant. The identification of bad actors has been greatly enhanced.

Meanwhile, regulatory oversight of fixed-income markets has advanced, bringing greater clarity to their activities, with greater electronification. All fixed-income trades are now captured at end of day, for example. However, these markets are not centralized in the same way as equity markets.

With regard to crypto markets, the CSA aims to bring them under the Canadian regulatory umbrella. Since these markets raise the same risks and the same hazards as any other investment market in any jurisdiction, they should operate under the same rules as the rest of the participants. Currently, three crypto firms operate under Canada's regulatory regime, but the delivery of regulation in these markets remains a challenge.

> This conference was excellent; TMX is definitely elevating the quality of panels/content. The food was incredible, the ambiance was just wonderful, and I felt like I was at a gala event, not a conference. Kudos to TMX!

Attendees' Feedback (post event survey)

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Trading Technologies of Tomorrow

Industry Leaders discuss the next evolution of trading technologies, like AI, FPGA or Quantum computing, and **how they might impact the entire investment process**.

MODERATOR

Etienne Charlebois, Head of Delivery, TMX Markets

PANELISTS

Nitin Gambhir, CEO & Head of Quantitative Research Tethys Technology

Chad Reed, Managing Director, Global Head of Execution Solutions & Equity Analytics, Scotiabank

Etienne Phaneuf, CEO and President at ArchES Computing

With more machines talking to machines in the investment environment, traffic is increasing along with volumes of data. Artificial intelligence (AI) will have a role to play in this environment, although AI functions most effectively in a closed system like a factory or processing facility in which the same operations are repeated.

The trading world is dynamic, which lends itself more to boundary machine learning that can be programmed to adapt to changing conditions.

Participants in the trading world also want explanations for decisions that affect investment performance. Decisions made without explanations diminish trust. At the moment, AI makes decisions without providing explanations, which disqualifies its applicability in the trading world.

Major market systems are built on central processing units (CPU), which, despite their potential speed, still perform one operation at a time. As concerns with performance increase, different approaches are being developed, including alternatives that filter data differently or combine genetic algorithms (GA) with an architecture incorporating a graphics processing unit and CPU, which can accelerate the power and search capacity of the GA for financial applications. Ultimately, the architecture depends on the problem that needs to be solved.

Quantum computing will inevitably play an important role in the future investment world. A task that might take a classical computer years to perform can be performed by a quantum computer in seconds.

At the same time, quantum computing raises encryption risks and jeopardizes cyber security, just as similar concerns have affected migration to the Cloud. While these risks and concerns are on the horizon, participants are well-advised to stay abreast of developments by either cultivating necessary skill sets or forming technological partnerships that can support them as these developments occur.

Considering the expense of hardware involved in these processes, market participants are leveraging the Cloud, taking advantage, in particular, of its scalability. But as volumes increase with the demand for real-time data, cost considerations as well as a desire to control infrastructure may direct clients back to hosted environments with managed rather than virtual servers.

Other considerations affect migration to the Cloud, as well. Only a minimal number of clients in the trading world demand the highest speeds, for example. The majority simply want a consistent, jitter-free market outcome. The Cloud doesn't always deliver such performance. Recent outages in the crypto world have drawn attention to these Cloud-related stability issues.


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Global Market Dynamics

A deep dive into the **global regulatory initiative and marketplace trends** that are likely to be most impactful to Traders and PMs.

MODERATOR

Doug Clark, Managing Director, Equity Product Design, TMX Group

PANELISTS

Jennifer Hadiaris, Market Structure, Cowen

Eric Stockland, Managing Director, Electronic Trading, BMO Capital Markets

Lacklustre institutional activity and the dominance of ETFs in North American and European trading environments have had a noticeable effect on global liquidity, which has fallen despite increases in volume.

To address investor concerns about liquidity, providers are delivering bespoke solutions tailored to the client's specific expectations and needs. Clients have different perspectives on liquidity. For some, it means patience. Others focus on liquidity events like the market open, in which 15 per cent of conditional trades occur in the first 30 minutes.

To deliver tailored solutions in such an environment, providers have to understand the needs of their clients and how they can add value to their investment objectives.

Providers also have to build strong relationships with the marketplace, including automated trading systems (ATSs). In recent years, support for ATSs has been waning, despite their performance in line with client expectations and aligned with their long-term objectives. ATSs need to attract market share to survive, so providers should strive to support new incumbents in the marketplace. In fact, the more ATSs the better.

In pursuing strong relationships with the marketplace, providers can also uncover less obvious sources of liquidity such as single-dealer platforms and exchanges that are heavily involved in retail trading. Depending on a client's demand for such specifics as mid-point liquidity, higher fill rates or better quotes, providers may find opportunities in U.S. or European marketplaces.

In the meantime, new regulations will have an impact on the trading environment, as the SEC follows through on proposals to reduce access fees, narrow tick sizes and accelerate the transparency of best-priced orders. Some critics contend that these changes will have little effect on liquidity concerns of less liquid names in the marketplace but will benefit only names that are already relatively liquid, while the reduction in access fees and the drop in tick size may or may not enhance the market share of new venues.

> To address investor concerns about liquidity, providers are delivering bespoke solutions tailored to the client's specific expectations and needs.

Global Market Dynamics Panel

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Thank you for attending the 19th annual TMX Equities Trading Conference on May 10

We would be happy to hear your feedback on the event.

Please, scan the QR Code below to fill out our survey:


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