



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

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Director

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February 13, 2012

Dear Sir:

Re: Request for Comment on Market-wide Circuit Breakers for the Canadian Marketplace (the “Proposals”)

The Investment Industry Association of Canada (the “IIAC or Association”) appreciates the opportunity to comment on the above noted Proposals.

Given the significant interaction and overlap in Canadian and US securities markets, we believe that it is important to remain in as close alignment with US practices as possible. Exceptions should be based on clear evidence demonstrating that the Canadian markets have different characteristics that warrants a divergent practice or policy.

In respect of the thresholds and parameters that would trigger market-wide circuit breakers, simplicity and consistency are critical. As such, as a starting point, we support the continued coordination of market-wide circuit breaker halts with the US market when both markets are open for trading.

On days when both markets are open, we support the reduction in the thresholds from 10%, 20% and 30% to 7%, 13% and 20%, based on the S&P closing level on the previous trading day. We also support the simplification of the length of the regulatory halts by removing the time of day criteria from the factors to be considered.

We are concerned, however, about the proposed abbreviation of the halt periods. Although a 15 minute halt period may be sufficient in respect of a market decline of 7%, which triggers the first circuit breaker, this period is too brief in respect of the more significant declines. When the market collectively falls by 13%, triggering the second

halt period, more time is required to provide investors, traders and advisors with enough time to ascertain their position and develop a strategy to manage the situation. We believe that the triggering of the 13% circuit breaker should lead to a halt of at least 30 minutes. If the 15 minute halts are adopted in the US, it would be impractical to impose longer periods in Canada. In such circumstances, we would support consistency over what we believe is a better solution.

Our working group discussed the idea of creating a separate Canadian circuit breaker threshold for circumstances when both markets are open, but a specific event triggers a significant drop in the Canadian markets that is not reflected in the US index. There was a general consensus that relying on individual circuit breakers would likely address the issue, and would preclude the complexities involved in setting up systems in this regard and isolating inter-listed securities from a market-wide halt.

The same reasoning applies in respect of Venture securities. We believe the complexity involved in developing and maintaining a separate market-wide circuit breaker for these securities would outweigh any benefits to be gained. Investors participating in this market expect to be subject to significantly higher volatility than the senior market, and may differ across sectors. As such, it would be more of an arbitrary exercise to set an appropriate threshold, and the benefits to investors are unclear. The costs and complexity introduced by establishing a separate circuit breaker for this relatively small portion of the market would far outweigh any benefits to be gained.

On days when Canadian markets are open and US markets are closed, we would like to preserve as much consistency with US practices as possible. However, there is a sense that the volatility in Canadian markets is higher than in the US, making it appropriate to set a higher threshold when the circuit breakers are triggered by Canadian trading only. We recommend that IIROC examine Canadian data to ascertain if there are sufficient differences in Canadian versus US volatility to warrant a higher threshold. If the data supports setting different thresholds, we would support this divergence from consistent practice.

We do not support the imposition of market-wide circuit breakers for increases in the market index, in any circumstances.

We also seek further guidance/clarity on the implications of a circuit breaker triggering event that occurs after 3:25pm. Is a market on close or other closing facility anticipated? We believe it is necessary that there be crossing facilities on after-markets, in order to accommodate trades that are based on index numbers.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S. Copland', written in a cursive style.

Susan Copland