

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorite des Marches Financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

Ann-Marie Beaudoin, Directrice du secretariat
Autorite des marches financiers
Tour de la Bourse
800, Square Victoria
C.P. 246, 22e etage
Montreal, Quebec
H4Z1G3

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

The Canadian Security Traders Association, Inc. is pleased to have this opportunity to respond to the request by the CSA on Trade-Through Obligations.

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 700 traders nationwide in Canada, and is led by Governors from each of three distinct regions. The organization was founded in 2002 to serve as a national voice for our affiliate organizations. 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: The factors or criteria that should be considered in identifying the appropriate structure and requirements for the Canadian market are **fairness**; visibility and access (also see response to question 2).

Response to Question 2: The market structure issues that should be considered as part of the discussion on the trade-through obligation are access to ATS's and fees, speed, **fairness**, liquidity and depth of market.

Response to Question 3: N/A

Response to Question 4: Both dealers and non-dealers should be subject to the trade-through Obligation to the extent of having access to the ATS (Reg NMS applies to all participants).

Response to Question 5: The main difference between the markets in Canada and the U.S.A. is the U.S. actually has volume going through on their ATSs. It's yet to be seen if the ATSs in Canada will survive. We are much smaller than the U.S., and therefore we don't believe that there will be a need for many market places here. Having said that, this trade-through obligation issue still has to be resolved whether there are 2 or 20 market places eventually operating in Canada. There is a significant infrastructure in the U.S. that we don't have here in Canada.

Response to Question 6: Derivatives should be excluded from the regular market data, as they are not true exchanges of ownership or allow the general marketplace to participate so therefore derivative trade throughs need not to have the same requirements as the general market.

Response to Question 7: Obviously the trade-through protection should be imposed where there are multiple marketplaces trading the same security otherwise why would it be needed?

Response to Question 8: The trade-through obligation would have to be met by a majority of participants in order for there to be competition. This model must also imply fair competition amongst market places.

Response to Question 9: All marketplace participants should have an obligation and a duty to the markets. Non-dealer participants are still trading for their clients; this is the same as if they were acting as agent just like a dealer. It should be the same playing field for all.

Response to Question 10: If a trade-through obligation is imposed it should be on the market places. The buy side is not equipped at this stage to be caught in the cost to all market place participants. This would be prohibitive.

Response to Question 11: N/A

Response to Question 12: Of course the absence of a data consolidator will have great affect on whether and how the trade-through obligation should be imposed.

Response to Question 13: Access fees need to be definitely addressed before imposing a trade-through obligation.

Response to Question 14: N/A

Response to Question 15: The obligation should use a Full Depth-of-book.

Response to Question 16: Yes there should be a solution to deal with sweep orders.

Response to Question 17: This should be restricted to visible orders only. How can you impose on a dealer that they have to satisfy better-priced orders available on other marketplaces if there is no transparency? Yes this should be restricted to visible orders only.

Response to Question 18: If the trade-through obligation is imposed, it should be simultaneously with the time of execution of the inferior priced trade versus after the time of execution or there is an opportunity for “gaming”.

Response to Question 19: It should be imposed on all better-priced, pre-existing orders at the time of execution only and the amount of stock traded at the inferior price.

Response to Question 20: Special Terms orders have no standing, therefore should not be subject to the trade-through if it is imposed. (AON, DD, etc.)

Response to Question 21: Yes an exemption should be provided for orders for which the price or other material terms cannot be determined on order entry such as VWAP or MOC.

Response to Question 22: It should be the same across the board, no matter what the size of the order is. There should not be an exemption for block orders.

Response to Question 23: (See response 22)

Response to Question 24: If a trade-through obligation is imposed, the ability to move the market within the allowable percentage should be allowed. We do not have the same issues as the Americans regarding sweeps.

Response to Question 25: No the trade-through obligation should not be applied to any non-visible portions of a trading book.

Response to Question 26: The rule should be drafted to apply to protect only those orders that are immediate and automatically accessible. We do not have any manual equity marketplaces in Canada and doubt very much there will ever be one again.

Response to Question 27: The impact of imposing a trade-through obligation on non-dealers is cost. The cost incurred by smaller Participating Organizations and Buy-Side investors could be prohibitive and result in an unfair advantage for those with deeper pockets.

Response to Question 28: Best execution may not necessarily mean best price. As “best execution” is termed a process, “best price” should also be viewed as an objective and not a finite description. However, best execution and trade-through protection are not necessarily mutually exclusive propositions. If technological links exist between the market places, there is no reason to assume that orders could not be executed efficiently and quickly while maintaining trade-through protection.

Response to Question 29: If the technological links are in place, we should not have this problem in Canada.

Response to Question 30: Time and price priority should be the same across the board because it’s fair.

Response to Question 31: The last sale price should be the one on the primary exchange. That is where the real volume and price is. Otherwise, it would be like pricing an interlisted stock that trades on both the TSX and NYSE, on the market with the least amount of trades and volume.

Before implementing a Trade-Through Obligation, the CSA should mandate automated trading and eliminate access fees. Once market participants have open and efficient access to trade against the published quotes of all market centers on an automated and market neutral basis, competition should ensure that customers receive the best prices available on their orders. The CSA should not adopt a trade-through obligation unless it determines based on empirical analysis that such connectivity and automation is insufficient to protect against trade throughs.

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

Yours sincerely,

On behalf of the Trading Issues Committee

James Beattie
Chairman, CSTA

Nick Savona
Chairman, Trading Issues Committee