



CANADIAN SECURITY TRADERS ASSOCIATION, INC.
P.O. Box 3, 31 Adelaide Street East,
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October 18, 2010

Ms. Susan Greenglass, Director, Market Regulation,
Ontario Securities Commission
20 Queen Street West, Suite 1903, Toronto, ON M5H 3S8

sgreenglass@osc.gov.on.ca

Dear Ms. Greenglass,

The Canadian Security Traders Association, Inc. (CSTA), is a professional trade organization that works to improve the ethics, business standards and working environment for members who are engaged in the buying, selling and trading of securities (mainly equities). The CSTA represents over 800 traders nationwide, and is led by Governors from each of three distinct regions (Toronto, Montreal and Vancouver.) The organization was founded in 2000 to serve as a national voice for our affiliate organizations. The CSTA is also affiliated with the Security Traders Association (STA) in the United States of America, which has 6,000 members globally, making it the largest organization of its kind in the world.

This letter is in response to Notice of Proposed Changes in accordance with OSC Staff Notice 21-703 – *"Transparency of the Operations of Stock Exchanges and Alternative Trading Systems."*

Chi-X announced plans to implement pre-validation checks into its Chi-Controls risk management tools. Specifically, it has proposed implementation of the following:

- **Price limit** -- provides Subscribers the ability to set price parameters for incoming orders. Price limits can be determined by either specifying a percentage band calculated from the last sale price and/or by specifying fixed price levels for a security.
- **Share limit** -- provides Subscribers the ability to set a maximum number of shares permitted per order per security.
- **Capitalization limit** -- provides Subscribers the ability to set the maximum notional value per order per security.

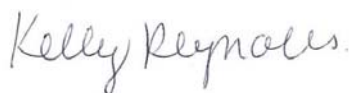
In the event that any of these limits are breached, the order is cancelled and sent back to the subscriber.

An exchange level risk management tool allows risk to be applied to all orders with a uniform level of latency. As such, participants are able to ensure proper gating rules while not being disadvantaged relatively to their peers.

It also creates a "Standard" risk check for all participants using the exchange. We applaud this initiative and hope that the other exchanges and ATS' in Canada follow Chi-X's lead.

While these simple checks in isolation are not enough of a risk filter for flow sent through dealers' conduits or through sponsored access, it does provide a good second line check for situations where risk filters at the institution level fail to pick up potentially erroneous orders.

Respectfully,



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- Manitoba Securities Commission
- New Brunswick Securities
- Ontario Securities Commission
- Securities Commission of Newfoundland and Labrador
- Registrar of Securities Department of Justice, Government of the Northwest Territories

- Nova Scotia Securities Commission
- Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut
- Prince Edward Island Securities Office
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