



CANADIAN SECURITY TRADERS ASSOCIATION, INC.  
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August 25, 2010

Ms. Tracey Stern, Assistant Manager, Market Regulation  
Ontario Securities Commission  
20 Queen Street West, Suite 1903  
Toronto, Ontario M5H 3S8

Dear Ms. Stern,

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 900 traders nationwide, and is led by 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 5,200 members globally, making it the largest organization of its kind in the world.

The primary intent of this letter is to respond to the Joint Canadian Securities Administrators/IIROC *"Request for Comment on the Alpha IntraSpread Facility"*. We have also included additional commentary in this letter that we thought was directly relevant and timely to the subject at hand.

The CSTA extended a survey to its constituency and received 162 completed responses; of those responses, 41 were Buy Side traders and 121 were Sell Side traders. We have attached the results summarizing traders' views on issues pertaining to the Request for Comment. The results have been segregated by whether the respondent was a Buy Side trader or a Sell Side trader. There are two attachments to this letter: the first is a summary of the multiple choice responses and the second includes the free-form responses to the open-ended questions in the survey.

The following are the conclusions that we have derived from the survey results:

- 1) Information regarding new products and requests for comment on those new products is not making their way to the constituency on an easy to access, widespread way. A majority of traders were not aware of the proposed changes by MatchNow for a Mid-Point Only Order Type (see question #6). Also, a significant number of traders were unaware of the changes proposed by Alpha ATS for the introduction of the IntraSpread facility (see question #7). Finally, a large majority of traders on both the Buy Side and the Sell Side were unaware of the Request for Comment on the Alpha IntraSpread Facility (see question #9).

The CSTA is continuing down the path of offering market structure education for traders, as well as updates to any significant market structure changes to its constituency. As it would pertain specifically to Request for Comment's (RFCs) on market or trading related

issues, it is difficult for even those that follow the issues closely to locate and become aware of them in a timely manner. We would recommend a broadcast email be sent to subscribers from the Ontario Securities Commission (OSC) when RFCs are issued. This would ensure that the appropriate people are notified.


2) Specifically on the proposed Alpha Intra-Spread Facility, we can conclude the following:

- a. In general, our membership believes that the ownership structure of an Exchange, ATS or Dark Pool should be considered when regulators are looking at new product offerings (See question #11). However, in this particular case, both the Buy Side and Sell Side constituency have split views on whether the ownership structure impacts fairness (See question #10).
- b. There are split views on internalization of order flow. More specifically, Buy Side traders are evenly split on whether dealers should be allowed to internalize flow on any marketplace. The majority of Sell Side traders seem to support internalization (See question #12).
- c. Price improvement for Client – Client dark matches should not be required. The majority of Buy Side and Sell Side traders felt this was not required, though it was a smaller majority on the Sell Side. (See questions 12 & 13).
- d. There is a split decision on whether sub-penny price improvements are significant. For those that felt that it was a significant improvement, there were split views on whether improvements should be only at the mid-point of the spread or simply by a multiple of sub ticks (See questions #15, #16 & #17). For those that thought they were not significant, a penny, or the minimum tick was cited most often as the minimum significant price improvement.
- e. Continuous books should not move towards sub-penny pricing. Regardless of what we decided constitutes a significant price improvement on a Dark Market, a very large majority felt that the continuous books should NOT move towards sub-penny pricing (See question #20).
- f. The majority of traders believe that Alpha IntraSpread facility will NOT improve the quality of our market. This raises the question as to whether the OSC should take into account whether new product offerings should be net contributors to the overall quality of the Canadian marketplace (see question 18 & 19), or whether that responsibility should be determined by the users of the product. (Note that the question was whether IntraSpread would improve the quality of our market; we did not ask if it would hurt the quality). Users also note that the product may result in flow moving away from the lit markets and hindering price discovery.
- g. Traders do not believe that selective counterparty trading should be allowed. A structure that would allow for counterparty selection would, for example, permit flow that was not internalized to be exposed to a *select*, pre-determined group of other dealers' Dark orders, as determined by the dealer issuing the Alpha IntraSpread Dark order. This would be unacceptable based on the survey. (See question #14).

While we cannot make any firm statements based on the results of our survey in favor of or against the creation of the Alpha IntraSpread Facility, the results do highlight our members' opinions on some of the relevant issues that the facility raises.

We hope that the feedback provided in this survey helps the decision making process pertaining to the Alpha IntraSpread Facility. We also trust that you will consider our recommendation for a more streamlined approach to information dissemination with the financial community. Please do not hesitate to contact us for any clarifications.

Respectfully,



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CSTA Trading Issues Survey August 2010

1. Which CSTA Affiliate are you currently a member of:			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
Institutional Equity Traders Association (of Toronto) (IETA)	75.6% (31)	82.6% (100)	80.9% (131)
Montreal Institutional Equity Traders Association (MIETA)	9.8% (4)	9.1% (11)	9.3% (15)
Vancouver Security Traders Association (VSTA)	14.6% (6)	7.4% (9)	9.3% (15)
Other (please specify)	0 replies (0.0%)	1 reply (0.8%)	0.6% (1)
<b><i>answered question</i></b>	41	121	<b>162</b>
<b><i>skipped question</i></b>			<b>0</b>

2. Please choose the option below that best describes your area of work:			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
Buy Side Trader	100.0% (41)	0.0% (0)	25.3% (41)
Sell Side Trader	0.0% (0)	100.0% (121)	74.7% (121)
Exchange / ATS	0.0% (0)	0.0% (0)	0.0% (0)
Vendor	0.0% (0)	0.0% (0)	0.0% (0)
Other (please specify)	0 replies (0.0%)	0 replies (0.0%)	0.0% (0)
<b>answered question</b>	41	121	162
<b>skipped question</b>			<b>0</b>

3. What type of institution do you work for:			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
Bank-Owned Dealer	0.0% (0)	43.0% (52)	43.0% (52)
Non-Bank Owned Dealer	0.0% (0)	54.5% (66)	54.5% (66)
Other (please specify)	0 replies (0.0%)	3 replies (2.5%)	2.5% (3)
<b>answered question</b>	0	121	121
<b>skipped question</b>			<b>41</b>

4. Which is your primary area of focus:			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
Equities	97.6% (40)	97.5% (118)	97.5% (158)
Derivative Products (options, futures,...)	2.4% (1)	0.8% (1)	1.2% (2)
Fixed Income	0.0% (0)	0.0% (0)	0.0% (0)
Currencies	0.0% (0)	0.8% (1)	0.6% (1)
Commodities	0.0% (0)	0.0% (0)	0.0% (0)
Other (please specify)	0 replies (0.0%)	1 reply (0.8%)	0.6% (1)
<b><i>answered question</i></b>	41	121	<b>162</b>
<b><i>skipped question</i></b>			<b>0</b>

5. On June 18th, 2010, TriAct Canada (MATCH Now) filed a Notice of Proposed Changes with the Ontario Securities Commission (OSC) for the introduction of a Mid-Point Only Order Type. A Midpoint Only order will allow liquidity providers the option to trade only at the midpoint, both with other Liquidity Providing (LP) orders and with Marketflow (MF) orders. According to TriAct: The reason for this new order type is to address customer demand. The option to always trade midpoint will reduce market impact resulting from post-trade information. In addition, it will provide MF orders with greater price improvement when available prior to trading at the current 80:20 split. Are you aware that TriAct Canada (MATCH Now) has gotten OSC approval for a Mid-Point Only Order Type?

	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
Yes, I am VERY aware	4.9% (2)	17.4% (21)	14.2% (23)
Yes, I was SOMEWHAT aware	34.1% (14)	23.1% (28)	25.9% (42)
No, I am NOT aware	<b>61.0%</b> <b>(25)</b>	<b>59.5%</b> <b>(72)</b>	<b>59.9%</b> <b>(97)</b>
What is MATCH Now?	0.0% (0)	0.0% (0)	0.0% (0)
<b><i>answered question</i></b>	41	121	<b>162</b>
<b><i>skipped question</i></b>			<b>0</b>

6. If you are aware of the implementation of this new order type, please indicate the first source that provided you the information:			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
N/A, I am NOT aware	61.0% (25)	61.2% (74)	61.1% (99)
Direct Communication from TriAct (MATCH Now)	7.3% (3)	13.2% (16)	11.7% (19)
Broker/Dealer Communication	24.4% (10)	11.6% (14)	14.8% (24)
Ontario Securities Commission (OSC) Communication	7.3% (3)	4.1% (5)	4.9% (8)
Other (please specify)	0 replies (0.0%)	12 replies (9.9%)	7.4% (12)
<b><i>answered question</i></b>	41	121	<b>162</b>
<b><i>skipped question</i></b>			<b>0</b>



7. Alpha ATS has announced plans to implement the Alpha IntraSpread™ facility, a set of new order types offered by Alpha ATS, which allows Subscribers to seek order matches within their firm without pre-trade transparency, with guaranteed price improvement for active orders. This new facility can be implemented as early as August 30th, 2010, according to the OSC. The IntraSpread™ facility is available to all Subscribers and for all symbols traded on Alpha ATS. The two new order types to be introduced by Alpha IntraSpread™ facility are Dark order and Seek Dark Liquidity™ (SDL™) order. Are you aware of this new facility?

	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
I am VERY aware of the pending implementation of this facility.	31.7% (13)	<b>37.2%</b> <b>(45)</b>	35.8% (58)
I am SOMEWHAT aware of the pending implementation of this facility.	22.0% (9)	28.9% (35)	27.2% (44)
I am NOT aware.	<b>46.3%</b> <b>(19)</b>	33.9% (41)	<b>37.0%</b> <b>(60)</b>
<b><i>answered question</i></b>	41	121	<b>162</b>
		<b><i>skipped question</i></b>	<b>0</b>

8. If you are aware of the pending implementation of this new facility, please indicate the first source that provided you the information:			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
N/A, I am NOT aware	46.3% (19)	34.7% (42)	37.7% (61)
Direct Communication from Alpha ATS (MATCH Now)	26.8% (11)	38.0% (46)	35.2% (57)
Broker/Dealer Communication	22.0% (9)	18.2% (22)	19.1% (31)
Ontario Securities Commission (OSC) Communication	2.4% (1)	3.3% (4)	3.1% (5)
Other (please specify)	1 reply (2.4%)	7 replies (5.8%)	4.9% (8)
<b>answered question</b>	41	121	162
<b>skipped question</b>			<b>0</b>

9. Are you aware that the OSC had issued a request for feedback on July 16th, 2010 requesting comments on the Alpha IntraSpread™ facility?			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
Yes	19.5% (8)	31.4% (38)	28.4% (46)
No	78.0% (32)	66.9% (81)	69.8% (113)
Other (please specify)	1 reply (2.4%)	2 replies (1.7%)	1.9% (3)
<b>answered question</b>	41	121	162
<b>skipped question</b>			<b>0</b>

<b>10. Does the ownership structure of Alpha ATS impact your view of the fairness of the Alpha IntraSpread™ facility?</b>			
	<b>Please choose the option below that best describes your area of work:</b>		
	<b>Buy Side Trader</b>	<b>Sell Side Trader</b>	<b>Response Totals</b>
Yes	<b>53.7%</b> <b>(22)</b>	<b>51.2%</b> <b>(62)</b>	<b>51.9%</b> <b>(84)</b>
No	43.9% (18)	47.9% (58)	46.9% (76)
Other (please specify)	1 reply (2.4%)	1 reply (0.8%)	1.2% (2)
<b><i>answered question</i></b>	41	121	<b>162</b>
<b><i>skipped question</i></b>			<b>0</b>

<b>11. Do you think that the ownership structure of a venue should be taken into consideration when new products are rolled out to its constituents?</b>			
	<b>Please choose the option below that best describes your area of work:</b>		
	<b>Buy Side Trader</b>	<b>Sell Side Trader</b>	<b>Response Totals</b>
Yes	<b>78.0%</b> <b>(32)</b>	<b>69.4%</b> <b>(84)</b>	<b>71.6%</b> <b>(116)</b>
No	22.0% (9)	27.3% (33)	25.9% (42)
Other (please specify)	0 replies (0.0%)	4 replies (3.3%)	2.5% (4)
<b><i>answered question</i></b>	41	121	<b>162</b>
<b><i>skipped question</i></b>			<b>0</b>

12. Do you believe brokers should be allowed to internalize flow, regardless of it being MATCH Now, Alpha or any other marketplace?			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
Yes	46.3% (19)	66.9% (81)	61.7% (100)
No	41.5% (17)	27.3% (33)	30.9% (50)
I dont know what internalization is.	2.4% (1)	0.8% (1)	1.2% (2)
Other (please specify)	4 replies (9.8%)	6 replies (5.0%)	6.2% (10)
<b>answered question</b>	41	121	<b>162</b>
<b>skipped question</b>			<b>0</b>

13. Should Client to Client dark matches require price improvement or should they be able to trade on the bid or ask?			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
Yes, they should require price improvement	26.8% (11)	40.5% (49)	37.0% (60)
No, they should be able to trade on the bid or ask if desired	65.9% (27)	56.2% (68)	58.6% (95)
Other (please specify)	3 replies (7.3%)	4 replies (3.3%)	4.3% (7)
<b>answered question</b>	41	121	<b>162</b>
<b>skipped question</b>			<b>0</b>

14. Do you think that selective counterparty trading should be allowed? (I.e. selecting specific brokers to trade against in a dark pool)			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
Yes	17.1% (7)	25.6% (31)	23.5% (38)
No	<b>80.5%</b> <b>(33)</b>	<b>71.1%</b> <b>(86)</b>	<b>73.5%</b> <b>(119)</b>
Other (please specify)	1 reply (2.4%)	4 replies (3.3%)	3.1% (5)
<b>answered question</b>	41	121	<b>162</b>
<b>skipped question</b>			<b>0</b>

15. Do you approve of the ability to trade inside the spread by improving by multiple sub ticks? (I.e. Improve by .1, .2, .3... .9 cents)			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
Yes	34.1% (14)	<b>43.8%</b> <b>(53)</b>	<b>41.4%</b> <b>(67)</b>
No, they should only be able to trade mid-quote	<b>46.3%</b> <b>(19)</b>	24.8% (30)	30.2% (49)
No	17.1% (7)	28.1% (34)	25.3% (41)
Other (please specify)	1 reply (2.4%)	4 replies (3.3%)	3.1% (5)
<b>answered question</b>	41	121	<b>162</b>
<b>skipped question</b>			<b>0</b>

16. Do you believe that sub-penny price improvements are significant?			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
Yes	41.5% (17)	42.1% (51)	42.0% (68)
No	<b>53.7%</b> <b>(22)</b>	<b>52.1%</b> <b>(63)</b>	<b>52.5%</b> <b>(85)</b>
Other (please specify)	2 replies (4.9%)	7 replies (5.8%)	5.6% (9)
<b>answered question</b>	41	121	<b>162</b>
<b>skipped question</b>			<b>0</b>

17. In the event that you think they are not, what is a significant price improvement? Enter a minimum number:			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
They ARE significant	48.8% (20)	<b>51.2%</b> <b>(62)</b>	<b>50.6%</b> <b>(82)</b>
They are NOT significant (enter a minimum number)	<b>21 replies</b> <b>(51.2%)</b>	59 replies (48.8%)	49.4% (80)
<b>answered question</b>	41	121	<b>162</b>
<b>skipped question</b>			<b>0</b>

18. Do you believe that the Alpha IntraSpread™ facility will improve the overall quality of our market?			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
Yes	17.1% (7)	24.8% (30)	22.8% (37)
No	<b>75.6%</b> <b>(31)</b>	<b>69.4%</b> <b>(84)</b>	<b>71.0%</b> <b>(115)</b>
Other (please specify)	3 replies (7.3%)	7 replies (5.8%)	6.2% (10)
<b><i>answered question</i></b>	41	121	<b>162</b>
<b><i>skipped question</i></b>			<b>0</b>

19. Do you believe the Alpha IntraSpread™ facility will take certain dealers flow off the visible markets and thus unnecessarily hinder price discovery?			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
Yes	<b>61.0%</b> <b>(25)</b>	<b>58.7%</b> <b>(71)</b>	<b>59.3%</b> <b>(96)</b>
No	31.7% (13)	33.9% (41)	33.3% (54)
Other (please specify)	3 replies (7.3%)	9 replies (7.4%)	7.4% (12)
<b><i>answered question</i></b>	41	121	<b>162</b>
<b><i>skipped question</i></b>			<b>0</b>

20. Do you think that continuous marketplaces (ie. TSX) should move to sub-penny quoting?			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
Yes	9.8% (4)	9.9% (12)	9.9% (16)
No	<b>87.8%</b> <b>(36)</b>	<b>85.1%</b> <b>(103)</b>	<b>85.8%</b> <b>(139)</b>
Other (please specify)	1 reply (2.4%)	6 replies (5.0%)	4.3% (7)
<b>answered question</b>	41	121	<b>162</b>
<b>skipped question</b>			<b>0</b>

21. Should EMS providers be allowed to create contra trade signalling devices that then cross on another venue without being a registered ATS? (ie. POSIT Alert)			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Totals
Yes	12.2% (5)	9.1% (11)	9.9% (16)
Yes, as long as the trades are WITHIN the NBBO	<b>39.0%</b> <b>(16)</b>	26.4% (32)	29.6% (48)
No	<b>39.0%</b> <b>(16)</b>	<b>60.3%</b> <b>(73)</b>	<b>54.9%</b> <b>(89)</b>
What is an EMS or an ATS?	4.9% (2)	1.7% (2)	2.5% (4)
Other (please specify)	2 replies (4.9%)	3 replies (2.5%)	3.1% (5)
<b>answered question</b>	41	121	<b>162</b>
<b>skipped question</b>			<b>0</b>



22. Is there any general comments you would like to make on any topics relevant to this survey? (optional)			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Count
	5 replies	18 replies	23
<i>answered question</i>	5	18	<b>23</b>
<i>skipped question</i>			<b>139</b>

23. Is there any market structure issues that you believe the CSTA should currently be addressing? (optional)			
	Please choose the option below that best describes your area of work:		
	Buy Side Trader	Sell Side Trader	Response Count
	5 replies	17 replies	22
<i>answered question</i>	5	17	<b>22</b>
<i>skipped question</i>			<b>140</b>