

**The Bank of Nova Scotia**  
*Global Equity*  
Scotia Plaza  
40 Temperance St, 4<sup>th</sup> Floor  
Toronto, ON M5H 1Y4

**Scotiabank**  
GLOBAL BANKING AND MARKETS

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Kent Bailey  
Senior Policy Advisor, Market Regulation Policy  
Canadian Investment Regulatory Organization  
Suite 2600  
40 Temperance St.  
Toronto, ON M5H 0B4  
[market\\_regulation\\_policy@ciro.ca](mailto:market_regulation_policy@ciro.ca)

and

Trading & Markets Division  
Ontario Securities Commission  
22<sup>nd</sup> Floor  
20 Queen Street West  
Toronto, Ontario M5H 3S8  
[tradingandmarkets@osc.gov.on.ca](mailto:tradingandmarkets@osc.gov.on.ca)

and

Capital Markets Regulation  
B.C. Securities Commission  
P.O. Box 10142,  
Pacific Centre 701 West Georgia Street  
Vancouver, B.C. V7Y 1L2  
[CMRdistributionofSROdocuments@bcsc.bc.ca](mailto:CMRdistributionofSROdocuments@bcsc.bc.ca)

Via Email

## **Re: Proposed Amendments & Guidance Respecting Trading Increments**

Scotiabank Global Banking and Markets appreciates the opportunity to comment on the proposal by CIRO to introduce measures that would align the trading increments of certain interlisted stocks with the requirements of Reg NMS Rule 612.

We commend CIRO for rapidly proposing measures which would maintain Canadian competitiveness in the context of Reg NMS Rule 612. The decision to support half-cent trading increments for interlisted stocks aligns with our response to the CSA/CIRO "Request for Feedback on December 2022 SEC Market Structure Proposals and Potential Impact on Canadian Capital Markets" where we

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advocated for harmonization of trading increments for interlisted stocks. We therefore support the proposed amendments to introduce a definition for “U.S. inter-listed security” and amend UMIR 6.1 to permit trading at narrower trading increments for such securities.

While the rulemaking approach is sound, we are concerned that dissemination of securities eligible for a narrower trading increment solely through a “technical rules bulletin” does not adequately support systems integrity and automation in the Canadian market. To avoid ambiguity on the appropriate trading increment each day, we believe listing exchanges should disseminate the minimum trading increment (above \$1.00) for each security, each day, as part of existing processes for disseminating eligible traded securities. In other words, CISO’s “technical rules bulletin” dissemination would be supplemented by listing exchanges conveying this data onward to participants and their systems.

We recognize that CISO may not have the jurisdiction to require exchanges to make technical changes of this nature. However, we believe that the Canadian trading community must come together to a common standard for automated dissemination of this (and other) vital security master data. In the absence of a rapidly-developed industry consensus, it would be appropriate for the CSA to codify such requirements in NI 21-101 Marketplace Operations.

Finally, we request that CISO consider publishing specific guidance on the handling of corporate action events for affected U.S. interlisted stocks, including whether reduced trading increments apply to “successor” entities in the event of an identifier change, a spinout, or other transaction that gives rise to a new security. The goal of such policy would be to continually align trading increments for interlisted stocks between the U.S. and Canada, without constraining CISO to a semiannual publication frequency as suggested by the Proposed Amendments.

## Answers to Specific Questions

*Question 1 In the future, we may consider whether to apply changes to trading increments to all Canadian-listed securities. We welcome any preliminary feedback in this regard.*

We believe such a decision should take place after a period of empirical analysis of the effect of narrowing trading increments on Canadian interlisted stocks because of Reg NMS Rule 612. It is premature to provide a recommendation at this time.

*Question 2 As noted, we expect significant implementation efforts by industry if the Proposed Amendments are finalized. Recognizing that the compliance date for the amendments to Rule 612 is November 3, 2025, and acknowledging the need for harmonization, what is the expected minimum required time for various stakeholders (Dealer Members, marketplaces, information vendors etc.) to be prepared for an aligned implementation date in Canada?*

We note that as of this writing, the SEC's Rule 612 proposal is stayed pending litigation, and the compliance date is currently unknown. Given the extended time required for implementation, and the possibility that Rule 612 changes proceed after a period of litigation, the appropriate course of action would be for Canadian participants to begin working towards compliance.

*Question 3 Rule 612 provides for a 1-month implementation window at the end of each semi-annual evaluation period (i.e., a 1-month window between establishing the increment and the effective date). Is this sufficient time for Canadian marketplaces to amend trading increments for listed securities in Canada?*

We believe this timeframe is sufficient.

*Question 4 Rule 612 requires the primary listing exchange in the United States to measure the time weighted average quoted spread for each NMS stock, a measurement that determines the applicable minimum pricing increment. The primary listing exchange is also required to provide the applicable minimum pricing increment to various information processors for dissemination. We are soliciting feedback on the best approach to disseminating the applicable trading increment in Canada based on the data disseminated in the United States.*

As outlined in our general response, we believe listing exchanges should disseminate the minimum trading increment (above \$1.00) for each security, each day, as part of existing processes for disseminating eligible traded securities. This approach supports automation and standardization within the Canadian market.

Thank you for the opportunity to comment on this important proposal.

Respectfully,

Alex Perel, CFA  
Managing Director & Head of ETF Services  
Scotiabank Global Banking and Markets  
alex.perel@scotiabank.com