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Director

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Dear Mr. Twiss:

Re: Provisions Respecting Electronic Trading (the "Proposed Amendments")

The Investment Industry Association of Canada ("IIAC" or the "Association") appreciates the opportunity to comment on the Proposed Amendments. The Association is generally supportive of the objective of the Proposed Amendments, in that they provide clarity in respect of accountability and regulatory expectations in many circumstances involving electronic trading.

We do however, have serious concerns about the proposed implementation period. The time and effort that is required to build systems and procedures to comply with the Proposed Amendments is quite significant. Our members currently conduct their business using many different systems, which are combinations of internally developed and operated systems, and those provided and operated by third parties. The systems required to comply with the Proposed Amendments will have to be built, integrated and tested within that period, during which our members are also undertaking significant operational and technological projects to comply with the many other regulatory changes taking effect within the next year, including the client relationship model, short-marking exempt and extended failed trade and transparency provisions, OTC securities confirmation disclosure, Exchange-Traded Fund disclosure requirements, as well as changes relating to Canadian and US taxation.

All of these projects must be completed using the same limited set of resources, and as such, firms may not be able to realistically develop robust and workable systems for compliance within the proposed timeframe. Members have indicated that there is very significant work, requiring a large commitment of resources to be able to develop, test and implement the systems that would ensure compliance with the Proposed Amendments. Factors such as interconnectivity with other market participants, and inter-dependence of a number of systems make this a particularly complex technology build.

It is not clear from discussions with the technology vendors active in this area that they will have the systems in place for the proposed March implementation. Certain of the vendors have indicated that although they will attempt to have systems for basic compliance ready by March, it will only apply to the cash market and will not include options. Members are extremely concerned that if a March implementation period is retained, the systems developed will address the compliance requirements on a piecemeal basis rather than on a fulsome, fully integrated basis that will be capable of managing all of the interconnectivity and interdependencies within firms and across the industry. Ultimately, contrary to the intention of the Proposed Amendments, this is likely to introduce, rather than manage the risk associated with electronic trading.

The problem is exacerbated by the introduction of new marketplaces that are planning to launch in the same timeframe as this initiative and significant changes to marketplace systems that are planned to be effective in the next several months. It is important that these factors be considered when implementation dates for regulations requiring systems changes are developed.

Given these challenges, and periodic technology blackout periods to which firms are subject, we request that the implementation period be extended to September 30, 2013. This is consistent with the implementation period provided by the SEC in respect of comparable Rule 15c3-5.

We believe the longer implementation period will promote short and long term market integrity by allowing the industry to develop complete and robust systems to address the risks intended to be addressed by the Proposed Amendments.

In terms of the substance of the Proposed Amendments, we seek clarification about the provisions relating to Variation, Cancellation and Correction of Trades. The Proposed Amendments require that a marketplace can only take such action with the prior *consent* of the Market Regulator if the action is necessary to correct an error caused by the marketplace or an individual acting on behalf of the marketplace. The following provision allows for notice rather than consent of the Market Regulator where the party to the trade and Participants, Access Persons, or clearing agency provides consent.

In the first case, where the problem originated at the marketplace level, it is not clear why consent from a Market Regulator is required to vary, cancel or correct the trade. In such circumstances, there could be an enormous volume of trades involved, and the process of seeking and obtaining consent for a known problem could lead to delays that would exacerbate the problems created by the erroneous trades in the first instance. We question if there is market integrity issue that warrants this procedure. We would support a notice requirement in the case of a marketplace issue, but a consent requirement may lead to further practical problems in the market.

We support a notice requirement for the second subset of trades where consent is obtained as noted in the Proposed Amendments.

Thank you for considering our input. If you have any questions, please do not hesitate to contact me.

Yours sincerely,

Susan Copland