



April 15, 2008

Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario
M5H 3S8

via Email: jstevenson@osc.gov.on.ca

Attention: John Stevenson, Secretary

Re: Proposed National Policy 12-203

Research Capital Corporation (“RCC”) appreciates the opportunity to comment on the above proposed policy. RCC is generally in support of the policy. We agree that Cease Trade Orders (“CTOs”) should be issued using the mutual reliance principles and that one CTO should be issued by the principal regulator. This will go a long way in harmonizing the treatment and administration of CTOs.

We also like the concept of Management Cease Trade Orders (“MCTO”) which places responsibility and accountability on the management of an Issuer. It allows investors the opportunity to transact when a full CTO would cease all trading.

There are however several administrative issues that we would like the CSA to consider which impact the ability of the Capital Markets to respond accurately and promptly to either a CTO or a MCTO. We have outlined below some of the challenges that we have faced as an Investment Dealer operating in most of the Canadian jurisdictions.

The policy appears to place the burden on Issuers to monitor and control trading that could result during a time when a MCTO is in place. Generally speaking RCC would agree that Issuers should have Trading and CTO Policies that are rigidly enforced. Management of an Issuer should also be appropriately disciplined for violating both the MCTO and their CTO policies.

However, it has been the experience of the securities industry generally that enforcement of CTO’s has rested almost exclusively with the Investment Dealer (“Dealer”) community. The Dealers have been expected to detect the CTO (verify it’s existence), stop the security from trading, report and correct any deficiencies that result.

Given the requirement for market participants such as Dealers to act as gatekeepers we raise concerns about how the information for MCTO’s will be issued, stored and administered by the CSA. These concerns stem in large measure from deficiencies with the existing database for CTOs.

It is our understanding that the CSA administers a database for CTOs for all participating issuing jurisdictions in Canada. We understand that the CSA receives the CTOs from the participating jurisdiction and inputs that information into a data base known as the CTO database. Currently, the database itself lacks fields for some of the unique features of certain CTOs. For example, a CTO that only restricts trading of the Insiders and/or Control persons does not have a field for those persons or for particulars. Notably many of the orders do not currently name the persons that would actually be restricted and it is left up to the Investment Dealer to determine who those persons are and place notes on the accounts to ensure that trading does not inadvertently result.

Furthermore, Dealers generally are not at present able to completely block trading for Issuers or Individuals subject to CTOs. The technology necessary for pre-order blocking has not been fully developed for several reasons. The first is that most CTO'd Issuers that trade do so on a foreign market, such as the US OTC. As such trading is not normally facilitated through an automated system given costs and inefficiencies. For best execution, trading is conducted through a desk to desk facility between the Dealer in Canada and the Dealer located in the U.S. In the case of US OTC orders, a trader for the Dealer in Canada contacts the market maker of record for the security that the Dealer has an order. The market maker confirms the ability to process either the purchase or sale and once completed a confirmation is sent through a system which the Dealer in Canada either accepts or refuses ("ACT"). Settlement is facilitated through DTC.

The second reason is the integrity of the database information which is currently available. This is further discussed below.

In the CTO Database, CUSIPs are not provided for all Issuers. This makes the usage of the database somewhat problematic as the data is not complete and the Dealer must research CUSIP or Security Codes manually to input into any tracking or trading system used by the Dealer. Systems such as IBM / ISM have security codes that differ from the CUSIP. These are not included as part of the CTO Database and for ISM users the information must be added manually.

Also, CTO Database names are not normalized, consistent or accurate. There does not appear to be any procedure to ensure that individuals that are CTO'd are in a specified format so that the information obtained from the CTO Database could be run directly against a client list at the Investment Dealer. The Investment Dealer must first put the names in a normalized sequence and then run the list. Additionally, we have found spelling errors and date errors in the database, which causes the information to be unusable in its then current form for automatic downloads.


With the usage of MCTO's RCC would like the CSA to consider how this information will be disseminated and ultimately stored. If the information is going to form part of the CTO database we wonder how this information will be submitted. It is the opinion of RCC that each Commission issuing an order should have to place the information into a

format that is consistent and accurate. Given the number of errors in the CTO Database information it would appear that information is being re-entered manually by the administrator of the CTO Database. RCC believes that consideration should be given to having the jurisdiction issuing the order submit details in an electronic format to the administrator to reduce the likelihood of human error.

RCC would also like the CSA to consider how a MCTO will be issued. Will it be against the Issuer or just against the Individuals? If the order will be issued against the Issuer it would be RCC's preference that the issuing jurisdictions include the correct names, in proper sequence, of the individuals that are affected. We also believe that if this information were to be added to the CTO Database as a separate field that Investment Dealers would be better equipped to search, restrict and ultimately deter trading which could result during the effective time of an order.

We would like to thank you again for providing the opportunity to comment on the above proposed policy and should you have any questions with regard to our comments / questions please feel free to contact the undersigned at (416) 860-8630.

Yours truly,



Vanessa M. Gardiner
Director, Senior Vice-President and
Chief Compliance Officer