Mr John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903
Box 55
Toronto, Ontario
M5H 3S8

REQUEST FOR COMMENT ON DISCUSSION PAPER 24-401 ON STRAIGHT-THROUGH PROCESSING; PROPOSED NATIONAL INSTRUMENT 24-101 POST-TRADE MATCHING AND SETTLEMENT; AND PROPOSED COMPANION POLICY 24-101CP TO NATIONAL INSTRUMENT 24-101 POST-TRADE MATCHING AND SETTLEMENT.

Thank you for the opportunity to make general comments on the policies as described in my title of this letter.

My general comments, in brief point-form, follow:

- The Commission has not made clear how trades already agreed upon will see these agreements improved upon by making the settlement process faster. It is not clear how STP can save us from errors better than the current T+3 system;
- It is not clear how STP can provide the necessary feedback that helps avoid errors;
- The Commission has not made clear by how much processing costs can be reduced, or whether these reductions are significant;
- It seems the SROs are in a better position to know how members of the investing public will react. For instance, mutual fund investors will regard STP differently than the self-directed investor using a discount brokerage;
- The Commission has not provided any worthwhile philosophical or scientific basis for its belief in the STP system for settling security trades. Instead, the current adoption of STP indicates a ‘me-too’ mentality at work. It appears that the Commission

wishes to implement STP based solely on the fact that by doing so the Commission has successfully aped its greater American cousin, the Securities and Exchange Commission.

- An economic consequence of STP not directly addressed by the Commission is the opportunity STP will afford brokerage houses that are significantly related to major lenders to issue more credit to investors. That will not be welcomed. It is often practical to rely on T+3 trade settlements, since many investors make investment decisions on information that is received instantaneously. Under T+3 investors have a window of time to transfer funds before the settlement date, and thereby avoid having to pay interest costs to lenders. It seems that STP will demolish that window, and force investors to both anticipate future purchases by having enough money on hand to cover the costs, a silly and heretical imposition by a government body in this day and age, or to rely on having enough credit on hand and pay the costs associated with using it. Can a system that favours lenders over investors be said to have enhanced the stability of its capital markets?

The last point marks the finish of my general comments.

Yours truly,

ROBERT HOVIANSEIAN
President
Confident Financial Services (1969) Limited

14 July 2004