

1.1.4 OSC Staff Notice 23-701 – Electronic Trading Risk Analysis

OSC STAFF NOTICE 23-701

ELECTRONIC TRADING RISK ANALYSIS

National Instrument 23-103 *Electronic Trading* (NI 23-103) together with Companion Policy 23-103CP, which come into effect on March 1, 2013, establish the regulatory framework to help ensure that marketplace participants and marketplaces manage the risks associated with electronic trading. On October 25, 2012, the Canadian Securities Administrators (CSA) published proposed amendments to NI 23-103 to expand upon that framework that would, in part, impose additional requirements on participant dealers that provide direct electronic access (DEA).

We note that there has been increased focus on the adequacy of controls over electronic trading, and in particular whether the measures that regulators have introduced are sufficient to mitigate the risks of electronic trading. To examine this issue, OSC staff have retained a consultant to analyze the tools and controls that have been proposed and introduced in Canada, and to provide recommendations on any identified gaps that should be addressed. This analysis will not impact the timelines for the recently proposed amendments.

Part of the work to be performed by the consultant will include the gathering of information from market participants (e.g., dealers, institutional investors, DEA clients, marketplaces and vendors) regarding the risks posed by electronic trading and the provision of DEA, existing controls, and planned controls needed to comply with the implementation of NI 23-103 and the proposed amendments.

If you would like to participate in the information gathering exercise, please send an email to marketregulation@osc.gov.on.ca containing contact information where you can be contacted by OSC staff by November 29, 2012.

Questions regarding this notice may be directed to:

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