Dear Sir,

As the principal and founder of Softek the leading provider of regulatory capital adequacy and margin lending reporting in Canada I would like to comment on the proposed regulatory changes being proposed for the Canadian Securities Markets.

The comments that I will be presenting here come with considerable experience in the credit problems that occurred during the height of the financial crisis and the flash crash the following May. I personally spent many hours working with the banks in Canada reviewing the margin lending reports that Softek produces and assisting in the analysis of the credit risk with each of their large accounts. In addition to twenty plus years experience in capital adequacy regulations I had previously spent 8 years on the floors of the Canadian Stock exchanges as a professional trader which gave me a unique set of experience for these types of markets.

As a general observation I do not believe that there were any issues during the high volume periods with the ability of market participants to get the order executed in the market place and therefore I think the focus needs to be on use of leverage above and beyond that to which the participant can reasonable be expected to settle the next morning. The difficulty with determining the settlement credit limits is that not all transactions (open orders, OTC orders, done away trades, etc) are known to a single point for calculation and therefore this work must be done on a trailing basis. These calculations can be used to project future estimated limits but there is no way to know all the facts at the point of the entering the order.

This entire rule could be made much simpler by asking the exchanges to filter out obvious "fat finger" problems without the need to implement very complicated pre-trade technology and change the focus to the monitoring of settlement and clearing requirements from a overnight "batch" calculation to a continuous intra day monitoring by counterparty. This would ensure that all parties during the current trading day can meet their obligations the next morning.

I believe the commission should worry less about the execution risk and review the events of the 1988 drop of 500 points in the Dow (approximately 25%). During that period many of the trades could not be settled simply because the counterpart "disappeared". This same problem occurred again in 2008 when Bear simply did not have enough cash for Monday morning settlement. It is not clear to me how further "handcuffs" on order execution address would address this problem.

I would welcome further discussion on this topic as I am deeply involved in the required solutions for the Canadian Industry

Robert

Q Robert Bond

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