



STA'S NEXT 25 — EQUAL TO THE FIRST 75!



John C. Giese

The Security Traders Association has assembled another outstanding conference for October 15-19, 2008. This will be our 75th rendition and promises to be at the forefront as another top-notch industry gathering.

We attract about 700 participants, making it the largest conference and take great pride in the broad coverage of our content. We will focus on “Actionable Intelligence” and are grateful to the industry and regulatory leaders who are willing to impart their views on matters of importance that are pertinent to both today and the future.

We have taken a more aggressive approach to attracting buy-side

participants. Our focus on two 90-minute, buy-side only breakouts, together with a strong overall program provide compelling reasons for attendance. Added to that, the registration fee is waived for qualified STA members.

We will be honored to have some 25 of our Past Chairmen in attendance to recognize STA’s illustrious past and to look forward to the next 25 years. Each of these leaders has contributed much to STA and considers their experience both professionally and personally rewarding.

The issue of short selling headlines current market structure issues today and many have chosen to use this issue as a scapegoat for market-related failures. STA has taken a very proactive stance on the issue. We have been very consistent in

our support of Reg SHO and the removal of price tests. We continue to value the liquidity that this alternative provides the market and will remain steadfast in strongly supporting market maker exemptions. At the same time, we support aggressive enforcement of the locate/delivery portions of the regulation. We do not want emotions to carry regulation that will adversely impact overall market quality.

I would encourage you to frequent the STA web site at: www.securitytraders.org for regular updates on our activities.

We invite you to join us in Boca and look forward to another unparalleled industry conference. See you in Boca!

Washington Perspective

By: David Franasiak, Joel Oswald and Eric Robins, Williams & Jensen

Congress is out of town for the traditional month-long August “recess” period. In the next couple of weeks both political parties will hold their conventions to formally select the parties’ nominees for President. After the conventions, Congress will return to session for the month of September and possibly into early October before taking another break to allow for election

campaigning. This means that there will be limited time – in the height of the political season of a presidential election year – for Congress to wrap up its work for the year, although there is a possibility of a “lame duck” Congress returning after the November election even though Congressional leaders have indicated they do not want to do so.

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All SEC Commissioners Sworn In; Chairman Cox Outlines SEC Agenda

At a media event with the new five-member Commission earlier this month, Securities and Exchange Commission (SEC) Chairman Chris Cox introduced the new full complement of commissioners. The new Commissioners include Elisse B. Walter, who was sworn in as Commissioner in early July, and Luis A. Aguilar and Troy A. Paredes, sworn in on July 31 and August 1, respectively. Chairman Cox then addressed the upcoming agenda for the SEC, stating that the Commission would consider amendments to Regulation SHO in relation to the recent short sale order. Other matters Cox indicated the Commission would consider include: (1) next steps for international financial reporting standards (IFRS) in the U.S.; (2) Mutual recognition arrangements with Canada, Australia, and the EU; (3) a 12b-1 fee proposal; (4) rulemaking in regards to the municipal securities proposal; (5) improving mutual fund point of sale disclosure; and (6) the 25 recommendations of the CIFR (the SEC's Advisory Committee on Improvements to Financial Reporting). Cox also announced that the Commission would hold a Seniors Summit on September 22 and a roundtable on October 8 on how the SEC gets information from public companies and to investors (part of the Commission's 21st Century Disclosure initiative).

Since a new President will take office next year, Chairman Cox is

likely to be nearing the end of his chairmanship. That will present a limited time to accomplish the agenda items, particularly with three new Commissioners.

SEC Still Working on Short Selling Proposal, Expects Rulemaking in a Few Weeks

Following the issuance of an [Emergency Order](#) related to short selling in securities of 19 companies (which included the 17 primary dealers, Freddie Mac and Fannie



Mae) on July 15 (that became effective July 21), the Securities and Exchange Commission ("Commission" or "SEC") issued an [extension](#) of this order on July 29 effective until August 12. The Commission had issued the order "to enhance investor protections against 'naked' short selling" in these securities. The temporary order required traders to at least arrange to borrow shares of these companies before selling them short, and then deliver them at settlement.

When the order expired on August 12, the SEC did not extend it and

subsequently indicated that it was drawing up new proposals to guard against naked short-selling in shares across the entire market. Chairman Cox later commented that a rule-making on short sales to achieve "market wide solutions" would likely be considered within the "next few weeks." The Commission is studying the impact of the emergency order and may consider proposals that could include tightening and amending the existing Regulation SHO rules (such as increasing penalties for violations, and shortening the number of days – from 13 consecutive days to a lower number – to close out positions in threshold securities that have not been delivered), applying a pre-borrow requirement to all securities, reinstating some form of an uptick rule, or requiring more information reporting by broker dealers. Proposals would be likely to have a public comment period of at least 30 days.

SEC Approves BATS to Operate as an Exchange

On August 18, the BATS Trading received approval by the Securities and Exchange Commission to operate as an exchange. BATS, which filed for exchange status in November 2007, indicated that the transition into an exchange is expected to take about 60 days. Others have indicated that they would also file to become an exchange in the near future. Part of the motivation for being an exchange is the opportunity to capture market data fee revenues or to have its market data feed used by more market participants to help to better compete for order flow.

FROM THE AFFILIATES

CSTA AT A GLANCE ...

By: GW (Sonny) Lennon — President
Canadian Security Traders Association, Inc.



The Canadian Security Traders Association, Inc. was formed in 2000 to serve as the national voice for our affiliate trading organizations: Institutional Equity Traders Association (of Toronto); Association des Arbitragistes Institutionnels de Montreal (Montreal Institutional Equity Traders Association); and Vancouver Security Traders Association. The CSTA is comprised of over 950 equity traders nationwide (about 17% of STA's Membership) and is led by Governors from each of our three distinct regions. The CSTA comments on industry issues and forms opinions on trading issues based on input from our members. The CSTA hosts educational seminars, vendor fairs and our national conference annually.

We at CSTA believe that it is our mandate to keep traders informed and educated, and when presented with regulatory challenges, to represent them as advocates. Anybody licensed to trade in Canada must complete 30 hours of Product Knowledge and 12 hours of Compliance education every three years in order to remain licensed, and we try to provide that with our conference and our other educational programs. This past year has been a busy one for our Trading Issues Committee, as we are just starting down the long road of Best Price Best Ex and new Marketplaces together with the Short Tick or No Tick test debate. To this point the regulators have come up with a typi-

cal "Canadian way" solution: if it's interlisted on a U.S. marketplace, No Tick test required, all the rest, Tick test is required. We continue to meet informally with the regulators on a regular basis, where we act as a resource. We also act as an information pipeline to our members whereby we keep them up to date with notices from regulators and exchanges.

*Our relationship with STA is
a solid one built around
three words Dictum Meum
Pactum.*

This year's conference was held at Deerhurst Resort, the same resort that will host the G8 conference in 2010, nearly 3 hours north of Toronto and was attended by over 275 of our Members and Guests from across Canada as well as the U.S., Australia and the U.K. This year's theme was "TRADERS IN THE CROSSFIRE OF CHANGE", which included over 10 hours of educational content running over three days, with many diverse topics from "Marketplaces: the New Era", "Helping the Regulator get their Man", "Algo Trading is Overrated" to "Cash Traders are History." We had a 90-minute Buy-side only round table that discussed Technology, TCA, as well as Broker Voting. We had superb Keynote Speakers in Joseph D'Cruz, Professor, The Rotman School, and Dr Paul Tiffany, Professor, Wharton School & Haas School of Business,

who enlightened us with their insights as to what we will find happening to the global economies in the coming years, and the impact that fast growing countries of the Far East and South America will have. This year we had some new technology for audience participation, where the speakers and moderators could get instant responses from our members on various questions during their presentations. On the lighter side, we had a golf outing, BBQ on the Beach that got moved due to rain. Michael "Pinball" Clemons - CEO of the CFL Toronto Argonauts football team, who holds the pro-football record for most career combined yards with 25,396 - was the guest speaker at our gala dinner, and gave us a very motivational speech on living life in your own "Sweet Spot." Next year we will be in Quebec and hope to see you there!

Once we have fulfilled our responsibilities to our Members, it's time to help others less fortunate. This past year we were able to raise more than \$150,000 to be distributed across Canada to 17 small local charities, whose priority is children and young adults. At our Conference this year we raised more than \$10,000 with the help of Canada's best known STA/CSTA Member, James Duncan (we lent him to you) that will go to the Michael "Pinball" Clemons Foundation.

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A Look Back

By: Arthur Kearney, Past Chairman (1999)

So, Barack Obama wants change ... he should have been a trader!

The electronic age has arrived and many have not greeted it with open arms. Gone are the days when a trader relied on relationships to lure new orders. Low costs are a top priority for today's investors. The use of complex algorithms are used to insure best execution – the shift to electronic trading has eroded commissions to a little more than three cents per share. I recall in 1999, when I was Chairman, a 1/16 spread was considered a tight market. Oh those good ole days.

Through all of these changes, one thing remained constant – stocks continued to trade. Even while credit markets froze and M/A business dried up, stock exchanges from New York to London to Tokyo han-

dled record trading volumes. I recently read a Bloomberg article that said the 10 busiest months ever for U.S. equity markets all came between August 2007 and August 2008.

“STA’s relationship with the exchanges, regulators and Washington will give you more incite into the changing trading environment than any other industry organization.”

So how do you manage to survive, let alone prosper, in this environment? One of the best resources available to you is STA. STA’s relationship with the exchanges, regulators and Washington will give you more incite into the changing trading environment than any other industry organization.

There is no doubt in my mind that the 10 years I was involved with STA, allowed me to see the big picture. This in turn helped me position my firm for many of the regulatory and market structure changes that I had to deal with.

The affiliates are your resource to get involved. If you want to be an asset to your firm and give a boost to your career, take the time to get to know STA. As a bonus you will meet some of the finest individuals both in and out of the industry ... and beyond that, many of them will become life-long friends.

I look forward to seeing many of you at the 75th Annual Conference in Boca Raton, October 15th thru the 19th.



“A MAN IS NOT IDLE BECAUSE HE IS ABSORBED IN THOUGHT. THERE IS VISIBLE LABOR AND THERE IS INVISIBLE LABOR.”

VICTOR HUGO

WISHING YOU A LABOR DAY FILLED WITH
INVISIBLE LABOR!



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**We're on the web:
www.securitytraders.org**



Knowledge is Power

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Dates to Remember:

Dallas Convention
September 4-7, 2008

Connecticut Fall Golf Outing
September 19, 2008

Georgia Conference
September 25-26, 2008

STA Annual Conference
October 15-19, 2008

*New York 18th Annual Interna-
tional Reception*
November 20, 2008