

February 14, 2024

Via Electronic Delivery

Theodora Lam
Acting Director, Market Regulation
Canadian Investment Regulatory Organization
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Ontario Securities Commission
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RE: Request for Consideration: Carve-Out for Proprietary Trading Practices in Response to CIRO's Proposed Rule Changes on Short Selling Framework

Ms. Lam:

We have carefully reviewed CIRO's proposed rule changes aimed at enhancing the short selling framework under UMIR, and we appreciate the organization's commitment to fostering market integrity and investor protection. However, we would like to highlight our concerns regarding the potential impact of these changes on our firm's proprietary trading practices involving selling securities against long positions in warrants and options.

Our firm engages in legitimate inventory management practices that involve selling securities against proprietary long positions in warrants and options. We believe these strategies contribute positively to market liquidity and efficiency. However, the proposed requirement to have a reasonable expectation to settle any order resulting in a short sale prior to order entry, along with the accompanying supervisory and gatekeeper requirements, could significantly burden our operations and hinder our ability to manage our portfolio effectively.

We respectfully request that CIRO consider a carve-out or exemption for firms engaged in this specific type of activity. This carve-out would not impair CIRO's overarching initiatives to curtail abusive short-selling practices but would provide regulatory relief for firms like ours engaged in legitimate trading activities.

FOSTER ASSOCIATES

We remain committed to compliance with regulatory requirements and fully support CIRO's efforts to maintain market integrity. We welcome further dialogue and collaboration to ensure that any regulatory changes strike the appropriate balance between regulatory objectives and the practical realities of market participants.

Thank you for considering our perspective on this matter. We look forward to the opportunity to discuss this further.

Sincerely,

Christopher Foster
CEO, UDP