



**CANADIAN SECURITY TRADERS ASSOCIATION, INC.**

P.O. Box 3, 31 Adelaide Street East  
Toronto, Ontario M5C 2H8

January 31<sup>st</sup>, 2017

Market Regulations Branch  
Ontario Securities Commission  
22<sup>nd</sup> Floor  
20 Queen Street West  
Toronto, Ontario M5H 3S8  
[marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

and

Carina Kwan  
Legal Counsel, Regulatory Affairs (Equity Trading)  
TMX Group  
The Exchange Tower  
130 King Street West  
Toronto, Ontario M5X 1J2  
[tsxrequestforcomments@tsx.com](mailto:tsxrequestforcomments@tsx.com)

**Re: TSX Notice of Proposed Amendments and Request for Comments – TSX International Board  
("the Proposal")**

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 850 members nationwide, and is led by volunteer Governors from each of three distinct regions (Toronto, Montreal 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 22 appointed members from amongst the CSTA. This committee has an equal proportion of buy-side and sell-side representatives with various areas of market structure expertise. 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 Canadian Security Traders Association appreciates the opportunity to comment on the proposal by TSX Inc. ("TSX") to introduce a separate board of the TSX (the "TSX International Board") that will post

for trading certain US-listed securities in Canadian dollars. We are generally supportive of competitive marketplace solutions and innovation in the trading landscape.

Despite prior approval for similar functionality granted to Omega Securities, Inc. and Omega ATS, we believe that the Proposal raises a number of new questions regarding how a marketplace which exclusively foreign-listed securities should be treated within the Canadian regulatory framework. As outlined below, we would respectfully request clarification and confirmation of the expectations in specific topic area.

### **Order Protection Rule**

The Order Protection Rule applies to marketplaces in Canada which have established a market share beyond a 2.5% threshold. The Proposal does not address whether trading volume that is executed on the International Board would be considered for the OPR threshold calculation. While the proposed TSX International Board appears to be contemplated as a facility of the TSX, we do not believe it is appropriate to translate the TSX International Board's share of trading towards the general OPR eligibility of the TSX for Canadian-listed securities.

### **Professional Market Data Fees**

The CSA framework for managing professional market data fees contemplates a redistributive regime whereby marketplaces trading a greater share of volume and value will be able to charge a greater amount for professional market data. We believe this framework is fundamentally rooted in allocating charge caps on the basis of trading in Canadian securities rather than all securities.

We seek clarification of how transactions on the proposed TSX International Board will be treated for the purpose of determining the TSX's allowable professional market data fees. To the extent that the TSX International Board is carved out of the calculation (which we believe it should be), we further seek clarification for how any potential future professional data fees specific to the TSX International Board will be governed and regulated.

### **Best Execution**

The presence of a facility for trading non-Canadian securities within the Canadian regulatory framework raises some questions as to the treatment of such a marketplace for the purposes of best execution.

Certain Canadian dealers currently offer southbound execution services to Canadian clients, either with or without a built-in foreign exchange translation. Southbound execution practices today generally do not contemplate a domestic alternative for "foreign exchange-traded securities" such as the TSX International Board. We respectfully ask for guidance on the expectations regulators have for dealers who may be offering southbound execution to clients with respect to whether, and under which conditions, the TSX International Board needs to be considered as a competitive alternative to US marketplaces.

### **Clearly Erroneous Trades & SSCBs**

Since the TSX International Board intends to provide the same visibility and access as is currently provided for securities that are listed in Canada, we believe that it is imperative that the inherent nature

of the safeguards on the proposed International Board remain equivalent to the TSX & TSX Venture since the new board will primarily be used by retail investors.

Under UMIR 10.9, an IIROC Market Integrity Official has the discretion to vary or cancel a trade, subject to specified guidelines that include a “no touch zone” of 10% between the current fair value of a security and a trade price. We would suggest that it may be more appropriate to determine whether a trade is “clearly erroneous” by using the CAD-equivalent price of trades on the US-listed security that trades on the TSX International Board as a reference price instead of the trades on the TSX International Board itself. While this approach would be more complex, it would provide a better degree of protection and help to preserve market quality as perceived by retail investors. In addition, we would also suggest that volatility bands and SSCBs applicable to the TSX International Board also utilize CAD-equivalent of the USD trade prices (using real-time FX rates) as a reference prices instead of the trades on the TSX International Board itself.

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 & CEO  
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:**

M<sup>e</sup> Éline Lanouette, Directrice des bourses et des OAR

**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