



CANADIAN SECURITY TRADERS' ASSOCIATION, INC.

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

September 6, 2024

Joanne Sanci
Senior Counsel, Regulatory Affairs
TMX Group
100 Adelaide Street West,
Suite 300
Toronto,
Ontario M5H 1S3
Email: tsxrequestforcomments@tsx.com

Trading and Markets Division
Ontario Securities Commission
20 Queen Street West
Toronto, Ontario M5H 3S8
Email: TradingandMarkets@osc.gov.on.ca

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 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 CSTA Trading Issues Committee (TIC) 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 views and statements provided below do not necessarily reflect those of all CSTA members or of their employers.

The TIC appreciates the opportunity to comment on the notice and request for comments on the TSX Proposal to remove the randomized delay on cancels for the long-life order.

Across the TIC community there is no conclusive consensus on the proposal to remove the random delay when canceling long-life orders. In general, the long-life order type was designed to encourage orders to remain exposed to the market for a longer duration, rewarding participants willing to commit their orders for a one second interval *and* a randomized speed bump for cancellation thereafter with enhanced queue priority. This proposal seeks to simplify the mechanism by removing the speed bump.

Some TIC members support this change, arguing that it makes little difference to the value proposition for key stakeholders while making the order type simpler to incorporate into modern routing practices (especially interlisted routers). Other members feel that the proposed change invites broader usage by electronic liquidity providers and the faster trading community in general while offering no benefit to the institutional and retail stakeholders for which it was originally designed.



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Some additional concerns from TIC members were focused on is the mention of the feedback from participants that was sought prior to the publication of this proposal, which represented “45% of all Long Life” order users on the TSX. Specifically, no TIC members recall participating in such a round of surveying, so questions arose as to who this segment might be and whether it was sufficiently diverse as to represent the user base appropriately.

From the outset, TIC has applauded TSX for providing an order type designed to cater to the natural investor and believe it continues to deliver on the original value proposition as mentioned in their initial release. “By choosing to use the Long-Life order type, participants can effectively and confidently trade on Toronto Stock Exchange (TSX) and TSX Venture Exchange (TSXV) without having to compete on speed.”

The debate around the removal of the randomized cancelation delay centers on whether a one second commitment is sufficient to earn the rights and privileges of enhanced queue priority through the entire duration of the order.

The randomized cancel may act as an additional penalty through the duration of the order whereby the participant continues to have additional risk on cancel to offset the benefits of enhanced queue priority for the entire life of the order. Some additional discussion within the committee centered on whether simply lengthening the minimum time commitment outright might be a better tradeoff (i.e. greater than one second) to make disposing the speed bump more suitable.

Participants in favor of eliminating the randomized delay on long life order cancelation argue the order has been exposed to the market for the required duration, which itself is a substantial burden in modern fast-moving markets. Orders that complete their “long-life” commitment should have the ability to be freely cancelled as market conditions changes. This is especially paramount when natural investor algorithms identify a new optimal child order placement and require the return of exposed shares to specify a new allocation of order placement.

In the end, the fundamental trade-off for a long-life order is a commitment to leave a quote out for a material amount of time. The speed bump exists to prevent fading, but being unable to cancel orders in a fast-moving market makes one vulnerable to excess adverse selection. The community does not have a clear agreement with respect to the fairness of a delay on the cancelation of orders after they have been exposed for the required duration to earn queue priority.

The CSTA TIC believes we all have a collective interest to protect and preserve a Canadian equity market that is fair and efficient for everyone. The TSX proposal to remove the delay on cancelation of long-life orders, once they satisfy their one second commitment, have valid advantages and disadvantages that should be considered thoroughly.

We thank you for the opportunity to comment.

CSTA Trading Issues Committee