



CANADIAN SECURITY TRADERS ASSOCIATION, INC.
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British Columbia Securities Commission
Alberta Securities Commission
Manitoba Securities Commission
Ontario Securities Commission

c/o John Stevenson, Secretary
Ontario Securities Commission,
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Toronto, Ontario M5H 3S8

The Canadian Security Traders Association, Inc. is pleased to have this opportunity to respond to the request by the CSA for comments on Concept Paper 23-402 Best Execution and Soft Dollar Arrangements.

The Canadian Traders Association, Inc. (CSTA) is a professional trade organisation 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 700 traders nationwide in Canada, and is led by Governors from each of three distinct regions. The organisation was founded in 2002 to serve as a national voice for our affiliate organisations. The CSTA is also affiliated with the Security Traders Association (U.S.A.), which has 6,000 members globally making it the largest organization of its kind in the world.

We often comment on industry developments and form opinions on trading issues based on input from our membership.

Response to Question 1: Current requirements should be sufficient as the rules are quite clear about the role played by all market participants; however a process of education for all parties regarding the rules is important. Institutional clients are very aware of their role in best execution but again, education and emphasis are always helpful.

Response to Question 2: There should NOT be more prescriptive rules. The methods for meeting best execution obligations vary enormously and should be left to the discretion of registrants. Speed, cost, price, all have varying degrees of importance to each client.

Response to Question 3: We do not feel there are other elements of best execution to be considered.

Response to Question 4: It is our opinion that audit and compliance are not jurisdictions for the trading community to make decisions on, however the market close and overall performance of the equity over the trading period could be used.

Response to Question 5: The process as stated “seeking to achieve this best net result and not necessarily by meeting an absolute standard” is appropriate. It appears to allow the flexibility to meet clients’ investment objectives and market movement.

Response to Question 6: In all the mentioned cases, impact on the quality of execution is triggered by visibility and open access to quotes and market places.

Response to Question 7: An extensive knowledge of the foreign market in question and knowing and trusting the broker executing the order is imperative.

Response to Question 8: We feel very strongly that internalization of orders is a grave impediment to best execution.

Response to Question 9: We believe there should be some form of mark-up rule. While dealers and advisers using their capital deserve to earn some remuneration, too often unsophisticated investors are taken advantage of in a totally unacceptable fashion.

Response to Question 10: We regret that there is no way to track best execution in such dealer markets.

Response to Question 11: In our opinion, soft dollar arrangements should be fully disclosed to clients and an agreement as to the obligations and ratios clarified and complied with.

Response to Question 12: We can find no other benefits or concerns.

Response to Question 13: We feel that the only application for soft dollars is for investment research and decisions and to facilitate best execution.

Questions 14 through 17: We do not feel that these areas are within our jurisdiction as traders.

Response to Question 18: We can think of no way to ensure best execution using either directed or recaptured commissions.

Response to Question 19: We believe full disclosure is vitally important.

Response to Question 20: Canadians should continue to form their own initiatives to suit the Canadian market while remaining fully informed of actions in other jurisdictions and taking measures to ensure Canadian competitiveness within world markets.

Thank you for the opportunity to comment on these important matters.

Yours sincerely,

On behalf of the CSTA Trading Issues Committee

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