



CANADIAN SECURITY TRADERS ASSOCIATION, INC.
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and

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Re: Proposed Amendments Respecting Provisions of Price Improvement by a Dark Order

The Canadian Security Traders Association, Inc. 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 850 members nationwide and is led by Governors from each of four distinct regions (Toronto, Montreal, Prairies and Vancouver). The organization was founded in 2000 to serve as a national voice for our affiliate organizations. The CSTA is also affiliated with the Security Traders Association (STA) in the United States of America, which has approximately 4,200 members globally, making it the largest organization of its kind in the world.

This letter was prepared by the CSTA Trading Issues Committee (the "Committee", "CSTA TIC" or "we"), a group of 21 appointed members from amongst the CSTA. This committee has an approximately equal proportion of buy-side and sell-side representatives with various areas of market structure expertise, in addition to one independent member. It is important to note that there was no survey sent to our members to determine popular opinion; the Committee was assigned the responsibility of presenting the views of the CSTA as a whole. The views and statements provided below do not necessarily reflect those of all CSTA members or of all members of the Trading Issues Committee.

The CSTA TIC appreciates the opportunity to comment on the proposal by IIROC to amend the requirements for Dark Orders to provide a better price when trading against certain orders (the

“Proposal”). In past comment letters on various marketplace proposals, the CSTA TIC has stated its belief that the threshold used to identify “Large” orders in the context of UMIR 6.6 should be reviewed.

We are supportive of the Proposal by IROC and believe that it will serve to protect the integrity of the lit market and promote size discovery in low-priced Canadian listed securities.

In the CSTA TIC’s comment letter dated April 29th, 2013 in response to the TriAct Canada’s proposal to allow “large” market flow orders to trade with passive liquidity providers at the NBBO, we indicated our belief that the 50 board lot or \$100,000 value threshold, with roots in the Order Exposure Rule, represents far too low a barrier for a “block” in many low-priced Canadian equities. Of the two components of the threshold, we specified that the board lot limit, in particular, was a de minimis hurdle for a “block” trade. We did not believe that the practical threshold was consistent with the spirit of the dark rules, which reflects the need to allow larger trades (such as pre-negotiated “blocks”) to transact “at the touch”. We also stated that the existence of “at the touch” Dark facility creates disincentives to resting orders in the lit market, in particular for low-priced securities. This is also contrary to the stated objectives behind UMIR Rule 6.6 Provision of Price Improvement by a Dark Order.

In the previously mentioned letter, we also discussed a potential solution that included the concept of a sliding scale calculation to determine if a trade is considered “large”, taking into account both the stock’s price point (value per share), and the stock’s relative liquidity. Acknowledging that this would be a complex undertaking for implementation, we suggested that a “large” trade could be defined as having a value of at least \$100,000, disregarding the share amount.

While simple, we recognize that using a single value threshold would create a “one-size-fits-all approach” that is not the optimal solution. We believe that IROC’s solution of maintaining a board lot minimum and including a minimum value threshold appropriately balances the need for simplicity and optimality.

As applicable to UMIR 6.6, we support the addition of \$30,000 minimum value threshold. We believe that the statistical data that was presented effectively supports the proposal. In addition, the threshold reflects our view as market practitioners that there is a negative impact to the market by not having a floor value for “small” orders in the context of the rule at hand.

In conclusion, we believe that the implementation of the rule as proposed will be beneficial to the Canadian capital markets and its investors. Thank you for your attention in this matter.

Respectfully,

“Signed by the CSTA Trading Issues Committee”

c.c. to:

Ontario Securities Commission:

Ms. Maureen Jensen, Chair and CEO
Ms. Leslie Byberg, Executive Director & CAO
Ms. Susan Greenglass, Director, Market Regulation
Ms. Tracey Stern, Manager, Market Regulation

Alberta Securities Commission:

Ms. Lynn Tsutsumi, Director, Market Regulation

Autorité des marchés financiers:

Mr. Dominique Martin, Director, Exchanges and SROs

British Columbia Securities Commission:

Mr. Mark Wang, Director, Capital Markets Regulation

IIROC:

Mr. Andrew Kriegler, President and CEO
Ms. Victoria Pinnington, Senior Vice President, Market Regulation
Mr. Kevin McCoy, Vice-President, Market Regulation Policy
MS. Sonali GuptaBhaya, Director, Market Regulation Policy