

The Ontario Securities Commission

MAPLE GROUP ACQUISITION CORPORATION

NOTICE AND REQUEST FOR COMMENT

Supplement to the OSC Bulletin

May 3, 2012

Volume 35, Issue 18 (Supp-2)

(2012), 35 OSCB

The Ontario Securities Commission administers the
Securities Act of Ontario (R.S.O. 1990, c. S.5) and the
Commodity Futures Act of Ontario (R.S.O. 1990, c. C.20)

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Published under the authority of the Commission by:

Carswell, a Thomson Reuters business

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**MAPLE GROUP
ACQUISITION CORPORATION**

NOTICE AND REQUEST FOR COMMENT

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MAPLE GROUP ACQUISITION CORPORATION

NOTICE AND REQUEST FOR COMMENT

MAPLE GROUP ACQUISITION CORPORATION

NOTICE AND REQUEST FOR COMMENT

I. INTRODUCTION

Maple Group Acquisition Corporation (Maple), a consortium of Canadian investment dealers, pension funds and other financial institutions (collectively, the Investors¹), has applied to the Commission for certain orders in connection with its proposed acquisition of TMX Group Inc. (TMX Group), which, through its wholly-owned subsidiary, TSX Inc. (TSX), operates the Toronto Stock Exchange. Following its proposed acquisition of TMX Group, Maple also proposes to acquire Alpha Trading Systems Limited Partnership (Alpha LP) and Alpha Trading Systems Inc. (collectively, Alpha) and The Canadian Depository for Securities Limited (CDS Ltd.) and, indirectly, CDS Clearing and Depository Services Inc. (CDS Clearing and, collectively, CDS) (collectively, the Maple Proposal).

In connection with the Maple Proposal, Maple has applied (the Application) to the Commission, requesting that it issue orders to:

- (i) Recognize Maple as an exchange, including applying to Maple a limitation restricting beneficial ownership of more than ten percent of the voting securities of Maple without the prior approval of the Commission;
- (ii) Approve the beneficial ownership by Maple of all the common shares of each of TMX Group and TSX;
- (iii) Amend and restate the recognition order of TMX Group and TSX;
- (iv) Approve the Investors and Maple acting jointly or in concert as beneficial owners of voting securities of TMX Group in connection with certain aspects of the transaction and the Alpha and CDS acquisitions;
- (v) Approve the beneficial ownership by the Investors, individually, as applicable, of more than ten percent of the voting securities of Maple for a transitional period relating to certain aspects of the transaction; and
- (vi) Amend and restate the recognition order of CDS.

Maple is also seeking amendments to the exemption orders previously granted by the Commission to TSX Venture Exchange (TSXV) and the Bourse de Montréal (MX).

On October 7, 2011, the Commission published a Notice and Request for Comment (the October 7 Notice), together with the Application, requesting public comment on the Maple Proposal.² The October 7 Notice identified a number of issues with the Maple Proposal that the Commission would examine in the course of considering the Application. These issues included:

- Concentration of ownership of trading, clearing, and settlement infrastructure in a small group of large financial institutions, including some of the largest users of this infrastructure;
- Appropriate corporate governance structures for the affected exchanges and clearing agencies, including the appropriate standards for independence on their boards of directors;
- Vertical integration of trading, clearing, and settlement infrastructure under Maple's common ownership;

¹ The investors in Maple consist of: Alberta Investment Management Corporation, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., Desjardins Financial Corporation, Dundee Capital Markets Inc., Fonds de solidarité des travailleurs du Québec, GMP Capital Inc., The Manufacturers Life Insurance Company, National Bank Financial Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc. and TD Securities Inc. (together, the Investors).

² The October 7 Notice was published in the Commission's Bulletin at (2011) 34 OSCB 10439.

- Reorientation of CDS from a cost-recovery utility to a for-profit commercial enterprise;
- Opportunities for Maple to act anti-competitively in the pricing of trading, clearing, and settlement services; and
- Fair access to trading, clearing, and settlement services by those market participants not affiliated with Maple.

The October 7 Notice further indicated that the Commission would hold an in-person consultation (Policy Hearing) to allow public commenters a further opportunity to engage the Commission in its consideration of the Maple Proposal. The Policy Hearing was held on December 1 and 2, 2011.

Since the publication of the October 7 Notice and the Application, the Commission has extensively reviewed the Maple Proposal and its possible impact on the public interest in relation to the Commission's mandate to provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets. In the course of its review, the Commission has focussed on the impact of the proposal on the public interest. To that end, the Commission has reviewed the Maple Proposal, raised potential concerns with it, solicited public comment with respect to those concerns, and identified measures to mitigate those concerns that the Commission views as necessary to protect the public interest before it can issue the requested orders.

The Commission requested Staff of the Commission (Staff or we) to develop proposed orders recognizing Maple, TMX Group, and TSX as exchanges and recognizing CDS Ltd. and CDS Clearing as clearing agencies, subject to proposed terms and conditions. The Commission further requested Staff to solicit public comment on whether or not those orders and terms and conditions constitute an appropriate basis on which to conclude that the Maple Proposal is in the public interest. Accordingly, we are publishing this Notice and Request for Comment (Notice), together with proposed recognition orders for Maple, TMX Group, TSX, CDS Ltd., and CDS Clearing, to assist the Commission in further assessing the Maple Proposal.

The purpose of this Notice is to:

- Summarize the public comments to date on the Application, both by way of written comment and pursuant to the Policy Hearing;
- Discuss the terms and conditions of the proposed orders;
- Identify changes to the Application since its original publication on October 7, 2011; and
- Request comment on the proposed orders, including their terms and conditions, as a basis on which the Commission could conclude that the Maple Proposal is in the public interest.

Appended to this Notice are the following proposed recognition orders:

Appendix A – Recognition of Maple, TMX Group, and TSX as exchanges
Appendix B – Recognition of CDS as a clearing agency³

Also published as schedules to this Notice are the following documents:

Schedule 1 – Letter from Maple regarding changes to the Application published October 7, 2011
Schedule 2 – Summary of comment letters regarding the Application and Maple's responses thereto

We are publishing this Notice and the proposed orders for a 30-day comment period. Please refer to Section VI of this Notice for information on how to submit written comments. Please note that in assessing the submissions made to us by commenters, we will take into account the extent to which the submissions are supported by relevant evidence.

II. SUMMARY OF PUBLIC COMMENT

The Commission received 16 comment letters following publication of the October 7 Notice and Application. On December 1-2, 2011, the Commission also held the Policy Hearing to permit those commenters who had submitted written comments a further opportunity to expand on their comments and to address any questions that the Commission may have had about them. Twelve commenters, including representatives of Maple, appeared at the Policy Hearing to provide the Commission with further

³ The current recognition order for CDS includes a reference to the designation of CDS as a clearing agency under Part VI of the Ontario Business Corporations Act. Part VI of that Act was amended to repeal the provisions related to designation of a clearing agency. Accordingly, as a housekeeping change, the proposed recognition order for CDS will no longer include any reference to such designation.

comments. The Commission wishes to acknowledge and thank those commenters who submitted comment letters and appeared at the Policy Hearing for their thoughtful contributions to the Commission's analysis of the Maple Proposal.

Maple has prepared a summary of the comment letters, and its responses to those comments, which is published at Schedule 2 to this Notice. While the summary and responses have been prepared by Maple, Staff have reviewed them for accuracy and completeness and given them due consideration in their own consideration of the issues raised by the Maple Proposal.

While all aspects of the Maple Proposal were considered by commenters, Maple's proposed acquisition of CDS, and the possible implications of the acquisition on the cost and efficiency of clearing, settlement, and depository services received the most feedback, both in written comment and during the Policy Hearing. A number of commenters expressed concern that Maple's acquisition of CDS, the monopoly provider of clearing and settlement services for the Canadian cash market and currently operated on a cost-recovery basis, could result in the increased cost of these services and introduce restrictions on access to those services by current participants and unaffiliated marketplaces. In addition, commenters expressed concern that, in the event of Maple's acquisition of TMX Group and CDS, that the corporate governance structure of CDS would need to properly reflect the interests of all of CDS' stakeholders, including all users of its services (both participants and marketplaces).

Commenters also considered the proposed corporate governance structure for Maple, including the definition of independence for Maple's directors, together with concerns regarding possible conflicts of interest in Maple's ownership and operation of TMX Group and TSX. Several commenters indicated that Maple's board of directors should be composed of at least 50% independent directors with appropriate representation of non-owner users, such that the interests of all users of exchange services would be represented rather than just the interests of Maple's owner users. Commenters had different views of the appropriate definition of independence for Maple's directors, with some commenters proposing shareholding limits beyond which nominees of Maple shareholders would not be considered independent and another commenter indicating that the nominees of Maple's pension fund investors should be considered independent.

Finally, some commenters expressed concern that Maple's acquisition of TMX Group could exacerbate the potential conflict of interest between the exchange's for-profit commercial orientation and the appropriate discharge of its regulatory responsibilities while other commenters expressed concern that the concentration of order flow in the large investment dealers in Maple would result in their preferencing of trading venue according to ownership interest to the detriment of robust competition between marketplaces.

III. PROPOSED RECOGNITION ORDERS AND TERMS AND CONDITIONS

Staff have developed proposed recognition orders for Maple, TMX Group, and TSX, together with an approval under section 21.11 of the *Securities Act (Ontario)* (the Act) providing Maple and the Investors with relief from the restrictions on the ownership of shares in TMX Group. Staff have also developed a separate proposed recognition order for CDS. In drafting the orders, Staff have proposed terms and conditions to the orders with a view to addressing the issues and concerns raised in the October 7 Notice and raised by commenters in response to the October 7 Notice and at the Policy Hearing.

Schedule 2 to the proposed orders for Maple, TMX Group, and TSX includes terms and conditions applicable to each of Maple, TMX Group, and TSX, while Schedules 3 – 5 to the proposed orders include terms and conditions specific to each entity. Schedule 6 to the proposed orders includes terms and conditions applicable to the Investors. Schedule 7 to the proposed orders will include a rule and form filing protocol that would apply to Maple, TMX Group, and TSX but which is not being published at this time. Appendix A to the proposed orders will include conditions that would relate to the listing of Maple on TSX and Appendix B to the proposed orders will include information that TSX would be required to provide to the Commission. These appendices are not being published at this time. Appendix C to the proposed orders is a letter from Maple regarding certain proposed undertakings made by Maple to the Autorité des marchés financiers. Schedule B to the proposed recognition orders for CDS Ltd. and CDS Clearing includes terms and conditions applicable to each of Maple, CDS Ltd. and CDS Clearing.

At this time, we have not developed a proposed recognition order for Alpha Exchange Inc. (Alpha Exchange)⁴ However, we anticipate that, if Maple acquires Alpha and continues to operate it as an exchange, the recognition order for Alpha Exchange will mirror that of Maple, TMX Group and TSX.

Summarized below are some of the key terms and conditions of the proposed recognition orders that we wish to highlight.

⁴ On December 8, 2011, the Commission recognized Alpha Trading Systems LP and Alpha Exchange as exchanges and Alpha Exchange commenced operations on April 2, 2012. In the event that Maple acquires Alpha and decides to continue to operate Alpha Exchange as a recognized exchange, the current recognition orders for Alpha Trading Systems LP and Alpha Exchange will need to be amended.

Maple, TMX Group and TSX*Public interest*

The terms and conditions of the recognition orders for Maple, TMX Group, and TSX affirm that the business of each recognized exchange must be conducted in a manner that is consistent with the public interest.

Board of directors and independence

The proposed corporate governance structure in the recognition orders provides for a board of directors for each of Maple, TMX Group, and TSX composed of:

- (i) at least 50% independent directors; and
- (ii) at least 50% directors unrelated to original Maple shareholders.

The recognition orders impose the following additional composition requirements on the boards of directors:

- (i) One director must represent an independent investment dealer (non-bank owned investment dealer)⁵;
- (ii) A Chair of the Board, who would also be both independent and unrelated to original Maple shareholders⁶, and
- (iii) A CEO, who would not be taken into account in determining whether at least 50% of directors are unrelated to original Maple shareholders⁷.

Under the proposed terms and conditions, directors of Maple, TMX Group and TSX will be considered independent if they are independent within the meaning of section 1.4 of National Instrument 52-110 *Audit Committees*. In addition, directors of Maple, TMX Group and TSX will not be considered independent if the individual is a partner, director, officer or employee of a marketplace participant of any of the marketplaces owned or operated by Maple or its affiliates (Maple marketplace participant) (or an associate of any of those individuals) or is a partner, director, officer or employee of an entity that has a Maple marketplace participant as an affiliated entity and is responsible for or is actively or significantly engaged in the day-to-day operations or activities of that Maple marketplace participant.

For purposes of the second board composition requirement – that at least 50% of directors must be unrelated to original Maple shareholders – an individual is unrelated to original Maple shareholders if the individual:

- (i) is not an officer or employee of an original Maple shareholder or any of its affiliated entities or an associate of that officer or employee;
- (ii) is not nominated under a Maple nomination agreement;
- (iii) is not a director of an original Maple shareholder or any of its affiliated entities or an associate of that director; and
- (iv) does not have, and has not had, any relationship with an original Maple shareholder that could, in the view of the Governance Committee having regard to all relevant circumstances, be reasonably perceived to interfere with the exercise of his or her independent judgment as a director of the recognized exchange.

The order further defines “original Maple shareholder” to mean each of the Maple Investors, specifically Alberta Investment Management Corporation, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., Desjardins Financial Corporation, Dundee Capital Markets Inc., Fonds de solidarité des travailleurs du Québec, GMP Capital Inc., The Manufacturers Life Insurance Company, National Bank Financial Inc., Ontario Teachers’ Pension Plan Board, Scotia Capital Inc. and TD Securities Inc.

As proposed, Maple’s Governance Committee would have the authority to waive the restriction in subparagraph (iii) above provided that there is public disclosure of the use of the waiver and the reasons why the particular candidate was selected. The Commission would also have the authority to object to the use of the waiver in the circumstances.

⁵ See section 6 of the terms and conditions of the Order.

⁶ See section 5(g) of the terms and conditions of the Order.

⁷ See section 5(f) of the terms and conditions of the Order.

Board committees

The proposed recognition orders include requirements for the mandate and composition of Maple's Governance Committee and for the mandate and composition of a Regulatory Oversight Committee (ROC).

As proposed, the Governance Committee will be composed of five directors, each of whom will be an independent director and a majority of whom will be unrelated to original Maple shareholders, as described above. The Governance Committee's proposed responsibilities will include assessing the independence and the "unrelated to original Maple shareholders" status of each of the nominees to the Maple board on an annual basis at the time of nomination and of each of the directors of Maple on a periodic basis as the committee considers appropriate. The committee will also assess and approve all nominees of management to the Maple board.

As proposed, the ROC would be composed of at least three directors, each of whom will be an independent director, and a majority of the committee will be composed of directors unrelated to original Maple shareholders. The duties of the ROC would include:

- Considering real or perceived conflicts of interest that may arise in the context of:
 - ownership interests in Maple by participating organizations (POs) with representation on the Maple board,
 - increased concentration of ownership under Maple,
 - the profit-making objective and the public interest responsibilities of Maple, including general oversight of the management of the regulatory and public interest responsibilities of TSX;
- Overseeing the establishment of mechanisms to deal with conflicts of interest;
- Monitoring the operation of mechanisms that deal with conflicts of interest, including oversight of reporting of issuer regulation activities and conflicts of interest by TSX;
- Considering Maple and TSX Conflict of Interest Policies and Procedures, and any amendments; and
- Reporting to the Maple board as appropriate, and annually to the Commission, with respect to conflicts of interest and the ROC's activities.

In addition to the responsibilities of the ROC described above, Maple must obtain prior approval from the Commission before implementing any amendments to the mandate of the ROC and the ROC's mandate must be publicly available on the website of Maple or TMX Group. The ROC must also provide a report to the Commission, within 30 days of meeting, that includes a detailed summary of the matters considered by the ROC and how those matters were addressed together with any other information required or requested by the Commission or Staff.

Governance review

Given the importance of the corporate governance structure to the effective functioning of an exchange and the appropriate management of actual or apparent conflicts of interest, and given the significant changes to the governance structure of TMX Group proposed by Maple, the proposed recognition orders for the recognized exchanges also include a term and condition that would require a review of the governance structure of Maple, TMX Group and TSX within three years of the effective date of the recognition orders, or at other times as required by the Commission. The review would be carried out by an independent consultant acceptable to the Commission and would include:

- (i) a review of the board composition, in particular whether it continues to meet the recognition criteria, including the requirement that there be fair, meaningful and diverse representation of all stakeholders on the board and any committee of the board;
- (ii) a review of the impact of the board composition requirements, including requirements imposed by all securities regulatory authorities, on the recognized exchange's ability to meet the recognition criteria;
- (iii) a review of the appropriateness and effectiveness of mirror boards for Maple, TMX Group and TSX;
- (iv) a review of the role and functions of the Governance Committee; and

- (v) a review of the role and functions of the Regulatory Oversight Committee, in particular to assess whether conflicts of interest and potential conflicts of interest are being adequately managed or whether further measures are warranted.

Fee models and incentives

To address concerns that Maple may act anti-competitively in the pricing of its trading-related services, the recognition orders provide for prior Commission approval of any new fees or fee models and impose prohibitions of or restrictions on arrangements or volume-based discounts or incentives that may discriminate between market participants. Such restrictions include prohibitions of:

- (i) any discount, rebate, allowance, price concession or other similar arrangement on any services or products offered by the recognized exchange that is conditional upon the purchase of any other service or product provided by the recognized exchange or any affiliated entity;
- (ii) any discount, rebate, allowance, price concession or other similar arrangement that is accessible only to, whether as designed or by implication, particular market participants with the exception of discounts, rebates, allowances, price concessions or other similar arrangements provided in relation to the trading of particular exchange-traded securities by Market Makers on the recognized exchange; and
- (iii) any discount, rebate, allowance, price concession or other similar arrangement for any service or product offered by the recognized exchange that is conditional upon:
 - the requirement to have a Maple marketplace be set as the default or first marketplace a market participant routes to; or
 - the router of a Maple marketplace being used as the market participant's primary router.

In addition, the recognized exchange must obtain prior Commission approval before implementing any new, or amendments to any existing, fees and fee models, including any new, or amendments to any existing, incentives relating to:

- (i) discounts for any trading fees that are conditional upon a marketplace participant or other market participant executing or routing more than a certain amount of its overall trading volume in Canada or more than a certain amount of its overall active or passive trading volume in Canada on or to any Maple marketplace; and
- (ii) arrangements that provide for equity ownership in Maple for marketplace participants or based on trading volumes or values on Maple marketplaces.

The proposed terms and conditions would also require, within three years of the effective date of the orders or otherwise as required by the Commission, that the recognized exchange conduct a review of its fees and fee models, and the fees and fee models of affiliated marketplaces regulated by the Commission, related to trading, clearing, settlement, depository, data and any other specified services, which would include a benchmarking or comparison of the fees and fee models against the fees and fee models of similar services offered in other jurisdictions.

We note that the prohibitions and restrictions described above are derived from NI 21-101 *Marketplace Operation* and consequently, would apply to all marketplaces, not just to Maple, TMX Group, and TSX. However, given the possibility that Maple may be able to exercise significant power in the provision of trading and other services post acquisitions, we felt it was important to incorporate these terms and conditions directly into the recognition orders, so it is clear and transparent that these prohibitions and restrictions apply to the recognized exchanges.

Internal cost allocation and transfer pricing

To address concerns that Maple may inappropriately allocate costs or transfer prices between itself and its affiliated entities, the recognition orders require the recognized exchange to obtain prior Commission approval before implementing any internal cost allocation model and any policies regarding the allocation of costs or transfer of prices between the recognized exchange or its affiliates as well as approval of changes to the model. The orders also require the recognized exchange to annually engage an independent auditor to conduct an audit and prepare a report in accordance with established audit standards regarding compliance with the approved internal cost allocation model and transfer pricing policies.

Share ownership restrictions

The terms and conditions of the recognition orders include the imposition of share ownership restrictions on the voting securities of Maple, such that no person or company or combination of persons or companies acting jointly or in concert could beneficially own or exercise control or direction over more than 10% of Maple's voting securities, without prior Commission approval.

Conflicts of interest and confidentiality

The recognition order also includes terms and conditions requiring each of Maple, TMX Group and TSX to have policies and procedures to identify and manage actual or apparent conflicts of interest. In particular, they must have policies and procedures to identify and manage actual or apparent conflicts of interest arising from the involvement of any partner, director, officer or employee of a significant Maple shareholder in the management or oversight of the marketplace operations or regulation functions of a marketplace owned or operated by Maple or its affiliated entities and the products or services provided by Maple or its affiliated entities.

Terms and conditions relating to original Maple shareholders

The proposed recognition orders also include terms and conditions that would apply directly to the original Maple shareholders, or a subset of the original Maple shareholders, as applicable. These terms and conditions include:

- (i) Requirements to identify and manage any conflicts of interest or potential conflicts of interest arising from the ownership interest in Maple, and indirectly TMX Group and TSX;
- (ii) Requirements regarding the use and safe-keeping of confidential information regarding exchange operations or regulation functions or a TSX Participating Organization or TSX-listed issuer;
- (iii) Prohibitions against any agreements or other arrangements regarding the coordination of order routing activity; and
- (iv) Requirements for Maple's dealer investors to disclose their relationship to Maple to clients whose orders may be or have been routed to a Maple-owned marketplace and to clients for whom the Maple dealer investor is acting as underwriter in connection with an issuance of securities to be listed on a Maple-owned exchange.

In addition to the foregoing requirements, each original Maple shareholder would be required to annually certify to the Commission that:

- (i) It is in compliance with the applicable terms and conditions of the orders recognising Maple, TMX Group and TSX;
- (ii) It is not acting jointly or in concert with any other Investor (or any affiliate or associate thereof) with respect to any voting shares of Maple;
- (iii) It has no agreement, commitment or understanding with any other Investor (or any affiliate or associate thereof) with respect to the acquisition or disposition of voting shares of Maple, the exercise of any voting rights attached to any voting shares of Maple or the coordination of decisions or voting by its nominee director of Maple with the decisions or voting by the nominee director of any other Investor; and
- (iv) Since the last certification, it has not acted jointly or in concert with any other Investor (or any affiliate or associate thereof) with respect to any voting shares of Maple, including with respect to the acquisition or disposition of any voting shares of Maple or the exercise of any voting rights attached to any voting shares of Maple, and there has been no coordination of decisions or voting by its nominee director of Maple with the decisions or voting by the nominee director of any other Investor.

The certifications would be made on behalf of each Investor by its chief executive officer and either its general counsel or chief compliance officer.

CDS

Set out below are some key terms and conditions from the proposed recognition order for CDS.

Ownership

A new term and condition is imposed on CDS that would explicitly require prior Commission approval of changes in the ownership structure of CDS.

Public interest

The terms and conditions of the recognition order for CDS affirm that the business and operations of the each clearing agency must be conducted in a manner that is consistent with the public interest.

Board of directors and independence

The terms and conditions of the recognition order also provide for board composition requirements and independence standards for the board of CDS, including requirements that:

- At least 33% of the board must be independent directors;
- At least 33% of the board must be directors representing participants of CDS, of which:
 - One director must be nominated by the Investment Industry Regulatory Organization of Canada (IIROC);
 - One director must be nominated by Maple from among the five largest participants in CDS;
 - At least one director nominated by Maple must be unrelated to original Maple shareholders; and
 - Directors representing participants of CDS should represent a diversity of participants;
- One director must be a nominee of marketplaces unaffiliated with Maple; and
- At least 50% of the board must have expertise in clearing and settlement.

For the purposes of the CDS board composition requirements, a director will be considered independent if the person is not:

- (i) an associate, partner, director, officer or employee of a significant Maple shareholder (i.e. owning 5% or more of Maple's outstanding shares);
- (ii) an associate, partner, director, officer or employee of a participant of CDS or any of its affiliates;
- (iii) an associate, partner, director, officer or employee of a marketplace or any of its affiliates; or
- (iv) an officer or employee of CDS or its affiliates.

Participant Committees

Maple has also proposed that CDS continue the use of participant committees (market participant advisory committees or MPACs) and this has been included in the terms and condition of the recognition order. The MPACs are to assist the board by providing advice, comment and recommendations. The MPACs must provide open membership to any participant or marketplace. As well, CDS must, on an annual basis or as requested by the Commission, provide a report on the acceptance or rejection of the recommendations from the MPACs and the reasons for rejection if that were the case. The MPACs would also provide a response as to whether they agree or disagree with the report.

Access

To address the concerns that Maple may act anti-competitively in determining access to market participants, including marketplaces that are not Maple affiliates, the proposed order includes terms and conditions regarding access that provide for the following requirements:

- CDS must not unreasonably prohibit, condition or limit, directly or indirectly, access by a person or company to its services;
- Applications for access must be completed within a specified time and notice, together with reasons, must be given to the Commission if there are delays in completing the application;

- CDS must not set fees or terms of service for participants that differentiate based on the marketplace where a trade was executed;
- CDS must not prohibit, condition, or otherwise limit, directly or indirectly, a participant from effecting a transaction on any marketplace not affiliated with Maple, and
- CDS must allow any person or company, including other third party service providers, to interface or connect to any of its services or systems.

Risk Controls

CDS' recognition order terms and conditions relating to risk control have been revised. In addition to the more specific requirements for risk management, which are not included in the criteria for recognition, a more general requirement to be observant with evolving international standards is included. In particular, CDS is required to be observant with the principles of the CPSS and IOSCO as set out in their report, *Principles for Financial Market Infrastructures*. CDS must assess itself against those principles on an annual basis and provide a report to the Commission on its findings and recommendations for rectifying any deficiencies. As well CDS must, every fourth year or at other times required by the Commission, retain an independent third party, acceptable to the Commission, to conduct an assessment of CDS' financial risk model and prepare a report on its findings and recommendations.

Fee models and incentives

The recognition order includes terms and conditions relating to the fees for CDS' products and services. In particular, the recognition order incorporates a pricing model for CDS' core services (Pricing Model) that was proposed by Maple in response to public comments regarding the possible impact of Maple's acquisition of TMX Group and CDS on the prices of CDS' core services and the potential for CDS, under Maple, to increase fees to the detriment of smaller participants and unaffiliated marketplaces. The key elements of the proposed Pricing Model include:

- Core services under the Pricing Model include clearing, settlement, depository, international, and ATON services currently offered by CDS.⁸
- Maple will adopt the fees established by CDS for fiscal 2012 (starting November 1, 2011) and these fees will be fixed as the fees for CDS' core services going forward.
- Beginning November 1, 2012, Maple will share with participants, on a 50/50 basis, any annual revenue increases from CDS' core services, over and above revenues from fiscal 2012.
- Maple will also annually rebate participants an additional amount in respect of on-exchange clearing services, starting at \$2.75 million in 2013 and increasing to \$4 million by 2016. The rebate represents Maple's anticipated efficiency gains from the integration of CDS into Maple for the years 2013 to 2016 but Maple proposes to rebate participants whether or not any efficiencies are actually realised. The rebate will continue beyond 2016 but will be capped at the 2016 amount.
- The 2012 base fees cannot be changed unless approved by the Commission.
- Maple will not seek approval for increases to the base fees unless there is a significant change to prevailing market conditions that necessitates a fee increase.
- Any changes to base fees or any new fees for new or materially improved services would have to be passed by the relevant MPAC, the Risk Management and Audit Committee of CDS' board, the board itself and then subsequently approved by the Commission.

The Pricing Model, as proposed by Maple, has been included as an appendix to the CDS recognition order and is being proposed as the initial fee and rebate model for Commission approval. However, the recognition order includes a term and condition that would require CDS to submit the model for re-approval by the Commission if the Commission considers it to be in the public interest to do so at a future point in time.

In addition, the recognition order provides for prior Commission approval of any new fees and changes to CDS' fees or fee models and imposes additional restrictions. Such restrictions include:

⁸ International services are the cross-border clearing and settlement services and ATON, the Account Transfer On-line Notification Service, is a service to facilitate the transfer of client assets between participants.

- (i) that fees must not have the effect of discriminating between participants or marketplaces;
- (ii) prohibitions against providing any discount, rebate, allowance or similar price concession on any services or products offered by CDS or any affiliated entity that are conditional upon the purchase of any other service offer by CDS or any affiliated entity; and
- (iii) that fees for the CDS services must be provided on a per transaction basis and must not be tiered.

The requirement for fee approval extends to CDS Ltd.'s subsidiary, CDS Securities Management Solutions Inc., which provides issuer-related services. Any filings by CDS with respect to its fees that are submitted to the Commission for approval will be published for public comment.

On an annual basis CDS must engage an independent auditor to conduct an audit and prepare a report in accordance with established audit standards regarding CDS' compliance with the approved fee and rebate model. CDS Clearing must provide the independent auditor's report to the Commission.

The proposed terms and conditions would also require, within three years of the effective date of the order or otherwise as requested by the Commission, that CDS conduct a review of its fees and fee models related to services provided by CDS, which would include an assessment of whether the fees continue to be appropriate for the Canadian capital markets and whether any changes should be made.

Internal cost allocation and transfer pricing

To address concerns that CDS may inappropriately allocate costs or transfer prices between itself and its affiliated entities, the recognition order requires CDS to obtain Commission approval of its internal cost allocation model and any policies regarding the allocation of costs or transfer of prices within CDS or its affiliates as well as approval of changes to the model. The order also requires CDS to annually engage an independent auditor to conduct an audit and prepare a report in accordance with established audit standards regarding compliance with the approved internal cost allocation model and transfer pricing policies.

Review of Participant Rules

A proposed term and condition would require that CDS, within a specified period after the date of the order, constitute a committee to review and provide a report on Participant rules and the arrangements thereunder, setting out any findings as to the appropriateness of those rules and arrangements in light of the change in ownership structure and the for-profit business model of CDS. The committee must include representation from all interested stakeholders.

Maple

Although Maple is not being recognized as a clearing agency, certain terms and conditions are being imposed on it to ensure that, as the ultimate parent company of CDS, Maple will cause CDS to meet CDS' public interest responsibilities. These terms and conditions will require Maple to ensure that:

- CDS conducts its business and operations in a manner that is consistent with the public interest;
- CDS has sufficient financial and other resources to carry out its functions in a manner that is consistent with the public interest and in compliance with Ontario securities law;
- CDS provides the Commission, without limitations, restrictions or conditions, all data and information in its possession relating to any of CDS' businesses; and
- Maple promotes fair access by any person or company to the services offered by CDS; and
- Maple promotes within CDS a governance structure that minimizes conflicts of interest.

Alpha

As indicated, the Commission recognized Alpha Exchange as an exchange on December 8, 2011, and Alpha Exchange commenced operations on April 2, 2012. In the event of Maple's acquisition of Alpha and a determination to keep Alpha Exchange operating as a recognized exchange, the recognition order for Alpha Exchange would need to be amended to reflect appropriate terms and conditions suited to Alpha Exchange operating as a subsidiary of Maple. We would expect that Alpha Exchange's recognition order would be revised to include terms and conditions similar to those proposed for Maple, TMX Group and TSX.

IV. CHANGES TO MAPLE PROPOSAL

In response to comments raised through the written comment process and at the Policy Hearing, and as a result of extensive discussions with Staff and the Commission, Maple has substantially revised key aspects of the Maple Proposal since publication of the Application. Maple's summary of these proposed changes is published at Schedule 1 to this Notice.

Much of the substance of these revisions has been incorporated as terms and conditions into the proposed recognition orders. Described below are some of the additional changes Maple has made to the Maple Proposal that are not directly reflected in the terms and conditions of the proposed recognition orders.

Maple Corporate Governance

Board composition

The proposed board composition requirements for Maple, TMX Group, and TSX, as reflected in the recognition orders, are described in Section III above. In addition to those requirements, Maple has proposed that the boards of Maple, TMX Group, and TSX be composed of:

- Eight directors who will be nominated pursuant to nomination rights held by Maple's Category 1 shareholders;⁹
- Four current directors of TMX Group, each of whom would be both independent and unrelated to original Maple shareholders; and
- Two additional directors who would be both independent and unrelated to original Maple shareholders.

As a consequence of the proposed board composition requirements in the recognition orders, Maple's board would increase to 17 directors from the 15 directors originally proposed in the Application.

Non-competition/Non-preferencing agreements

In the Application, Maple indicated that the Investors had agreed to enter into a non-competition agreement and a non-preferencing agreement. In response to concerns raised regarding the restraints on competition posed by both the non-competition agreement and the non-preferencing agreement, Maple will not proceed with those agreements and none of the Investors are bound by their proposed terms.

Share ownership limitation

Maple has also indicated that it will enter into a standstill agreement with each Investor that is a TSX Participating Organization, whereby each Investor (and its subsidiaries and parent entities) will be restricted from increasing its ownership percentage in Maple for five years following completion of Maple's acquisition of TMX Group, Alpha, and CDS.

V. ENHANCED OVERSIGHT PROGRAM

Once an exchange or clearing agency is recognized, the Commission continues to regulate and oversee its operations to ensure that the standards set at the time of recognition continue to be met.

Currently, the Commission's ongoing oversight program has three main components:

- the review of information filed regarding operations of the exchange or clearing agency, for example, significant changes in the exchange's operations or any new business activity of the clearing agency;
- the review and approval of changes to the exchange's or clearing agency's rules; and
- periodic oversight reviews of the exchange or clearing agency.

We also have regular and ongoing dialogue with the exchange or clearing agency to identify issues and discuss operational matters that may arise from time to time. Taken together, this approach to continuing oversight allows the Commission to evaluate, on an on-going basis, whether or not the exchange or clearing agency is complying with the terms and conditions of its recognition and whether or not those terms and conditions continue to be appropriate.

⁹ Maple's Category 1 shareholders include: Alberta Investment Management Corporation, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., National Bank Financial Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc. and TD Securities Inc.

The Maple Proposal represents a fundamental change to the delivery of trading, clearing, settlement, and depository services to Canadian market participants and investors. As such, we believe that while the Commission's current approach to the ongoing oversight of exchanges and clearing agencies is effective in ensuring that these entities operate in the public interest, the potential integration of the majority of Canadian trading, clearing, and settlement infrastructure under Maple would require an enhanced oversight program to ensure that the Commission has all the information and the regulatory tools needed to be able to appropriately address any risks to the public interest represented by the Maple Proposal.

Consequently, Staff is proposing the following enhancements to its current program of ongoing oversight of exchanges and clearing agencies:

Regular communication and interaction with directors and management

There would be regular meetings with the boards of directors, certain board committees (such as CDS' Risk Management and Audit Committee and Maple's ROC), independent directors, and executive and senior management of Maple, TMX Group, TSX and CDS, to discuss business developments, changes in market environment and impact, emerging issues and other relevant matters. Independent directors of the board (and the ROC, if applicable) would also meet with the Commission and/or Staff at least annually to discuss any issues arising since previous meetings. The various boards of directors (and the ROC, if applicable) would be required to provide written reports to the Commission and Staff no less than annually (or as required by the Commission) on how the entity is meeting its public interest objectives.

Regular communication and interaction with relevant participant committees

There would also be regular meetings with the appropriate MPACs to understand interests and concerns identified by the users of CDS' services. The relevant committees would be required to provide written reports to the Commission and to Staff not less than annually (or as required) on their views on whether CDS has appropriately considered their recommendations. Staff would also continue to have the ability to attend, as observers, all meetings of certain MPACs of CDS.

Periodic reporting of activities and business developments

In addition to existing reporting requirements for TMX Group, TSX, and CDS, Staff would require additional reporting from these entities, as well as from Maple and its other affiliates as necessary, as follows:

- Reporting on strategic plans;
- Reporting on risks, including business risks, facing the entity and how they would be addressed; and
- Reporting on any plans to enter new business lines (directly or indirectly, e.g. through joint ventures) or the ceasing of existing businesses.

Prior Commission approval of certain aspects of operations

In addition to the current requirement for prior Commission approval of new or amended by-laws, rules, policies, and other instruments for each of TSX and CDS, the Commission would additionally require prior approval of the following for each recognized entity, as appropriate:

- Any changes to the pricing of existing services and the pricing of new services;
- Any changes to internal cost allocation models and any transfer pricing between affiliated entities;
- The integration of any businesses or corporate functions; and
- Any outsourcing of key functions or changes to existing outsourcing arrangements, including, for CDS, those relating to information technology supporting clearing, settlement or depository services.

The Commission's oversight of the pricing of trading, clearing, and settlement services would also be expanded from its current review of all marketplaces fees to include prior Commission approval of the pricing of services offered by CDS.

External verification of information/processes/performance standards

Critical processes and functions would be required to meet certain performance standards or criteria and would be subject to independent verification by qualified external parties on a regular basis, including:

- Critical clearing and settlement functions of CDS (i.e. CCP, settlement and depository), assessed against specified performance standards;
- Financial risk models of CDS for the specified critical functions, assessed against established international and/or domestic requirements and best practices;
- Fee rebates, assessed against the approved pricing model; and
- Internal cost allocations, assessed against the approved pricing model.

In addition, CDS would also be required to perform periodic self-assessment against the updated CPSS-IOSCO standards for clearing agencies.

Review of access to CDS by unaffiliated marketplaces and dealers

CDS would be required to meet established performance standards (e.g. time to connect) to provide connectivity to marketplaces and dealers and would be further required to report on their compliance with such standards.

Staff would be informed whenever a marketplace or a market participant requests connectivity to CDS for clearing services and would monitor the progress of and timeframe for establishing such connectivity. Staff would also review the arrangements for connectivity negotiated between the marketplace and CDS and assess the reasonableness of such arrangements.

Costs of enhanced oversight

Costs of Commission operations have, in recent years, been recovered through the imposition of participation fees and activity fees. We anticipate that the Commission will publish for comment later this year fee proposals which may take into account costs of Commission operations in relation to the Commission's oversight of regulated entities. Staff anticipate recommending that any additional costs associated with the enhanced oversight model be recovered from the subject entities in a similar fashion.

VI. COMMENT PROCESS

We are requesting comment on the proposed recognition orders in relation to the Maple Proposal, including all terms and conditions and the enhanced oversight program.

Please provide your comments in writing, via e-mail, on or before **June 4, 2012**, to the attention of the Secretary of the Commission, Ontario Securities Commission, 20 Queen Street West, Toronto, Ontario, M5H 3S8, e-mail: comments@osc.gov.on.ca.

Confidentiality of submissions will not be maintained and a summary of written comments received during the comment period will be published.

Questions on this Notice may be referred to:

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APPENDIX A**PROPOSED RECOGNITION ORDER FOR MAPLE, TMX GROUP AND TSX**

**IN THE MATTER OF
THE SECURITIES ACT, R.S.O. 1990,
CHAPTER S.5, AS AMENDED (Act)
AND**

**IN THE MATTER OF
MAPLE GROUP ACQUISITION CORPORATION
TMX GROUP INC.
AND
TSX INC.**

AND

**IN THE MATTER OF
ALBERTA INVESTMENT MANAGEMENT CORPORATION
CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC
CANADA PENSION PLAN INVESTMENT BOARD
CIBC WORLD MARKETS INC.
DESJARDINS FINANCIAL CORPORATION
DUNDEE CAPITAL MARKETS INC.
FONDS DE SOLIDARITÉ DES TRAVAILLEURS DU QUÉBEC (F.T.Q.)
GMP CAPITAL INC.
THE MANUFACTURERS LIFE INSURANCE COMPANY
NATIONAL BANK FINANCIAL & CO. INC.
ONTARIO TEACHERS' PENSION PLAN BOARD
SCOTIA CAPITAL INC.
AND
TD SECURITIES INC.**

ORDER

(Sections 21, 21.11 and 144 of the Act)

WHEREAS the Ontario Securities Commission (Commission) issued an order dated April 3, 2000, varied on January 29, 2002, September 3, 2002, August 12, 2005, December 16, 2005, August 10, 2006 and May, 16 2008 granting and continuing the recognition of TSX Group Inc., which later changed its name to TMX Group Inc. (TMX Group), and TSX Inc. (TSX) as a stock exchange pursuant to section 21 of the Act (the Previous Order);

AND WHEREAS on June 10, 2011 Maple Group Acquisition Corporation (Maple) commenced a transaction, consisting of a take-over bid (the Offer) and a subsequent arrangement (Subsequent Arrangement) the result of which would be the acquisition by Maple of all of the issued and outstanding voting securities of TMX Group, the holding company parent of TSX;

AND WHEREAS Maple intends, concurrently with completion of the Offer or as soon as possible thereafter, to acquire Alpha Trading Systems Limited Partnership and Alpha Trading Systems Inc. (collectively, Alpha) and The Canadian Depository for Securities Limited and, indirectly, CDS Clearing and Depository Services Inc. (collectively, CDS)(the Alpha and CDS Acquisitions);

AND WHEREAS at the time of granting this order, the Alberta Investment Management Corporation, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., Desjardins Financial Corporation, Dundee Capital Markets Inc., Fonds de solidarité des travailleurs du Québec (F.T.Q.), GMP Capital Inc., The Manufacturers Life Insurance Company, National Bank Financial & Co. Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc., and TD Securities Inc. (collectively, the original Maple shareholders) are the investors in Maple, either directly or, in the case of the Alberta Investment Management Corporation (AIMCo), through AIMCo Maple 1 Inc. and AIMCo Maple 2 Inc.;

AND WHEREAS an application (the Application) has been filed requesting that the Commission issue an order:

- (i) recognizing Maple, as the proposed holding company parent of TMX Group and TSX, as an exchange,
- (ii) recognizing TMX Group as an exchange,

- (iii) recognizing TSX as an exchange,
- (iv) approving the beneficial ownership by Maple of more than ten percent of the voting securities of each of TMX Group and TSX,
- (v) approving that the original Maple shareholders and Maple act jointly or in concert as beneficial owners of voting securities of TMX Group in connection with the Subsequent Arrangement and the Alpha and CDS Acquisitions,
- (vi) approving the beneficial ownership by the original Maple shareholders individually, as applicable, of more than ten percent of the voting securities of Maple for the transitional period between take-up under the Offer and completion of the Subsequent Arrangement, and
- (vii) approving that the original Maple shareholders act jointly or in concert as beneficial owners of the voting securities of Maple in connection with the Subsequent Arrangement and the Alpha and CDS Acquisitions

(together, the Order);

AND WHEREAS the Previous Order will be replaced by the Order and therefore should be revoked;

AND WHEREAS based on the Application and the representations that Maple, TMX Group and TSX have made to the Commission, the Commission has determined that:

- (a) Maple, TMX Group and TSX satisfy the recognition criteria set out in Schedule 1 to the Order,
- (b) it is in the public interest to recognize each of Maple, TMX Group and TSX as an exchange, and
- (c) it is not prejudicial to the public interest to revoke the Previous Order;

AND WHEREAS the Commission considers the proper operation of the exchanges as essential to investor protection and maintaining a fair and efficient capital market, and therefore requires that any conflicts of interest in the operation of the exchanges be dealt with appropriately, the fairness and efficiency of the market not be impaired by any anti-competitive activity, and that systemic risks are monitored and controlled;

AND WHEREAS the Commission intends to adopt a program of enhanced regulatory oversight with respect to Maple, TMX Group, and TSX;

AND WHEREAS Maple, TMX Group, TSX and the original Maple shareholders have agreed to the applicable terms and conditions set out in Schedules 2 to 7 to the Order;

AND WHEREAS Maple has provided to Commission Staff a letter, dated April 30, 2012 and attached to the Order, regarding Maple's undertakings to the Autorité des marchés financiers;

IT IS ORDERED that:

- (a) pursuant to section 21 of the Act, Maple is recognized as an exchange,
- (b) pursuant to section 21 of the Act, TMX Group is recognized as an exchange,
- (c) pursuant to section 21 of the Act, TSX is recognized as an exchange,
- (d) pursuant to section 21.11 of the Act, the original Maple shareholders and Maple, acting jointly or in concert, may beneficially own, or exercise control or direction over, more than ten percent of the voting securities of TMX Group in connection with the Subsequent Arrangement and the Alpha and CDS Acquisitions,
- (e) pursuant to section 21.11 of the Act, the beneficial ownership, or the exercise of control or direction over, by Maple of more than ten percent of the voting securities of each of TMX Group and TSX is approved,
- (f) pursuant to section 21.11 of the Act, the beneficial ownership, or the exercise of control or direction over, by the original Maple shareholders individually, as applicable, of more than ten percent of the voting securities of Maple for the transitional period between take-up under the Offer and completion of the Subsequent Arrangement is approved, and
- (g) pursuant to section 21.11 of the Act, the original Maple shareholders, acting jointly or in concert, may beneficially own, or exercise control or direction over, more than ten percent of the voting securities of Maple in connection with the Subsequent Arrangement and the Alpha and CDS Acquisitions

provided that Maple, TMX Group, TSX and the original Maple shareholders comply with the terms and conditions set out in Schedules 2 to 7 to the Order, as applicable;

AND IT IS ORDERED that, pursuant to subsection 144(1) of the Act, the Previous Order is revoked.

DATED this ** day of **, 2012, effective on **, 2012.

SCHEDULE 1**CRITERIA FOR RECOGNITION****PART 1 COMPLIANCE WITH NI 21-101 AND NI 23-101****1.1 Compliance with NI 21-101 and NI 23-101**

The exchange complies with the requirements set out in National Instrument 21-101 *Marketplace Operation* (NI 21-101) and in National Instrument 23-101 *Trading Rules*, each as amended from time to time, which include requirements relating to:

- (a) access;
- (b) marketplace operations;
- (c) exchange rules, policies and other similar instruments;
- (d) order and trade transparency;
- (e) transparency of marketplace operations;
- (f) record keeping;
- (g) marketplace systems and business continuity planning;
- (h) confidentiality of information;
- (i) outsourcing;
- (j) clearing and settlement;
- (k) fair and orderly markets;
- (l) the management of conflicts of interest; and
- (m) filing of financial statements.

PART 2 GOVERNANCE**2.1 Governance**

The governance structure and governance arrangements of the exchange ensure:

- (a) effective oversight of the exchange;
- (b) that business and regulatory decisions are in keeping with the exchange's public interest mandate;
- (c) fair, meaningful and diverse representation on the board of directors (Board) and any committees of the Board, including:
 - (i) appropriate representation of independent directors, and
 - (ii) a proper balance among the interests of the different persons or companies using the services and facilities of the exchange;
- (d) the exchange has policies and procedures to appropriately identify and manage conflicts of interest; and
- (e) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.

2.2 Fitness

The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person.

PART 3 ACCESS

3.1 Fair Access

- (a) The exchange has established appropriate written standards for access to its services including requirements to ensure participants are appropriately registered under Ontario securities laws, or exempted from these requirements.
- (b) The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.

PART 4 REGULATION OF PARTICIPANTS AND ISSUERS ON THE EXCHANGE

4.1 Regulation

The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of participants and issuers, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.

PART 5 RULES AND RULEMAKING

5.1 Rules and Rulemaking

- (a) The exchange has rules, policies, and other similar instruments (Rules) that are designed to appropriately govern and regulate the operations and activities of participants and issuers.
- (b) In addition to meeting the requirements of NI 21-101 relating to market operations and exchange rules, policies and other similar instruments as referred to in paragraphs 1.1(b) and (c) of this Schedule, respectively, the Rules are also designed to
 - (i) ensure a fair and orderly market; and
 - (ii) provide a framework for disciplinary and enforcement actions.

PART 6 DUE PROCESS

6.1 Due Process

For any decision made by the exchange that affects a participant or issuer, or an applicant to be a participant or issuer, including a decision in relation to access, listing, exemptions, or discipline, the exchange ensures that:

- (a) parties are given an opportunity to be heard or make representations, and
- (b) it keeps a record of, gives reasons for and provides for appeals or reviews of its decisions.

PART 7 CLEARING AND SETTLEMENT

7.1 Clearing and Settlement

The exchange has appropriate arrangements for the clearing and settlement of trades.

PART 8 SYSTEMS AND TECHNOLOGY

8.1 Information Technology Risk Management Procedures

The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and circuit breakers.

PART 9 FINANCIAL VIABILITY**9.1 Financial Viability**

The exchange has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

PART 10 FEES**10.1 Fees**

- (a) All fees imposed by the exchange are reasonable and equitably allocated and are consistent with the requirements in Ontario securities laws, including those listed in paragraphs 1.1(a) and (e) of this Schedule.
- (b) The process for setting fees is fair and appropriate, and the fee model is transparent.

PART 11 INFORMATION SHARING AND REGULATORY COOPERATION**11.1 Information Sharing and Regulatory Cooperation**

The exchange has mechanisms in place to enable it to share information and otherwise co-operate with the Commission, recognized self-regulatory organizations, other recognized or exempt exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.

SCHEDULE 2

TERMS AND CONDITIONS APPLICABLE TO MAPLE, TMX GROUP AND TSX

1. DEFINITIONS AND INTERPRETATION

(a) For the purposes of this Schedule:

“accounting principles” means accounting principles as defined in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

“affiliated entity” has the meaning ascribed to it in section 1.3 of NI 21-101, except that in the case of AIMCo “affiliated entity” means an AIMCo Affiliate;

“AIMCo” means the Alberta Investment Management Corporation;

“AIMCo Affiliate” means each AIMCo Client, any person directly or indirectly controlled by one or more AIMCo Clients, any investment pool managed by AIMCo, and any affiliated entity of any of the foregoing, in each case to the extent that, but only to the extent that, their respective assets are managed by AIMCo;

“AIMCo Clients” means Her Majesty the Queen in right of Alberta and certain Alberta public sector pension plans, in each case to the extent that, but only to the extent that, their respective assets are managed by AIMCo;

“associate” has the meaning ascribed to it in subsection 1(1) of the Act;

“ATS” means an alternative trading system as defined in subsection 1(1) of the Act;

“audited consolidated financial statements” means financial statements that

- (i) are prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, including that they adhere to the standards specified for consolidated financial statements in International Accounting Standard 27 *Consolidated and Separate Financial Statements*,
- (ii) include notes to the financial statements that identify the accounting principles used to prepare the financial statements, and
- (iii) are audited in accordance with Canadian GAAS and are accompanied by an auditor’s report;

“Board” means the board of directors;

“criteria for recognition” means all of the criteria for recognition set out in Schedule 1 to the Order;

“dealer” means “investment dealer” as that term is defined in section 1.1 of National Instrument 31-103 *Registration Requirements*;

“dealer affiliate” means Desjardins Securities Inc, Dundee Securities Inc., GMP Securities L.P. and Manulife Securities Incorporated;

“Governance Committee” means the governance committee established by Maple pursuant to section 19 of Schedule 3 to the Order;

“IIROC” means the Investment Industry Regulatory Organization of Canada;

“Maple clearing agency” means any clearing agency owned or operated by Maple or Maple’s affiliated entities;

“Maple dealer” means an original Maple shareholder that is also a dealer;

“Maple issuer” means a person or company whose securities are listed on a Maple marketplace;

“Maple marketplace” means any marketplace owned or operated by Maple or Maple’s affiliated entities;

“Maple marketplace participant” means a marketplace participant of any Maple marketplace;

“Maple nomination agreement” means a nomination agreement provided for under Section 12(h) of the Amended and Restated Acquisition Governance Agreement of June 10, 2011 of Maple, as amended;

“Maple trading facility” means any trading facility owned or operated by Maple or Maple’s affiliated entities;

“Market Maker” has the meaning ascribed to it in the Rules of the TSX;

“marketplace” has the meaning ascribed to it in subsection 1(1) of the Act;

“marketplace participant” has the meaning ascribed to it in section 1.1 of NI 21-101;

“NI 21-101” means National Instrument 21-101 *Marketplace Operation*;

“officer” has the meaning ascribed to it in subsection 1(1) of the Act;

“original Maple shareholder” means each of the AIMCo, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., Desjardins Financial Corporation, Dundee Capital Markets Inc., Fonds de solidarité des travailleurs du Québec (F.T.Q.), GMP Capital Inc., The Manufacturers Life Insurance Company, National Bank Financial & Co. Inc., National Bank Financial Inc., Ontario Teachers’ Pension Plan Board, Scotia Capital Inc., and TD Securities Inc.;

“original significant Maple shareholder” means a shareholder of Maple that is both an original Maple shareholder and a significant Maple shareholder;

“regulated Maple marketplace” means a Maple marketplace that is regulated by the Commission as a recognized exchange or an ATS;

“Regulatory Oversight Committee” means the committee established by Maple pursuant to section 20 of Schedule 3 to the Order;

“Rule” means a rule, policy, or other similar instrument of TSX;

“significant Maple shareholder” means a shareholder of Maple which:

- (i) beneficially owns or exercises control or direction over more than 5% of the outstanding shares of Maple,
- (ii) is an original Maple shareholder that is a party to a Maple nomination agreement, for as long as its Maple nomination agreement is in effect; or
- (iii) is an original Maple shareholder (A) whose obligations under Schedule 6 have not terminated pursuant to section 50 thereof and (B) that has a partner, officer, director or employee who is a director on the Maple Board other than pursuant to a Maple nomination agreement, for so long as such partner, officer, director or employee remains a member of the Maple Board;

“TSX Issuer” means a person or company whose securities are listed on TSX;

“TSX PO” means a person or company that has been permitted to access the trading facilities of TSX and is subject to regulatory oversight by TSX, and the person’s or company’s representatives;

“unaudited consolidated financial statements” means financial statements that are prepared in the same manner as audited consolidated financial statements, except that they are not audited; and

“unaudited non-consolidated financial statements” means financial statements that are prepared in the same manner as audited consolidated financial statements, except that

- (i) they are not audited; and
- (ii) investments in subsidiary entities, jointly controlled entities and associates are accounted for as specified for separate financial statements in International Accounting Standard 27 *Consolidated and Separate Financial Statements*.

- (b) For the purposes of this Schedule, an individual is independent if the individual is “independent” within the meaning of section 1.4 of National Instrument 52-110 *Audit Committees*, as amended from time, but is not independent if the individual is:

- (i) a partner, director, officer or employee, of a Maple marketplace participant or an associate of a partner, director, officer or employee of a Maple marketplace participant, or
 - (ii) a partner, director, officer or employee of an affiliated entity of a Maple marketplace participant, who is responsible for or is actively or significantly engaged in the day-to-day operations or activities of that Maple marketplace participant.
- (c) For the purposes of this Schedule, an individual is unrelated to original Maple shareholders if the individual:
- (i) is not a partner, officer or employee of an original Maple shareholder or any of its affiliated entities or an associate of that partner, officer or employee;
 - (ii) is not nominated under a Maple nomination agreement;
 - (iii) is not a director of an original Maple shareholder or any of its affiliated entities or an associate of that director; and
 - (iv) does not have, and has not had, any relationship with an original Maple shareholder that could, in the view of the Governance Committee having regard to all relevant circumstances, be reasonably perceived to interfere with the exercise of his or her independent judgment as a director of the recognized exchange.
- (d) For the purposes of paragraph (c), the Governance Committee may waive the restrictions set out in sub-paragraph (c)(iii) provided that:
- (i) the individual being considered does not have, and has not had, any relationship with an original Maple shareholder that could, in the view of the Governance Committee having regard to all relevant circumstances, be reasonably perceived to interfere with the exercise of his or her independent judgment as a director of the recognized exchange;
 - (ii) the recognized exchange publicly discloses the use of the waiver with reasons why the particular candidate was selected;
 - (iii) the recognized exchange provides advance notice to the Commission, at least 15 business days before the public disclosure in sub-paragraph 1(d)(ii) is made; and
 - (iv) the Commission does not object within 15 business days of its receipt of the notice provided under sub-paragraph 1(d)(iii) above.

2. PUBLIC INTEREST RESPONSIBILITIES

- (a) The recognized exchange must conduct the business and operations of the recognized exchange in a manner that is consistent with the public interest.
- (b) The mandate of the Board of the recognized exchange must expressly include the regulatory and public interest responsibilities of the recognized exchange.
- (c) The Board of the recognized exchange must provide a written report to the Commission at least annually, or as required by the Commission, describing how the recognized exchange is meeting its regulatory and public interest responsibilities.

3. CRITERIA FOR RECOGNITION

The recognized exchange must continue to meet the criteria for recognition set out in Schedule 1 to the Order.

4. FITNESS

The recognized exchange must take reasonable steps to ensure that each director and officer of the recognized exchange is a fit and proper person. As part of those steps, the recognized exchange must consider whether the past conduct of each director or officer affords reasonable grounds for the belief that the director or officer will perform his or her duties with integrity and in a manner that is consistent with the public interest responsibilities of the recognized exchange.

5. BOARD OF DIRECTORS

- (a) The recognized exchange must ensure that:
- (i) at least 50% of its Board members are independent directors; and
 - (ii) for as long as any Maple nomination agreement is in effect, at least 50% of its Board members are unrelated to original Maple shareholders.
- (b) For the purposes of sub-paragraph 5(a)(ii), the Chief Executive Officer (CEO) of the recognized exchange will not be taken into account in determining whether at least 50% of the Board members are unrelated to original Maple shareholders.
- (c) The chair of the Board must be independent and, for so long as any Maple nomination agreement is in effect, unrelated to original Maple shareholders.
- (d) The recognized exchange must not enter into any nomination agreement with any person or company that is not a party to a Maple nomination agreement as at the effective date of the Order, without the prior approval of the Commission.
- (e) In the event that the recognized exchange fails to meet the requirements of this section, it must immediately advise the Commission and take appropriate measures to promptly remedy such failure.

6. REPRESENTATION OF INDEPENDENT DEALERS

At least one director of the recognized exchange must be a representative of a marketplace participant that:

- (a) is not affiliated with any Canadian Schedule I bank; and
- (b) for so long as any Maple nomination agreement is in effect, is unrelated to original Maple shareholders.

7. GOVERNANCE REVIEW

- (a) Within three years of the effective date of the Order, or at any other times required by the Commission, the recognized exchange must engage an independent consultant acceptable to the Commission to prepare a written report assessing the governance structure of Maple, TMX Group and TSX (Governance Review).
- (b) The recognized exchange must provide the written report to its Board promptly after the report's completion and then to the Commission within 30 days of providing it to its Board.
- (c) The Governance Review must include, at a minimum, the following:
- (i) a review of the Board composition, in particular whether the composition of the Board continues to meet the recognition criteria, including the requirement that there be fair, meaningful and diverse representation on the Board and any committees of the Board, including:
 - (A) appropriate representation of independent directors and directors unrelated to original Maple shareholders, and
 - (B) a proper balance among the interests of the different persons or companies using the services and facilities of the recognized exchange;
 - (ii) a review of the impact of the Board composition requirements, including requirements imposed by all securities regulatory authorities, on the recognized exchange's ability to meet the recognition criteria;
 - (iii) a review of the appropriateness and effectiveness of identical Boards for Maple, TMX Group and TSX;
 - (iv) a review of how the Governance Committee actually discharges its mandate and performs its role and functions; and
 - (v) a review of how the Regulatory Oversight Committee actually discharges its mandate and performs its role and functions, including how conflicts of interest and potential conflicts of interest are actually managed, whether they are managed effectively, if there are any identified deficiencies, what they were and how they were remedied and whether further measures are warranted.

8. FEES, FEE MODELS AND INCENTIVES

- (a) The recognized exchange must not, through any fee schedule, any fee model or any contract, agreement or other arrangement with any marketplace participant or any other person or company, provide:
- (i) any discount, rebate, allowance, price concession or other similar arrangement on any services or products offered by the recognized exchange that is conditional upon the purchase of any other service or product provided by the recognized exchange or any affiliated entity;
 - (ii) any discount, rebate, allowance, price concession or other similar arrangement that is accessible only to, whether as designed or by implication, particular market participants with the exception of discounts, rebates, allowances, price concessions or other similar arrangements provided in relation to the trading of particular exchange-traded securities by Market Makers on the recognized exchange; or
 - (iii) any discount, rebate, allowance, price concession or other similar arrangement for any service or product offered by the recognized exchange that is conditional upon:
 - (A) the requirement to have a Maple marketplace be set as the default or first marketplace a marketplace participant routes to; or
 - (B) the router of a Maple marketplace being used as the marketplace participant's primary router.
- (b) The recognized exchange must obtain prior Commission approval before implementing any new, or amendments to, fees and fee models, including any new, or amendments to any, incentives relating to:
- (i) discounts for any trading fees that are conditional upon a marketplace participant executing or routing more than a certain amount of its overall trading volume in Canada or more than a certain amount of its overall active or passive trading volume in Canada on or to any Maple marketplace; or
 - (ii) arrangements that provide for equity ownership in Maple for marketplace participants or their affiliated entities based on trading volumes or values on Maple marketplaces.
- (c) Except with the prior approval of the Commission, the recognized exchange must not require another person or company to purchase or otherwise obtain products or services from the recognized exchange, any Maple marketplace, any Maple clearing agency or a significant Maple shareholder as a condition of the recognized exchange supplying or continuing to supply a product or service.
- (d) Within three years of the effective date of the Order and every three years subsequent to that date, or at other times required by the Commission, the recognized exchange must:
- (i) conduct a review of the fees and fee models of the recognized exchange and all regulated Maple marketplaces that are related to trading, clearing, settlement, depository, data and any other services specified by the Commission that includes, among other things, a benchmarking or other comparison of the fees and fee models against the fees and fee models of similar services in other jurisdictions; and
 - (ii) provide a written report on the outcome of such review to its Board promptly after the report's completion and then to the Commission within 30 days of providing it to its Board.
- (e) If the Commission considers that it would be in the public interest, the Commission may require a recognized exchange to submit a fee, fee model or incentive that has previously been approved by the Commission for re-approval by the Commission. In such circumstances, if the Commission decides not to re-approve the fee, fee model or incentive, the previous approval for the fee, fee model or incentive shall be revoked.
- (f) Any fee, fee model or incentive, or amendment thereto, must be filed in accordance with the Rule and Form 21-101F1 Filing Protocol attached as Schedule 7.

9. ORDER ROUTING

The recognized exchange must not support, encourage or incent, either through fee incentives or otherwise, Maple marketplace participants to coordinate the routing of Maple marketplace participants' orders to a particular Maple marketplace or Maple trading facility.

10. INTEGRATION OF ANY BUSINESS OR CORPORATE FUNCTIONS

The recognized exchange must:

- (a) obtain the prior approval of the Commission before implementing any significant integration, combination or reorganization of; or
- (b) provide notice to the Commission as required in Appendix B, as amended from time to time, of any other integration, combination or reorganization of;

any businesses, operations or corporate functions relating to trading, clearing and settlement, including marketplace and clearing agency operations, between the recognized exchange and its affiliated entities.

11. INTERNAL COST ALLOCATION MODEL AND TRANSFER PRICING

- (a) The recognized exchange must obtain prior Commission approval before the implementation of any internal cost allocation model and any policies with respect to the allocation of costs or transfer of prices, and any amendments thereto, between the recognized exchange and its affiliated entities.
- (b) The recognized exchange must annually engage an independent auditor to conduct an audit and prepare a written report in accordance with established audit standards regarding compliance by the recognized exchange and its affiliated entities with the approved internal cost allocation model and transfer pricing policies.
- (c) The recognized exchange must provide the written report of the independent auditor to its Board promptly after the report's completion and then to the Commission within 30 days of providing it to its Board.
- (d) The costs or expenses borne by the recognized exchange, and indirectly by the users of the recognized exchange's services, for each of the services provided by the recognized exchange, must not include any costs or expenses incurred by the recognized exchange in connection with any activity carried on by the recognized exchange that is not related to that service.

12. CLEARING AND SETTLEMENT

The recognized exchange must not establish requirements relating to clearing and settlement of trades that would result in:

- (a) unfair discrimination of or between market participants based on the clearing agency used; or
- (b) an imposition of any burden on competition among clearing agencies or back-office or post-trade service providers that is not reasonably necessary or appropriate; or
- (c) an unreasonable prohibition, condition or limitation relating to access by a person or company to services offered by the recognized exchange or a Maple clearing agency.

13. FINANCIAL REPORTING

- (a) Within 90 days of its financial year end, the recognized exchange must deliver to the Commission audited consolidated financial statements and unaudited non-consolidated financial statements without notes for its latest financial year.
- (b) Within 45 days of each quarter end, the recognized exchange must deliver to the Commission unaudited consolidated financial statements and unaudited non-consolidated financial statements without notes for its latest financial quarter.
- (c) Shorter time periods will apply in paragraphs (a) and (b) above to Maple, if mandated for reporting issuers under applicable securities laws.
- (d) The recognized exchange must deliver to the Commission its annual financial budget, together with the underlying assumptions, that has been approved by its Board, within 30 days after the commencement of each fiscal year.

14. ADDITIONAL INFORMATION

- (a) The recognized exchange must provide to the Commission the following:
 - (i) any strategic plan for the recognized exchange and its affiliated entities carrying on business in Canada, including strategic plans relating to its equities, fixed income, and derivatives (including exchange-traded and over-the-counter or otherwise) businesses, within 30 days of approval by the Board;

- (ii) the recognized exchange's assessment of the risks, including business risks, facing the recognized exchange and its affiliated entities carrying on business in Canada and its plan for addressing such risks, at least annually or more frequently if required by the Commission;
- (iii) any plans by the recognized exchange or its affiliated entities that carry on business in Canada to enter into new businesses (directly or indirectly, including joint ventures) or to cease existing businesses, promptly after the Board has made the decision to implement those plans; and
- (iv) any filings made by the recognized exchange or its affiliated entities with a Canadian securities regulatory authority pursuant to a recognition order, exemption order or NI 21-101.

15. PROVISION OF INFORMATION

- (a) The recognized exchange must, and must cause its affiliated entities to, promptly provide the Commission, on request, any and all data, information and analyses in the custody or control of the recognized exchange or any of its affiliated entities, without limitations, redactions, restrictions or conditions, including, without limiting the generality of the foregoing:
 - (i) data, information and analyses relating to all of its or their businesses; and
 - (ii) data, information and analyses of third parties in its or their custody or control.
- (b) The recognized exchange shall share information and otherwise cooperate with other recognized or exempt exchanges, recognized self-regulatory organizations, other recognized or exempt clearing agencies, investor protection funds, and other appropriate regulatory bodies.
- (c) The disclosure or sharing of information by the recognized exchange or any affiliated entities pursuant to the Schedules to the Order is subject to any confidentiality provisions contained in agreements entered into with the Bank of Canada pertaining to information received from the Bank of Canada in its role as registrar, issuing agent, transfer agent or paying agent for the Government of Canada.

16. COMPLIANCE WITH TERMS AND CONDITIONS

- (a) The recognized exchange must certify in writing to the Commission, in a certificate signed by its CEO and general counsel, within one year of the effective date of the Order and every year subsequent to that date, or at other times required by the Commission, that the recognized exchange is in compliance with the terms and conditions applicable to it in the Order and describe in detail:
 - (i) the steps taken to require compliance;
 - (ii) the controls in place to verify compliance; and
 - (iii) the names and titles of employees who have oversight of compliance.
- (b) If a recognized exchange, or its directors, officers or employees becomes aware of a breach or a possible breach of any of the terms and conditions applicable to the recognized exchange under the Schedules to the Order, such person shall, within two business days after becoming aware of the breach or possible breach, notify the Regulatory Oversight Committee of the breach or possible breach. The director, officer or employee of the recognized exchange must provide to the Regulatory Oversight Committee details sufficient to describe the nature, date and effect (actual and anticipated) of the breach or possible breach.
- (c) The Regulatory Oversight Committee shall, within two business days after being notified of the breach or possible breach, notify the Commission and confirm that the breach or possible breach is under investigation as required by paragraph 16(d).
- (d) The Regulatory Oversight Committee shall promptly cause an investigation to be conducted of the breach or possible breach reported under paragraph 16(b). Once the Regulatory Oversight Committee has made a determination as to whether there has been a breach, or that there is an impending breach, of any terms and conditions applicable to the recognized exchange under the Schedules to the Order, the Regulatory Oversight Committee must, within two business days of such determination, notify the Commission of its determination and must provide details sufficient to describe the nature, date and effect (actual and anticipated) of the breach or impending breach, and any actions that will be taken to address it.

SCHEDULE 3**TERMS AND CONDITIONS APPLICABLE TO MAPLE****17. DEFINITIONS AND INTERPRETATION**

Terms used in this Schedule have the same meanings and interpretation as in section 1 of Schedule 2.

18. SHARE OWNERSHIP RESTRICTIONS

- (a) Maple must continue to own, directly or indirectly, all of the issued and outstanding voting shares of TMX Group and TSX.
- (b) Without the prior approval of the Commission, and subject to terms and conditions considered appropriate by the Commission, no person or company and no combination of persons or companies acting jointly or in concert shall beneficially own or exercise control or direction over more than 10%, or such other percentage as may be prescribed by the Commission, of any class or series of voting shares of Maple. The Commission's approval under this paragraph may be subject to such terms and conditions as the Commission considers appropriate.
- (c) The articles of Maple shall contain the share ownership restrictions and provisions respecting the enforcement of such restrictions which, without limiting the foregoing, may provide for the filing of declarations, the suspension of voting rights, the forfeiture of dividends, the refusal of the issue or registration of voting shares and the sale or redemption of voting shares held contrary to the restrictions and payment of net proceeds of the sale or redemption to the person entitled thereto.

19. GOVERNANCE COMMITTEE

- (a) Maple must maintain a governance committee of the Board that, at a minimum:
 - (i) is made up of independent directors and, for so long as any Maple nomination agreement is in effect, a majority of members who are unrelated to original Maple shareholders;
 - (ii) confirms the status of nominees to the Maple Board as independent and/or unrelated to original Maple shareholders, as appropriate, before the name of the individual is submitted to shareholders as a nominee for election to the Maple Board;
 - (iii) confirms on an annual basis that the status of the directors who are independent and/or unrelated to original Maple shareholders, as appropriate, has not changed;
 - (iv) assesses and approves all nominees of management to the Maple Board, and any nominees pursuant to any Maple nomination agreement; and
 - (v) has a requirement that the quorum consist of a majority of independent directors, and, for so long as any Maple nomination agreement is in effect, a majority of directors who are unrelated to original Maple shareholders.
- (b) Maple must obtain prior Commission approval before implementing amendments to the mandate of the Governance Committee.

20. REGULATORY OVERSIGHT COMMITTEE

- (a) Maple must establish and maintain a Regulatory Oversight Committee that, at a minimum:
 - (i) has a minimum of three directors;
 - (ii) is made up of independent directors and, for so long as any Maple nomination agreement is in effect, a majority of members who are unrelated to original Maple shareholders;
 - (iii) considers real or perceived conflicts of interest that may arise, including but not limited to the following contexts:
 - (A) ownership interests in Maple by any Maple marketplace participant with representation on the Maple Board,

- (B) increased concentration of ownership of the recognized exchange, and
 - (C) the profit-making objective and the public interest responsibilities of Maple, including general oversight of the management of the regulatory and public interest responsibilities of TMX Group and TSX;
- (iv) oversees the establishment of mechanisms to avoid or appropriately manage conflicts of interest or potential conflicts of interest, perceived or real, including any policies and procedures that are developed by Maple, TMX Group or TSX, including those that are required to be established pursuant to the Schedules to the Order;
 - (v) monitors the operation of mechanisms that deal with conflicts of interest, including oversight of reporting of issuer regulation activities and conflicts of interest by TSX;
 - (vi) reviews the effectiveness of the policies and procedures regarding conflicts of interest on a regular, and at least annual, basis;
 - (vii) annually prepares a written report examining the avoidance and management of conflicts of interest, the mechanisms used and the effectiveness of those mechanisms and provides the report to the Maple Board promptly and to the Commission within 30 days of providing it to its Board;
 - (viii) has a requirement that the quorum consist of a majority of independent directors and, for so long as any Maple nomination agreement is in effect, a majority of directors who are unrelated to original Maple shareholders; and
 - (ix) reports in writing directly to the Commission on any matter that the Regulatory Oversight Committee deems appropriate or that is required by the Commission without first requiring Board approval or notification for such reporting.
- (b) Maple must obtain prior approval of the Commission before implementing amendments to the mandate of the Regulatory Oversight Committee and the mandate must be publicly available on the website of Maple or TMX Group.
 - (c) The Regulatory Oversight Committee must provide a report in writing to the Commission, within 30 days after any meeting it holds, that includes a list of the matters considered and a detailed summary of the Regulatory Oversight Committee's considerations, how those matters were addressed and any other information required by the Commission.
 - (d) The Regulatory Oversight Committee must provide such information as may be required by the Commission from time to time.

21. FEES, FEE MODELS AND INCENTIVES

- (a) Maple must ensure that a regulated Maple marketplace does not, through any fee schedule, any fee model or any contract, agreement or other arrangement with any marketplace participant or any other person or company, provide:
 - (i) any discount, rebate, allowance, price concession or other similar arrangement on any services or products offered by the regulated Maple marketplace that is conditional upon the purchase of any other service or product provided by the regulated Maple marketplace or any affiliated entity;
 - (ii) any discount, rebate, allowance, price concession or other similar arrangement that is accessible only to, whether as designed or by implication, particular market participants with the exception of discounts, rebates, allowances, price concessions or other similar arrangements provided in relation to the trading of particular exchange-traded securities by Market Makers on a regulated Maple marketplace; or
 - (iii) any discount, rebate, allowance, price concession or other similar arrangement for any service or product offered by the regulated Maple marketplace that is conditional upon:
 - (A) the requirement to have a Maple marketplace be set as the default or first marketplace a marketplace participant routes to, or
 - (B) the router of a Maple marketplace being used as the marketplace participant's primary router.

- (b) Maple must ensure that any affiliated entity does not, through any fee schedule, any fee model or any contract, agreement or other arrangement with any marketplace participant or any other person or company, provide:
- (i) any discount, rebate, allowance, price concession or other similar arrangement on any services or products offered by the affiliated entity that is conditional upon the purchase of any other service or product provided by a regulated Maple marketplace; or
 - (ii) any discount, rebate, allowance, price concession or other similar arrangement for any service or product offered by the affiliated entity that is conditional upon
 - (A) the requirement to have a regulated Maple marketplace be set as the default or first marketplace a marketplace participant routes to, or
 - (B) the router of a regulated Maple marketplace being used as the marketplace participant's primary router.
- (c) Maple must ensure that a regulated Maple marketplace obtains prior Commission approval before implementing any new, or amendments to, fees and fee models, including any new, or amendments to, any incentives relating to:
- (i) discounts for any trading fees that are conditional upon a marketplace participant executing or routing more than a certain amount of its overall trading volume in Canada or more than a certain amount of its overall active or passive trading volume in Canada on or to any Maple marketplace; or
 - (ii) arrangements that provide for equity ownership in Maple for marketplace participants or their affiliated entities based on trading volumes or values on Maple marketplaces.
- (d) Except with the prior approval of the Commission, Maple must ensure that a regulated Maple marketplace does not require a person or company to obtain products or services from the regulated Maple marketplace, any other Maple marketplace, any Maple clearing agency or a significant Maple shareholder as a condition of the regulated Maple marketplace supplying or continuing to supply a product or service.
- (e) Maple must ensure that any affiliated entity does not require another person or company to obtain products or services from any regulated Maple marketplace as a condition of the affiliated entity supplying or continuing to supply a product or service.
- (f) If the Commission considers that it would be in the public interest, the Commission may require a regulated Maple marketplace to submit a fee, fee model or incentive that has previously been approved by the Commission for re-approval by the Commission. In such circumstances, if the Commission decides not to re-approve the fee, fee model or incentive, the previous approval for the fee, fee model or incentive shall be revoked.
- (g) Any fees, fee models or incentives, or amendments thereto, of a regulated Maple marketplace must be filed in accordance with the Rule and Form 21-101F1 Filing Protocol attached as Schedule 7.

22. CONFLICTS OF INTEREST AND CONFIDENTIALITY

- (a) Maple must establish, maintain, and require compliance with policies and procedures that:
- (i) identify and manage any conflicts of interest or potential conflicts of interest, perceived or real, arising from its interest in TMX Group and TSX, and from the involvement of any partner, director, officer or employee of a significant Maple shareholder in the management or oversight of the marketplace operations or regulation functions of a Maple marketplace and the services and products provided by the Maple marketplace; and
 - (ii) require that confidential information regarding marketplace operations, regulation functions, a Maple marketplace participant or Maple issuer that is obtained by a partner, director, officer or employee of a significant Maple shareholder through that individual's involvement in the management or oversight of marketplace operations or regulation functions of a Maple marketplace:
 - (A) be kept separate and confidential from the business or other operations of the significant Maple shareholder, except with respect to information regarding marketplace operations where disclosure is necessary to carry out the individual's responsibilities for the management or oversight of marketplace operations and the individual can and does exercise due care in his or her disclosure of the information, and

- (B) not be used to provide an advantage to the significant Maple shareholder or its affiliated entities.
- (b) Maple must cause each regulated Maple marketplace to mandate that each marketplace participant of the regulated Maple marketplace that is a Maple dealer, an affiliated entity of the Maple dealer, or a dealer affiliate, each of whose obligations under Schedule 6 have not terminated pursuant to section 50 thereof, must disclose the marketplace participant's relationship to Maple and the regulated Maple marketplace to:
- (i) clients whose orders might be, and clients whose orders have been, routed to the regulated Maple marketplace; and
 - (ii) clients for whom the marketplace participant is acting or proposing to act as underwriter in connection with the issuance of securities to be listed on a regulated Maple marketplace.
- (c) Maple must regularly review compliance with the policies and procedures established in accordance with paragraph 22(a), and must document each review and any deficiencies and how those deficiencies were remedied. A report detailing review(s) conducted must be provided to the Commission on an annual basis.
- (d) The policies established in accordance with paragraph 22(a) must be made publicly available on the website of Maple or TMX Group.

23. ALLOCATION OF RESOURCES

- (a) Maple must, for so long as TSX carries on business as an exchange, allocate, and cause TMX Group to allocate, sufficient financial and other resources to TSX to ensure that TSX can carry out its functions in a manner that is consistent with the public interest and in compliance with Ontario securities law.
- (b) Maple must notify the Commission immediately upon becoming aware that it is or will be, or that TMX Group is or will be, unable to allocate sufficient financial and other resources, as required under paragraph 23(a), to TSX.
- (c) Maple must ensure that there continues to be significant focus on the development of its core senior equities business, including by allocating sufficient financial and other resources to allow for such development.

24. COMPLIANCE

Maple must do everything within its control to cause each of TMX Group and TSX to carry out its activities as an exchange recognized under section 21 of the Act and in compliance with Ontario securities law.

SCHEDULE 4**TERMS AND CONDITIONS APPLICABLE TO TMX GROUP****25. DEFINITIONS AND INTERPRETATIONS**

Terms used in this Schedule have the same meanings and interpretation as in section 1 of Schedule 2.

26. SHARE OWNERSHIP RESTRICTIONS

- (a) TMX Group must continue to own, directly or indirectly, all of the issued and outstanding voting shares of TSX.
- (b) Without the prior approval of the Commission, and subject to terms and conditions considered appropriate by the Commission, other than Maple, no person or company and no combination of persons or companies acting jointly or in concert shall beneficially own or exercise control or direction over more than 10%, or such other percentage as may be prescribed by the Commission, of any class or series of voting shares of TMX Group. The Commission's approval under this paragraph may be subject to such terms and conditions as the Commission considers appropriate.

27. CONFLICTS OF INTEREST AND CONFIDENTIALITY

- (a) TMX Group must establish, maintain, and require compliance with policies and procedures that:
 - (i) identify and manage any conflicts of interest or potential conflicts of interest, perceived or real, arising from its interest in TSX, and from the involvement of any partner, director, officer or employee of a significant Maple shareholder in the management or oversight of the marketplace operations or regulation functions of TMX Group, including regulated Maple marketplaces, or TSX and the services and products they provide; and
 - (ii) require that confidential information regarding marketplace operations, regulation functions, a Maple marketplace participant or Maple issuer that is obtained by a partner, director, officer or employee of a significant Maple shareholder through that individual's involvement in the management or oversight of marketplace operations or regulation functions:
 - (A) be kept separate and confidential from the business or other operations of the significant Maple shareholder, except with respect to information regarding exchange operations where disclosure is necessary to carry out the individual's responsibilities for the management or oversight of marketplace operations and the individual can and does exercise due care in his or her disclosure of the information, and
 - (B) not be used to provide an advantage to the significant Maple shareholder or its affiliated entities.
- (b) TMX Group must cause each of its regulated Maple marketplaces to mandate that each marketplace participant of the regulated Maple marketplace that is a Maple dealer, an affiliated entity of the Maple dealer, or a dealer affiliate, each of whose obligations under Schedule 6 have not terminated pursuant to section 50 thereof, must disclose the marketplace participant's relationship to Maple, TMX Group and the regulated Maple marketplace to:
 - (i) clients whose orders might be, and clients whose orders have been, routed to the regulated Maple marketplace; and
 - (ii) clients for whom the marketplace participant is acting or proposing to act as underwriter in connection with the issuance of securities to be listed on a regulated Maple marketplace.
- (c) TMX Group must regularly review compliance with the policies and procedures established in accordance with paragraphs 27(a) and (b), and must document each review and any deficiencies and how those deficiencies were remedied. A report detailing review(s) conducted must be provided to the Commission on an annual basis.
- (d) The policies established in accordance with paragraphs 27(a) and (b) must be made publicly available on the website of TMX Group.

28. ALLOCATION OF RESOURCES

- (a) TMX Group must, for so long as TSX carries on business as an exchange, allocate sufficient financial and other resources to TSX to ensure that TSX can carry out its functions in a manner that is consistent with the public interest, and in compliance with Ontario securities law.

- (b) TMX Group must notify the Commission immediately upon becoming aware that it is or will be unable to allocate sufficient financial and other resources, as required under paragraph (a), to TSX.
- (c) TMX Group must ensure that there continues to be significant focus on the development of its core senior equities business, including by allocating sufficient financial and other resources to allow for such development.

29. COMPLIANCE

TMX Group will carry out its activities as an exchange recognized under section 21 of the Act and in compliance with Ontario securities law and must do everything within its control to cause TSX to carry out its activities as an exchange recognized under section 21 of the Act and in compliance with Ontario securities law.

SCHEDULE 5**TERMS AND CONDITIONS APPLICABLE TO TSX****30. DEFINITIONS AND INTERPRETATION**

Terms used in this Schedule have the same meanings and interpretation as in section 1 of Schedule 2.

31. CONFLICTS OF INTEREST AND CONFIDENTIALITY

- (a) TSX must establish, maintain and require compliance with policies and procedures that:
- (i) identify and manage any conflicts of interest or potential conflicts of interest, real or perceived, arising from the operation of the marketplace or the services it provides including, but not limited to, the following:
 - (A) conflicts of interest or potential conflicts of interest that arise from the involvement of any partner, director, officer or employee of a significant Maple shareholder in the management or oversight of the exchange operations or regulation functions of TSX and the services and products it provides,
 - (B) conflicts of interest or potential conflicts of interest that arise from any interactions between TSX and a significant Maple shareholder or an original Maple shareholder whose obligations under Schedule 6 have not terminated pursuant to section 50 thereof, where TSX may be exercising discretion that involves or affects the original Maple shareholder or significant Maple shareholder either directly or indirectly, and
 - (C) conflicts of interest or potential conflicts of interest that arise between the regulation functions and the business activities of TSX, particularly with respect to the conflicts of interest or potential conflicts of interest that arise between the TSX Issuer regulation functions and the business activities of TSX; and
 - (ii) require that confidential information regarding exchange operations, regulation functions, a TSX PO or TSX Issuer that is obtained by a partner, director, officer or employee of a significant Maple shareholder through that individual's involvement in the management or oversight of exchange operations or regulation functions:
 - (A) be kept separate and confidential from the business or other operations of the significant Maple shareholder, except with respect to information regarding exchange operations where disclosure is necessary to carry out the individual's responsibilities for the management or oversight of exchange operations and the individual can and does exercise due care in his or her disclosure of the information, and
 - (B) not be used to provide an advantage to the significant Maple shareholder or its affiliated entities.
- (b) TSX must establish, maintain and require compliance with policies and procedures that identify and manage any conflicts of interest or potential conflicts of interest arising from the listing of the shares of any significant Maple shareholder on the TSX, and such policies and procedures, and any amendments, must not be implemented without prior approval of the Commission.
- (c) TSX will require each TSX PO that is a Maple dealer, an affiliated entity of a Maple dealer, or a dealer affiliate, each of whose obligations under Schedule 6 have not terminated pursuant to section 50 thereof, to disclose the TSX PO's relationship with TSX to:
- (i) clients whose orders might be, and clients whose orders have been, routed to TSX; and
 - (ii) clients for whom the TSX PO is acting or proposing to act as underwriter in connection with the issuance of securities to be listed on TSX.
- (d) TSX must regularly review compliance with the policies and procedures established in accordance with paragraphs 31(a), (b) and (c), and must document each review, and any deficiencies and how those deficiencies were remedied. A report detailing review(s) conducted must be provided to the Commission on an annual basis.
- (e) The policies established in accordance with paragraphs 31(a), (b) and (c) must be made publicly available on the website of TSX.

32. ACCESS

TSX's requirements must provide access to the facilities of TSX only to properly registered investment dealers that are members of IIROC and satisfy the access requirements reasonably established by TSX.

33. REGULATION OF TSX POs AND TSX ISSUERS

- (a) TSX must establish, maintain and require compliance with policies and procedures that effectively monitor and enforce the Rules against TSX Issuers and TSX POs, either directly or indirectly through a regulation services provider.
- (b) TSX has retained and must continue to retain IIROC as a regulation services provider to provide, as agent for TSX, certain regulation services which have been approved by the Commission. TSX must provide to the Commission, on an annual basis, a list outlining the regulation services performed by IIROC and the regulation functions performed by TSX. TSX must obtain approval of the Commission before amending the listed services.
- (c) In providing the regulation services, as set out in the agreement between IIROC and TSX (Regulation Services Agreement), IIROC provides certain regulation services to TSX pursuant to a delegation of TSX's authority in accordance with section 13.08(4) of the *Toronto Stock Exchange Act* and will be entitled to exercise all of the authority of TSX with respect to the administration and enforcement of certain market integrity rules and other related rules, policies and by-laws.
- (d) TSX must perform all other regulation functions not performed by IIROC, and will maintain adequate staffing, systems and other resources in support of those functions. TSX must obtain prior Commission approval before outsourcing such regulation functions to any party, including affiliated entities or associates of TSX.
- (e) TSX must, at least annually, assess the performance by IIROC of the regulation services it provides to TSX, and self-assess the performance by TSX of any regulation functions not performed by IIROC, and provide a written report to its Board and the Regulatory Oversight Committee, together with any recommendations for improvements. TSX must provide the Commission with copies of such reports and advise the Commission of the views of its Board and the Regulatory Oversight Committee on the recommendations and any proposed actions arising therefrom within 30 days of the presentation of the report to the Board.
- (f) TSX must notify the Commission of any violations of Ontario securities law of which it becomes aware in the ordinary course of its business or otherwise.

34. RULES, RULEMAKING AND FORM 21-101F1

- (a) TSX must comply with the process for review and approval of Rules and the information contained in Form 21-101F1 and the exhibits thereto as set out in Schedule 7, as amended from time to time.
- (b) TSX must, within six months of the effective date of the Order, establish and maintain a TSX Board Rules Committee that would, at a minimum:
 - (i) be composed of independent directors and, for so long as any Maple nomination agreement is in effect, a majority of members who are unrelated to original Maple shareholders; and
 - (ii) be responsible for considering and recommending to the TSX Board all Rules that must be submitted to the Commission under Schedule 7.
 - (iii) annually prepare a written report providing details of the Committee's review of any Rules and in particular any issues or concerns that arose with respect to the Rules and provide the report to the TSX Board promptly and to the Commission within 30 days of providing it to the TSX Board;

35. DUE PROCESS

- (a) TSX must ensure that the requirements of TSX relating to access to the trading and listing facilities of TSX, the imposition of limitations or conditions on access, and denial of access are fair and reasonable, including in respect of notice, an opportunity to be heard or make representations, the keeping of a record, the giving of reasons and the provisions of appeals.
- (b) TSX must, within six months of the effective date of the Order, establish written procedural requirements governing the process for appeals or review of decisions referred to in paragraph 6.1(b) of the criteria for recognition and file the procedures with the Commission for approval.

- (c) For greater clarity, the procedural requirements referred to in paragraph (b) will be considered to be Rules and therefore subject to the rule review process established in accordance with section 34 of this Schedule.

36. FINANCIAL VIABILITY MONITORING AND REPORTING

- (a) TSX must calculate monthly the following financial ratios:
- (i) a current ratio, being the ratio of current assets to current liabilities;
 - (ii) a debt to cash flow ratio, being the ratio of total debt (including any line of credit draw downs, and the current and long-term portions of any loans, but excluding accounts payable, accrued expenses and other liabilities) to adjusted EBITDA (i.e., earnings before interest, taxes, stock based compensation, depreciation and amortization) for the most recent 12 months; and
 - (iii) a financial leverage ratio, being the ratio of total assets to shareholders' equity,

in each case calculated based on both consolidated and non-consolidated financial statements.

- (b) TSX must report quarterly in writing to the Commission, along with the financial statements required to be delivered pursuant to Schedule 2, the monthly calculations for the previous quarter of the financial ratios as required to be calculated under paragraph (a).
- (c) If TSX determines that it does not have, or anticipates that, in the next twelve months, it will not have, on a consolidated or non-consolidated basis:
- (i) a current ratio of greater than or equal to 1.1/1,
 - (ii) a debt to cash flow ratio of less than or equal to 4.0/1, or
 - (iii) a financial leverage ratio of less than or equal to 4.0/1,

it must immediately notify the Commission of the above ratio(s) that it is not maintaining, the reasons and an estimate of the length of time before the ratio(s) will be compliant.

- (d) Upon receipt of a notification made by TSX under paragraph (c), the Commission may, as determined appropriate, impose additional terms or conditions on TSX.
- (e) TSX must deliver to the Commission its annual financial budget, on a non-consolidated basis, together with the underlying assumptions, that has been approved by its Board, within 30 days after the commencement of each fiscal year.

37. OUTSOURCING

TSX must obtain prior Commission approval before entering into or amending any outsourcing arrangements related to any of its key services or systems with a service provider, which includes affiliated entities or associates of Maple, TMX Group or TSX.

38. SELF-LISTING CONDITIONS

TSX must comply with the terms and conditions relating to the listing on TSX of Maple that are set out in Appendix A to this Schedule 5, as amended from time to time.

39. ADDITIONAL INFORMATION

- (a) TSX must provide the Commission with:
- (i) the information set out in Appendix B to this Schedule 5, as amended from time to time; and
 - (ii) any information required to be provided by TSX to IIROC, including any and all order and trade information, as required by the Commission.
- (b) TSX must comply with the reporting program set out in the *Automation Review Program For Market Infrastructure Entities in the Canadian Capital Markets*, as amended from time to time, and published on the Commission website.

40. COMPLIANCE

TSX will carry out its activities as an exchange recognized under section 21 of the Act and in compliance with Ontario securities law.

APPENDIX A

Listing-Related Conditions

[TBD]

APPENDIX B

Information to be provided

[TBD]

SCHEDULE 6**TERMS AND CONDITIONS APPLICABLE TO ORIGINAL MAPLE SHAREHOLDERS****41. DEFINITIONS**

Terms used in this Schedule have the same meaning and interpretation as in section 1 of Schedule 2.

42. CONFLICTS OF INTEREST AND CONFIDENTIALITY

- (a) Each original significant Maple shareholder must establish, maintain and require compliance with policies and procedures that:
- (i) identify and manage any conflicts of interest or potential conflicts of interest, real or perceived, arising from the involvement of a nominee of the original significant Maple shareholder on the Board of the recognized exchange, including, but not limited to, conflicts of interest or potential conflicts of interest that arise from the involvement of the nominee in the management or oversight of the marketplace operations or regulation functions of Maple, TMX Group and TSX and the services and products each provides; and
 - (ii) require that confidential information regarding marketplace operations or regulation functions, or regarding a TSX PO or TSX Issuer, that is obtained by such nominee on the Board of the recognized exchange:
 - (A) be kept separate and confidential from the business or other operations of the original significant Maple shareholder, except with respect to information regarding marketplace operations where disclosure is necessary to carry out the individual's responsibilities for the management or oversight of exchange operations and the individual can and does exercise due care in his or her disclosure of the information, and
 - (B) not be used to provide an advantage to the original significant Maple shareholder or its affiliated entities.
- (b) Each original Maple shareholder must establish, maintain and require compliance, or ensure that its dealer affiliate establishes, maintains and requires compliance, with policies and procedures that identify and manage any conflicts of interest or potential conflicts of interest, real or perceived, arising from its ownership interest in Maple, and indirectly TMX Group, TSX, Alpha and CDS, including, but not limited to, conflicts of interest or potential conflicts of interest that arise from any interactions between TSX and the original Maple shareholder, or an original Maple shareholder's dealer affiliate, where TSX may be exercising discretion in the application of its Rules that involves or affects the original Maple shareholder either directly or indirectly.
- (c) Each original Maple shareholder must regularly review compliance with the policies and procedures established in accordance with paragraphs 42(a) and (b), as applicable, and must document each review of compliance.

43. ROUTING AND OTHER OPERATIONAL DECISIONS

- (a) Each original Maple shareholder must not enter into any arrangements, undertakings, commitments, understandings or agreements with Maple, TMX Group, TSX, any other original Maple shareholder or any other marketplace participant with respect to coordination of the routing of orders between the original Maple shareholder or any of its affiliated entities and any other entity, including the coordination of the routing of orders to a particular Maple marketplace or Maple trading facility, except with respect to activities that are permitted by the requirements of a marketplace, a Maple trading facility, or IIROC.
- (b) Each original Maple shareholder must not cause its dealer affiliate to enter into any arrangements, undertakings, commitments, understandings or agreements with Maple, TMX Group, TSX, any other original Maple shareholder or any other marketplace participant with respect to coordination of the routing of orders between the original Maple shareholder or any of its affiliated entities and any other entity, including the coordination of the routing of orders to a particular Maple marketplace or Maple trading facility, except with respect to activities that are permitted by the requirements of a marketplace, a Maple trading facility, or IIROC.
- (c) Each Maple dealer must not cause its affiliated entity to enter into any arrangements, undertakings, commitments, understandings or agreements with Maple, TMX Group, TSX, any other original Maple shareholder or any other marketplace participant with respect to coordination of the routing of orders between the original Maple shareholder or any of its affiliated entities and any other entity, including the coordination of the routing of orders to a particular Maple marketplace or Maple trading facility, except with respect to activities that are permitted by the requirements of a marketplace, a Maple trading facility, or IIROC.

- (d) For greater certainty, paragraphs 43(a), (b) and (c) are not intended to prohibit any temporary agreements or coordination between any original Maple shareholder, dealer affiliate or affiliated entity and any other original Maple shareholder, dealer affiliate or affiliated entity or any other marketplace participant in the event of any failure, malfunction or material delay of the systems or equipment of a marketplace if and to the extent reasonably necessary to protect the integrity and liquidity of capital markets, provided that prior notice of the temporary agreement or coordination is provided to the Commission.
- (e) Each original Maple shareholder must not, and must not cause its affiliated entities to, offer or pay to its traders any benefit, financial or otherwise that would incent such traders to direct their orders to a Maple marketplace or Maple trading facility.
- (f) Each original Maple shareholder that is not a Maple dealer must provide a written directive to its traders that they shall not cause routing decisions to be made based on the original Maple shareholder's ownership interest in Maple.
- (g) Each Maple dealer, or its affiliated entities that are marketplace participants, must establish, maintain and require compliance with a written directive requiring its traders to base routing decisions on the best execution and order protection obligations, where applicable, without regard to any ownership interest of the Maple dealer in the Maple marketplace or Maple trading facility. The written policy must provide that where best execution and order protection obligations are satisfied and an order or orders are being routed on the basis of other factors, the Maple dealer's routing decisions, including the use of algorithms, or those of its affiliated entities that are marketplace participants, will not take into account any financial benefit that would accrue to the Maple dealer by virtue of its equity ownership interest in Maple.

44. DISCLOSURE TO CLIENTS

- (a) Each Maple dealer must or must ensure that any of its affiliated entities that is a Maple marketplace participant will, disclose its relationship with Maple and Maple's affiliated entities to:
 - (i) clients whose orders might be, and clients whose orders have been, routed to a Maple marketplace; and
 - (ii) clients for whom the Maple marketplace participant is acting or proposing to act as underwriter in connection with the issuance of securities to be listed on an exchange operated or owned by Maple or its affiliated entities.
- (b) Each original Maple shareholder that is not a Maple dealer must ensure that any of its affiliated entities that is a Maple marketplace participant will disclose its relationship with Maple and Maple's affiliated entities to:
 - (i) clients whose orders might be, and clients whose orders have been, routed to a Maple marketplace; and
 - (ii) clients for whom the Maple marketplace participant is acting or proposing to act as underwriter in connection with the issuance of securities to be listed on an exchange operated or owned by Maple or its affiliated entities.

45. COMPETITION OF TRADING FACILITIES AND ANCILLARY SERVICE PROVIDERS

- (a) Each original Maple shareholder must not enter or, in the case of a Maple dealer or an original Maple shareholder with a dealer affiliate, cause its affiliated entities or dealer affiliates, as applicable, to enter any exclusive, substantially exclusive or preferential arrangements, undertakings, commitments, understandings or agreements regarding the trading of any derivatives or related products, including over-the-counter derivatives and fixed income securities, through trading facilities owned or operated by Maple or its affiliated entities.
- (b) Each original Maple shareholder must not enter or, in the case of a Maple dealer or an original Maple shareholder with a dealer affiliate, cause its affiliated entities or dealer affiliates, as applicable, to enter into any arrangements, undertakings, commitments, understandings or agreements to engage, on an exclusive or substantially exclusive basis, or prefer service providers of any back-office, post-trade or ancillary services relating to trading in securities or derivatives that are affiliated with Maple.

46. CONDITIONAL PROVISION OF PRODUCTS OR SERVICES

- (a) A Maple dealer must not require another person or company to obtain products or services from Maple or any of Maple's affiliated entities as a condition of the Maple dealer supplying or continuing to supply a product or service.

- (b) An original Maple shareholder with a dealer affiliate must not cause its dealer affiliate to require another person or company to obtain products or services from Maple or any of Maple's affiliated entities as a condition of the original Maple shareholder supplying or continuing to supply a product or service.

47. NOTIFICATION OF NEW DEALER AFFILIATES

Each original Maple shareholder must promptly notify the Commission if it creates or acquires an affiliate that is a dealer.

48. CERTIFICATIONS

- (a) Each original Maple shareholder must certify in writing to the Commission, in a certificate signed by its CEO and either its general counsel or chief compliance officer, within ten days of the date that is one year from the effective date of the Order and every year subsequent to that date, or at other times required by the Commission, that, based on their knowledge, having exercised reasonable diligence, the original Maple shareholder is in compliance with the terms and conditions applicable to it in this Schedule and describe the steps taken to require compliance.
- (b) Each original Maple shareholder must certify in writing, in a certificate signed by its CEO and either its general counsel or chief compliance officer, within ten days of the date that is one year from the effective date of the Order and every year subsequent to that date, or at other times required by the Commission, that, based on their knowledge, having exercised reasonable diligence:
- (i) the original Maple shareholder is not acting jointly or in concert with any other original Maple shareholder (or any affiliated entity or associate thereof) with respect to any voting shares of Maple;
 - (ii) the original Maple shareholder has no agreement, commitment or understanding, written or otherwise, with any other original Maple shareholder (or any affiliated entity or associate thereof) with respect to the acquisition or disposition of voting shares of Maple (other than, in the case of dispositions, section 22 of the Maple Acquisition Governance Agreement), the exercise of any voting rights attached to any voting shares of Maple or the coordination of decisions or voting by its nominee director of Maple (if any) with the decisions or voting by the nominee of any other original Maple shareholder; and
 - (iii) since the last certification, the original Maple shareholder has not acted jointly or in concert with any other original Maple shareholder (or any affiliated entity or associate thereof) with respect to (i) any voting shares of Maple, including with respect to the acquisition or disposition of any voting shares of Maple (other than, in the case of dispositions, under section 22 of the Maple Acquisition Governance Agreement) or the exercise of any voting rights attached to any voting shares of Maple, or (ii) coordination of decisions or voting by its nominee director of Maple (if any) with the decisions or voting by the nominee director of any other original Maple shareholder.

49. COMPLIANCE WITH TERMS AND CONDITIONS

- (a) If the original Maple shareholder or its partners, officers, directors, or employees (or, in the case of an original Maple shareholder that is not a dealer, its relevant officers, directors, or employees that are subject to policies and procedures implemented by the Maple non-dealer for the purpose of complying with the applicable terms of this Schedule) becomes aware that there has been a breach or possible breach of any of the terms and conditions applicable to it under this schedule of the Order, such person shall, promptly after becoming aware of the breach or possible breach, notify the Designated Recipient (as defined below) of such original Maple shareholder of the breach or possible breach. The partner, director, officer or employee of the original Maple shareholder must provide to the Designated Recipient details sufficient to describe the nature, date and effect (actual and anticipated) of the breach or possible breach.
- (b) "Designated Recipient" means the person or body that the original Maple shareholder designates as having the responsibilities described in this section 49, which may be its Board, audit committee, governance committee (or chairperson of any of the foregoing), General Counsel, Chief Compliance Officer, an ombudsperson specifically designated by the original Maple shareholder to review compliance with corporate policies under the shareholder's established whistle-blowing procedures, or, with the prior approval of the Commission, such other person or committee designated by the original significant Maple shareholder.
- (c) The Designated Recipient must promptly cause an investigation to be conducted of the breach or possible breach reported under paragraph (a) and must promptly provide a report to the Commission after concluding such investigation if the Designated Recipient determines that a breach has occurred or that there is an impending breach. Any such report to the Commission by the Designated Recipient must include details sufficient to describe the nature, date and effect (actual and anticipated) of the breach or impending breach, and any actions that will be taken to address it.

50. EXPIRY OF TERM AND CONDITIONS

The obligations of an original Maple shareholder to comply with the terms and conditions of this Schedule expire on the first anniversary of the later of:

- (a) the earlier of:
 - (i) six years from the date of the Order; and
 - (ii) the date on which for a consecutive six month period such original Maple shareholder has beneficially owned or exercised control or direction over that number of voting shares of Maple that represents less than 50% of the number of voting shares of Maple which it beneficially owned or exercised control or direction over on the date of completion of the Subsequent Arrangement; and

- (b) the later of:
 - (i) the termination or expiry of any right it has to nominate a director to the Maple Board; and
 - (ii) the date on which no partner, officer, director or employee of the original Maple shareholder is a director on the Maple Board.

SCHEDULE 7

RULE AND FORM 21-101F1 FILING PROTOCOL

[to be provided]

APPENDIX C

April 30, 2012

Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto ON M5H 3S8

Attention: John P. Stevenson, Secretary of the Commission

Dear Mr. Stevenson:

Re: Maple Group – AMF Undertakings

This letter is further to the meeting on March 7, 2012 during which OSC staff and TMX discussed Maple's understanding of the impact of the proposed undertakings to the AMF set out in the January 31, 2012 draft letter of Maple to Mr. Mario Albert, President and CEO of the AMF.

In paragraphs 15 and 16 of the letter (now paragraphs 14 and 15), Maple has undertaken, in effect, to continue to develop Montreal as a centre of excellence in derivatives. At the meeting, counsel to Maple indicated that this is consistent with Maple's current plans to continue to utilize the assets and resources at MX and CDCC to grow the trading and clearing of derivatives products, including both exchange traded derivatives and OTC derivatives. These undertakings would not have the effect of requiring TMX to move any existing businesses to Montreal, nor would they restrict Maple from developing and investing in derivatives opportunities, including for fixed income derivatives, in jurisdictions outside Montreal if that makes sense at some point in the future.

With respect to paragraphs 19, 20 and 21 (now paragraphs 18, 19 and 20), Maple is undertaking that if it establishes an exchange or clearing house in Canada (or participates in a joint venture or partnership) for trading or clearing derivatives that are presently over-the-counter derivatives, the head and executive office of that exchange or clearing house (or the principal Maple business unit that manages Maple's interest in that joint venture or partnership) will be in Montreal, the senior management responsible for overseeing operating plans and budgets, and development and execution of policy and direction, for that exchange or clearing house (or the principal Maple business unit that manages Maple's interest in that joint venture or partnership), will be in Montreal, and the most senior officer will be a resident of Quebec. With respect to over-the-counter derivatives, the application of these undertakings is limited to recognized exchanges and clearing houses in Canada (or participation in a joint venture or partnership) for over-the-counter derivatives. For the sake of clarity, since the undertakings are made by Maple, the undertakings do not prevent any investor in Maple from trading any derivatives or related products, including over-the-counter derivatives, through facilities not owned by Maple or its subsidiaries.

With respect to our discussions regarding the application of the undertakings to "fixed income transactions", reference to this term was added because CDCC currently clears transactions that are not "derivatives" within the ordinary meaning of that term, and the AMF wanted to ensure that the undertaking covered clearing of repurchase transactions (aka repos) and clearing of trades involving securities that are eligible for repurchase transactions. Following discussion with AMF staff, we have revised the AMF undertakings to clarify that only these transactions are covered by the undertakings, by referencing only the clearing of fixed income transactions in paragraph 30(c)(ii) (now paragraph 29(c)(ii)) and more clearly defining the term fixed income transactions in footnote 1. A revised draft of the undertakings, blacklined to the version previously circulated to you, has been provided to you for your reference.

Except for (i) the clearing through CDCC of trades in derivatives that are exchange traded on MX, (ii) the clearing through CDCC of trades for fixed income transaction or other securities that are intended to be cleared through the central counterparty facility of CDCC, and (iii) a clearing house subject to paragraphs 19, 20 and 21 (now paragraphs 18, 19 and 20), the undertakings do not limit or restrict the location in which Maple or its affiliated entities conduct or manage business related to back office or post-trade processing of trades, including collateral management.

Finally, Maple confirms that management of TMX Group have considered these undertakings from the perspective of TMX's businesses. They are comfortable with these undertakings and believe they are consistent with TMX's current business plans and would not negatively impact TMX's ability to conduct its current or future businesses in the public interest.

We hope the foregoing is helpful.

Yours very truly,

Luc Bertrand
on behalf of
Maple Group Acquisition Corporation

cc: Mario Albert
Autorité des marchés financiers

Mark Wang
British Columbia Securities Commission

Tom Graham
Alberta Securities Commission

Susan Greenglass
Ontario Securities Commission

APPENDIX B**PROPOSED RECOGNITION ORDER FOR CDS**

**IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, CHAPTER S.5, AS AMENDED ("Act")**

AND

**IN THE MATTER OF
THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED
AND
CDS CLEARING AND DEPOSITORY SERVICES INC.**

**ORDERS
(Sections 21.2 and 144 of the Act)**

WHEREAS the Ontario Securities Commission ("Commission") issued an order dated February 25, 1997 ("1997 Order"), which became effective on March 1, 1997, recognizing The Canadian Depository for Securities Limited ("CDS Ltd.") as a clearing agency pursuant to subsection 21.2(1) of the Act and designating CDS Ltd. as a recognized clearing agency pursuant to Part VI of the Ontario *Business Corporations Act*, which order has been amended from time to time;

AND WHEREAS the Commission issued an order in connection with a corporate reorganization of CDS Ltd. dated July 12, 2005 varying and restating the 1997 Order, as amended, recognizing CDS Clearing and Depository Services Inc. ("CDS Clearing") as a clearing agency and continuing to recognize CDS Ltd. as a clearing agency (CDS Ltd. and CDS Clearing collectively "CDS");

AND WHEREAS the Commission issued a varied and restated order, dated October 24, 2011 ("2011 Order"), in connection with CDS's conversion to International Financial Reporting Standards, continuing to recognize each of CDS Ltd. and CDS Clearing as a clearing agency pursuant to subsection 21.2(1) of the Act;

AND WHEREAS on June 13, 2011 Maple Group Acquisition Corporation ("Maple") commenced a transaction, consisting of, among other things, the amalgamation of CDS Ltd. and a wholly-owned subsidiary of Maple ("Amalgamation") the result of which would be the acquisition by Maple of all of the issued and outstanding voting securities of CDS Ltd.;

AND WHEREAS Maple has made an application to the Commission requesting a variation and restatement of the 2011 Order to reflect changes resulting from the acquisition of CDS Ltd. by Maple ("Application");

AND WHEREAS the Commission is also granting an order recognizing Maple as an exchange pursuant to section 21 of the Act;

AND WHEREAS the Commission considers the proper operation of the clearing agencies as essential to investor protection and maintaining a fair and efficient capital market, and therefore requires that any conflicts of interest in the operation of the clearing agencies be dealt with appropriately, the fairness and efficiency of the market not be impaired by any anti-competitive activity, and that systemic risks are monitored and controlled;

AND WHEREAS the Commission intends to adopt a program of enhanced regulatory oversight with respect to Maple and CDS;

AND WHEREAS the 2011 Order will be replaced by this order and therefore should be revoked;

AND WHEREAS based on the Application and the representations that Maple has made to the Commission, the Commission has determined that:

- (a) CDS satisfies the criteria for recognition set out in Schedule "A";
- (b) it is in the public interest to recognize each of CDS Ltd. and CDS Clearing as a clearing agency, subject to terms and conditions that are set out in Schedule "B"; and
- (c) it is not prejudicial to the public interest to revoke the 2011 Order;

AND WHEREAS Maple has agreed to the respective terms and conditions as set out in Schedule "B";

AND WHEREAS Maple has agreed to cause CDS Ltd. and CDS Clearing to agree to and to comply with the respective terms and conditions as set out in Schedule "B" upon the completion of the Amalgamation;

IT IS HEREBY ORDERED that:

- (a) pursuant to section 21.2 of the Act, CDS Ltd. is recognized as a clearing agency, subject to the terms and conditions in Schedule "B";
- (b) pursuant to section 21.2 of the Act, CDS Clearing is recognized as a clearing agency, subject to the terms and conditions in Schedule "B"; and
- (c) pursuant to section 144 of the Act, the 2011 Order is revoked.

DATED [●], effective [•].

SCHEDULE "A" – CRITERIA FOR RECOGNITION**PART 1 GOVERNANCE**

- 1.1 The governance structure and governance arrangements of the clearing agency ensures:
- (a) effective oversight of the clearing agency;
 - (b) the clearing agency's activities are in keeping with its public interest mandate;
 - (c) fair, meaningful and diverse representation on the governing body (Board) and any committees of the Board, including a reasonable proportion of independent directors;
 - (d) a proper balance among the interests of the owners and the different entities seeking access (participants) to the clearing, settlement and depository services and facilities (settlement services) of the clearing agency;
 - (e) the clearing agency has policies and procedures to appropriately identify and manage conflicts of interest;
 - (f) each director or officer of the clearing agency, and each person or company that owns or controls, directly or indirectly, more than 10 percent of the clearing agency is a fit and proper person; and
 - (g) there are appropriate qualifications, limitation of liability and indemnity provisions for directors and officers of the clearing agency.

PART 2 FEES

- 2.1 All fees imposed by the clearing agency are equitably allocated. The fees do not have the effect of creating unreasonable barriers to access.
- 2.2 The process for setting fees is fair and appropriate, and the fee model is transparent.

PART 3 ACCESS

- 3.1 The clearing agency has appropriate written standards for access to its services.
- 3.2 The access standards and the process for obtaining, limiting and denying access are fair and transparent. A clearing agency keeps records of:
- (a) each grant of access including, for each participant, the reasons for granting such access; and
 - (b) each denial or limitation of access, including the reasons for denying or limiting access to an applicant.

PART 4 RULES AND RULEMAKING

- 4.1 The clearing agency's rules are designed to govern all aspects of the settlement services offered by the clearing agency, and
- (a) are not inconsistent with securities legislation;
 - (b) do not permit unreasonable discrimination among participants; and
 - (c) do not impose any burden on competition that is not necessary or appropriate.
- 4.2 The clearing agency's rules and the process for adopting new rules or amending existing rules should be transparent to participants and the general public.
- 4.3 The clearing agency monitors participant activities to ensure compliance with the rules.
- 4.4 The rules set out appropriate sanctions in the event of non-compliance by participants.

PART 5 DUE PROCESS

- 5.1 For any decision made by the clearing agency that affects an applicant or a participant, including a decision in relation to access, the clearing agency ensures that:
- (a) an applicant or a participant is given an opportunity to be heard or make representations; and
 - (b) the clearing agency keeps a record of, gives reasons for, and provides for appeals or reviews of, its decisions.

PART 6 RISK MANAGEMENT

- 6.1 The clearing agency's settlement services are designed to minimize systemic risk.
- 6.2 The clearing agency has appropriate risk management policies and procedures and internal controls in place.
- 6.3 Without limiting the generality of the foregoing, the clearing agency's services or functions are designed to achieve the following objectives:
- 1. Where the clearing agency acts as a central counterparty, it rigorously controls the risks it assumes.
 - 2. The clearing agency minimizes principal risk by linking securities transfers to funds transfers in a way that achieves delivery versus payment.
 - 3. Final settlement occurs no later than the end of the settlement day. Intraday or real-time finality is provided where necessary to reduce risks.
 - 4. Where the clearing agency extends intraday credit to participants, including a clearing agency that operates net settlement systems, it institutes risk controls that, at a minimum, ensure timely settlement in the event that the participant with the largest payment obligation is unable to settle.
 - 5. Assets used to settle the ultimate payment obligations arising from securities transactions carry little or no credit or liquidity risk. If central bank money is not used, steps are to be taken to protect participants in settlement services from potential losses and liquidity pressures arising from the failure of the cash settlement agent whose assets are used for that purpose.
 - 6. If the clearing agency establishes links to settle cross-border trades, it designs and operates such links to reduce effectively the risks associated with cross-border settlements.
- 6.4 The clearing agency engaging in activities not related to settlement services carries on such activities in a manner that prevents the spillover of risk to the clearing agency that might affect its financial viability or negatively impact any of the participants in the settlement service.

PART 7 SYSTEMS AND TECHNOLOGY

- 7.1 For its settlement services systems, the clearing agency:
- (a) develops and maintains,
 - (i) reasonable business continuity and disaster recovery plans,
 - (ii) an adequate system of internal control,
 - (iii) adequate information technology general controls, including controls relating to information systems operations, information security, change management, problem management, network support, and system software support;
 - (b) on a reasonably frequent basis, and in any event, at least annually, and in a manner that is consistent with prudent business practice,
 - (i) makes reasonable current and future capacity estimates,
 - (ii) conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner,

- (iii) tests its business continuity and disaster recovery plans; and
- (c) promptly notifies the regulator of any material systems failures.

7.2 The clearing agency annually engages a qualified party to conduct an independent systems review and prepare a report in accordance with established audit standards regarding its compliance with paragraph 7.1(a).

PART 8 FINANCIAL VIABILITY AND REPORTING

8.1 The clearing agency has sufficient financial resources for the proper performance of its functions and to meet its responsibilities and allocates sufficient financial and staff resources to carry out its functions as a clearing agency in a manner that is consistent with any regulatory requirements.

PART 9 OPERATIONAL RELIABILITY

9.1 The clearing agency has procedures and processes to ensure the provision of accurate and reliable settlement services to participants.

PART 10 PROTECTION OF ASSETS

10.1 The clearing agency has established accounting practices, internal controls, and safekeeping and segregation procedures to protect the assets that are held by the clearing agency.

PART 11 OUTSOURCING

11.1 Where the clearing agency has outsourced any of its key functions, it has appropriate and formal arrangements and processes in place that permit it to meet its obligations and that are in accordance with industry best practices. The outsourcing arrangement provides regulatory authorities with access to all data, information, and systems maintained by the third party service provider required for the purposes of regulatory oversight of the agency.

PART 12 INFORMATION SHARING AND REGULATORY COOPERATION

12.1 The clearing agency cooperates by sharing information or otherwise with the Commission and its staff, self-regulatory organizations, exchanges, quotation and trade reporting systems, alternative trading systems, other clearing agencies, investor protection funds, and other appropriate regulatory bodies.

SCHEDULE "B" – TERMS AND CONDITIONS**PART I – Definitions**

For the purposes of this schedule:

"affiliated entity" has the meaning ascribed to it in section 1.3 of National Instrument 21-101 *Marketplace Operation*, except that in the case of AIMCo "affiliated entity" means an AIMCo Affiliate;

"AIMCo" means the Alberta Investment Management Corporation;

"AIMCo Affiliate" means each AIMCo Client, any person directly or indirectly controlled by one or more AIMCo Clients, any investment pool managed by AIMCo, and any affiliated entity of any of the foregoing, in each case to the extent that, but only to the extent that, their respective assets are managed by AIMCo;

"AIMCo Clients" means Her Majesty the Queen in right of Alberta and certain Alberta public sector pension plans, in each case to the extent that, but only to the extent that, their respective assets are managed by AIMCo;

"associates" has the meaning ascribed to it in subsection 1(1) of the Act;

"CDS Clearing" means CDS Clearing and Depository Services Inc.;

"CDS Ltd." means The Canadian Depository for Securities Limited;

"criteria for recognition" means the criteria set out in Schedule "A";

"financial risk model" means the mechanisms adopted by CDS to manage the risk of potential loss in the provision of clearing, settlement and depository services for securities and derivatives transactions in the event of the failure of a Participant to fulfill its settlement obligations, but for greater certainty does not include business risk or operational risk;

"FMI Principles" means the principles contained in the CPSS-IOSCO *Principles for Financial Market Infrastructures*, as amended from time to time, or any successor principles or recommendations;

"IT Systems" means CDS's information technology systems supporting the services or the business operations of CDS;

"Maple" means Maple Group Acquisition Corporation;

"Maple nomination agreement" means a nomination agreement provided for under Section 12(h) of the Amended and Restated Acquisition Governance Agreement of June 10, 2011 of Maple, as amended;

"Ontario securities law" has the meaning ascribed to it in section 1 of the Act;

"original Maple shareholder" means each of the AIMCo, Caisse de depot et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., Desjardins Financial Corporation, Dundee Capital Markets Inc., Fonds de solidarité des travailleurs de Québec, GMP Capital Inc., The Manufacturers Life Insurance Company, National Bank Financial & Co. Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc., and TD Securities Inc.;

"Participant" means a user of the services offered by CDS which are governed by the CDS Participant Rules;

"recognized clearing agency" means each of CDS Ltd. and CDS Clearing;

"rule" has the meaning ascribed to it in section 2 of the Rule Protocol at Appendix "A" to this schedule; and

"significant Maple shareholder" means a shareholder of Maple which:

- (i) beneficially owns or exercises control or direction over more than 5% of the outstanding shares of Maple,
- (ii) is an original Maple shareholder that is a party to a Maple nomination agreement, for as long as its Maple nomination agreement is in effect, or
- (iii) is an original Maple shareholder:

- (A) whose obligations under Schedule 6 to the order issued pursuant to section 21.11 of the Act (21.11 Order) on [date] have not terminated pursuant to section 50 of the 21.11 Order thereof, and
- (B) that has a partner, officer, director or employee who is a director on the Maple board of directors other than pursuant to a Maple nomination agreement, for so long as such partner, officer, director or employee remains a member of the Maple board of directors.

PART II – Terms and Conditions Applicable to CDS Ltd. and CDS Clearing

1 OWNERSHIP OF CDS LTD.

- 1.1 The recognized clearing agency must not make any changes to its ownership structure without the prior approval of the Commission.

2 PUBLIC INTEREST RESPONSIBILITY

- 2.1 The recognized clearing agency must conduct its business and operations in a manner that is consistent with the public interest.
- 2.2 The mandate of the board of directors of the recognized clearing agency must expressly include reference to the public interest responsibilities of the recognized clearing agency.
- 2.3 The recognized clearing agency's board of directors must provide a written report to the Commission at least annually, or as requested by the Commission, describing how the recognized clearing agency is meeting its public interest responsibilities.

3 CRITERIA FOR RECOGNITION

- 3.1 The recognized clearing agency must continue to meet the criteria for recognition.

4 GOVERNANCE

- 4.1 The recognized clearing agency's governance arrangements must be designed to fulfill its public interest requirements and to balance the interests of its shareholders and its Participants and other users of its services.
- 4.2 The recognized clearing agency must ensure that:
 - (a) at least 33% of its board of directors are independent as that term is defined in paragraph 4.3;
 - (b) at least 33% of its board of directors are representatives of Participants, of which:
 - (i) one representative must be nominated by the Investment Industry Regulatory Organization of Canada,
 - (ii) one representative must be nominated by Maple from the five largest Participants (with the Participant and its affiliated entities aggregated for this purpose),
 - (iii) at least one representative nominated by Maple must, for so long as a Maple nomination agreement remains in effect, be unrelated to original Maple shareholders, and
 - (iv) the representatives of Participants should represent a diversity of Participants;
 - (c) one director is a representative of a marketplace unaffiliated with Maple and nominated by the marketplaces unaffiliated with Maple; and
 - (d) at least 50% of the directors have expertise in clearing and settlement.
- 4.3 For the purpose of paragraph 4.2:
 - (a) a director is independent, if the director is not:
 - (i) an associate, partner, director, officer or employee of a significant Maple shareholder,

- (ii) an associate, partner, director, officer or employee of a Participant of the recognized clearing agency or such Participant's affiliated entities or an associate of such director, partner, officer or employee,
 - (iii) an associate, partner, director, officer or employee of a marketplace or such marketplace's affiliated entities or an associate of such partner, director, officer or employee, or
 - (iv) an officer or employee of the recognized clearing agency or its affiliated entities or an associate of such officer or employee; and
- (b) a person is unrelated to original Maple shareholders, if the individual:
- (i) is not an officer, partner or employee of an original Maple shareholder or any of such shareholder's affiliated entities or an associate of that officer, partner or employee,
 - (ii) is not nominated under a Maple nomination agreement,
 - (iii) is not a director of an original Maple shareholder or any of its affiliated entities or an associate of that director, and
 - (iv) does not have, and has not had, any relationship with an original Maple shareholder that could, in the view of the governance committee of the recognized clearing agency having regard to all relevant circumstances, be reasonably perceived to interfere with the exercise of his or her independent judgment as a director of the recognized clearing agency.
- 4.4 The recognized clearing agency governance structure must provide for the use of Participant committees to provide advice, comment and recommendations to assist the board of directors of the recognized clearing agency and that meet the following requirements:
- (a) membership on Participant committees is open to all Participants and marketplaces that access the services provided by the recognized clearing agency;
 - (b) the Participant committee may on any matters that the committee deems appropriate, and must if requested by the Commission, report directly to the Commission without first requiring board approval or notification of such reporting; and
 - (c) a staff representative of the Commission may attend any meetings of the Participant committees as an observer.
- 4.5 The recognized clearing agency's board of directors must:
- (a) at the request of the Commission and in any event annually, provide a written report to the Commission that contains:
 - (i) the recommendations made by each of its Participant committees and whether and why any of the recommendations were rejected or only partially implemented, and
 - (ii) a response from each Participant committee regarding whether and why they agree or disagree with the recognized clearing agency's report; and
 - (b) file such report and the Participant committees' responses with the Commission within 45 days after each fiscal year-end of the recognized clearing agency or within 60 days of a request made by the Commission.
- 4.6 The recognized clearing agency must obtain prior Commission approval before making changes to the structure of its board of directors, changes to the structure of any of its board committees and their mandates, changes to the structure of any of its Participant committees or their mandates, or changes to its constating documents.
- 4.7 The recognized clearing agency must establish and maintain a Risk Management and Audit Committee of its board of directors, whose mandate includes, at a minimum, the following:
- (a) providing advice and recommendations to the board of directors to assist it in fulfilling its risk management responsibilities, including reviewing and assessing CDS's risk management policies and procedures, the adequacy of the implementation of appropriate procedures to mitigate and manage such risks and CDS's participation standards and collateral requirements;

- (b) monitoring the financial performance of CDS and providing financial management oversight and direction to the business and affairs of CDS;
- (c) advising the board of directors on the fairness, reasonableness and competitiveness of its pricing and fees in the context of the Canadian capital market and trends relating to comparable services offered by clearing houses worldwide; and
- (d) ensuring fair and equitable resources are dedicated to development projects for unaffiliated marketplaces.

4.8 The Risk Management and Audit Committee's composition will be as follows:

- (a) a total of five directors;
- (b) an independent chair; and
- (c) at least two industry directors that, for so long as a Maple nomination agreement remains in effect, are unrelated to original Maple shareholders as defined in paragraph 4.3 and who represent a diversity of Participants, and which may include the nominee of the Investment Industry Regulatory Organization of Canada.

5 FITNESS

5.1 The recognized clearing agency must take reasonable steps to ensure that each director and officer of the recognized clearing agency is a fit and proper person. As part of those steps, the recognized clearing agency must consider whether the past conduct of each director or officer affords reasonable grounds for the belief that the director or officer will perform his or her duties with integrity and in a manner that is consistent with the public interest responsibilities of the recognized clearing agency.

6 ACCESS

6.1 The recognized clearing agency must not unreasonably prohibit, condition or limit, directly or indirectly, access by a person or company to services offered by it.

6.2 The recognized clearing agency must not, directly or indirectly:

- (a) permit unreasonable discrimination among existing and potential Participants and marketplaces; or
- (b) impose any burden on competition that is not reasonably necessary or appropriate.

6.3 The recognized clearing agency must accept clearing of trades in securities that are eligible under its rules on a non-discriminatory basis, regardless of the marketplace of execution.

6.4 The rules and procedures of the recognized clearing agency must be designed to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions and to remove impediments to the prompt and accurate clearance and settlement of securities transactions.

6.5 The recognized clearing agency must promptly notify the Commission of receipt of any applications for access or connection from potential Participants and marketplaces.

6.6 The recognized clearing agency must complete the granting or denial of access within 60 days and must promptly notify the Commission of any applications for access that are outstanding for more than 60 days and the reasons for such delay or denial.

6.7 The recognized clearing agency must allow any person or company, including other third party post-trade service providers, to interface or connect to any of its services or systems on a commercially reasonable basis, for the purposes of facilitating post-trade processing of securities transactions by Participants.

6.8 The recognized clearing agency must provide its services and products, including any interface or connection to its services or systems, to any person or company, including a third party service provider, on a non-discriminatory basis and at service level or performance standards comparable to that which would be provided to its affiliated entities.

7. FEES

- 7.1 The recognized clearing agency's fees must not have the effect of unreasonably creating barriers to access the recognized clearing agency's services or discriminating between users of the recognized clearing agency's services or marketplaces, and must be balanced with the criterion that the recognized clearing agency has sufficient revenues to satisfy its responsibilities.
- 7.2 The recognized clearing agency must not, through any fee schedule, fee model or any contract with any Participant or other market participant, provide any discounts, rebate, allowance or similar price concession on any services or products offered by the recognized clearing agency that are conditional upon the purchase of any other service or product offered by the recognized clearing agency or any affiliated entity.
- 7.3 The fees must be charged on a per transaction basis and must not provide a discount, rebate, allowance or similar price concession based on a Participant's level of activity.
- 7.4 The recognized clearing agency's process for setting fees for any of its services must provide for meaningful input from the relevant Participant committees and the Risk Management and Audit Committee of its board of directors.
- 7.5 The recognized clearing agency must operate under the fee setting process and the fee and rebate model described in Appendix "B" to this schedule, as amended from time to time with prior Commission approval.
- 7.6 The recognized clearing agency must obtain prior Commission approval before implementing any amendments to the fees set out in the fee schedule at Appendix "C", any new fees, any other fees for services or products designated by the Commission from time to time, or any change to the fee and rebate model.
- 7.7 If the Commission considers that it would be in the public interest, the Commission may require the recognized clearing agency to submit a fee, fee model or incentive that has previously been approved by the Commission for re-approval by the Commission. In such circumstances, if the Commission decides not to re-approve the fee, fee model or incentive, the previous approval for the fee, fee model or incentive shall be revoked.
- 7.8 The recognized clearing agency must file with the Commission all fees and fee models, and any amendments thereto, referred to in paragraphs 7.5, 7.6 or 7.7, for approval in accordance with the procedure for a material rule as set out in the rule protocol attached as Appendix "A" to this Schedule, as amended from time to time.
- 7.9 The recognized clearing agency must annually engage an independent auditor to conduct an audit and prepare a report in accordance with established audit standards regarding its compliance with the approved fee and rebate model. The recognized clearing agency must provide the independent auditor's report to the Commission within 90 days of its fiscal year-end.

8 INTERNAL COST ALLOCATION MODEL AND TRANSFER PRICING

- 8.1 The recognized clearing agency must obtain prior Commission approval before implementation of any internal cost allocation model and any policies with respect to the allocation of costs or transfer of prices, and any amendments thereto, between the recognized clearing agency and its affiliated entities.
- 8.2 The recognized clearing agency must annually engage an independent auditor to conduct an audit and prepare a report in accordance with established audit standards regarding its compliance with the approved internal cost allocation model and any related policies. The recognized clearing agency must provide the independent auditor's report to its board promptly after the report's completion and then to the Commission within 90 days of its fiscal year-end.
- 8.3 The fees, costs or expenses borne by the recognized clearing agency, and indirectly by the users of the recognized clearing agency's services, for each of the services provided by the recognized clearing agency, must not reflect any cost or expense incurred by the recognized clearing agency in connection with an activity carried on by the recognized clearing agency that is not related to that service.

9 CPSS-IOSCO STANDARDS

- 9.1 The recognized clearing agency must observe the FMI Principles as soon as possible after the publication of the FMI Principles by CPSS-IOSCO.

10 RISK CONTROLS

- 10.1 The recognized clearing agency must have clearly defined and transparent procedures for the management of risk which specify the respective responsibilities of the recognized clearing agency and its Participants.
- 10.2 The recognized clearing agency must:
- (a) design its clearing and settlement system and the associated financial risk model to meet industry best practices, Ontario securities laws and without limiting the generality of the foregoing, as soon as practicable after the publication of the final FMI Principles by CPSS-IOSCO, observe the FMI Principles;
 - (b) conduct a self-assessment against the applicable FMI Principles every two years or as requested by the Commission, and prepare a report on the findings, conclusions and recommendations for rectifying any deficiencies. The recognized clearing agency must provide the written report to its board of directors promptly after the report's completion and then to the Commission within 30 days of providing it to its board; and
 - (c) every fourth year, or at other times required by the Commission, engage an independent qualified party, acceptable to the Commission, to conduct an assessment of the recognized clearing agency's financial risk model and prepare a report on the findings, conclusions and any recommendations. The Commission would have the ability to provide input into the scope of such assessment, and may include an assessment of how the recognized clearing agency's financial risk model balances the need for appropriate risk management and maintenance of fair and open access. The recognized clearing agency must provide the written report to its board of directors promptly after the report's completion and then to the Commission within 30 days of providing it to its board.

11 OUTSOURCING

- 11.1 The recognized clearing agency must obtain prior Commission approval before entering into, or amending, any outsourcing arrangement related to, any of its key services or systems with a service provider, which includes affiliated entities of the recognized clearing agency.
- 11.2 Where the recognized clearing agency outsources any of its key services or systems, the recognized clearing agency must proceed in accordance with best practices. Without limiting the generality of the foregoing, the recognized clearing agency must:
- (a) establish and maintain policies and procedures for the selection of service providers to which key services and systems may be outsourced and for the evaluation and approval of such outsourcing arrangements;
 - (b) identify any conflicts of interest between the recognized clearing agency and the service provider to which key services and systems are outsourced, and establish and maintain policies and procedures to mitigate and manage such conflicts of interest;
 - (c) prior to entering into the outsourcing arrangement, assess the risk of such arrangement, the quality of the service to be provided and the degree of control to be maintained by the recognized clearing agency;
 - (d) enter into a contract with the service provider to which key services and systems are outsourced that is appropriate for the materiality and nature of the outsourced activities and that provides for adequate termination procedures;
 - (e) maintain access to the books and records of the service providers relating to the outsourced activities;
 - (f) ensure that the Commission has access to all data, information and systems maintained by the service provider on behalf of the recognized clearing agency, for the purposes of determining the recognized clearing agency's compliance with Ontario securities laws;
 - (g) take appropriate measures to determine that service providers to which key services or systems are outsourced establish, maintain and periodically test an appropriate business continuity plan, including a disaster recovery plan;
 - (h) take appropriate measures to ensure that the service providers protect Participants' confidential information; and

- (i) establish processes and procedures to regularly review the performance of the service provider under any such outsourcing arrangement.

12 OPERATIONAL RELIABILITY

- 12.1 The recognized clearing agency must obtain prior approval of the Commission before integrating any of its information technology systems, clearing, settlement or depository systems, or operations with any affiliated entities (other than any integration of systems or operations between CDS Ltd. and CDS Clearing).
- 12.2 The recognized clearing agency must meet the performance standards attached as Appendix "D" to this schedule, as amended by the recognized clearing agency and approved by the Commission from time to time.
- 12.3 The recognized clearing agency must obtain prior Commission approval before changing its performance standards attached as Appendix "D" to this schedule.
- 12.4 The recognized clearing agency must annually engage an independent auditor to conduct an audit and prepare a report in accordance with established audit standards regarding its compliance with the performance standards. The recognized clearing agency must provide the written report to its board of directors promptly after the report's completion and then to the Commission within 30 days of providing it to its board.

13 RULES

- 13.1 The recognized clearing agency's rules and the process for adopting new rules or amending existing rules must be transparent to Participants and the general public.
- 13.2 The recognized clearing agency must file with the Commission all rules and amendments to the rules and comply with the rule protocol attached as Appendix "A" to this Schedule, as amended from time to time.

14 ENFORCEMENT OF RULES AND DISCIPLINE

- 14.1 The rules of the recognized clearing agency must set out appropriate sanctions in the event of non-compliance by Participants.
- 14.2 The recognized clearing agency must reasonably monitor Participant activities and impose sanctions to ensure compliance by Participants with its rules.

15 CONFIDENTIALITY OF INFORMATION

- 15.1 The recognized clearing agency must not release Participants' confidential information to a person or company other than the Participant, a securities regulatory authority or a regulation services provider unless:
 - (a) the Participant has consented in writing to the release of the information;
 - (b) the release of the information is required by Ontario securities law or other applicable law; or
 - (c) the information has been publicly disclosed by another person or company, and the recognized clearing agency reasonably believes that the disclosure was lawful.
- 15.2 The recognized clearing agency must implement reasonable safeguards and procedures to protect Participants' information, including limiting access to such Participant information to employees of the recognized clearing agency, or persons or companies retained by the recognized clearing agency to operate the system.
- 15.3 The recognized clearing agency must implement adequate oversight procedures to ensure that the safeguards and procedures established under paragraph 15.2 are followed.

16 PROVISION OF INFORMATION

- 16.1 The recognized clearing agency must, and must cause CDS Clearing to, promptly provide the Commission, on request, any and all data, information and analyses in the custody or control of the recognized clearing agency or any of its affiliates, without limitations, restrictions or conditions, including, without limiting the generality of the foregoing:

- (a) data, information and analyses relating to all its or their businesses; and
 - (b) data, information and analyses of third parties in its or their custody.
- 16.2 The recognized clearing agency must share information and otherwise cooperate with other recognized or exempt clearing agencies, recognized or exempt exchanges, recognized or exempt quotation and trade reporting systems, registered alternative trading systems, recognized self-regulatory organizations, investor protection funds and other appropriate regulatory bodies.
- 16.3 The disclosure or sharing of information by CDS Ltd. or CDS Clearing pursuant to paragraphs 16.1 or 16.2 will be subject to any confidentiality provisions contained in agreements entered into with the Bank of Canada pertaining to information received from the Bank of Canada in its roles as registrar, issuing agent, transfer agent or paying agent for the Government of Canada.
- 17 REPORTING OBLIGATIONS**
- 17.1 The recognized clearing agency must comply with Appendix "E" to this Schedule setting out the reporting obligations, as amended from time to time, regarding the reporting of information to the Commission.
- 18 COMPLIANCE**
- 18.1 The recognized clearing agency must certify in writing to the Commission, in a certificate signed by its chief executive officer and general counsel, within one year of the effective date of this order and every year subsequent to that date, or at other times required by the Commission, that it is in compliance with the terms and conditions applicable to it in this order and describe in detail:
- (a) the steps taken to require compliance;
 - (b) the controls in place to verify compliance; and
 - (c) the names and titles of employees who have oversight of compliance.
- 18.2 If the recognized clearing agency, or its directors, officers or employees, becomes aware of a breach or a possible breach of any of the terms and conditions applicable to the recognized clearing agency under this order, such person must, within two business days after becoming aware of the breach or possible breach, notify the Risk Management and Audit Committee of the breach or possible breach. The director, officer or employee of the recognized clearing agency must provide to the Risk Management and Audit Committee details sufficient to describe the nature, date and effect (actual and anticipated) of the breach or possible breach.
- 18.3 The Risk Management and Audit Committee must, within two business days after being notified of the breach or possible breach, notify the Commission and confirm that the breach or possible breach is under investigation as required by paragraph 18.4 below.
- 18.4 The Risk Management and Audit Committee must promptly cause an investigation to be conducted of the breach or possible breach reported under paragraph 18.2. Once the Risk Management and Audit Committee has made a determination as to whether there has been a breach, or that there is an impending breach, of any terms and conditions applicable to the recognized clearing agency under this order, the Risk Management and Audit Committee must, within two business days of such determination, notify the Commission of its determination and must provide details sufficient to describe the nature, date and effect (actual and anticipated) of the breach or impending breach, and any actions that will be taken to address it.
- 19 REVIEW**
- 19.1 The recognized clearing agency must, within [one year] of the effective date of this order, conduct a review of the clearing agency's rules to assess whether such rules and the arrangements thereunder continue to be appropriate in light of change in ownership structure and for-profit business model and provide the Commission with a report of its review. The review must be undertaken by a committee with appropriate representation from all stakeholders and in accordance with terms of reference that are acceptable to the Commission.

PART III – Terms and Conditions Applicable to CDS Ltd.**20 FEES**

- 20.1 Within three years of the effective date of this order and every three years subsequent to that date, or at other times required by the Commission, CDS Ltd. must:
- (a) conduct a review of its fees and fee models and the fees and fee models of its affiliated entities that are related to clearing, settlement, depository, data and other services specified by the Commission that includes, among other things, a benchmarking or other comparison of the fees and fee models against the fees and fee models of similar services in other jurisdictions; and
 - (b) provide a written report on the outcome of such review to its board of directors promptly after the report's completion and then to the Commission within 30 days of providing it to its board.

21 ALLOCATION OF RESOURCES

- 21.1 CDS Ltd. must, subject to paragraph 21.2 and for so long as CDS Clearing carries on business as a clearing agency, allocate sufficient financial and other resources to CDS Clearing to ensure that CDS Clearing can carry out its functions in a manner that is consistent with the public interest and in compliance with Ontario securities law.
- 21.2 CDS Ltd. must notify the Commission immediately upon becoming aware that it is or will be unable to allocate sufficient financial or other resources to CDS Clearing as required under paragraph 21.1.

22 FINANCIAL VIABILITY

- 22.1 For the purpose of monitoring its financial viability, CDS Ltd. must calculate, on a separate basis, the following financial ratios:
- (a) a debt to cash flow ratio, being the ratio of total debt (including any line of credit draw downs, and the current and long-term portions of any loans, but excluding external and intercompany liabilities such as but not limited to accounts payable, accrued expenses, deferred revenue, current and future income taxes payable, employee benefit liabilities, provisions, deferred lease inducements and other liabilities) to adjusted EBITDA (i.e. earnings before interest, taxes, stock-based compensation, depreciation and amortization) for the most recent 12 months; and
 - (b) a financial leverage ratio, being the ratio of total assets to shareholders' equity.
- 22.2 If CDS Ltd. fails to maintain, or anticipates it will fail to maintain:
- (a) a debt to cash flow ratio less than or equal to 4/1; or
 - (b) a financial leverage ratio less than or equal to 4/1;
- it must immediately notify the Commission. If CDS Ltd. fails to maintain either of the debt to cash flow ratio or the financial leverage ratio for a period of more than three months, its Chief Executive Officer must deliver a letter advising the Commission of the continued ratio deficiencies and the steps being taken to address the situation.
- 22.3 On a quarterly basis (together with the financial statements required to be filed pursuant to paragraph 22.4), CDS Ltd. must report to the Commission that quarter's monthly calculation of the debt to cash flow ratio and financial leverage ratio.
- 22.4 CDS Ltd. must file with the Commission unaudited quarterly financial statements within 60 days of the end of quarters one through three and audited annual financial statements within 90 days of each year end, all prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises ("CGAAP"). The quarterly and annual financial statements of CDS Ltd. must be provided on a separate and consolidated basis. Any annual report provided to shareholders must be concurrently filed by CDS Ltd. with the Commission.
- 22.5 CDS Ltd. must file with the Commission (a) unaudited quarterly financial statements of each of its subsidiaries, other than CDS Clearing, within 60 days of the end of quarters one through three, and (b) audited annual financial statements of each of its subsidiaries, other than CDS Clearing, within 90 days of each year end, all prepared in accordance with CGAAP.

23 COMPLIANCE

- 23.1 CDS Ltd. must do everything within its control to cause CDS Clearing to:
- (a) carry out its activities as a clearing agency recognized under section 21.2 of the Act and in accordance with Ontario securities law; and
 - (b) as soon as practicable after the effective date of this order observe the FMI Principles.

PART IV – Terms and Conditions Applicable to CDS Clearing**24 FEES**

- 24.1 CDS Clearing must cause CDS Securities Management Solutions Inc. to provide the Commission with a schedule of fees for all the products or services offered by CDS Securities Management Solutions that is in effect within 30 days of the effective date of this order.
- 24.2 CDS Clearing must cause CDS Securities Management Solutions Inc. to obtain prior Commission approval before implementing any amendments to the fees in the schedule filed pursuant to paragraph 24.1 above and any new fees.

25 FINANCIAL VIABILITY

- 25.1 For the purpose of monitoring its financial viability, CDS Clearing must calculate the following financial ratios:
- (a) a debt to cash flow ratio, being the ratio of total debt (including any line of credit draw downs, and the current and long-term portions of any loans, but excluding external and intercompany liabilities such as but not limited to accounts payable, accrued expenses, deferred revenue, current and future income taxes payable, employee benefit liabilities, provisions, amounts due to Participants, customer deposits, deferred lease inducements and other liabilities) to adjusted EBITDA (i.e. earnings before interest, taxes, stock-based compensation, depreciation and amortization) for the most recent 12 months; and
 - (b) a financial leverage ratio, being the ratio of adjusted total assets to shareholders' equity, where adjusted total assets is calculated as total assets less customer deposits, Participant cash collateral and any other assets held by CDS Clearing on behalf of a Participant all of which are recognized on CDS Clearing's statement of financial position. CDS Clearing will notify the Commission, in advance, of the nature of any other assets held on behalf of a Participant that will be deducted from total assets.
- 25.2 If CDS Clearing fails to maintain, or anticipates it will fail to maintain:
- (a) a debt to cash flow ratio less than or equal to 4/1; or
 - (b) a financial leverage ratio less than or equal to 4/1;

it must immediately notify the Commission. If CDS Clearing fails to maintain either of the debt to cash flow ratio or the financial leverage ratio for a period of more than three months, its Chief Executive Officer must deliver a letter advising the Commission of the continued ratio deficiencies and the steps being taken to address the situation.

- 25.3 On a quarterly basis (together with the financial statements required to be filed pursuant to paragraph 25.4), CDS Clearing must report to the Commission that quarter's monthly calculation of the debt to cash flow ratio and financial leverage ratio.
- 25.4 CDS Clearing must file with the Commission unaudited quarterly financial statements within 60 days of the end of quarters one through three and audited annual financial statements within 90 days of each year end, all prepared in accordance with CGAAP.

PART V – Terms and Conditions Applicable to Maple**26 PUBLIC INTEREST RESPONSIBILITY**

- 26.1 Maple must, and must ensure that the recognized clearing agencies, conduct their business and operations in a manner that is consistent with the public interest.

27 FEES

- 27.1 Maple must ensure that any of its affiliated entities do not, through any fee schedule, fee model or any contract with any marketplace participant or other market participant, provide any discount, rebate, allowance or similar price concession on any services or products offered by the affiliated entity that is conditional upon the purchase of any service or product provided by the recognized clearing agency.

28 ALLOCATION OF RESOURCES

- 28.1 Maple must, for so long as the recognized clearing agencies carry on business as clearing agencies, allocate sufficient financial and other resources to the recognized clearing agencies to ensure that the recognized clearing agencies can carry out their functions in a manner that is consistent with the public interest and in compliance with Ontario securities law.
- 28.2 Maple must notify the Commission immediately upon becoming aware that it is or will be unable to allocate sufficient financial and other resources to the recognized clearing agencies, as required under paragraph 28.1.

29 PROVISION OF INFORMATION

- 29.1 Maple must, and must cause the recognized clearing agencies, to promptly provide the Commission, on request, any and all data, information and analysis in the custody or control of the recognized clearing agencies, without limitations, restrictions or conditions, including data, information and analysis relating to all of the recognized clearing agencies' businesses.
- 29.2 Maple must, and must cause the recognized clearing agencies to, share information and otherwise cooperate with other recognized or exempt clearing agencies, recognized or exempt exchanges, recognized or exempt quotation and trade reporting systems, registered alternative trading systems, recognized self-regulatory organizations, investor protection funds and other appropriate regulatory bodies.
- 29.3 The disclosure or sharing of information by Maple and the recognized clearing agencies pursuant to paragraph 29.1 and 29.2 will be subject to any confidentiality provisions contained in agreements entered into with the Bank of Canada pertaining to information received from the Bank of Canada in its roles as registrar, issuing agent, transfer agent or paying agent for the Government of Canada.

30 CONFLICTS OF INTEREST

- 30.1 Maple must establish, maintain, and require compliance with policies and procedures that identify and manage any conflicts of interest or potential conflicts of interest, perceived or real, arising from its interest in CDS, and from the involvement of any partner, director, officer or employee of a significant Maple shareholder in the management or oversight of the operations of CDS and the services and products provided by CDS.
- 30.2 Maple must regularly review compliance with the policies and procedures established in accordance with paragraph 30.1, and must document each review and any deficiencies and how those deficiencies were remedied. A report detailing the review(s) conducted must be provided to the Commission on an annual basis.
- 30.3 The policies established in accordance with paragraph 30.1 must be made publicly available on Maple's website.

31 COMPLIANCE

- 31.1 Maple must promote fair access to the recognized clearing agencies and must not unreasonably prohibit, condition or limit access by a person or company to any services provided by the recognized clearing agencies.
- 31.2 Maple must promote within the recognized clearing agencies a corporate governance structure that minimizes the potential for any conflict of interest between any marketplace owned or operated by Maple or Maple's affiliated entities and the recognized clearing agencies that could adversely affect the clearance and settlement of trades in securities or the effectiveness of the recognized clearing agencies' risk management policies, controls and standards.
- 31.3 Maple must do everything within its control to cause the recognized clearing agencies to carry out their activities as clearing agencies recognized under section 21.2 of the Act and in compliance with Ontario securities law, and to observe the FMI Principles as soon as possible after the publication of the final FMI Principles by CPSS-IOSCO.
- 31.4 Maple must certify in writing to the Commission, in a certificate signed by its chief executive officer and general counsel, within one year of the effective date of this order and every year subsequent to that date, or at other times

required by the Commission, that Maple is in compliance with the terms and conditions applicable to it in this order and describe in detail:

- (a) the steps taken to require compliance;
- (b) the controls in place to verify compliance; and
- (c) the names and titles of employees who have oversight of compliance.

- 31.5 If Maple, or its directors, officers or employees, becomes aware of a breach or a possible breach of any of the terms and conditions applicable to Maple in this order, such person must, within two business days after becoming aware of the breach or possible breach, notify the Regulatory Oversight Committee of Maple of the breach or possible breach. The director, officer or employee of Maple must provide to the Regulatory Oversight Committee details sufficient to describe the nature, date and effect (actual and anticipated) of the breach or possible breach.
- 31.6 The Regulatory Oversight Committee must, within two business days after being notified of the breach or possible breach, notify the Commission and confirm that the breach or possible breach is under investigation as required by paragraph 31.7 below.
- 31.7 The Regulatory Oversight Committee must promptly cause an investigation to be conducted of the breach or possible breach reported under paragraph 31.5. Once the Regulatory Oversight Committee has made a determination as to whether there has been a breach, or that there is an impending breach, of any terms and conditions applicable to Maple in this order, the Regulatory Oversight Committee must, within two business days of such determination, notify the Commission of its determination and must provide details sufficient to describe the nature, date and effect (actual or anticipated) of the breach or impending breach, and any actions that will be taken to address it.

APPENDIX "A"

RULE PROTOCOL REGARDING THE REVIEW AND APPROVAL OF
CDS CLEARING AND DEPOSITORY SERVICES INC. RULES BY THE ONTARIO SECURITIES COMMISSION**1. Purpose of the Protocol**

On October 17, 2006, the Ontario Securities Commission ("Commission") issued a varied and restated recognition and designation order ("Recognition Order") with terms and conditions governing the recognition of each of The Canadian Depository for Securities Limited and CDS Clearing and Depository Services Inc. ("CDS Clearing") as a clearing agency pursuant to subsection 21.2(1) of the *Securities Act* (Ontario). To comply with the Recognition Order, CDS Clearing must file, among other things, its rules with the Commission for approval. This protocol sets out the procedures for the submission of a rule by CDS Clearing and the review and approval of the rule by the Commission.

2. Definitions

In this protocol:

"rule" means a proposed new or amendment to or deletion of a participant rule, operating procedure, user guide, manual or similar instrument or document of CDS Clearing which contains any contractual term setting out the respective rights and obligations between CDS Clearing and participants or among participants.

All other terms have the respective meanings ascribed to them in the Recognition Order and in securities legislation as that term is defined in NI 14-101.

3. Classification of Rules

CDS Clearing must classify a rule as either "material" or "technical/housekeeping" for the purposes of the approval process set out in this protocol.

(a) Technical/Housekeeping Rules

For the purpose of this protocol, a rule will be classified as "technical/housekeeping" if the rule involves only:

- (i) matters of a technical nature in routine operating procedures and administrative practices relating to the CDS Services;
- (ii) consequential amendments intended to implement a material rule that has been published for comment pursuant to this protocol which only contain material aspects already contained in the material rule or disclosed in the notice accompanying the material rule;
- (iii) amendments required to ensure consistency or compliance with an existing rule, securities legislation or other regulatory requirement;
- (iv) the correction of spelling, punctuation, typographical or grammatical mistakes or inaccurate cross-referencing; or
- (v) stylistic formatting, including changes to headings or paragraph numbers.

(b) Material Rules

A rule that is not a technical/housekeeping rule, as defined above, would be classified as a "material" rule.

4. Procedures for Review and Approval of Material Rules**(a) Prior Notice of a Significant Material Rule**

If CDS Clearing is developing a material rule that it anticipates will result in a significant change in its policy, will require amendments to a significant number of rules or may be the subject of significant public comment as a result of publication, then CDS Clearing must notify Commission staff in writing at least 30 calendar days prior to submitting such a significant material rule. The purpose of such prior notification is to enable the Commission to react in a timely manner to the material rule upon filing. Prior notification must not be interpreted as an opportunity for Commission staff to participate in CDS Clearing policy development. Commission staff will not begin a formal review of the material rule until all relevant documents have been filed.

(b) Documents to be Filed

For a material rule, CDS Clearing must file with the Commission the following documents electronically, or by other means as agreed to by Commission staff and CDS Clearing from time to time:

- (i) a cover letter that indicates the classification of the rule and the rationale for that classification and includes a statement that the rule is not contrary to the public interest;
- (ii) the rule and, where applicable, a blacklined version of the rule indicating the proposed changes to an existing rule;
- (iii) a notice of publication to be published by the Commission in the OSC Bulletin that contains the following information:
 - A. a description of the rule,
 - B. a concise statement, together with supporting analysis, of the nature and purpose of the rule,
 - C. a description and analysis of the possible effects of such rule on CDS Clearing, participants and other market participants and the securities and financial markets in general, including but not limited to any impact on competition, risks and the costs of compliance borne by any of the foregoing parties or within any market, and where applicable, a comparison of the rule to international standards promulgated by Committee on Payment and Settlement Systems of the Bank for International Settlements, the Technical Committee of the International Organization of Securities Commissions and the Group of Thirty,
 - D. a description of the rule drafting process, including a description of the context in which the rule was developed, the process followed, the issues considered, consultation done, the alternative approaches considered, the reasons for rejecting the alternatives and a review of the implementation plan,
 - E. where the rule requires technological systems changes to be made by participants, other market participants or CDS Clearing, CDS Clearing must provide a description of the implications of the rule on such systems and, where possible, an implementation plan, including a description of how the rule will be implemented and the timing of the implementation,
 - F. where CDS Clearing is aware that another clearing agency has a counterpart to the rule, CDS Clearing must include a reference to the rules of the other clearing agency, including an indication as to whether that clearing agency has a comparable rule or has made or is contemplating making a comparable rule, and a comparison of the rule to same,
 - G. a statement that CDS Clearing has determined that the rule is not contrary to the public interest, and
 - H. an explanation that all comments should be sent to CDS Clearing with a copy to the Commission, and that CDS Clearing will make available to the public on request all comments received during the comment period.

(c) Confirmation of Receipt

Commission staff will within 5 business days send to CDS Clearing confirmation of receipt of documents filed by CDS Clearing under subsection (b).

(d) Publication of a Material Rule by the Commission

As soon as practicable, Commission staff will publish in the OSC Bulletin the notice and rule filed by CDS Clearing under subsection (b) for a comment period of 30 calendar days ("comment period"), commencing on the date on which the notice first appears in the OSC Bulletin or website.

(e) Review by Commission Staff

Commission staff will use their best efforts to conduct their initial review of the material rule and provide comments to CDS Clearing during the comment period. However, there will be no restriction on the amount of time necessary to complete the review of the material rule.

(f) CDS Clearing Responses to Commission Staff's Comments

- (i) CDS Clearing must respond to any comments received to Commission staff in writing.
- (ii) CDS Clearing must provide to Commission staff a summary of all public comments received and CDS Clearing's responses to the public comments, or confirmation of having received no public comments.
- (iii) If CDS Clearing fails to respond to comments from Commission staff within 120 calendar days after receipt of their comment letter, CDS Clearing will be deemed to have withdrawn the material rule unless Commission staff otherwise agree.

(g) Approval by the Commission

Commission staff will use their best efforts to prepare the material rule for approval within 30 calendar days of the later of (a) receipt of written responses from CDS Clearing to staff's comments or requests for additional information, and (b) receipt of the summary of public comments and CDS Clearing's response to the public comments, or confirmation from CDS Clearing that there were no comments received. If at any time during the review period, Commission staff determine that they have further comments or require further information from CDS Clearing in order to prepare the materials for Commission approval, the review period will be extended by an additional period of 30 calendar days commencing on the day that Commission staff receive responses to the comments or the information requested. Commission staff will notify CDS Clearing of the Commission's approval of the material rule within 5 business days.

(h) Publication of Notice of Approval

Commission staff will prepare and publish in the OSC Bulletin and on its website a short notice of approval of the material rule within 15 business days of delivery of the notification to CDS Clearing of the decision. CDS Clearing will provide the following information to accompany the publication of the notice of approval:

- (i) a short summary of the material rule;
- (ii) CDS Clearing's summary of public comments and responses received, if applicable; and
- (iii) if changes were made to the version published for public comment, a blacklined copy of the revised material rule.

(i) Effective Date of a Material Rule

A material rule will be effective as of the date of the notification of approval by Commission staff in accordance with subsection (g) or on a date determined by CDS Clearing, if such date is later.

(j) Significant Revisions to a Material Rule

When a material rule is revised subsequent to its publication for comment in a way that Commission and CDS Clearing staff determine has a material effect on the substance of the rule or its effect, the revision must be published in the OSC Bulletin with a notice for a second 30 calendar day comment period. The request for comment must include CDS Clearing's summary of comments and responses submitted in response to the previous request for comments, together with an explanation of the revision to the material rule and the supporting rationale for the amendment.

(k) Withdrawal of a Material Rule

If CDS Clearing withdraws or is deemed to have withdrawn a rule that was previously submitted, then it must provide a notice of withdrawal to be published by the Commission in the OSC Bulletin as soon as practicable.

5. Procedures for Review and Approval of a Technical/Housekeeping Rule**(a) Documents to be Filed**

For a technical/housekeeping rule, CDS Clearing must file with the Commission the following documents electronically, or by other means as agreed to by the Commission staff and CDS Clearing from time to time:

- (i) a cover letter that indicates the classification of the rule and the rationale for that classification;

- (ii) the rule and, where applicable, a blacklined version of the rule indicating the proposed changes to an existing rule; and
- (iii) a short notice of publication to be published by the Commission in the OSC Bulletin that contains the following information:
 - A. a brief description of the technical/housekeeping rule,
 - B. the reasons for the technical/housekeeping classification, and
 - C. the effective date of the technical/housekeeping rule, or a statement that the technical/housekeeping rule will be effective on a date subsequently determined by CDS Clearing.

(b) *Effective Date of Technical/Housekeeping Rules*

The technical/housekeeping rule will be effective upon CDS Clearing filing the documents in accordance with subsection (a) or on a date determined by CDS Clearing. Where CDS Clearing does not receive any communication of disagreement with the classification from Commission staff in accordance with subsection (d) within 15 business days after filing the rule, CDS Clearing may assume that the Commission staff agree with the classification.

(c) *Confirmation of Receipt*

Commission staff will within 5 business days send to CDS Clearing confirmation of receipt of documents filed by CDS Clearing under subsection (a).

(d) *Disagreement with Classification*

Where CDS Clearing has classified a rule as "technical/housekeeping" and Commission staff disagree with the classification:

- (i) Commission staff will communicate to CDS Clearing, in writing, the reasons for disagreeing with the classification of the rule within 15 business days after receipt of CDS Clearing's filing.
- (ii) After receipt of Commission staff's written communication, CDS Clearing must re-classify the rule as material and the Commission will review and approve the rule under the procedures set out in section 4.
- (iii) Commission staff may require that CDS Clearing immediately repeal the technical/housekeeping rule and inform its participants of the reason for the repeal of the rule.

(e) *Publication of Technical/Housekeeping Rules*

Commission staff will publish the notice filed by CDS Clearing under clause (a)(iii) as soon as practicable.

(f) *Comments received on Technical/Housekeeping Rules*

If comments are raised in response to the publication of the notice or the implementation of the technical/housekeeping rule, Commission staff may review the rule in light of the comments received. Commission staff may determine that the rule was incorrectly classified and require that the rule be classified as a material rule and reviewed and approved by the Commission in accordance with the procedures set out in section 4 with necessary modifications. If the Commission subsequently disapproves the material rule, CDS Clearing must immediately repeal the material rule and inform its participants of the disapproval.

6. *Immediate Implementation of a Material Rule*

(a) *Criteria for Immediate Implementation*

CDS Clearing may make a material rule effective immediately where CDS Clearing determines that there is an urgent need to implement the material rule because of a substantial and imminent risk of material harm to CDS Clearing, participants, other market participants, or the Canadian capital markets or due to a change in operation imposed by a third party supplying services to CDS Clearing and to its participants.

(b) Prior Notification

Where CDS Clearing determines that immediate implementation is necessary, CDS Clearing must advise Commission staff in writing as soon as possible but in any event at least 5 business days prior to the implementation of the rule. Such written notice must include an analysis to support the need for immediate implementation.

(c) Disagreement on Need for Immediate Implementation

If Commission staff do not agree that immediate implementation is necessary, the process for resolving the disagreement will be as follows:

- (i) Commission staff will notify CDS Clearing, in writing, of the disagreement, or request more time to consider the immediate implementation, within 3 business days of being advised by CDS Clearing under subsection (b).
- (ii) Commission staff and CDS Clearing will discuss and resolve any concerns raised by Commission staff.
- (iii) If no notice is received by CDS Clearing by the 3rd business day after Commission staff received CDS Clearing's notification, CDS Clearing may assume that Commission staff does not disagree with their assessment.

(d) Review of Material Rules Implemented Immediately

A material rule that has been implemented immediately must be published, reviewed and approved by the Commission in accordance with the procedures set out in section 4 with necessary modifications. If the Commission subsequently disapproves the material rule, CDS Clearing will immediately repeal the material rule and inform its participants of the disapproval.

7. Miscellaneous Provisions**(a) Waiving Provisions of the protocol**

Commission staff may waive any part of this protocol upon request from CDS Clearing. Such a waiver must be granted in writing by Commission staff.

(b) Amendments

This protocol and any provision hereof may be amended at any time or times with the agreement of the Commission and CDS Clearing.

APPENDIX "B"**FEE AND REBATE MODEL APPROVED BY THE COMMISSION TO BE EFFECTIVE ON [•]**

1. For the fiscal year commencing on November 1, 2011 (fiscal year 2012) and subsequent fiscal years, fees for services and products offered by the recognized clearing agency will be the prices on the fees schedule published on CDS's website and effective on November 1, 2011 (CDS 2012 Fee Schedule), attached as Appendix C.
2. Maple will not seek approval for fee increases on clearing and other core CDS services unless there is a significant change from current circumstances.
3. For the fiscal year commencing on November 1, 2012 and subsequent fiscal years, Maple will share 50% of any increase in annual revenue on clearing and other core CDS services as compared to annual revenues in fiscal year 2012 with Participants.
4. For the purposes of paragraphs 2 and 3 above, "clearing and other core CDS services" means services with the codes in the CDS 2012 Fee Schedule highlighted in Appendix "C":
5. For the fiscal year commencing on November 1, 2012 (fiscal year 2013) and subsequent fiscal years, Maple will rebate an additional amount to Participants each year in respect of clearing services for trades conducted on an exchange or ATS. The aggregate rebate will be \$2.75 million in fiscal year 2013, \$3.25 million in fiscal year 2014, \$3.75 million in fiscal year 2015, and \$4 million in fiscal year 2016 and each year thereafter.

APPENDIX "C"

CDS' PUBLISHED FEE SCHEDULE EFFECTIVE NOVEMBER 1, 2011

CDS' clearing and other core services are indicated in grey shading.



Effective November 1, 2011

2012 PRICE SCHEDULE
All Prices Subject to Change

Code	Product Description	Billing Definition	Price [†]
CLEARING SERVICES			
6000	Exchange Trade - Reported	Charge per trade reported to both buyer and seller	0.0041*
6010	Trade – Matched Institutional	Charge per trade to both buyer and seller using a virtual matching utility, which generates a confirmed trade in CDSX	0.08
6020	Trade – Other	Charge per trade to both submitter and confirmer for trades that are not exchange or matched institutional trades	0.0852*
6031	FINet [®] Subscription – Base Fee	Charge per business day to all FINet eligible CUIDs.	25.00
6032	FINet [®] Subscription – Supplemental Fee	Charge per business day to all FINet eligible CUIDs that net/report at the internal account level. <u>This fee is in addition to 6031.</u>	5.00
6050	FINet [®] Netting Fee	Charge per original trade that has been netted in the FINet netting processes.	0.09
6060	FINet [®] Trade Confirmation	Charge to participant when the status of a netted trade moves to confirmed (C).	0.18
6080	Continuous Net Settlement (CNS) Eligible Exchange Trades Netted	Charge per CNS eligible exchange trade submitted for netting to both buyer and seller	0.0041*
6085	CNS Netted and Novated Positions	Charge per CNS netted position after netting and novation to both buyer and seller	0.015
6155	Trade Reconciliation - Exchange/Exchange-type Trades	Charge for each electronic data file processed by CDS related to an exchange or an Alternative Trading System (ATS) for participants and subparticipants	4.85
SETTLEMENT SERVICES			
6071	FINet [®] Settlement – Full	Charge to participant when only one transaction is required to fully settle an outstanding netted trade.	0.16

Code	Product Description	Billing Definition	Price [†]
6072	FINet [®] Settlement – Partial	Charge to participant when more than one transaction is required to fully settle an outstanding netted trade. This fee is only applied on the first partial settlement. All subsequent partial settlements relating to the original netted trade are not subject to billing.	0.18
6076	Batch Net Settlement (BNS) FINet [®] Settlement	Charge per FINet trade settled fully in the BNS process	0.09
6110	Pledge Entry and Confirmation	Charge per pledge or substitution item to both submitter and confirmer for entry and confirmation, including DK's	1.43
6134	FINet [®] Buy-in – Pass-Through	Pass-through of FINet buy-in specialist charges.	As per FINet buy-in specialist
6100	Trade-for-Trade (TFT) Intraday Settlement	Charge per TFT trade settled intraday to both buyer and seller	0.1136*
6119	Pledge Settlement	Charge per pledged position settled intraday to both pledgee and pledgor	0.085
6120	Notice of Intent to Buy-In – Receiver	Charge to participant in a fail-to-receive position for each notice entered through CDSX indicating the intention to buy-in an outstanding trade for a specific security	0.50
6125	Notice of Intent to Buy-In – Deliverer	Charge to participant in a fail-to-deliver position for each notice received through CDSX indicating the intention to buy-in an outstanding trade for a specific security	1.00
6130	Notice of Buy-In Execution – Deliverer	Charge to participant in a fail-to-deliver position on executable date for each notice received through CDSX of the intention by the receiver to execute a buy-in	1.25
6132	Notice of Buy-In Execution – Receiver	Charge to participant in a fail-to-receive position on executable date for each notice entered through CDSX indicating the intention to execute a buy-in	0.25
6137	Buy-In Execution Trade Floor – Deliverer	Charge to participant in a fail-to-deliver position for each buy-in trade order being sent to an exchange for execution	15.00
6140	Certificate Settlement Envelope Service	Charge per envelope to both deliverer and receiver	4.50
6141	BNS TFT Settlement	Charge per TFT trade settled in BNS to both buyer and seller	0.0639*
6190	Detailed/Consolidated Cash Recap Online Report Request	Charge per online request for detailed or consolidated cash recap report	6.70
6196	BNS CNS Batch Settlement	Charge per outstanding CNS position settled in BNS to both buyer and seller	0.03
6197	CNS Real-Time Settlement	Charge per each CNS real-time settlement to both buyer and seller	0.16

Code	Product Description	Billing Definition	Price [†]
DEPOSITORY, CUSTODIAL AND ENTITLEMENT SERVICES			
6200	Deposit	Charge per deposit transaction	1.90
6231	Eligibility Certificated Non BEO	Charge per issue represented by a definitive certificate and the certificate is deposited with CDS	1,100.00
6232	Eligibility Certificated BEO Global	Charge per issue represented by a BEO global note and the note is deposited with CDS	550.00
6234	Eligibility Request Cancellation Fee	Charge for each cancellation of an eligibility request	33.00
6235	Money Market ISIN Activation Fee	Charge per money market ISIN activated	20.00
6250	Withdrawal	Charge per withdrawal transaction	25.50
6255	Withdrawal - Corporate Action	Charge per withdrawal of matured issues from system	1.94
6260 / 6261	Strip Bond Adjustment - Debit/Credit	Charge per strip debit (6260) or credit (6261) adjustment transaction processed	6.15
6270	Strip Bond (Physical Strip) Deposit Surcharge	Surcharge, in addition to the normal deposit fee for each deposit of physical strip bonds, of the greater of a) \$50 and b) the number of coupons/residuals x \$0.50 + the face value in thousands or part thereof (face value/1,000) x \$0.30 x the number of years to maturity (i.e., maturity year - 2000 base year)	50.00 or as calculated
6300	Custody - Equity - Position	Charge per daily average of positions held; positions held in sub-accounts are accumulated into a total for the month that is divided by the number of business days in the month	0.74
6305	Custody - Equity - Volume	Charge per daily average of increments of 100,000 shares; the volumes held in sub-accounts are accumulated into a total for the month that is divided by the number of business days in the month	0.2532
6310	Custody - Debt - Position	Charge per daily average of positions held	1.62
6320	Custody - Debt - Volume	Charge per daily average of pro rata increments of \$100,000 par value	0.019
6330	Custody - Strip Bond - Position	Charge per daily average of positions held	0.75
6350	Bank of Canada Safekeeping Cost	Pass-through of Bank of Canada safekeeping charge per daily average of pro rata increments of \$100,000 par value	0.0026
6360	Ledger Reconciliation	Charge per electronic data file processed by CDS	9.15
6370	Ledger Account	Monthly charge per ledger account	235.50

Code	Product Description	Billing Definition	Price [†]
6390	TRAX Entitlements Tracking	Daily subscription charge for transaction tracking service	1.75
6400	Corporate Action Transaction – Manual	Charge per credit or debit of a ledger position related to a corporate action event (excluding dividend events) requiring a manual set-up for processing	23.45
6410	Corporate Action Transaction – Auto	Charge per credit or debit of a ledger position related to a corporate action event (excluding dividend events) requiring an automated set-up for processing	4.70
6417	Dividend Transaction – Manual	Charge per credit or debit of a ledger position related to a dividend event requiring a manual set-up for processing	23.74
6418	Dividend Transaction – Auto	Charge per credit or debit of a ledger position related to a dividend event requiring an automated set-up for processing	4.98
6930	Create or Acknowledge Corporate Action Liability record	Charge to participant for each record created or for each record acknowledged	6.55
6947	CALMS ^a Alert Activity – Email	Charge per addressee on the email	1.00
6948	CALMS Alert Activity – Web	Charge per recipient of the web alert	1.00
6982	TRAX Transfer Request – Deleted	Charge per TRAX transaction deleted in the system	1.94
6989	TRAX Transfer Request Alert Activity - Email	Charge per addressee on the email	1.00
6990	TRAX Transfer Request Alert Activity - Web	Charge per recipient of the web alert	1.00
7996	Reconstitution Reservation Extension	Charge per day per reconstitution reservation request extension	32.50
7997	Strip Foreign Market Bond - Incremental	Incremental charge per foreign market bond stripped	75.00
7998	Strip Ineligible Domestic Bond - Incremental	Incremental charge per ineligible domestic bond stripped	65.00
INTERNATIONAL SERVICES			
5000	International Trade - Entry	Charge per international non-exchange trade transaction entered	0.56
5200	International Trade - Settlement	Charge per international non-exchange trade settled within CDSX	2.75
5035	Cross-Border Movement - Pass-Through	Pass-through charge per electronic transfer of security positions between CDS and other foreign securities depositories or custodians	CAD equivalent

^a Corporate Action Liability Management Service

5036	ADR Custody Fee – Pass-through	Pass-through of ADR custody fees charged by US depository banks of ADR	As per ADR depository banks
5041	U.S. Deposit	Charge per regular U.S. deposit	105.00
5044	U.S. Deposit Reject	Pass-through of DTC charges per U.S. rejected deposit	CAD equivalent
5046	U.S. Withdrawal - Regular	Charge per regular U.S. withdrawal	232.00
5047	U.S. Withdrawal - Instant	Charge per instant U.S. withdrawal	192.00
5048	U.S. Withdrawal Reject	Pass-through of DTC charges per U.S. rejected withdrawal	CAD equivalent
5050	Depository Trust and Clearing Corporation (DTCC) Mark-up - Tier 1	CDS mark-up of NSCC/DTC/Omgeo monthly billing statements for New York and DTC Direct Link users based on previous month's activity; first US\$20,000 in monthly billings	USD 20.60%
5051	DTCC Mark-up - Tier 2	monthly billings in USD from \$20,000.01 - \$35,000 per month	USD 13.60%
5052	DTCC Mark-up - Tier 3	monthly billings in USD above \$35,000.00 per month	USD 9.10%
5306	Euroclear UK Direct Access ID	One-time charge for the setup of each Euroclear UK Direct service operator ID and password	100.00
5307	Euroclear UK Direct Surcharge	CDS surcharge per Euroclear UK Direct message request	1.90
5310	Euroclear UK Direct Pass Through	Pass-through of Euroclear UK & Ireland charges. These include transaction charges, custody charges, settlement fines, standing charges and other charges as provided by Euroclear UK & Ireland	as per Euroclear UK & Ireland
5317	Euroclear UK Direct Other	Ad-hoc and miscellaneous charges, as provided by Euroclear UK & Ireland, not included in the pass-through charges summarized under 5310 – Euroclear UK Direct Pass Through. These include charges not specific to transactions entered in Euroclear UK & Ireland's CREST Graphical User Interface (GUI). For example, charges for research, trialing, training, etc.	as per Euroclear UK & Ireland
5321	Euroclear UK Direct Volume Discount	Volume discount amounts as provided by Euroclear UK & Ireland	as per Euroclear UK & Ireland
5322	Euroclear UK Direct Rebate	Rebate amounts as provided by Euroclear UK & Ireland	as per Euroclear UK & Ireland
5331	SWIFT UK – GUI Access Right	One-time charge per Euroclear UK & Ireland's CREST GUI access right, as provided by SWIFT UK	as per SWIFT UK
5332	SWIFT UK – Pass Through	Charges for messaging activity related to the Euroclear UK Direct service, as provided by SWIFT UK	as per SWIFT UK

5335	SWIFT UK PST Recovery	Charge for the recovery of provincial sales tax paid by CDS for applicable Euroclear UK Direct services provided by SWIFT UK.	8% of applicable SWIFT UK charges
5400	International Custody Fee	Charge per \$100,000 of the average monthly value of the securities held in safe custody at Euroclear France	0.50
5515	OTC ^b Correction	Charge per correction	10.00
5533	ACT Monthly Subscription Fee	Charge per month for each Market Participant Identifier (MPID)	388.00
5534	ACT Trade Fee – Tier 1	Charge per transaction per month for first 25,000 transactions per MPID	0.068
5535	ACT Trade Fee – Tier 2	Charge per transaction per month over 25,000 up to 50,000 transactions per MPID	0.019
5536	ACT Trade Fee – Tier 3	Charge per transaction per month over 50,000 transaction per MPID	0.01
5560	International Trade Reconciliation Service (ITRS)	Charge per electronic data file processed by CDS; New York Link participants' and DTCC's trade files are compared and exception reports are generated	4.85
5570	International Ledger Reconciliation Service (ILRS)	Charge per electronic data file processed by CDS; New York Link and DTC Direct Link participants' ledger position files are compared to DTC's and an exception report is generated	8.80
5576	New York Link Monitoring Service – Email	Charge per addressee on the email	1.00
5577	New York Link Monitoring Service – Web	Charge per recipient of the web alert	1.00
5580	NYL Soft Cap Alert – Email	Charge per addressee on the email	1.00
5581	NYL Soft Cap Alert – Web	Charge per recipient of the web alert	1.00
5910	Regulation SHO Close-Out Fee	Charge for each close-out initiated due to a Regulation SHO requirement	234.00

INFORMATION AND SUPPORT SERVICES			
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4001	CDSX Security Master File (SMF) Information	Charge per business day for SMF information	3.00
4003	CDSX SMF or Entitlements Information – On Request	Charge per one-time SMF or Entitlement Information transmission upon request	725.00
4006	CDSX Entitlements Information	Charge per business day for entitlements information	1.85
4007	Entitlements Messaging – MT564	Charge per business day for receiving ISO-15022-format entitlements information over MQ or SWIFT (SWIFT network usage and message charges may also apply)	13.25

^b Over-the-Counter

4008	Entitlements Messaging – MT564/568	Charge per business day for receiving ISO-15022-format entitlements information over MQ or SWIFT (SWIFT network usage and message charges may also apply)	5.25
2811	SWIFT Network – Message (Entitlements Information)	Fee charged to the subscriber directly by SWIFTNet based on the subscriber's number of transactions transmitted over SWIFTNet	As per SWIFTNet
2812	SWIFT Network – International Message (Entitlements Information)	Fee charged to the subscriber directly by SWIFTNet based on the subscriber's number of transactions transmitted over SWIFTNet	As per SWIFTNet
4015	Dividend Eligibility Reporting Service – Subscription	Annual subscription charge for dividend eligibility information files	1,045.00
4016	Dividend Eligibility Reporting Service – Archive	Charge for each archive file of dividend eligibility information for a specific taxation year	1,045.00
4017	Dividend Eligibility Reporting Service – e-mail Notification	Annual subscription charge for e-mail notification service from January 1 to January 31 informing of changes to dividend eligibility information for dividends paid in the previous taxation year	91.00
4020	Mutual Fund and Limited Partnership Tax Reporting – Subscription	Annual subscription charge for each category of Mutual Fund and Limited Partnership Tax Reporting information files. Participants can choose from one or more of the following categories of information files: Mutual Fund Trusts (T3), Mutual Fund Corporations (T5), Limited Partnerships (T5013)	905.00
4021	Mutual Fund and Limited Partnership Tax Reporting – Archive	Charge for each archive file of a category of Mutual Fund and Limited Partnership Tax Reporting information for a specific taxation year. Participants can choose from one or more of the following categories of information files: Mutual Fund Trusts (T3), Mutual Fund Corporations (T5), Limited Partnerships (T5013)	905.00
4022	Mutual Fund and Limited Partnership Tax Reporting – e-mail Notification	Annual subscription charge for e-mail notification service on replacement records from January 1 to April 30 related to distributions made in the previous taxation year for one of the categories of Mutual Fund and Limited Partnership Tax Reporting information. Participants can choose from one or more of the following categories of information files: Mutual Fund Trusts (T3), Mutual Fund Corporations (T5), Limited Partnerships (T5013)	91.00
4050	Shareholder Meetings	Per meeting published; each publication of meetings (original and updates) in financial press as per National Instrument 54-101 (NI 54-101)	100.00

4120	Bulletins	Charge per month for 10 users (including SEDAR attachments); an additional charge of \$50 applies for each additional 10 user IDs	363.00
4125	Bulletin Extraction for Tax Reporting - Subscription	Monthly subscription for receiving updated and consolidated information about wind-up redemptions and other corporate action event types via the bulletin database	75.00
4200	Strip Component Listing Inquiry	Charge per component listing provided	9.00
4220	Strip Bond Monthly Reports - Monthly E-mail	Annual charge for base service subscription by e-mail for up to five users	610.00
4221	Strip Bond Monthly Reports - Additional Users	Annual charge per five additional users added to a base subscription	50.00
4230	Strip Bond Monthly Reports - Extra Hardcopy	Hardcopy version in addition to the base service annual subscription (monthly e-mails)	120.00
4210	Strip Bond Monthly Reports - Single Month	Charge per suite of monthly reports sent to participant non-strip subscribers	100.00
4400	ATON ^c Set-up	One-time charge to set-up ATON profiles and access administration for limited participants	3,175.00
4410	ATON Request for Transfer (RFT)	Charge per RFT to deliverer and receiver; applies to all original RFTs and all residual asset RFTs linked to original RFTs	0.91 ¹
4420	ATON Movement	Charge to both deliverer and receiver for a CDSX trade generated by ATON	0.81 ¹
4430	ATON Confirmed Asset	Charge to both deliverer and receiver per confirmed asset	0.135 ¹
4610	Book-Entry-Only (BEO) Set-up – Municipal and Subsidized Institutions – Serial Bond	Charge per ISIN upon initial set-up	100.00
4620	Book-Entry-Only (BEO) Set-up – Municipal and Subsidized Institutions – Other	Charge per ISIN upon initial set-up	250.00
6186	FINet [®] Cumulative Transaction Detail file - subscription fee	Charge for each electronic file processed by CDS.	4.85
6170	Outbound File	Charge for each electronic file processed by CDS, that can be retrieved and used as input to participant systems (e.g., for reconciliation, record-keeping, analysis or other purposes)	4.85
7000	InterLink Set-up	One-time set-up fee for InterLink service	5,770.00
7010	InterLink	Daily charge per CUID	1.80
7015	Intraday InterLink Batch File	Charge per batch file	4.85
7030	Data File Transmission	Charge per electronic transmission of data files	4.85

^c Account Transfer Online Notification

7050	Test Region Fee	Charge per day for access to CDS's test regions within published testing calendar dates. Tests conducted outside of the published testing calendar dates will be considered on a best efforts basis and will incur a premium charge of \$1,500 per day.	1,000.00
7990	Research	Charge for research of items per customer request for items over 60 days and includes audit confirmation for participants	50.00
7020	Special Research Request	Charge per archived file accessed at five-month increments (e.g., search for past year's trades are three five-month increments)	100.00
OTHER SERVICES			
4900	Tax Refund Claim NR7-R - Non-Canadian Claimant	Charge per tax refund claim on Canadian-source income (non-Canadian claimant); certification by CDS on Form NR7-R that non-resident tax was withheld	USD 55.00
4910	Tax Refund Claim NR7-R - Canadian Claimant	Charge per tax refund claim on Canadian-source income (Canadian claimant); certification by CDS on Form NR7-R that non-resident tax was withheld	60.50
4992	Limited Tender	Flat charge for processing a tender for less than 20 per cent of the outstanding shares of a public company	4,000.00
7306	On-Site Contingency Service - Subscriber Standby	Monthly standby charge	109.00
7307	On-Site Contingency Service - Subscriber Usage	Usage charge (use of any part of a day)	454.00
7308	On-Site Contingency Service - Special Set-up	Special set-up charge for non-subscribing customers	3,175.00
7309	On-Site Contingency Service - Special Usage	Usage charge (use of any part of a day)	454.00
7500	TCP/IP (Frame Relay) Port and Up to 16 LUs	Monthly charge for Logical Units (LUs) of Terminals/Printers per port. Per port LUs should be less than or equal to 16.	54.50
7501	TCP/IP Port and 17-256 LUs	Total per month flat fee per port, if LUs on the port are more than 17 but less than or equal to 256. No charges against first tier will be applied	1,451.25
7502	TCP/IP Port and 257-512 LUs	Total per month flat fee per port, if LUs on the port are more than 257 but less than or equal to 512. No charges against first and second tiers will be applied	2,177.00
7503	TCP/IP Port and 513 LUs and Over	Total per month flat fee per port, if LUs on the port are more than 512. No charges against above tiers will be applied	2,903.00
7530	Enhanced IPVPN + BIHS + Single Firewall	Charge per month flat fee per connection	1,046.00
7531	Enhanced IPVPN + BIHS + Dual Firewall	Charge per month flat fee per connection	1,106.00

7532	T1 IPVPN + BIHS + Single Firewall	Charge per month flat fee per connection	1,178.00
7533	T1 IPVPN + BIHS + Dual Firewall	Charge per month flat fee per connection	1,238.00
7534	Dual T1 IPVPN + Dual Firewall	Charge per month flat fee per connection	2,174.00
7535	Secured Sockets Layer (SSL)	Charge per month flat fee per connection	20.00
7540	Site-to-site connection	Charge per month flat fee per connection	251.00
7536	Fractional T1 gIPVPN + ADSL + Single Firewall	Charge per month flat fee per connection	1,870.00
7537	Fractional T1 gIPVPN + ADSL + Dual Firewall	Charge per month flat fee per connection	1,930.00
7538	T1 gIPVPN + SDSL + Single Firewall	Charge per month flat fee per connection	2,299.00
7539	T1 gIPVPN + SDSL+ Dual Firewall	Charge per month flat fee per connection	2,359.00
7550	Network and Data Processing Move/Add	Labour charges for physical and logical changes	1,000.00
7965	Transfer Agent Pass-through - CDSX	Pass-through of transfer fees charged by transfer agents	Per TA price
7966	Transfer Fees - Other	Transfer fees submitted by transfer agents where CDS uses an internal CUID to process transactions on behalf of participants	Per TA price
7967	Transfer Fees - Adjustments	Any adjustments in transfer fees submitted by transfer agent	Per TA price
7991	Invoice Diskette	Charge per invoice diskette per company per month; the invoice is available in soft copy (e.g., Excel) on a PC diskette	20.00
7992	Dormant Participant Status	Annual charge for reservation of CUID by participant	4,000.00
7080	Participant Merge	Charge to receiving CUID of merger of ledger positions	13,950.00
7090	Agent Merge	Charge to receiving custodian/paying agent of merger of ledger positions	13,950.00
3010	Courier Services - Taxable	Fee passed through CDS for courier shipments within Canada. See Appendix A - CDS Delivery Services Price List	Per fee schedule
3020	Courier Services - Zero Tax	Fee passed through CDS for courier shipments to or from outside of Canada - GST-free. See Appendix A - CDS Delivery Services Price List	Per fee schedule
INCIDENTAL FEES			
9900	Late Collateral Delivery	Charge per incident for failure to deliver collateral within required timeframes	1,000.00

9905	Central Counterparty (CCP) Services Failure to Receive	Charge per day for failure to receive delivery of securities to settle an outstanding FINet trade prior to the start of payment exchange or CNS settlement position in the last intra-day CNS cycle	1,000.00
9910	Proper Valuation Not Provided	Charge per unvalued security for failure to provide valuation of all transfers, deposits and withdrawals	10.00
9920	Bank Declaration Not Submitted	Charge per day per share per International Securities Identification Number (ISIN) (daily maximum of \$1,000) for non-compliance with Depository Rules regarding the failure to submit a bank declaration	0.001
9925	Failure to Close-out Fails subject to SEC Regulation SHO	Charge of \$5,000 against the participant upon the first failure to close out fails. A charge of \$10,000 upon the second such occasion within the rolling twelve-month period from the first failure	5,000.00 or 10,000.00
9930	Failure to Provide Compliance Information	Charge for failure to provide required financial, regulatory, or other information within requested timeframe	1,000.00
9950	Envelope Not Picked Up by Close of Business	Charge per envelope per day for failure to pick up envelope before close of business	25.00
9960	Position Not Reconstituted	Charge per million par value (or part thereof) per business day reserved for failure to reconstitute a position reserved for reconstitution	1,000.00
9970	Non-compliance Fee – NYL Soft Cap	Charge for exceeding the pre-defined soft cap for daily DTC/NSCC net settlement obligation for each of the first four times in a rolling 12-month period	1,000.00
9971	Non-standard Non-compliance Fee – NYL Soft Cap	Charge for exceeding the pre-defined soft cap for daily DTC/NSCC net settlement obligation more than four times in a rolling 12-month period	10,000.00
9972	Variable Non-compliance Fee – NYL Soft Cap	Fee is calculated based on the difference between the participant's net payment obligation to DTC/NSCC and the amount of the soft cap multiplied by the rate as established for CDS's credit facility per day (total 365 days)	Per CDS rate for credit facility
9990	Delay of CDSX Payment Exchange - Initial 15 Minutes	Charge for first 15-minute extension for participant requesting a delay	2,500.00
9991	Delay of CDSX Payment Exchange - Additional 15 Minutes	Charge for a further 15-minute extension for participant requesting a delay	5,000.00

Applicable taxes are not included.

The service prices listed here cover only those authorized uses that are directly related to a Participant's use of CDS depository and clearing services, and that are authorized in the CDS Participant Agreement and Service Rules and procedures. Additional authorization is required from CDS and additional fees may apply if the Participant uses a service in any other manner.

Notes:

[†]Prices are in Canadian dollars and are effective November 1, 2011, unless mentioned otherwise in the 'Billing Definition' column. All Trade Clearing & Settlement Services and Depository Custodial & Entitlement Services, except for 7996, 7997 and 7998, are subject to transactional volatility premium

*Discounts may apply to selected services

¹A minimum monthly charge of \$1,000 for total ATON services applies to limited participants after the first three calendar months

APPENDIX A
2012 PRICES FOR DELIVERY SERVICES

Effective November 1, 2011

All Prices Subject to Change

CDS SAME – CITY TRANSFER / DEPOSIT / WITHDRAWAL ENVELOPES

Service Description: Same-city transfer/deposit/withdrawal envelopes are submitted through CDS for delivery to/from transfer agents in the same city.

Certificate transfers (per envelope)	6.15
New deposit envelopes (per envelope)	1.19
New withdrawal (paper input) envelopes (per envelope)	No charge
Transfer/deposit rejects surcharge (per envelope)	3.99

CDS INTER-CITY TRANSFER / DEPOSIT / WITHDRAWAL ENVELOPES

Service Description: Inter-city transfer/deposit/withdrawal envelopes are submitted through CDS for delivery to or from transfer agents located in other CDS centres.

Calculation: The greater of either **the sum of appropriate liability, weight and per package charges** or **the minimum charge**.

	Toronto Montreal	Vancouver Calgary
Liability charge (per \$1,000 declared value or part thereof)		
➤ Class II (negotiable items)	0.1717	0.2706
➤ Class III (non-negotiable items/registered items)	0.0621	0.1056
Plus weight charge (per 10 grams or part thereof)	0.1467	0.1855
Plus rate per package	32.87	33.33
Minimum charge per shipment	73.02	83.47

BRANCH TO BRANCH AND NEW YORK ENVELOPES

Service Description: Branch-to-Branch and New York Link envelopes are used where a participant drops off a shipment at a CDS branch location for delivery and pick-up at another CDS branch location, the Depository Trust Company (DTC) or Securities Industry Automation Corporation (SIAC).

Calculation: The greater of either **the sum of appropriate liability, weight and per package charges** or **the minimum charge**.

	Toronto Montreal Ottawa	Vancouver Calgary	New York (DTC/SIAC)
Liability charge (per \$1,000 declared value or part thereof)			

➤ Class II (negotiable items)	0.1685	0.2701	0.1771
➤ Class III (non-negotiable items/registered items)	0.0613	0.1053	0.0667
Plus weight charge (per 10 grams or part thereof)	0.1464	0.1825	0.1555
Plus rate per package	26.71	27.24	63.23
Minimum charge per shipment	63.95	74.31	102.24

CONSOLIDATED COURIER – DEPOT SERVICE
Service Description:

Outbound: Where the deliverer drops off a shipment at a CDS branch location for delivery by Brink's to the receiver's location.

Inbound: Where Brink's picks up a shipment from the deliverer's location and the receiver picks up the shipment from a CDS branch location.

Calculation: The greater of either **the sum of appropriate liability, weight and per package charges** or **the minimum charge, plus the applicable surcharge.**

	Scheme A	Scheme B	Scheme C	Scheme D
	Toronto Montreal Ottawa	New York City and Other U.S. Cities	Vancouver Calgary	Halifax St. John, NB St. John's, NF Winnipeg Regina Edmonton
Liability charge (per \$1,000 declared value or part thereof)				
➤ Class II (negotiable items)	0.1774	0.1774	0.2817	0.2817
➤ Class III (non-negotiable items/registered items)	0.0643	0.0643	0.1097	0.1097
Plus weight charge (per 10 grams or part thereof)	0.1496	0.1496	0.1910	0.1910
Plus rate per package	55.45	121.22	57.47	57.47
Minimum charge per shipment				
➤ Outbound	131.06	196.81	141.61	141.61
➤ Inbound	131.06	196.81	141.61	141.61
Plus surcharge				
➤ Outbound (Delivery to non-CDS location)	3.58	3.58	3.58	3.58
➤ Inbound (Pick-up at non-CDS location)	7.16	7.16	7.16	7.16

Notes:

1. State taxes are applied to all shipments to or from certain U.S. states.
2. Shipments between cities under the same scheme will be charged at the same rate shown for that scheme; shipments between cities under different schemes will be charged under the scheme showing the higher schedule of rates.

CONSOLIDATED COURIER – DOOR-TO-DOOR SERVICE

Service Description: Brink's picks up a shipment from the deliverer and delivers the shipment to the receiver.

Calculation: The greater of either **the sum of appropriate liability, weight and per package charges** or **the minimum charge**, plus **both surcharges**.

	Scheme A	Scheme B	Scheme C	Scheme D
	Toronto Montreal Ottawa	New York City and Other U.S. Cities	Vancouver Calgary	Halifax St. John, NB St. John's, NF Winnipeg Regina Edmonton
Liability charge (per \$1,000 declared value or part thereof)				
➤ Class II (negotiable items)	0.1774	0.1774	0.2817	0.2817
➤ Class III (non-negotiable items/registered items)	0.0643	0.0643	0.1097	0.1097
Plus weight charge (per 10 grams or part thereof)	0.1496	0.1496	0.1910	0.1910
Plus rate per package	55.45	121.22	57.47	57.47
Minimum charge per shipment				
Regular schedules	149.59	215.33	159.51	159.51
Plus surcharges				
➤ Outbound (Delivery to non-CDS location)	3.58	3.58	3.58	3.58
➤ Inbound (Pick-up at non-CDS location)	7.16	7.16	7.16	7.16

Notes:

1. State taxes are applied to all shipments to or from certain U.S. states.
2. Shipments between cities under the same scheme will be charged at the same rate shown for that scheme; shipments between cities under different schemes will be charged under the scheme showing the higher schedule of rates.

APPENDIX "D"

CDS PERFORMANCE STANDARDS

Performance Standards	Measurement Criteria
<p><u>Payment exchange</u></p> <p>Payment process completed by 5:30 p.m. ET</p>	≥99.6%
<p><u>CDSX availability</u></p> <p>7:00 a.m. – 7:30 p.m. and 12:30 a.m. – 4:00 a.m. during normal business days.</p>	≥99.8%
<p><u>Operational reliability</u></p> <p>Execution of 22 daily CDSX systems deliverables.</p>	≥99.6%
<p><u>Days of disruption</u></p> <p>A day of disruption is one where:</p> <p>Online service is out for more than one hour between 10 a.m. and 5 p.m.</p> <p>Payment exchange is completed after 5:30 p.m. due to CDS error</p> <p>OR</p> <p>CDS causes a highly visible and significant disruption in the operations of a significant number of Participants (as agreed to by the Governance/HR committee of the board).</p>	0 days
<p><u>Payments on payable date</u></p> <p>Income entitlements (interest and dividends) on payable date.</p> <p>AND</p> <p>All corporate actions (re-organizations) on payable date where pre-determined. Where not pre-determined, deemed to be date on which funds are released to CDS. Except in the event where the paying agent was unable to pay CDS prior to payment exchange, due to problems on their end, and CDS successfully claimed interest (use of funds) from the paying agent/issuer or where CDS has done everything possible to obtain payment and the Governance/HR Committee agrees to exclude the payment from the calculation.</p>	≥ 99.9%
Internal Business Process Deliverables	Measurement Criteria
<p><u>"Clean" 5970 Report</u></p> <p>All control objectives are met for CDS Limited and there are less than 4 control exceptions.</p>	Clean Audit Report
<p><u>Disaster recovery</u></p> <p>Two-hour recovery capability from the point of failure for all CDS core services.</p>	Performance as planned

APPENDIX "E"**REPORTING OBLIGATIONS**

In addition to the notification, reporting and filing obligations set out in Schedule "A" to the Recognition Order, CDS Ltd. and CDS Clearing must also comply with the reporting obligations set out below.

1. Prior Notification

1.1 CDS Ltd. and CDS Clearing must provide to Commission staff prior notification of:

- (a) any proposed change to CDS Ltd. and CDS Clearing's corporate governance structure other than significant changes to the governance structure or constating documents for which prior approval is required under items 2.3 or 10.3 of Schedule "A" to the Recognition and Designation Order;
- (b) a decision to enter into an agreement, memorandum of understanding or other similar arrangement with any governmental or regulatory body, self-regulatory organization, clearing agency, stock exchange, other marketplace or market; or
- (c) a decision to, either directly or through an affiliate, engage in a new type of business activity or cease to engage in a business activity in which CDS Ltd. and CDS Clearing are then engaged.

2. Immediate Notification

2.1 CDS Ltd. and CDS Clearing must immediately notify the Commission of any event or occurrence that has caused or could reasonably be expected to cause a significant risk to; an adverse material effect on; or a significant or potential disruption to CDS Ltd., CDS Clearing, its participants, any of its services or the Canadian financial markets, including, but not limited to, a participant default; fraudulent activity; or a significant breach of CDS Clearing rules by its participant(s).

2.2 CDS Ltd. and CDS Clearing must provide to the Commission immediate notice of:

- (a) the appointment of any new director or officer, including a description of the individual's employment history; and
- (b) the resignation or intended resignation of a director or officer or the auditors of CDS Ltd. and CDS Clearing, including a statement of the reasons for the resignation or intended resignation.

2.3 CDS Ltd. and CDS Clearing must immediately notify the Commission if either organization:

- (a) becomes the subject of any order, directive or other similar action of a governmental or regulatory authority;
- (b) becomes aware that either organization is the subject of a criminal or regulatory investigation; or
- (c) becomes, or is aware that either organization will become, the subject of a material lawsuit.

2.4 CDS Clearing must immediately file with the Commission copies of all notices, bulletins and similar forms of communication that CDS Clearing sends its participants.

2.5 CDS Ltd. and CDS Clearing must immediately file with the Commission any unanimous shareholder agreements to which it is a party.

2.6 CDS Ltd. and CDS Clearing must immediately file with the Commission any minutes of the board of directors, board committees, management committees and Participants committees promptly after their approval.

3. Quarterly Reporting

3.1 CDS Ltd. and CDS Clearing must file quarterly with the Commission a list of the internal audit reports and risk management reports issued in the previous quarter.

3.2 CDS Ltd. and CDS Clearing must file quarterly with the Commission a list of integration of its information technology systems, clearing, settlement or depository systems, or operations with any affiliated entities in the previous quarter that are not subject to the prior approval requirement under term and condition 12.1.

4. Annual Reporting

- 4.1 CDS Ltd. and CDS Clearing must provide to the Commission annually:
- (a) a list of the directors and officers of CDS Ltd. and CDS Clearing;
 - (b) a list of the committees of the CDS Ltd. and CDS Clearing boards of directors, setting out the members, mandate and responsibilities of each of the committees;
 - (c) a list of all participants in each settlement service operated by CDS Clearing;
 - (d) CDS's strategic plan; and
 - (e) CDS's assessment of the risks facing CDS and the plans for addressing the risks.

5. General

- 5.1 CDS Ltd. and CDS Clearing must continue to comply with the reporting obligations set out in their tailored Automation Review Program document.

SCHEDULE 1

LETTER FROM MAPLE REGARDING CHANGES TO THE APPLICATION

MAPLE GROUP ACQUISITION CORPORATION

April 30, 2012

Ontario Securities Commission
Suite 1903
20 Queen Street West
Toronto, ON M5H 3S8

Attention: Ms. Susan Greenglass, Director, Market Regulation

Dear Ms. Greenglass:

Proposed Acquisition of TMX Group, Alpha and CDS by Maple Group Acquisition Corporation

In connection with Maple's October 3, 2011 application (the "**Application**")¹ to the Commission and subsequent submissions made by representatives of Maple and TMX Group to applicable regulatory authorities, including the Commission, this letter has been prepared to provide the Commission with a description of revisions and enhancements to matters set out in the Application. Maple and TMX Group have collaborated in the preparation of this letter.

To assist in understanding the context of the revisions and enhancements, we have included, where applicable, relevant descriptions based on the Application. In Parts 2, 4 and 6 of this letter those portions that are substantively the same as the Application have been so footnoted and those portions which represent areas of substantive revision or enhancement have been underlined. Parts 1, 3, 5 and 7 through 9 are substantively new. Where not otherwise defined herein, capitalized terms have the meaning given thereto in the Application.

This letter has been divided into nine parts:

1. Cross-Margining Benefits from the CDS Acquisition
2. Maple Governance
3. Fees and Cost Allocation for Maple, TMX Group and TSX
4. CDS Governance
5. CDS Fees and Access
6. CDCC Governance
7. Undertakings with the Autorité
8. Acquisition of Alpha
9. Non-Preferencing Obligations and Non-Competition Agreement

1. Cross-Margining Benefits from the CDS Acquisition

Overview

One of the key benefits Maple and TMX Group have identified with respect to the Transactions are those relating to cross-margining. In the context of the Transactions, cross-margining primarily refers to inter-central counterparty ("CCP") cross-margining between CDS and CDCC; namely the possibility of being able to recognize the risk exposure reductions resulting from offsetting positions of common members of CDS and CDCC and thereby reducing those members' margin requirements.

¹ For convenience, all references to page numbers of the Application set out herein refer to the page numbers of the Application as published at (2011) 34 OSCB 10467.

The benefits to be derived from cross-margining are not primarily derived from margin assets pledged to CDS that may be available to satisfy CDCC margin requirements (and vice versa). Rather, the most significant benefits derive from recognizing the risk exposure reductions resulting from offsetting positions of common members of CDS and CDCC and thereby reducing those members' overall margin requirements. These offsets can result from directly offsetting combinations of long and short positions in instruments affected by common market changes or from the diversification effects that result from consideration of the positions of a member across multiple instrument types and asset classes.

CDS-CDCC Cross-Margining Benefits

There is potential through the Transactions to extend cross-margining (portfolio margining) operations to an inter-CCP cross-margining operation between CDCC and CDS, allowing for a reduction in the margin required at both CDCC and CDS when participants hold offsetting cash equity and derivative positions on a common underlying security or basket of securities. This is particularly true of the index futures and equity options markets where independent CCP margining practices have created collateral inefficiencies in the Canadian marketplace. Given that the total margin collateral posted in support of the index futures activities is approximately \$900 million, margin savings in this market segment could be as high as \$300 million. The predominant driver for these efficiencies would be short positions in index futures contracts which are offset by positions in the corresponding index exchange-traded fund. In the case of equity options, CDCC has, on average, held approximately \$1.5 billion in escrow deposits as margin collateral. Given that it is a common market strategy for an investor to sell (be short) "at market" call options on a listed equity share when it holds a corresponding position in the underlying shares, a cross-margining arrangement between CDS and CDCC could reduce approximately half of the escrow deposits pledged to CDCC (that is, a reduction of \$750 million). The foregoing capital could accordingly be reallocated to more efficient uses without increasing systemic risk.

Ultimately, cross-margining benefits to a participant would depend on how well matched that participant's overall portfolio positions are. However, even if the value were a fraction of the foregoing amounts, the benefits to the Canadian marketplace would be significant.²

In addition, the new international standards for financial market infrastructures³ of the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions were finalized in April 2012, with implementation following through 2013. It is expected that the net effect of the new standards will be an increase in the amount of margin that will be required from members. One of the effects of periods of market stress is that risk-based margin requirements of CCPs increase as a result of increased market volatility. Likewise, in low-volatility periods, margin requirements decline. This has a "pro-cyclical" effect, essentially magnifying the swings between periods of relative market calm and market stress. The new principles specifically highlight the need for CCP margin requirements to address this pro-cyclical effect, which will likely result in consistently higher margin requirements on average. As a result of increased margin requirements, cross-margining benefits should increase as well.

Market participants that are sensitive to collateral optimization would benefit substantially from cross-margining arrangements. Some examples include:

- (a) Market-makers in the equity options space would be in a position to offer more competitive markets if cross-margining were available to them, by reducing their total margin requirements between open options positions and the cash positions that hedge the options exposures.
- (b) Institutional investors that are active in the derivatives markets would benefit from reduced margin requirements. At present, many institutional participants use escrow deposits and put guarantee letters⁴ to cover derivatives positions and this largely results in extensive over-collateralization that is not reflective of their true exposure given their offsetting cash positions.
- (c) Smaller market participants that have less flexibility with their cash resources and credit sources. These participants would also benefit from enhanced collateral optimization.

Institutional and retail investors and other market participants will also benefit indirectly with the capital freed as a result of margin savings being redeployed into the market as there is virtually a direct correlation between collateral limits and trading

² The ultimate benefits would also depend on the form of cross-margining structure (including permissible offsets) approved by the applicable regulators.

³ Committee on Payment and Settlement Systems and Technical Committee of the International Organization of Securities Commissions, *Principles for financial market infrastructures - consultative report* (Basel, Switzerland: CPSS Publications No. 94, March 2011).

⁴ An escrow agreement is a certificate provided by an approved bank that guarantees the indicated securities are deposited at that particular bank, while a put guarantee letter is a letter issued by a bank stating that the writer of a put option has enough money in a bank account to pay the exercise price should the holder of the put exercise the option.

activity. Freed capital may be deployed as margin against new trading positions facilitating increased liquidity and efficiency in the market.⁵

Cross-Margining Should Not Increase Risk

Cross-margining should not increase risk for participants, clearing agencies or markets. A properly functioning cross-margining arrangement simply removes excess and unnecessary collateral from the CCPs, allowing it to be redeployed in the participant's business. In addition, a properly implemented loss sharing arrangement would allow the CPPs to better manage a participant default, allowing short positions on one market to be offset by excesses in another market.

When considering the risk implications of cross-margining, it is important to keep in mind the purpose of initial margin, that is, to collateralize the majority of potential losses that could result from a given member default in normal markets. As stated above, cross-margining eliminates excess initial margin by allowing for the offset of risk exposures between CCPs. This means that, compared to current practice, there will be less total margin collected by the two CCPs. However, the reduction of margin requirements provided by cross-margining are based on the recognition that positions in the two CCPs are offsetting, meaning that losses cannot be incurred by both CCPs at the same time on those offsetting positions.

For individual members, the change in their risk exposure as a result of cross-margining would depend on the final form of the cross-margining structure and on their participation in the markets for the asset classes being cross-margined. However, it is the intention of CDS and CDCC that the cross-margining structure that would be established would result in no incremental risk to participants that choose not to participate in inter-CPP cross-margining by providing that only members that choose to participate in inter-CPP cross-margining would be subject to exposure to the multiple asset classes included in the program.

Cross-Margining Unlikely Without Common Ownership Under TMX Group

In the view of Maple, TMX Group, CDCC and CDS, it is extremely unlikely that the necessary corporate prioritization and investment to achieve cross-margining between CDS and CDCC will occur other than under a common ownership model under TMX Group.

2 Maple Governance

Maple and TMX Group have considered the feedback that has been provided with respect to Maple's original governance proposal and have proposed modifications to the original proposal for Maple governance that is set out in Part 3 of the Application sub-headed "*Acquisition of TMX Group – Corporate Governance*".

Maple and TMX Group believe that the revised governance proposal described below will continue to ensure that the highest standards of corporate governance are maintained and that exchange functions will continue to be carried out in a manner consistent with the public interest. Maple and TMX Group firmly believe that this governance proposal will ensure fair, meaningful and diverse representation on the Maple Board and its committees, including appropriate representation of independent directors and a proper balance among the interests of the different persons and companies using TMX Group's services and facilities.

Composition of the Board of Directors

Maple and TMX Group propose that the Maple Board will be comprised of 17 directors based on the criteria described below.

Independent Directors

At least 50% of the directors of Maple will be "**Independent**". For this purpose, a person will be considered to be Independent if the person is "independent" within the meaning of s. 1.4 of NI 52-110 but will not be considered to be Independent if the person is (i) a partner, director, officer or employee of a participant in a marketplace owned or operated by Maple or its affiliates or an associate of such partner, director, officer or employee, or (ii) a partner, director, officer or employee of an affiliate of a participant in a marketplace owned or operated by Maple or its affiliates who is responsible for or is actively or significantly engaged in the day-to-day operations or activities of that participant.⁶

In addition, for so long as a Maple nomination agreement remains in force, at least 50% of the directors (excluding Maple's chief executive officer if he or she is also a director) will be "**Unrelated to Original Maple Shareholders**". For this purpose, a person will be considered to be Unrelated to Original Maple Shareholders if the person:

⁵ Illustratively, assuming a 10% margin requirement, \$1 billion in redeployed capital would represent \$10 billion in additional trading positions

⁶ Except as underlined, this proposal is consistent with the Application at p. 10475.

- (a) is not a partner, officer⁷ or employee of an Original Maple Shareholder⁸ or any of its affiliates (or an associate of that partner, officer or employee);
- (b) is not nominated under a Maple nomination agreement;
- (c) is not a director of an Original Maple Shareholder or any of its affiliates or an associate of that director;⁹ and
- (d) does not have, and has not had, any relationship with an Original Maple Shareholder that could, in the view of the Maple Governance Committee having regard to all relevant circumstances, be reasonably perceived to interfere with the exercise of his or her independent judgment as a director of Maple.

Please refer to "*Nominees and the Selection of Future Directors*" below for additional information on the Maple nomination agreements.

Maple and TMX Group have agreed that four of the initial Independent directors on the Maple Board will be existing TMX Group independent directors as mutually agreed by Maple and TMX Group. Maple and TMX Group have also agreed that the Chair of the Maple Board will be a person who is Independent, is not an existing TMX Group director and, for so long as any Maple nomination agreement is in effect, Unrelated to Original Maple Shareholders.

Independent Investment Dealer¹⁰

One director will be required to be drawn from the Canadian independent investment dealer community (for greater certainty, excluding investment dealers which are affiliates of Canadian Schedule I banks). For greater certainty, for so long as a Maple nomination agreement is in effect, such director will be Unrelated to Original Maple Shareholders.

Derivatives Expertise¹¹

At least 25% of the directors of Maple will be required to possess expertise in derivatives.

Quebec Residents¹²

At least 25% of the directors of Maple will be required to be Quebec residents.

Mirror Boards and Public Venture Requirements¹³

Maple and TMX Group continue to believe that the most efficient and appropriate governance model is to have identical boards at Maple, TMX Group, TSX, MX and TSX Venture. This reflects the existing TMX Group mirror board structure, with the addition of Maple as the new ultimate parent holding company. As such, as a practical matter, so long as the mirror board construct is maintained the Maple Board will also effectively embody the TSX Venture recognition order requirement that at least 25% of the directors be persons that have expertise in or are associated with the Canadian public venture capital markets. If a mirror board concept is not maintained as between Maple and TSX Venture, it is nonetheless Maple and TMX Group's present expectation, given the importance of TSX Venture to the organization as a whole, that at least 25% of the directors on the Maple Board will be persons who have expertise in or are associated with the Canadian public venture capital markets.

⁷ For this purpose, "officer" means: (a) a chief executive officer, a chief operating officer, a chief financial officer, a president, a vice-president, a secretary, an assistant secretary, a treasurer, an assistant treasurer and a manager; (b) every individual who is designated as an officer under a by-law or similar authority; and (c) every individual who performs functions similar to those normally performed by an individual referred to in clause (a) or (b).

⁸ For this purpose the Original Maple Shareholders are Alberta Investment Management Corporation, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., Desjardins Financial Corporation, Dundee Capital Markets Inc., Fonds de solidarité des travailleurs du Québec (F.T.Q.), GMP Capital Inc., The Manufacturers Life Insurance Company, National Bank Financial & Co. Inc., National Bank Financial Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc. and TD Securities Inc.

⁹ The Governance Committee of the Maple Board (described below) may waive this restriction provided that (i) the individual being considered does not have, and has not had, any relationship with an Original Maple Shareholder that could, in the view of the Maple Governance Committee having regard to all relevant circumstances, be reasonably perceived to interfere with the exercise of his or her independent judgment as a director of Maple, (ii) the use of the waiver is publicly disclosed with reasons of why the particular candidate was selected, (iii) notice is given to the Commission and the Autorité prior to public disclosure, and (iv) each of the Commission and the Autorité do not object to such waiver.

¹⁰ This proposal is consistent with the Application at p. 10475.

¹¹ This proposal is consistent with the Application at p. 10475.

¹² This proposal is consistent with the Application at p. 10475.

¹³ This proposal is consistent with the Application at p. 10475.

Pro forma Initial Board Composition

Maple and TMX Group propose a 17 person board. This proposal would result in:

- (a) at least ten Independent directors; and
- (b) at least eight directors that are Unrelated to Original Maple Shareholders.

Set out as Appendix A is a chart of key metrics of the initial board composition.

Board Committees

The Maple Board will establish six committees to assist the board in the discharge of its duties.

Finance and Audit Committee¹⁴

The Finance and Audit Committee will be comprised of at least four directors, all of whom will be Independent.

This Committee will be charged with, among other things, assisting the board in fulfilling its oversight responsibilities regarding:

- (a) the integrity of the corporation's financial statements;
- (b) the internal control systems of the corporation;
- (c) the external audit process;
- (d) the internal audit and assurance process;
- (e) business planning;
- (f) investment opportunities and the raising of funds by the corporation;
- (g) the administration, financial reporting and investment activities of the corporation's pension plan(s); and
- (h) the corporation's compliance with legal and regulatory requirements.

This wholly Independent committee will also be charged with assisting the Maple Board in fulfilling its risk management responsibilities, including reviewing and assessing Maple's risk management policies and procedures with regard to the identification of principal risks and the adequacy of the implementation of appropriate procedures to mitigate and manage such risks.

Governance Committee¹⁵

The Governance Committee will be comprised of at least five directors, all of whom will be Independent and, so long as any Maple nomination agreement is in effect, a majority of whom will be Unrelated to Original Maple Shareholders. Initially, two directors on this Committee will be former TMX Group independent directors and one will be the new independent Maple Board Chair. Quorum for the Governance Committee will require a majority of Independent directors and, for so long as any Maple nomination agreement is in effect, a majority of directors who are Unrelated to Original Maple Shareholders.

This Committee will be charged with, among other things, providing the Maple Board with recommendations relating to corporate governance in general, including, without limitation:

- (a) all matters relating to the stewardship role of the board in respect of the management of the corporation;
- (b) board size and composition, including:
 - (i) confirming the status of nominees to the Maple Board as Independent and/or Unrelated to Original Maple Shareholders, as appropriate, before the name of the individual is submitted to shareholders as a nominee for election to the Maple Board;

¹⁴ This proposal is consistent with the Application at p. 10476.

¹⁵ Except as underlined, this proposal is consistent with the Application at p. 10476.

- (ii) confirming on an annual basis that the status of the directors that are Independent and/or Unrelated to Original Maple Shareholders, as appropriate, has not changed;
- (iii) assessing and approving all nominees of management to the Maple Board, and any nominees pursuant to any Maple nomination agreement; and
- (iv) the orientation of new members;
- (c) board compensation; and
- (d) such procedures as may be necessary to allow the board to function independently of management and non-independent directors.

This Committee will design and oversee compliance with policies associated with an efficient system of corporate governance, other than policies relating to conflicts of interest that are within the scope of the Regulatory Oversight Committee (discussed below).

For additional information on the role of this Committee with respect to board composition, please refer to "*Nominees and the Selection of Future Directors – Selection of Future Directors*" below.

Human Resources Committee¹⁶

The Human Resources Committee will be comprised of at least four directors, all of whom will be non-management.

This Committee will be charged with, among other things, taking steps on behalf of the Maple Board or making recommendations to the Maple Board regarding:

- (a) appointing and compensating executive officers and approving succession plans for the Chief Executive Officer and other executive officers;
- (b) approving and reporting to the board in respect of human resources policies for executive officers; and
- (c) overseeing the administration of compensation and benefits plans.

Public Venture Market Committee¹⁷

The Public Venture Market Committee will be comprised of at least four directors, all of whom will be non-management and at least a majority of whom will have expertise in public venture markets.

This Committee will be charged with advising and making recommendations to the Maple Board with respect to all policy issues and matters that are likely to have a significant impact on the public venture capital market in Canada and the role of Maple and/or TSX Venture in relation thereto.

Derivatives Committee

The Derivatives Committee will be comprised of at least four directors, all of whom will be non-management and at least a majority of whom will have expertise in derivatives.

This Committee will be charged with advising and making recommendations to the Maple Board with respect to all policy issues and matters that are likely to have a significant impact on derivatives and related products of Maple and its subsidiaries and, among other things, on the role of Maple and/or MX and/or CDCC in relation thereto.

Regulatory Oversight Committee

The Regulatory Oversight Committee will be comprised of at least three directors, all of whom will be Independent and, for so long as a Maple nomination agreement is in effect, a majority of whom will be Unrelated to Original Maple Shareholders. Quorum for the Regulatory Oversight Committee will require a majority of Independent directors and, for so long as any Maple nomination agreement is in effect, a majority of directors who are Unrelated to Original Maple Shareholders.

This Committee will be charged with, among other things:

¹⁶ This proposal is consistent with the Application at p. 10476-7.

¹⁷ This proposal is consistent with the Application at p. 10477.

- (a) considering real or perceived conflicts of interest that may arise, including in the context of:
 - (i) ownership interests in Maple by any participant in a marketplace owned or operated by Maple or its affiliates with representation on the Maple Board;
 - (ii) increased concentration of ownership under Maple; and
 - (iii) the profit-making objective and the public interest responsibilities of Maple, including general oversight of the management of the regulatory and public interest responsibilities of TMX Group and TSX;
- (b) overseeing the establishment of mechanisms to avoid or appropriately manage conflicts of interest or potential conflicts of interest, real or perceived, including any policies and procedures that are developed by Maple, TMX Group or TSX;
- (c) monitoring the operation of mechanisms that deal with conflicts of interest, including oversight of reporting of issuer regulation activities and conflicts of interest by TSX;
- (d) reviewing the effectiveness of the policies and procedures regarding conflicts of interest on a regular, and at least annual basis;
- (e) annually preparing a written report examining the avoidance and management of conflicts of interest, the mechanisms used and the effectiveness of those mechanisms and providing the report to the Maple Board and to the Commission; and
- (f) reporting to the Maple Board as appropriate, and in writing directly to the Commission on any matter that the Regulatory Oversight Committee deems appropriate or that is required by the Commission, without first requiring Maple Board approval or notification for such reporting.

The Regulatory Oversight Committee will provide a report in writing to the Commission following any meeting it holds and such report will include a list of the matters that were considered by the Regulatory Oversight Committee and a detailed summary of the Committee's considerations, how those matters were addressed and any other information required by the Commission.

Nominees and the Selection of Future Directors

Nomination Agreements¹⁸

Maple was originally formed by Alberta Investment Management Corporation, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., Fonds de solidarité des travailleurs du Québec (F.T.Q.) ("FTQ"), National Bank Financial Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc. and TD Securities Inc. (excluding FTQ, the "**Nominating Maple Shareholders**"). Prior to the initial take-up of TMX Group shares under the Offer, Maple will enter into separate nomination agreements with each of the Nominating Maple Shareholders or, in each case, an affiliate thereof. Pursuant to these agreements, each applicable Nominating Maple Shareholder (or its applicable affiliate(s)) will have the right to nominate one director for election to the Maple Board. Each Nominating Maple Shareholder will be required to identify a nominee that, in its opinion, meets the eligibility criteria established from time to time by the Maple Governance Committee, including with respect to appropriate skills and qualifications required to serve on the Maple Board.

Following completion of the Maple Acquisition, each person nominated pursuant to a nomination agreement will be subject to the approval of the Governance Committee of the Maple Board, acting reasonably in the discharge of its mandate. Should the Governance Committee determine that a nominee is not suitably qualified, the Nominating Maple Shareholder will be entitled to select a replacement nominee for consideration by the Governance Committee.

Where a director nominated pursuant to a nomination agreement ceases to serve as a director, the Nominating Maple Shareholder will be entitled to select a replacement nominee for consideration by the Governance Committee and the process described above will be repeated.

A nomination agreement will terminate in respect of any Nominating Maple Shareholder (or its applicable affiliate(s)) at the earlier of (i) the sixth anniversary of the completion of the Maple Acquisition and (ii) such time as such Nominating Maple Shareholder (or such affiliate(s)) ceases to own that number of common shares of Maple (or any successor entity resulting from the combination of Maple and TMX Group) equal to 5% of the total issued and outstanding common shares of Maple as at the date of, and after giving effect to, the acquisition of 100% of the shares of TMX Group.

¹⁸ This proposal is consistent with the Application at p. 10477.

The nomination agreement will be personal to each Nominating Maple Shareholder (or its applicable affiliate(s)) and non-transferable (other than to affiliates). Maple (and any successor entity) will take into account the rights of the Nominating Maple Shareholders (or their applicable affiliate(s)) party to the nomination agreements in connection with ensuring its compliance with applicable recognition orders.

The nomination agreements are not among the Investors as there is no connection between a Nominating Maple Shareholder's individual nomination right and any other individual Investor. There is no agreement, commitment or understanding among the Investors to vote in favour of any other Nominating Maple Shareholder's nominee and the election of each such nominee will remain subject to consideration and approval by Maple's shareholders at any meetings at which directors of Maple are to be elected.

Selection of Future Directors¹⁹

The Governance Committee of the Maple Board, which will be comprised of five directors, all of whom will be Independent, and, so long as any Maple nomination agreement is in effect, a majority of whom will be Unrelated to Original Maple Shareholders, will be charged with nominating all directors who are not otherwise nominated pursuant to a nomination agreement and, as described above, assessing and approving all directors who are nominated pursuant to a nomination agreement.

The Governance Committee will review on an ongoing basis the composition of the Maple Board, including the current strengths, skills and experiences on the Maple Board and its strategic direction. The Governance Committee will be charged with identifying any gaps in the Maple Board's composition and seeking to fill those gaps. Qualities such as integrity, good character and high regard in his or her community or professional field will always be basic criteria for Maple Board members. The Governance Committee will also consider independence, professional or board expertise, and experience in a number of areas including capital markets, venture exchange markets, derivatives, energy, clearing, technology, public companies, sales and marketing, corporate governance, human resources, settlement, broker/dealers and international dealings. As well, representation from geographic regions relevant to Maple's strategic priorities and Quebec residency requirements will be taken into consideration. The objective will be to ensure the Maple Board's composition provides the appropriate mix of skills and experience to guide the strategies and business operations of Maple and TMX Group's exchanges. In all circumstances the Governance Committee will take reasonable steps to ensure that each board nominee is a fit and proper person and that the past conduct of such nominee affords reasonable grounds for belief that the director will perform his or her duties with integrity.

The Governance Committee will be authorized to retain outside consultants to assist in conducting searches for appropriate nominees. In addition, the Governance Committee will be charged with maintaining a list of potential director candidates for its consideration, to be reviewed annually.

*Public Interest and Duties to Maple; Conflicts of Interest*²⁰

Maple will be recognized as an exchange. As such, and as a parent company of other recognized exchanges, Maple understands that it has a public interest mandate to fulfill. The Maple Board will be specifically focussed on discharging its duties having due regard to the public interest. Maple and TMX Group affirm that Maple will adopt a board code of conduct as described in Part 3 of the Application "*Acquisition of TMX Group – Public Interest and Duties to Maple*". TMX Group already has such a board code; Maple's code will be substantially similar to TMX Group's.

Maple and TMX Group also affirm that persons nominated to the Maple Board, whether pursuant to a nomination agreement or otherwise, will be subject to, and will be expected to comply with, their fiduciary duties owed to Maple and must act in the best interests of Maple regardless of any personal affiliations (including any affiliations with an Original Maple Shareholder).

In addition, Maple and TMX Group agree that, in addition to the requirements of the Regulatory Oversight Committee respecting conflicts of interest, Maple, TMX Group and TSX will adopt and maintain policies and procedures that identify and manage any conflicts of interest or potential conflicts of interest, perceived or real, arising from Maple's interest in TMX Group and TSX, and from the involvement of any partner, director, officer or employee of a Significant Maple Shareholder²¹ in the management or oversight of the marketplace operations or regulation functions of a marketplace owned or operated by Maple or its affiliates and the services and products provided by such marketplace. These policies and procedures will also include protections against

¹⁹ Except as underlined, this proposal is consistent with the Application at p. 10476-10477.

²⁰ Except as underlined, this proposal is consistent with the Application at p. 10477-10478.

²¹ A "Significant Maple Shareholder" is a Maple shareholder which, (a) beneficially owns or exercises control or direction over more than 5% of the outstanding voting shares of Maple, (b) is an Original Maple Shareholder for so long as such Original Maple Shareholder is party to a nomination agreement which remains in effect, or (c) is an Original Maple Shareholder that, subject to certain limitations, has a partner, officer, director or employee on the Maple Board other than pursuant to a Maple nomination agreement. The determination of whether the 5% threshold is exceeded would be subject to certain ordinary course of business exceptions where Maple shares are acquired as a result of activities that are not related to the Maple shareholder's investment in Maple and which are not undertaken for the purpose of influencing the voting of Maple shares.

improper disclosure or use of confidential information regarding marketplace operations, regulation functions, marketplace participants or listed issuers that is obtained by a partner, director, officer or employee of a Significant Maple Shareholder through that individual's involvement in the management or oversight of marketplace operations or regulation functions.

Moreover, subject to certain limitations, each marketplace owned or operated by Maple or its affiliates that is regulated by the Commission as a recognized exchange or ATS will require that any marketplace participant that is also (a) an Original Maple Shareholder and a dealer, or an affiliate thereof, or (b) a prescribed dealer affiliated with an Original Maple Shareholder, must disclose the participant's relationship to Maple and the marketplace to (i) clients whose orders might be, and clients whose orders have been, routed to the marketplace, and (ii) clients for whom the participant is acting or proposing to act as underwriter in connection with the issuance of securities to be listed on such marketplace.

Governance Review

Within three years of Maple's acquisition of TMX Group, or at other times as requested by the Commission or the Autorité, Maple, TMX Group, TSX and MX, as applicable, will engage an independent consultant or consultants acceptable to the Commission and/or the Autorité, as applicable, to prepare a written report assessing the governance structure of Maple, TMX Group, TSX and MX, as applicable. This review will include, as applicable:

- (a) a review of the board composition, in particular whether the composition of the board continues to meet the recognition criteria, including the requirement that there be fair, meaningful and diverse representation on the board and any committees;
- (b) a review of the impact of the board composition requirements, including requirements imposed by all securities regulatory authorities, on Maple's, TMX Group's, TSX's and MX's ability, as applicable, to meet their recognition criteria;
- (c) a review of the appropriateness and effectiveness of identical boards for Maple, TMX Group, TSX and MX, as applicable;
- (d) a review of how the Maple Governance Committee actually discharges its mandate and performs its role and functions; and
- (e) a review of how Maple's Regulatory Oversight Committee or the special committee of the regulatory division of MX, as applicable, actually discharges its mandate and performs its role and function, including how conflicts of interest and potential conflicts of interest are actually managed.

This report will be delivered to the Maple Board and to the Commission.

Enhanced Annual Certification; and Conflicts of Interest

To allay any perception that the Investors in Maple will act jointly or in concert following completion of the Transactions, in addition to the annual mandatory declaration of ownership to be completed by all shareholders of Maple (in accordance with the existing TMX Group process), each Original Maple Shareholder will certify in writing to the Commission, in a certificate signed by its chief executive officer and either its general counsel or chief compliance officer, that, based on their knowledge, having exercised reasonable diligence:

- (a) the Original Maple Shareholder is not acting jointly or in concert with any other Original Maple Shareholder (or any affiliate or associate thereof) with respect to any voting shares of Maple;
- (b) the Original Maple Shareholder has no agreement, commitment or understanding, written or otherwise, with any other Original Maple Shareholder (or any affiliate or associate thereof) with respect to the acquisition or disposition of voting shares of Maple (other than, in the case of dispositions, Section 22 of the Acquisition Governance Agreement), the exercise of any voting rights attached to any voting shares of Maple or the coordination of decisions or voting by its nominee director of Maple (if any) with the decisions or voting by the nominee director of any other Original Maple Shareholder; and
- (c) since the last certification, the Original Maple Shareholder has not acted jointly or in concert with any other Original Maple Shareholder (or any affiliate or associate thereof) with respect to (i) any voting shares of Maple, including with respect to the acquisition or disposition of any voting shares of Maple (other than, in the case of dispositions, under Section 22 of the Acquisition Governance Agreement) or the exercise of any voting rights attached to any voting shares of Maple, or (ii) coordination of decisions or voting by its nominee director of Maple (if any) with the decisions or voting by the nominee director of any other Original Maple Shareholder.

This certification will be an annual obligation and will be made at such other times as the Commission may request.

In addition to this annual certification obligation, each Original Maple Shareholder or prescribed dealer affiliate will establish and maintain policies and procedures that identify and manage any conflicts of interest or potential conflicts of interest, real or perceived, arising from its ownership interest in Maple, and indirectly TMX Group, TSX, Alpha and CDS, including conflicts of interest or potential conflicts of interest that arise from any interactions between TSX and the Original Maple Shareholder or prescribed dealer affiliate where TSX may be exercising discretion in the application of its Rules that involves or affects the Original Maple Shareholder, either directly or indirectly.

Each Original Maple Shareholder that is also a Significant Maple Shareholder will also adopt policies and procedures relating to conflicts of interest or potential conflicts of interest, real or perceived, that may arise from the involvement of its nominee on the Maple Board, including those that arise from its involvement in the management or oversight of the exchange operations or regulation functions of Maple, TMX Group and TSX and the services and products each provides. These policies and procedures will also include protections against improper disclosure or use of confidential information regarding marketplace operations or regulation functions, or regarding a TSX participating organization or an issuer listed on TSX.

Moreover: (a) each Original Maple Shareholder that is also a dealer will disclose; and (b) each Original Maple Shareholder must ensure that any of its affiliates that are a marketplace participant will disclose, its relationship with Maple and its affiliates to (i) clients whose orders might be, and clients whose orders have been, routed to a marketplace owned or operated by Maple or its affiliates, and (ii) clients for whom the participant is acting or proposing to act as underwriter in connection with the issuance of securities to be listed on an exchange owned or operated by Maple or its affiliates.

Maple submits that these robust commitments should allay any legitimate concerns with respect to conflicts of interest by the Original Maple Shareholders arising from their interest in Maple.

Share Ownership Limitation

Maple and TMX Group have agreed that Maple will enter into a standstill agreement with each Investor that is a Participating Organization²² pursuant to which each such Investor (and its subsidiaries and parent entities) will be restricted from increasing its ownership percentage in Maple as at the completion of the Maple Acquisition for a period of five years following completion of the Maple Acquisition. This standstill will be subject to exceptions for certain ordinary course business activities which are described in clause (d) of Schedule E to the Support Agreement between Maple and TMX Group dated October 30, 2011 and which has been publicly filed on SEDAR.

3. Fees and Cost Allocation for Maple, TMX Group and TSX

Fees, Fee Model and Incentives

Maple and TMX Group recognize that the Commission considers certain pricing practices to be prohibited or to require prior approval of the Commission on a case by case basis, in each case pursuant to the provisions of National Instrument 21-101 - *Marketplace Operation*, which provisions apply equally to all marketplaces. Maple will, and TMX Group and TSX will continue to, adhere to these provisions.

In particular, Maple agrees with the Commission that pursuant to the provisions of National Instrument 21-101, a recognized exchange must not, through any fee schedule, any fee model or any contract, agreement or other arrangement with any marketplace participant or any other person or company provide:

- (a) any discount, rebate, allowance, price concession or other similar arrangement on any services or products offered by the regulated marketplace²³ that is conditional upon the purchase of any other service or product provided by the regulated marketplace or any affiliate;
- (b) any discount, rebate, allowance, price concession or other similar arrangement that is accessible only to, whether by design or by implication, particular market participants (except for certain arrangements with market makers); or
- (c) any discount, rebate, allowance, price concession or other similar arrangement for any service or product offered by the regulated marketplace that is conditional upon:

²² For this purpose, "Participating Organization" means an entity desiring access to the trading facilities of TSX whose application has been accepted by TSX.

²³ For this purpose, a "regulated marketplace" means a marketplace owned or operated by Maple or its affiliates that is regulated by the Commission as a recognized exchange or ATS.

- (i) the requirement to have a marketplace owned or operated by Maple or its affiliates be set as the default or first marketplace a marketplace participant routes to; or
- (ii) the router of a marketplace owned or operated by Maple or its affiliates being used as the marketplace participant's primary router.

Similar restrictions would be imposed on affiliates of Maple making discounts conditional on the purchase of a service or product provided by a regulated marketplace.

In addition, Maple agrees with the Commission that pursuant to the provisions of National Instrument 21-101, a recognized exchange must obtain prior Commission approval for certain other types of discounts or arrangements, or certain requirements to obtain products or services from a marketplace as a condition to a marketplace providing a product or service.

Pursuant to section 5.1 of National Instrument 21-101, these restrictions ensure that a recognized exchange shall not (i) unreasonably prohibit, condition or limit access by users to its services, (ii) permit unreasonable discrimination among users or (iii) impose any burden on competition that is not reasonably necessary or appropriate. One particular effect of these restrictions is to prevent Maple from imposing conditions on discounts that might unreasonably impair the entry or expansion of competing equities trading platforms.

In addition, Maple has agreed with the Commission that it will not support, encourage or incent, either through fee incentives or otherwise, participants on marketplaces owned or operated by Maple or its affiliates to coordinate the routing of their orders to a particular marketplace or trading facility owned or operated by Maple or its affiliates.

In addition, the Original Maple Shareholders are prepared to accept restrictions imposed by the Commission that provide further assurance of a continuing competitive environment by restricting their coordination in the routing of orders and confirming their incentives to continue to route trades to the most competitive marketplace, notwithstanding their equity interest in Maple. In particular, the Original Maple Shareholders are prepared to accept requirements, as applicable:

- (a) requiring them to not enter (and, in the case of certain Original Maple Shareholders, to not cause prescribed affiliates to enter) into any arrangements, undertakings, commitments, understandings or agreements with Maple, TMX Group, TSX, any other Original Maple Shareholder or any other marketplace participant with respect to coordination of the routing of orders between the Original Maple Shareholder or any of its affiliates and any other entity, including the coordination of the routing of orders to a particular marketplace or trading facility owned or operated by Maple or its affiliates, except with respect to activities that are permitted by the requirements of a marketplace, a Maple trading facility, or IIROC;
- (b) on each Original Maple Shareholder not to pay or offer to pay to its traders any benefit, financial or otherwise that would incent such traders to direct their orders to a marketplace or trading facility owned or operated by Maple or its affiliates;
- (c) on each Original Maple Shareholder that is not a dealer to provide a written directive to its traders that they shall not cause routing decisions to be made based on the Original Maple Shareholder's ownership interest in the marketplace or trading facility owned or operated by Maple or its affiliates; and
- (d) on each Original Maple Shareholder that is a dealer, or its affiliates that are marketplace participants, to establish a written directive requiring its traders to base routing decisions on the best execution and order protection obligations, where applicable, without regard to any ownership interest of the dealer in the marketplace or trading facility owned or operated by Maple or its affiliates. The written directive would provide that where best execution and order protection obligations are satisfied and an order or orders are being routed on the basis of other factors, the dealer's routing decisions, including the use of algorithms, or those of its affiliates that are marketplace participants, will not take into account any financial benefit that would accrue to the dealer by virtue of its equity ownership interest in Maple.

Each Original Maple Shareholder will provide an annual certificate to the Commission regarding compliance with these commitments.

Cost Allocation

Maple and TMX Group will implement an internal cost allocation model and policies with respect to allocation of costs or transfer of prices. The implementation of such model and policies, and any amendment thereto, would be subject to the approval of each of the Commission and the Autorité. In addition, an independent auditor will be engaged to annually audit compliance with such model and policies. The report of such auditor will be furnished to the Commission and the Autorité.

4. CDS Governance

Maple and TMX Group have considered the feedback that has been provided with respect to Maple's original governance proposal for CDS and have proposed modifications to the original proposal for CDS governance that is set out in Part 4 of the Application sub-headed "*Acquisition of CDS – Corporate Governance*". Maple and TMX Group believe that the revised governance proposal will continue to ensure that the best interests of CDS are met, taking into consideration input from market participants and regulators and with due consideration of the public interest while ensuring fair and meaningful representation of key stakeholders and appropriate representation by independent directors.

Composition of the CDS Board

Maple and TMX Group continue to believe that the board of CDS must be constituted with a balance of directors that possess technical expertise, industry experience and an interest in the successful and efficient operation of the business and the evolution thereof. The structure proposed below, together with the use of Market Participant Advisory Committees as described below, will ensure user representation in the governance and operations of CDS, and properly balance the need to ensure that an appropriate level of expertise is provided by industry participants while also ensuring a diversity of views independent of Maple, TMX Group and CDS.

The proposed board of directors of CDS will be comprised of 11 directors based on the criteria described below.²⁴

Independent Directors

At least 33% of the directors of CDS will be "independent". For this purpose, a person will be considered to be independent if the person is not:

- (a) an associate, partner, director, officer or employee of a Significant Maple Shareholder²⁵;
- (b) an associate, partner, director, officer or employee of a participant of CDS or such participant's affiliates or an associate of such partner, director, officer or employee;
- (c) an associate, partner, director, officer or employee of a marketplace or such marketplace's affiliates or an associate of such partner, director, officer or employee; or
- (d) an officer or employee of CDS or its affiliates or an associate of such officer or employee.

Please refer to "*Nominees and the Selection of Future Directors*" below for additional information on the selection process for independent directors.

Industry Directors²⁶

At least 33% of the directors of CDS will be representatives of participants of CDS ("**Participant Directors**") of which:

- (a) one Participant Director will be nominated by IIROC; and
- (b) three Participant Directors will be nominated by Maple, of whom:
 - (i) one must be nominated from one of the five largest participants (including affiliates as a single unit); and
 - (ii) for so long as a Maple nomination agreement remains in effect, at least one must be Unrelated to Original Maple Shareholders²⁷.

²⁴ This proposal is consistent with the Application at p. 10483.

²⁵ *Supra*, note 21.

²⁶ Except as underlined, this proposal is consistent with the Application at p. 10483.

²⁷ For this purpose, a person is Unrelated to an Original Maple Shareholder if the person (i) is not an officer, partner, or employee of an Original Maple Shareholder or any of its affiliates (or an associate of that officer, partner or employee), (ii) is not nominated under a Maple nomination agreement, (iii) is not a director of an Original Maple Shareholder or any of its affiliates or an associate of that director, and (iv) does not have, and has not had, any relationship with an Original Maple Shareholder that could, in the view of CDS' Governance Committee having regard to all relevant circumstances, be reasonably perceived to interfere with the exercise of his or her independent judgment as a director of CDS.

In addition, one director will be a representative of a marketplace unaffiliated with Maple and nominated by marketplaces unaffiliated with Maple (an "Unaffiliated Marketplace Director").

Please refer to "– Nominees and the Selection of Future Directors" below for additional information on the nomination rights referred to above.

CDS Chief Executive Officer²⁸

One director will be the chief executive officer of CDS.

Clearing and Settlement Expertise

At least 50% of the directors of CDS will be required to possess expertise in clearing and settlement of the instruments cleared and settled by CDS (including risk management and the technology requirements related to clearing and settlement). Sources of directors with such expertise will include the chief executive officer of CDS and the Participant Directors. In addition, Maple and TMX Group expect that other directors (including independent directors) who may be expected to have clearing and settlement expertise would include, but are not limited to, (i) persons who developed clearing and settlement expertise in foreign jurisdictions, (ii) former employees of regulatory authorities and government agencies (such as a central bank) with responsibility for oversight of clearing and settlement or systemic risk, (iii) members of academia, (iv) current or former employees, officers or directors of CDS, and (v) persons who are former directors, officers or employees of participants.

Pro Forma Initial Board Composition

With an eleven person board at CDS, this proposal would result in:

- (a) four independent directors;
- (b) four Participant Directors;
- (c) one Unaffiliated Marketplace Director;
- (d) the chief executive officer of CDS; and
- (e) one additional director.

Under this structure Maple will nominate four directors to the board of CDS – three of the Participant Directors and one additional director. Please refer to "– Nominees and the Selection of Future Directors" below for additional information on these nominations. It is presently expected that Mr. Tom Kloet, the individual who will serve as Maple chief executive officer, will be the additional director nominee to the board of CDS. Mr. Kloet possesses extensive international experience in equities and derivatives clearing. Maple and TMX Group are not proposing that the chief executive officer of Maple have automatic standing as a director of CDS.

Nominees and the Selection of Future Directors

Under Maple ownership, CDS will take reasonable steps to ensure that each director of CDS is a fit and proper person and that the past conduct of each director affords reasonable grounds for belief that the director will perform his or her duties with integrity. The overall selection process for persons to serve as directors is focussed on identifying knowledgeable persons who understand the industry and, wherever appropriate, have an interest in the successful and efficient operation of the business and ensuring that the risks to the clearing and settlement system are properly managed.²⁹

IIROC Nominee³⁰

Maple and TMX Group propose that one Participant Director on the board of CDS will be nominated by IIROC. Under this nomination entitlement, IIROC would be asked to identify a nominee that:

- (a) possesses expertise in clearing and settlement;
- (b) is financially literate within the meaning of NI 52-110; and

²⁸ This proposal is consistent with the Application at p. 10483.

²⁹ This proposal is consistent with the Application at p. 10483.

³⁰ Except as underlined, this proposal is consistent with the Application at p. 10483.

- (c) in IIROC's reasonable opinion has the appropriate skills to serve on the CDS board and is otherwise a fit and proper person.

The IIROC nominee will be subject to the approval of the Governance Committee of CDS, acting reasonably, and such Committee will be charged with assessing the nominee to ensure that he or she possesses the appropriate strengths, skills, expertise and experience, when complemented by the other members of the board, to guide the strategies and business operations of CDS and ensure that the composition of the CDS board satisfies all applicable regulatory requirements. Should the Governance Committee determine that the nominee of IIROC is not suitably qualified, IIROC will be entitled to select a replacement nominee for consideration by the Governance Committee.

Where the IIROC nominated Participant Director resigns, or a determination is made by the Governance Committee that a new director may make a more useful contribution, IIROC will be invited to submit a new nominee and the process described above will be repeated.

Unaffiliated Marketplace Nominee

Maple and TMX Group propose that the Unaffiliated Marketplace Director on the board of CDS will be nominated by marketplaces unaffiliated with Maple, TMX Group or CDS. Under this nomination entitlement, the unaffiliated marketplaces will be asked to jointly submit a short list of candidates, upon whom they agree, that satisfy the following criteria:

- (a) is financially literate within the meaning of NI 52-110; and
- (b) in the unaffiliated marketplaces' reasonable opinion has the appropriate skills to serve on the CDS board and is otherwise a fit and proper person.

Should the unaffiliated marketplaces be unable to agree on a short list of suitable candidates, they will be asked to each nominate a single candidate.

The unaffiliated marketplace nominee will be subject to the approval of the Governance Committee of CDS, acting reasonably, and such Committee will be charged with assessing the candidates' strengths, skills, expertise and experience and selecting the candidate who, when complemented by the other members of the board, is best suited to guide the strategies and business operations of CDS. Should the Governance Committee determine that none of the candidates are suitably qualified, the unaffiliated marketplaces will be entitled to nominate additional candidates for consideration by the Governance Committee.

Where the Unaffiliated Marketplace Director resigns, or a determination is made by the Governance Committee that a new director may make a more useful contribution, the unaffiliated marketplaces will be invited to submit new candidates and the process described above will be repeated.

In all instances, the focus of the Governance Committee will be the selection of the best candidate to serve as director and accordingly which marketplace such candidate may be associated with will not itself be a factor in the selection process.

Independent Directors³¹

The Governance Committee of CDS, which is comprised as to a majority of independent directors, will be charged with nominating all independent directors. In so doing, the Governance Committee will ensure that each nominee is a fit and proper person who possesses the appropriate strengths, skills, expertise and experience, when complemented by the other members of the board, to guide the strategies and business operations of CDS and ensure that the composition of the CDS board satisfies all applicable regulatory requirements.

Shareholder Nominees

As CDS' parent company, Maple will have the right to nominate to the board of CDS all directors who are not otherwise selected pursuant to the nomination processes described above or who otherwise have automatic standing as a director pursuant to the recognition order. As set out under "– Composition of the CDS Board – Pro Forma Initial Composition" above, under the proposed structure Maple would nominate four directors. Of these four directors, three must satisfy the following criteria:

- (a) be Participant Directors, of which:
- (i) one must be selected from one of the five largest participants (including affiliates as a single unit); and

³¹ This proposal is consistent with the Application at p. 10484.

- (ii) for so long as a Maple nomination agreement remains in effect, at least one must be Unrelated to Original Maple Shareholders;
- (b) possess expertise in clearing and settlement; and
- (c) be financially literate within the meaning of NI 52-110.

In addition, all four nominees must, in Maple's reasonable opinion, have the appropriate skills to serve on the CDS board and otherwise be a fit and proper person.

The Maple nominees will be subject to the approval of the Governance Committee of CDS, acting reasonably, and such Committee will be charged with assessing the nominees to ensure that they each possess the appropriate strengths, skills, expertise and experience, when complemented by the other members of the board, to guide the strategies and business operations of CDS and ensure that the composition of the CDS board satisfies all applicable regulatory requirements. Should the Governance Committee determine that one or more nominees is not suitably qualified, Maple will be entitled to select replacement nominees for consideration by the Governance Committee.

Discharge by the Governance Committee of its Obligations³²

The Governance Committee will review on an ongoing basis the composition of the CDS board, including the current strengths, skills, expertise and experiences on the board and its strategic direction. In assessing any proposed nominee to the board of CDS, the Governance Committee will assess the strengths, skills, expertise and experiences of such proposed nominee both from the perspective of the individual and from the perspective of the needs of the board of directors to ensure that there would be an appropriate mix of strengths, skills, expertise and experience represented on the board to guide the strategies and business operations of CDS, while satisfying all applicable regulatory requirements. In addition, qualities such as integrity, good character and high regard in his or her community or professional field will always be basic criteria for board members. The Governance Committee will also consider independence, professional or board expertise, and other relevant expertise and experience.

Board Committees

The board of CDS will establish two committees, both chaired by independent directors, to assist the board in the discharge of its duties.³³

Risk Management and Audit Committee³⁴

The Risk Management and Audit Committee will be comprised of five directors and will be required to satisfy the following criteria:

- (a) all members must be financially literate within the meaning of NI 52-110;
- (b) one member must be an independent director who will serve as chair;
- (c) two members must be industry directors that, for so long as a Maple nomination agreement remains in effect, are Unrelated to Original Maple Shareholders, including the IIROC nominated director provided such director possesses the appropriate qualifications and is willing to serve; and
- (d) two members who were nominated to the CDS board by Maple.

In addition, members of this Committee will be required to possess experience or expertise in one or more of the following areas: internal risk controls, risk assessments and reporting, legal matters, government and public policy, accounting and risk management.

This Committee will be charged with, among other things:

- (a) assisting the board in fulfilling its risk management responsibilities, including reviewing and assessing CDS' risk management policies and procedures, the adequacy of the implementation of appropriate procedures to mitigate and manage such risks and CDS' participation standards and collateral requirements;

³² This proposal is consistent with the Application at p. 10484.

³³ This proposal is consistent with the Application at p. 10484 except that the responsibilities of the former Finance and Audit Committee and Risk Management Committee have been combined into a single Risk Management and Audit Committee.

³⁴ Except as underlined, this proposal is consistent with the Application at p. 10484.

- (b) assisting the board in fulfilling its oversight responsibilities with respect to the accounting and financial reports of CDS;
- (c) monitoring the financial performance of CDS and providing financial management oversight and direction to the business and affairs of CDS;
- (d) advising the board on the fairness, reasonableness and competitiveness of its pricing and fees in the context of the Canadian marketplace and trends relating to comparable services offered by clearing houses worldwide;
- (e) overseeing CDS' annual reporting obligation to the Commission and the Autorité respecting pricing and fees described in Part 4 "CDS Fees and Access – Additional Features of Pricing Model – Commission and Autorité Oversight – Annual Reporting Obligation"; and
- (f) ensuring fair and equitable resources are dedicated to development projects for competitive marketplaces.

Governance Committee³⁵

The Governance Committee will be comprised of at least four directors, at least a majority of whom will be independent directors, and will be chaired by an independent director.

This Committee will be charged with assisting the board on matters related to corporate governance, including, without limitation:

- (a) the candidate selection process for the identification of independent directors;
- (b) approval of Maple, IIROC and unaffiliated marketplace nominated directors as described under "Nominees and the Selection of Future Directors" above;
- (c) the orientation of new directors;
- (d) oversight of policies and procedures for the identification and resolution of conflicts of interest; and
- (e) the operation of the Market Participant Advisory Committees.

*Public Interest and Duties to CDS*³⁶

The board of CDS will be specifically focussed on discharging its duties having due regard to the public interest. CDS will adopt a board code of conduct which establishes similar expectations for directors appointed to the board as are described in Part 3 of the Application "*Acquisition of TMX Group – Public Interest and Duties to Maple*". The code of conduct will also include conflict of interest disclosure provisions.

On a more general basis, CDS and its subsidiaries will be appropriately partitioned from Maple and its other subsidiaries to avoid situations of real, potential or apparent conflicts of interest that may arise, and to ensure that confidential information currently or potentially held by CDS concerning their functions, activities and files remain confidential and are not communicated, disclosed or exchanged inappropriately to Maple or its applicable subsidiaries or to third parties.

Further, Maple will ensure that it and CDS strive to minimize any risk of conflict of interest between risk management functions and other operations of CDS. The clearing operations of CDS are presently part of a larger organization with existing risk management policies intended to address the risk of conflict of interest between risk management functions and other operations. Maple and TMX Group do not believe that the completion of the Transactions would require that any new mechanisms be introduced in this regard. CDS presently assesses the adequacy of its risk management policies and procedures at least annually and benefits from the advice and guidance of a market participant advisory committee with a specific mandate with respect to risk management. Under the Maple proposal these prudent risk management practices would continue to be adhered to consistent with past practice and amendments and improvements to risk management policies and practices would be implemented where necessary or desirable.

Maple and TMX Group do not believe that the business model of the organization (i.e., cost recovery or for-profit) inherently leads to any difference in risk profile. CDCC has for several years operated on a for-profit basis under TMX Group's ownership,

³⁵ Except as underlined and that certain responsibilities have been moved to the Risk Management and Audit Committee, this proposal is consistent with the Application at p. 10484.

³⁶ This proposal is consistent with the Application at p. 10484-5.

with an internal risk management committee of the CDCC board that is advised by a market participant risk advisory committee. Following the completion of the Transactions, CDS will continue with a risk management committee of the CDS board that is advised by a market participant advisory committee. Maple expects that CDS will successfully make the transition to a for-profit model just as CDCC did and without impairment of risk management policies and procedures. All decisions with respect to risk management regarding clearing services will continue to be made by the CDS board, taking into account the advice of the market participant advisory committee.

Market Participant Advisory Committees

CDS presently utilizes Market Participant Advisory Committees to obtain participant input into its clearing operations. Maple and TMX Group have proposed that CDS continue using the same types of Market Participant Advisory Committees as presently utilized by CDS as well as introduce a new fee committee. These committees will be advisory in nature; they may make recommendations and provide advice to the CDS board and management but would not have the authority to direct the CDS board or management.

Strategic Development Review Committee³⁷

The purpose of this committee will be to, among other things, assist CDS management in (a) identifying and assessing new or changed functionality in clearing, settlement and depository processes that are of benefit to the industry, (b) prioritizing functional improvements to the clearing, settlement and depository processes and (c) resolving industry issues as they relate to the services offered by CDS. This committee would also act as a liaison to the industry by (a) arranging for provision of industry data on service requirements, such as existing service methods and operating volumes, (b) arranging for the provision of expert industry resources for projects, and (c) improving industry understanding of functions and benefits of CDS services.

Risk Advisory Committee

The purpose of this committee will be to, among other things, review and make recommendations regarding (a) enhancements to the CDS risk model, risk controls for the cross-border services and any related measures required to mitigate financial risk, (b) the adequacy of the model's coverage of the risks related to CDS and the relative costs, and (c) operational risk issues from time-to-time.

Legal Drafting Committee

The purpose of this committee will be to, among other things, review and make recommendations on legal matters respecting (a) rule amendments, (b) implementation of legal safeguards for the assets of CDS and participants, and (c) legal analyses and opinions to meet the needs of participants. This committee would also be expected to assist CDS in resolving inter-industry legal issues arising in the course of rule drafting.

Problem Management Group

The purpose of this committee would be to assist CDS management in resolving CDS Ltd. operational issues.

Fee Committee

The purpose of this committee will be to review and provide comments to the Risk Management and Audit Committee and the CDS board concerning any proposed changes to the 2012 base fees on CDS Clearing services (as such term is defined in Part 4 "CDS Fees and Access – Basic Framework of Model and Projections – Definition of "Core Services"" below) and the fee setting for any new CDS Clearing products or services. A majority of the industry participants on this committee will be unrelated to Significant Maple Shareholders. From time to time ad hoc fee committees may also need to be formed to address fees for new products or services should the composition of the standing committee itself not possess the appropriate skills or knowledge with respect to the new product or service in question.

Participation and Reporting Obligation³⁸

The CDS Governance Committee will be charged with responsibility for overseeing the Market Participant Advisory Committees to ensure that they are properly implemented and that adequate resources in the form of logistical support are furnished to the committees. Participation on the Market Participant Advisory Committees will be open to interested parties within the industry with relevant experience or expertise and a majority of each committee will be unrelated to Significant Maple Shareholders. In addition, IIROC will be entitled to designate one member of each Market Participant Advisory Committee provided that the designee has suitable experience or expertise relevant to that committee. The Bank of Canada, the Commission and the

³⁷ This committee would continue to maintain debt, equity, entitlement and tax subcommittees.

³⁸ Except as underlined, this proposal is consistent with the Application at p. 10485.

Autorité will continue to be entitled to participate on the Market Participant Advisory Committees in a non-voting capacity. Each committee will continue to be chaired by a CDS representative and a lead non-CDS related member will be designated (the "Lead Member").

Maple and TMX Group propose that there will be an annual reporting obligation to the Commission, the Autorité and the Bank of Canada with respect to the recommendations made by such committees. In such annual report, CDS would be required to explain any rejection of a recommendation or any partial or modified implementation of a recommendation of such committees with respect to its clearing and settlement operations. Each Market Participant Advisory Committee would be provided a copy of CDS' report and such Market Participant Advisory Committee would be required, through its Lead Member, to advise the Commission, the Autorité and the Bank of Canada if it accepts CDS' report or, where it disagrees with such report, provide reasons for such disagreement. In this manner the board would be obligated to proactively consider the issues and suggestions raised by the Market Participant Advisory Committees, and the Commission, the Autorité and the Bank of Canada would be made aware of such issues and suggestions and of the disposition thereof.

A Balanced Board with Effective User Input

Under Maple ownership, the board of CDS will be more balanced with respect to participant input than it is today, without reducing diversity amongst participants. Under this proposal the reduction in the number of participants on the board is solely with respect to the bank-owned dealers. The proposed requirement for a nominee from one of the five largest participants based on volume will continue to ensure that the most significant users are represented, and will be balanced by the IIROC nominee, which has historically represented the independent dealer community. Equally, the perspective of marketplaces will be balanced between the Maple nominees, who may reasonably be expected to bring the viewpoint of the TMX Group marketplaces, and the Unaffiliated Marketplace Director, who will provide a perspective on trading and marketplaces that is relevant to the business and operations of CDS but that is independent of the perspective of the marketplaces operated by TMX Group.

At the most relevant CDS board committee for industry participation, the Risk Management and Audit Committee, industry directors will represent at least two of the five committee members and these industry directors will be unrelated to Significant Maple Shareholders.

In addition, CDS will continue to obtain effective participant input through the Market Participant Advisory Committees described above. Importantly, a majority of the members of the Market Participant Advisory Committees will also be unrelated to Significant Maple Shareholders.

Maple and TMX Group firmly believe that this layered representation of participants, with distinct voices that are not Significant Maple Shareholders, combined with the reporting obligation for Market Participant Advisory Committees described under "Marketplace Participant Advisory Committees – Participation and Reporting Obligation" above, will ensure that the clearing services are designed and operated in the interests of users and that there is representation from a diversity of types of users.

5. CDS Fees and Access

Maple and TMX Group have carefully considered all of the written and oral comments and feedback provided by regulators and a variety of market participants during the public hearings and comment process relating to the Application. Maple and TMX Group understand that some participants are concerned about the effect of the Transactions on CDS Clearing fees, particularly fees for on-exchange clearing, and that they are also concerned about the potential for CDS Clearing, under Maple ownership, to set its fees or access requirements in a manner that would discriminate against other marketplaces and smaller participants.

Maple has developed the following model in order to address all of these concerns. In doing so, Maple has aimed to craft a model that preserves certain fundamental elements of the industry utility model, particularly strong industry participation in CDS governance, but that also brings the benefits of cost management, innovation and customer service from a for-profit model. CDS Clearing fees for core services are already very low in the global context. The model is focused on decreasing prices from the 2012 fee baseline for existing core services and is focused on obtaining market input into key pricing decisions.

Basic Framework of Model and Projections

Basic Framework of Model

For fiscal year 2012 (starting November 1, 2011), fees for CDS Clearing services will be the published prices currently in effect under the existing cost recovery model. For example, the on-exchange clearing fee per trade will be \$0.0082, a 29% price decrease from the 2011 published fee.

Starting November 1, 2012, under Maple ownership CDS will share any annual revenue increases on clearing and other core CDS Clearing services (as defined below), as compared to revenues in fiscal year 2012, on a 50/50 basis with participants (the

"Revenue Share"). In addition, under Maple ownership CDS will rebate an additional amount to participants in respect of on-exchange³⁹ clearing services each year, starting at \$2.75 million in 2013 and growing to \$4 million by 2016 (the **"Integration Rebate"**). The Integration Rebate reflects (but is not conditional on) synergies and efficiencies Maple expects to achieve as part of the Transactions. CDS Clearing's sharing of revenue on core services (and the Integration Rebate in the case of on-exchange clearing fees) for any year will be paid through an annual adjustment of the quoted fee at the start of that year, intra-year discounts and a year-end proportionate rebate by product/service category to all participants, consistent with past practice of CDS.

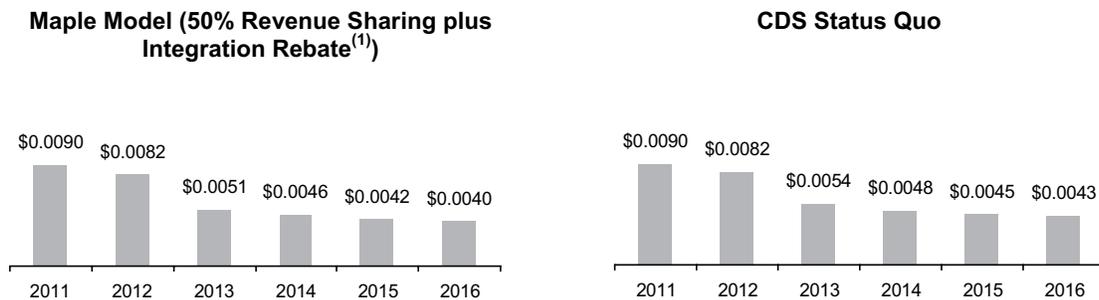
Definition of "Core Services"

The Revenue Share is intended to apply to "core" services at CDS Clearing, which comprise all clearing, settlement, depository, international and ATON services currently offered by CDS Clearing (other than certain services within those portfolios in respect of which CDS Clearing currently charges disincentive fees, as described below). In CDS' fiscal year ended October 31, 2010, revenues from these core services represented approximately 81% of the total revenue of CDS Clearing.

The remaining revenues of CDS Clearing that are not considered "core" under Maple's proposed model will be subject to the various requirements described below under "Additional Features of Pricing Model", including prior approval of any changes to such fees by the Commission and Autorité. These fees generally consist of (i) disincentive fees that are currently set in a manner to dissuade participants from using certain services (so that participants will instead migrate towards other services that generally result in systemic efficiencies), (ii) non-compliance fees that are currently set to ensure that participants comply with the CDS rules and procedures outlined in their participant agreement or required by regulation, (iii) delivery services (Maple and TMX Group understand that there are competitive services provided by third parties that are available to participants as an alternative to these delivery services, and that therefore these delivery services are subject to competitive market constraints), and (iv) fees to connect to CDS (representing approximately 5% of regulated revenues) which Maple and TMX Group intend to maintain on substantially the same basis.

On-Exchange Clearing and Depository Projections

As shown in the following graphs, applying the Revenue Share and Integration Rebate to volume projections prepared by management of CDS over the next five years indicates that participants will have lower on-exchange clearing fees under the Maple model than they would have under the status quo:



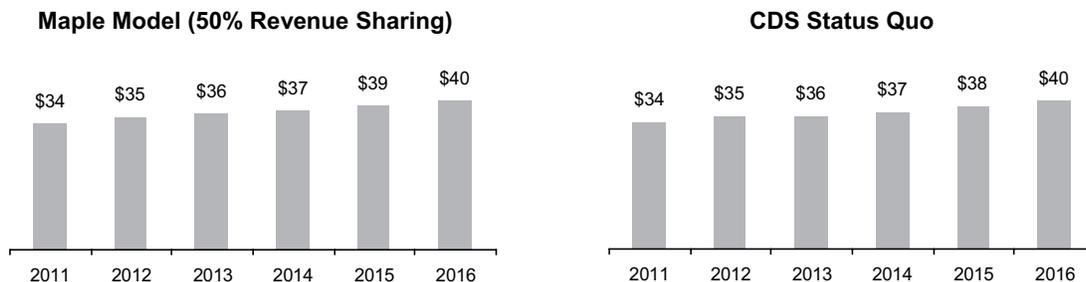
Notes:

1. The Integration Rebate will be \$2.75 million in 2013, \$3.25 million in 2014, \$3.75 million in 2015 and \$4 million in 2016 and each year thereafter.
2. The 2011 fee in each model is the net fee after giving effect to discounts from the published fee at the start of 2011 of \$0.0116. CDS will not pay any rebates on 2011 fees.
3. The 2012 fee in each model is a 29% decrease (announced by CDS on November 14, 2011) from the 2011 published fee of \$0.0116, which under Maple ownership CDS will maintain. Maple has assumed under both models that there will be no discounts or rebates in 2012. The 2012 fee will be the base line for future Revenue Sharing calculations.
4. The fees estimated in both the Maple model and CDS status quo graphs for the years 2013 to 2016 are net fees after discounts and rebates.
5. Each model reflects a volume increase of 30% in 2011 and assumes, based on CDS management projections, increases of 20% in 2012, 18% in 2013, 15% in 2014, 12% in 2015 and 10% in 2016.

³⁹ "On-exchange" includes the clearing of all trades conducted on an exchange or ATS.

Even if volumes and costs of clearing remain steady at 2012 levels, on-exchange clearing fees will fall under the Maple model as a result of the annual Integration Rebate, resulting in incremental annual savings to participants of \$4 million by 2016; no such rebate would be paid under the status quo model.

With respect to depository services, the projected aggregate fees under the Maple model are consistent with the projected aggregate depository fees under the status quo:



Notes:

1. All numbers are in millions and are after giving effect to revenue sharing/rebates.
2. The fees estimated in both the Maple model and CDS status quo graphs assume a compound annual growth rate in custodial debt volume of 8%, custodial equity volume of 14% and entitlements/corporate actions of 2%.
3. Under the CDS status quo model, aggregate costs increase as a result of inflation and volume increases. Under the Maple model, all cost increases are borne by Maple and so the projected aggregate cost increases do not affect fees.

Maple notes that the projections included in this section are necessarily based upon a number of factors, estimates and assumptions that, while considered reasonable by Maple, are inherently subject to significant uncertainties and contingencies, including with respect to the costs of on-exchange clearing and depository services, trading volumes (which could be higher or lower than estimated), revenues and other assumptions noted above. Such projections involve known and unknown risks and uncertainties that may cause the actual results to be materially different from the estimated future results.

Conclusion

Maple and TMX Group respectfully submit that the Revenue Share, together with the Integration Rebate, will result in fees that are clearly fair, reasonable and competitive as compared with fees under the status quo model at CDS.

Additional Features of Pricing Model

Additional Standards and Requirements of Pricing Model

In addition to the Revenue Share and Integration Rebate, Maple and TMX Group will ensure that fees on CDS Clearing's core services will remain fair, reasonable and competitive in the context of the Canadian marketplace and trends relating to comparable services offered by clearing houses worldwide.

Furthermore, Maple and TMX Group will ensure (and CDS' recognition order will provide) that the following requirements apply to all of CDS Clearing's services (not only core services):

- (a) per transaction pricing for CDS Clearing services will be the same for all marketplaces, participants and trades (i.e. no discounts will be provided based on a participant's level of activity);
- (b) fees for CDS Clearing services will not be bundled with any other services offered by CDS Clearing or any of its affiliated entities, including any trading or data services offered by TMX Group equities marketplaces;
- (c) fees, rebates and other terms of service will not discriminate based on the marketplace in Canada where the trade occurs (for example, no rebates will be based on a trade being executed on a particular marketplace); and
- (d) fees, rebates and other terms of service will not have the effect of unreasonably creating barriers to access for dealers or marketplaces, and must be balanced with the criterion that CDS Clearing has sufficient revenues to satisfy its responsibilities.

All of these principles, as well as the framework of the Revenue Share and Integration Rebate and the commitments to open access and non-discriminatory provision of services described below, will be set out in the Commission and Autorité recognition orders, together with an explicit statement regarding Commission and Autorité authority to regulate fees on CDS Clearing services.

CDS Governance of Fee Changes

Maple's and TMX Group's objective is to receive industry input into all decisions relating to fees on CDS Clearing services, and to have an open and transparent process for such input.

A CDS Market Participant Advisory Committee comprised of industry participants (the "**Fee MPAC**") (please see also Part 3 "*CDS Governance – Market Participant Advisory Committees – Fee Committee*" above), a majority of whom will be unrelated to Significant Maple Shareholders, will review and provide comments to the CDS board concerning any proposed changes to 2012 base fees and fee-setting for any new products or services. CDS will provide in its annual report to the Commission, the Autorité and the Bank of Canada a review of this committee's recommendations and CDS' response to such recommendation.

In addition, the Risk Management and Audit Committee of the CDS board will advise the CDS board as to the fairness and reasonableness of any proposed changes to 2012 base fees and fee-setting for any new products or services. A majority of this Committee will, for so long as a Maple nomination agreement remains in effect, be Unrelated to Original Maple Shareholders. The composition of this Committee is described in Part 3 "*CDS Governance – Board Committees – Risk Management and Audit Committee*" above.

Commission and Autorité Oversight

2012 Base Fee Changes

No 2012 base fee may be adjusted by CDS without the approval of the Commission and Autorité.

Maple does not expect any increase on fees for core CDS Clearing services. Maple will not seek approval for base fee increases on core CDS services unless there is a significant change from current circumstances. The onus would be on CDS to satisfy the Commission and Autorité through an application with detailed supporting materials that a proposed fee increase will result in fees that remain fair, reasonable and competitive in the context of the Canadian marketplace and trends relating to comparable services offered by clearing houses worldwide.

Proposals to adjust 2012 base fees (other than pricing discounts/rebates that give effect to the Revenue Share and Integration Rebate) would pass through the Fee MPAC, the Risk Management and Audit Committee, and the CDS board itself before being submitted to the Commission and Autorité.

CDS would include with a proposal to adjust 2012 base fees any benchmarking data that is considered relevant by either CDS or the Commission or Autorité. At least 60 days notice of a proposed base fee adjustment would be provided to the Commission and Autorité and made public, incorporating a 30 day comment period.

Annual Reporting Obligation

CDS will annually engage an independent auditor to conduct an audit and prepare a report in accordance with established audit standards regarding CDS' compliance with the approved fee and rebate model over the previous fiscal year. CDS must provide the independent auditor's report to the Commission and Autorité within 90 days of its fiscal year-end. Maple will also file separate audited financial statements for CDS with the Commission and Autorité each year; this will permit the Commission and Autorité to monitor CDS profitability and financial performance.

Review of Fees and Fee Model

Within three years of the completion of the Transactions and every three years subsequent to that date, or at other times required by the Commission or Autorité, CDS will (a) conduct a review of the fees and fee models of CDS that are related to clearing, settlement, depository and other services specified by the Commission or its staff that includes, among other things, a benchmarking or other comparison of the fees and fee models against the fees and fee models of similar services in other jurisdictions; and (b) provide the written report to CDS' board of directors promptly after the report's completion and then to the Commission and Autorité within 30 days after providing it to its board.

If the Commission or Autorité considers that it would be in the public interest, either may require CDS Clearing to submit a fee, fee model or incentive that has previously been approved by the Commission or Autorité for its re-approval. In such circumstances, if the Commission or Autorité decides not to re-approve the fee, fee model or incentive, the previous approval for the fee, fee model or incentive will be revoked.

New Services

The pricing of any new or materially improved services offered by CDS Clearing must pass through the Fee MPAC, the Risk Management and Audit Committee of the CDS board, and the CDS board itself before being submitted to the Commission and Autorité for approval.

The pricing of such services must be fair, reasonable and competitive in the context of the Canadian marketplace and trends relating to comparable services offered by clearing houses worldwide. CDS would include with the proposal any benchmarking data that is considered relevant by either CDS or the Commission and Autorité.

At least sixty days notice of the proposed prices would be provided to the Commission and Autorité and made public, incorporating a 30 day comment period.

Any new or materially improved services (including cross-margining services) will be offered by CDS to all participants on a non-discriminatory basis in terms of fees, access and service, and in particular will not discriminate based on the marketplace where the trade occurs.

*No Cross Subsidization*Cost Allocations

If Maple and TMX Group were proposing that fees at CDS be set on a "cost plus" model (like some public utilities), there would be a regulatory concern that Maple and TMX Group might be incented to over-allocate costs to CDS and away from TMX Group in order to recover those costs plus a margin in a protected environment. Because Maple and TMX Group are proposing a revenue sharing model, in their view this potential concern does not arise.

Nevertheless, CDS must obtain the prior approval of applicable regulatory authorities before implementation of any internal cost allocation model and any policies with respect to the allocation of costs or transfer of prices, and any amendments thereto, between itself and its affiliated entities. CDS will annually engage an independent auditor to conduct an audit and prepare a report in accordance with established audit standards regarding its compliance with the approved internal cost allocation model and any related policies. CDS will provide the independent auditor's report to its board promptly after the reports' completion and then to the Commission and Autorité within 30 days after providing it to its board.

In addition, separate financial statements of each of TSX, TSX Venture and CDS will be filed with the Commission and Autorité, making the cost approach taken by such entities transparent.

Access⁴⁰

Under Maple, CDS will provide:

- (a) open access to CDS services on a non-discriminatory basis no matter which marketplace a trade is executed on;
- (b) access to its clearing, settlement and depository services to any person or company that satisfies its written participation standards, as required by the current Commission and Autorité recognition orders; and
- (c) open access to all recognized Canadian marketplaces.

As part of this transaction, Maple and TMX Group do not propose any changes to the participation standards or collateral requirements (other than potential reductions resulting from the implementation of cross-margining) that have been established by CDS, nor do they propose the introduction of access fees to marketplaces. Any changes to the participation standards or collateral requirements will be subject to review by the CDS Risk Management and Audit Committee and will continue to be subject to approval by the Commission, Autorité and Bank of Canada. Any such changes will also be subject to consultation with the relevant Market Participant Advisory Committee.

Under Maple, acceptance or rejection of applications for participation will continue to be determined by the CDS board. CDS will promptly notify the Commission and Autorité of receipt of any applications for access, and will complete the granting or denial of access within 60 days. CDS will continue to maintain written records of each grant or denial or limitation of access and the reasons for such decision, and such records will remain open for review by the Commission and Autorité. Any party denied access to CDS will continue to have a right of appeal to the Commission or Autorité.

⁴⁰ Except as underlined, this proposal is consistent with the Application at p. 10486.

Financial Resources and Capital Investment

For as long as CDS Clearing carries on business as a clearing agency, Maple will allocate sufficient financial and other resources to CDS Clearing to ensure that CDS Clearing can carry out its functions in a manner that is consistent with the public interest and the terms and conditions of the Commission and Autorité recognition orders (and will notify the Commission and Autorité upon becoming aware that it is unable to do so).

CDS Clearing will continue to maintain sufficient financial resources and make appropriate capital investments to ensure the proper performance of its clearing, settlement and depository services and to maintain CDS Clearing's operational reliability, risk controls and the capacity and integrity of its systems. In particular, CDS Clearing will invest to maintain operational and system performance standards that are equal to or better than the standards that are currently in place at CDS Clearing (and will not change any of such standards without prior approval from the Commission and Autorité). In order to achieve this, Maple's financial model anticipates that CDS Clearing's expenditures on system development and enhancement and its capital expenditures will on average be at least as high as its average levels over the past six years.

Summary of Benefits and Advantages of Proposed Model

In Maple's and TMX Group's view, the pricing model outlined above will have the following benefits and advantages, among others:

- (a) the model will create incentives to find operating efficiencies and to innovate with new products and services, just as demutualization had this effect on TMX Group;
- (b) the model will preserve the current low cost of CDS Clearing core services; in particular, assuming volumes are consistent with CDS management projections, on-exchange clearing fees will be lower under the Maple model than they would be under the status quo throughout the projected period, and even if volumes and costs of clearing remain steady at 2012 levels, on-exchange clearing fees will fall significantly under the Maple model as a result of the annual Integration Rebate, unlike the status quo model;
- (c) industry participants not related to Maple will have input into decisions concerning base fee changes through the Fee MPAC and through representation on the CDS board and its Risk Management and Audit Committee;
- (d) increased participation in CDS governance by industry representatives not related to Maple will enhance the transparency and industry oversight of CDS practices;
- (e) the current open access to services will be maintained, with no changes proposed to the participation standards or collateral requirements; and
- (f) the model establishes regulatory authority for the Commission and Autorité to approve base fee changes and fees for new services – and annual reporting, together with industry participation in fee setting and CDS governance, will enable effective oversight of CDS fees.

6. CDCC Governance

Maple and TMX Group have considered the feedback that has been provided with respect to Maple's original governance proposal for CDCC and have proposed modifications to the original proposal for CDCC governance that is set out in Part 4 of the Application sub-headed "Acquisition of CDS and Implications for CDCC – Corporate Governance". Maple and TMX Group believe that the revised governance proposal will continue to ensure that the best interests of CDCC are met, taking into consideration input from members and regulators and with due consideration of the public interest, while ensuring fair and meaningful representation of key stakeholders and appropriate representation by independent directors.

Composition of the CDCC Board

Maple and TMX Group continue to believe that the board of CDCC must be constituted with a balance of directors that possess technical expertise, industry experience and an interest in the successful and efficient operation of the business and the evolution thereof. The structure proposed below, together with the use of Market Participant Advisory Committees as described below, will ensure user representation in the governance and operations of CDCC, and properly balance the need to ensure that an appropriate level of expertise is provided by industry participants while also ensuring a diversity of views independent of Maple, TMX Group and CDCC.

The proposed board of directors of CDCC will be comprised of 9 directors based on the criteria described below.⁴¹

⁴¹ This proposal is consistent with the Application at p. 10483.

Independent Directors

At least 33% of the directors of CDCC will be "independent". For this purpose, a person will be considered to be independent if the person is not:

- (a) an associate, partner, director, officer or employee of a Significant Maple Shareholder⁴²,
- (b) an associate, partner, director, officer or employee of a member of CDCC or such member's affiliates or an associate of such partner, director, officer or employee;
- (c) an associate, partner, director, officer or employee of a marketplace that clears through CDCC or such marketplace's affiliates or an associate of such partner, director, officer or employee; or
- (d) an officer or employee of CDCC or its affiliates or an associate of such officer or employee.

In addition, the chair of the CDCC board will be an independent director.

Please refer to "– Nominees and the Selection of Future Directors" below for additional information on the selection process for independent directors.

Industry Directors⁴³

At least 33% of the directors of CDCC will be "industry directors". Of these directors:

- (a) one director will be the chief executive officer of the Bourse, or such other officer or employee of the Bourse as nominated by the Bourse (the "**Marketplace Director**"); and
- (b) all others will be an associate, partner, director, officer or employee of a clearing member of CDCC or such member's affiliates and at least two (i) will not be, at the time of appointment or election, an associate, partner, director, officer or employee of a Significant Maple Shareholder and (ii) for so long as a Maple nomination agreement remains in effect will be Unrelated to Original Maple Shareholders (the "**Member Directors**").

Please refer to "– Nominees and the Selection of Future Directors" below for additional information on the selection process for the industry directors.

CDCC Chief Executive Officer⁴⁴

One director will be the chief executive officer of CDCC.

Quebec Residents⁴⁵

At least 25% of the directors of CDCC will be Quebec residents.

Clearing Expertise⁴⁶

At least 50% of the directors of CDCC will be required to possess expertise in derivatives clearing (including risk management and the technology requirements related to clearing and settlement). Sources of directors with such expertise will include the chief executive officer of CDCC and the industry directors. In addition, Maple and TMX Group expect that other directors (including independent directors) who may be expected to have derivatives clearing expertise would include, but are not limited to, (i) persons who developed derivatives clearing expertise in foreign jurisdictions, (ii) former employees of regulatory authorities and government agencies (such as a central bank) with responsibility for oversight of clearing or systemic risk, (iii) members of academia, (iv) current or former employees, officers or directors of CDCC, and (v) persons who are former directors, officers or employees of clearing members.

⁴² *Supra*, note 21.

⁴³ Except as underlined, this proposal is consistent with the Application at p. 10483.

⁴⁴ This proposal is consistent with the Application at p. 10483.

⁴⁵ This proposal is consistent with the Application at p. 10483.

⁴⁶ Except as underlined, this proposal is consistent with the Application at p. 10483.

Pro Forma Initial Board Composition

With a nine person board at CDCC, this proposal would result in:

- (a) three independent directors, one of whom will be the chair of the board;
- (b) three industry directors, two of whom are Member Directors and one of whom is a Marketplace Director;
- (c) the chief executive officer of CDCC; and
- (d) two additional directors.

Based on the nomination rights described under “– Nominees and the Selection of Future Directors” below, it would be expected that Maple would nominate five directors.

Nominees and the Selection of Future Directors

Under Maple ownership, CDCC will take reasonable steps to ensure that each director of CDCC is a fit and proper person and that the past conduct of each director affords reasonable grounds for belief that the director will perform his or her duties with integrity. The overall selection process for persons to serve as directors is focussed on identifying knowledgeable persons who understand the industry and, wherever appropriate, have an interest in the successful and efficient operation of the business and ensuring that the risks to the clearing and settlement system are properly managed.⁴⁷

Independent Directors⁴⁸

The Governance Committee of CDCC, which is comprised as to a majority of independent directors, will be charged with nominating all independent directors. In so doing, the Governance Committee ensure that each nominee is a fit and proper person who possesses the appropriate strengths, skills, expertise and experience, when complemented by the other members of the board, to guide the strategies and business operations of CDCC and ensure that the composition of the CDCC board satisfies all applicable regulatory requirements.

Shareholder Nominees

As CDCC’s parent company, Maple will have the right to nominate to the board of CDCC all directors who are not otherwise selected pursuant to the nomination process described above or who otherwise have automatic standing as a director pursuant to the recognition order. As set out under “– Composition of the CDCC Board – Pro Forma Initial Composition” above, under the proposed structure Maple would nominate up to five directors. Of these five directors, three must satisfy the following criteria:

- (a) two must be Member Directors who (i) will not be, at the time of their appointment or election, an associate, partner, director, officer or employee of a Significant Maple Shareholder and (ii) for so long as a Maple nomination agreement remains in effect, are Unrelated to Original Maple Shareholders;
- (b) one must be the Marketplace Director;
- (c) possess expertise in derivatives clearing; and
- (d) be financially literate within the meaning of NI 52-110.

In addition, all of Maple’s nominees must, in Maple’s reasonable opinion, have the appropriate skills to serve on the CDCC board and otherwise be a fit and proper person.

The Maple nominees will be subject to the approval of the Governance Committee of CDCC, acting reasonably, and such Committee will be charged with assessing the nominees to ensure that they each possess the appropriate strengths, skills, expertise and experience, when complemented by the other members of the board, to guide the strategies and business operations of CDCC and ensure that the composition of the CDCC board satisfies all applicable regulatory requirements. Should the Governance Committee determine that one or more nominees is not suitably qualified, Maple will be entitled to select replacement nominees for consideration by the Governance Committee.

⁴⁷ This proposal is consistent with the Application at p. 10483.

⁴⁸ This proposal is consistent with the Application at p. 10484.

Discharge by the Governance Committee of its Obligations⁴⁹

The Governance Committee will review on an ongoing basis the composition of the CDCC board, including the current strengths, skills, expertise and experiences on the board and its strategic direction. In assessing any proposed nominee to the board of CDCC, the Governance Committee will assess the strengths, skills, expertise and experiences of such proposed nominee both from the perspective of the individual and from the perspective of the needs of the board of directors to ensure that there would be an appropriate mix of strengths, skills, expertise and experience represented on the board to guide the strategies and business operations of CDCC while satisfying all applicable regulatory requirements. In addition, qualities such as integrity, good character and high regard in his or her community or professional field will always be basic criteria for board members. The Governance Committee will also consider independence, professional or board expertise, and other relevant expertise and experience.

Board Committees

The board of CDCC will establish two committees, both chaired by independent directors, to assist the board in the discharge of its duties.⁵⁰

Risk Management and Audit Committee⁵¹

The Risk Management and Audit Committee will be comprised of five directors and will be required to satisfy the following criteria:

- (a) all members must be financially literate within the meaning of NI 52-110;
- (b) one member must be an independent director who will serve as chair;
- (c) two members must be industry directors and must not be, at the time of their appointment or election, an associate, partner, director, officer or employee of a Significant Maple Shareholder; and
- (d) two members who were nominated to the CDCC board by Maple.

In addition, members of this Committee will be required to possess experience or expertise in one or more of the following areas: internal risk controls, risk assessments and reporting, legal matters, government and public policy, accounting and risk management.

This Committee will be charged with, among other things:

- (a) assisting the board in fulfilling its risk management responsibilities, including reviewing and assessing CDCC's risk management policies and procedures, the adequacy of the implementation of appropriate procedures to mitigate and manage such risks and CDCC's participation standards and collateral requirements;
- (b) assisting the board in fulfilling its oversight responsibilities with respect to the accounting and financial reports of CDCC;
- (c) monitoring the financial performance of CDCC and providing financial management oversight and direction to the business and affairs of CDCC; and
- (d) advising the board on the equitableness of its pricing and fees.

Governance Committee⁵²

The Governance Committee will be comprised of at least four directors, at least a majority of whom will be independent directors, and will be chaired by an independent director.

⁴⁹ This proposal is consistent with the Application at p. 10484 except that the responsibilities of the former Finance and Audit Committee have been moved into the Risk Management and Audit Committee.

⁵⁰ This proposal is consistent with the Application at p. 10484.

⁵¹ Except as underlined and that the responsibilities of the former Finance and Audit Committee and Risk Management Committee have been combined into the Risk Management and Audit Committee, this proposal is consistent with the Application at p. 10484.

⁵² Except as underlined and that certain responsibilities have been moved to the Risk Management and Audit Committee, this proposal is consistent with the Application at p. 10484.

This Committee will be charged with assisting the board on matters related to corporate governance, including, without limitation:

- (a) the candidate selection process for the identification of independent directors;
- (b) approval of Maple nominated directors as described under "Nominees and the Selection of Future Directors" above;
- (c) the orientation of new directors;
- (d) oversight of policies and procedures for the identification and resolution of conflicts of interest; and
- (e) the operation of the Market Participant Advisory Committees.

*Market Participant Advisory Committees*⁵³

CDCC presently utilizes Market Participant Advisory Committees to obtain participant input into its clearing operations. Maple and TMX Group have proposed that CDCC will continue using the same types of Market Participant Advisory Committees as utilized by CDCC today. These committees will be advisory in nature; they may make recommendations and provide advice to the CDCC board and management but would not have the authority to direct the CDCC board or management.

The CDCC Governance Committee will be charged with responsibility for overseeing the Market Participant Advisory Committees to ensure that they are properly implemented and that adequate resources in the form of logistical support are furnished to the committees. Participation on the Market Participant Advisory Committees will be open to interested parties within the industry with relevant experience or expertise. The Commission, the Autorité and the Bank of Canada will be entitled to participate on the Market Participant Advisory Committees in a non-voting capacity.

Maple and TMX Group propose that there will be an annual reporting obligation to the Commission, the Autorité and the Bank of Canada with respect to the recommendations made by such committees. In such annual report, CDCC would be required to explain any rejection of a recommendation or any partial or modified implementation of a recommendation of such committees with respect to its clearing and settlement operations. Each Market Participant Advisory Committee would be provided a copy of CDCC's report and such Market Participant Advisory Committee would be required to advise the Autorité if it accepts CDCC's report or, where it disagrees with such report, provide reasons for such disagreement. In this manner the board would be obligated to proactively consider the issues and suggestions raised by the Market Participant Advisory Committees; the Commission, the Autorité and the Bank of Canada would be made aware of such issues and suggestions and of the disposition thereof.

7. Undertakings with the Autorité

Maple and TMX Group have been engaged in an active dialogue with the Autorité with respect to the undertakings originally proposed by Maple to the Autorité, which undertakings were described in the Application. Based on these discussions, Maple and TMX Group have provided revised undertakings to the Autorité to address regulatory concerns raised by it. Attached as Appendix B are the revised undertakings together with a blackline comparison of the original proposed undertaking against the revised undertaking.

8. Acquisition of Alpha

On December 8, 2011 the Commission granted a conditional recognition order to Alpha Trading Systems Limited Partnership ("**Alpha LP**") and Alpha Exchange Inc. ("**Alpha Exchange**") recognizing Alpha LP and Alpha Exchange as an exchange (the "**Alpha Recognition Order**"). This recognition order became effective on April 1, 2012. As part of the Transactions described in the Application, Maple proposed to directly or indirectly acquire Alpha. In connection with such acquisition, because the Alpha Recognition Order has come into effect, Maple hereby makes application to the Commission for orders, conditional upon the acquisition of Alpha:

- (a) approving the beneficial ownership by Maple of more than 10% of (i) the interests in the income and capital of Alpha LP, (ii) the voting securities of Alpha Exchange and (iii) the voting securities of Alpha Trading Systems Inc.; and
- (b) amending and restating the Alpha Recognition Order on terms and conditions mutually agreed between Maple and the Commission.

⁵³ Except as underlined below, this proposal is consistent with the Application at p. 10485.

9. Non-Preferencing Obligations and Non-Competition Agreement*Non-Preferencing Obligations*

When originally entered into, the Acquisition Governance Agreement contemplated the possibility that Maple might be unable to acquire Alpha even if all necessary regulatory approvals for the acquisition of Alpha are obtained. To account for this contingency certain non-preferencing obligations would arise in specified limited circumstances set out in section 7(b)(iv) of the Acquisition Governance Agreement; this obligation is described in Part 5 of the Application sub-headed "Acquisition of Alpha Group – Non-Preferencing Obligations (in the event Alpha is unable to be acquired)".

The Investors in Maple have mutually agreed to withdraw this non-preferencing obligation.

Non-Competition Agreement

The Investors have received feedback from applicable regulators, in the context of the proposed Transactions as a whole, with respect to the proposed non-competition agreement that is described in Part 5 of the Application sub-headed "*Acquisition of Alpha Group – Non-Competition Agreement*". After further consideration of the matter, as part of an overall package of remedies the Investors have agreed to withdraw the non-competition agreement.

I trust the foregoing is satisfactory.

Yours very truly

Luc Bertrand
on behalf of
Maple Group Acquisition Corporation

cc: Jacinthe Bouffard
Autorité des marchés financiers

Mark Wang
British Columbia Securities Commission

Tom Graham
Alberta Securities Commission

Appendix A – Composition of Board of Directors

	<i>Nominees of Maple dealer investors (4 directors)</i>	<i>Nominees of Maple non-dealer investors (4 directors)</i>	<i>Independent dealer representative (1 director)</i>	<i>Independent chair (1 director)</i>	<i>Former TMX Group directors (4 directors)</i>	<i>CEO (1 director)</i>	<i>Additional independent directors (2 directors)</i>	<i>Total (17 directors)</i>
<i>Directors who are independent under current TMX Group standards</i>	--	3 ⁵⁴	--	1	4	--	2	10
<i>Directors associated with entities that will certify as to not acting jointly or in concert</i>	4	4	--	--	--	--	--	8
<i>Directors who are Unrelated to the Original Maple Shareholders⁵⁵</i>	--	--	1	1	4	--	2	8
<i>Directors who are independent and Unrelated to the Original Maple Shareholders⁵⁶, and who are thus eligible to be majority of Governance Committee</i>	--	--	--	1	4	--	2	7

⁵⁴ AIMCO's nominee, George Gosbee, will not be considered independent as he is President and Chief Executive Officer of a "participating organization" of the Toronto Stock Exchange.

⁵⁵ A director may be considered Unrelated to Original Maple Shareholders as set out under "Maple Governance – Composition of the Board of Directors – Independent Directors" above.

⁵⁶ *Supra*, note 51.

APPENDIX B
UNDERTAKINGS

April 30, 2012

Mario Albert
President and Chief Executive Officer
Autorité des marchés financiers
800, Square Victoria, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal, Québec
H4Z 1G3

Dear Mr. Albert

Re: TMX Group Inc. – Acquisition by Maple Group Acquisition Corporation

We are writing to provide certain undertakings to the Autorité des marchés financiers (the "Autorité") in support of the application by Maple Group Acquisition Corporation ("Maple") filed under sections 65 and 66 of the *Act respecting the Autorité des marchés financiers* and under section 169 of the Québec *Securities Act* (the "Application") in respect of the proposed integrated transaction to acquire all of the outstanding common shares (the "Maple Acquisition") of TMX Group Inc. ("TMX Group"). In connection with the Maple Acquisition, TMX Group will become a subsidiary of Maple. In support of the Application, Maple undertakes to the Autorité as set out below. Maple understands that the Autorité is relying on these undertakings to rule on the Application.

Compliance

1. Maple undertakes that it will do everything within its control to cause Montreal Exchange Inc. ("MX") to comply with the terms and conditions of its recognition order.

Maple Share Ownership Restrictions

2. Maple undertakes that it will be subject to the restriction that no person or company and no combination of persons or companies acting jointly or in concert shall beneficially own or exercise control or direction over more than 10 per cent of any class or series of voting shares of Maple, without the prior approval of the Autorité.

3. Maple undertakes that it will inform the Autorité immediately in writing if it becomes aware that any person or company or any combination of persons or companies acting jointly or in concert beneficially own or exercise control or direction over more than 10 per cent of any class or series of voting shares of Maple and shall take the necessary steps to immediately remedy the situation, in compliance with Schedule B of Maple's articles of incorporation.

Maple Board Representation

4. Maple undertakes that it will nominate every year, for election to the board of directors of Maple, at every annual meeting of Maple held following the date hereof:

- (a) such number of directors who are independent and represent at least 50% of the total number of directors nominated for election for that year;
- (b) such number of directors who are resident of Québec and represent at least 25% of the total number of directors nominated for election that year;
- (c) such number of directors who have expertise in derivatives and represent at least 25% of the total number of directors nominated for election that year; and
- (d) one director drawn from the Canadian independent investment dealer community (for greater certainty, excluding investment dealers which are affiliates of Canadian Schedule I banks under the *Bank Act*, SC 1991, c 46).

5. Maple undertakes that the chair of the Maple board will be an independent director.

6. Maple undertakes to maintain a committee of the Board of Directors of Maple to be named the Derivatives Committee, in a manner consistent with the attached terms of reference (Schedule 1). Maple will refer to the Derivatives Committee for recommendation and advice all policy issues and matters that are likely to have a significant impact on derivatives and related products of Maple and its subsidiaries and, among other things, on the role of Maple and/or MX and/or the Canadian Derivatives Clearing Corporation (CDCC) in relation thereto.

TMX Group and MX Board Representation

7. Maple undertakes that, unless it obtains the prior authorization of the Autorité to make changes, it will maintain mirror boards of directors for Maple, TMX Group and MX.

MX Special Regulatory Committee

8. Maple undertakes that at least 50% of the special regulatory committee of MX will be comprised of individuals who have expertise in derivatives.

CDCC Board Representation

9. Maple undertakes that it will cause to be nominated every year, for election to the board of directors of CDCC, at every annual meeting of CDCC held following the date hereof:

- (a) such number of directors who are independent and represent at least 33% of the total number of directors nominated for election;
- (b) such number of directors who (A) are an associate, partner, director, officer or employee of a clearing member of CDCC or such member's affiliates, (B) possess expertise in derivatives clearing, and (C) are financially literate within the meaning of National Instrument 52-110, and represent at least 33% of the total number of directors nominated for election, and of these directors:
 - (i) one director will be the chief executive officer of the Bourse, or such other officer or employee of the Bourse as nominated by the Bourse; notwithstanding that such person is not an associate, partner, director, officer or employee of a clearing member of CDCC or such member's affiliates; and
 - (ii) two of these directors will not be, at the time of appointment or election, an associate, partner, director, officer or employee of a significant Maple shareholder and will be unrelated to original Maple shareholders for so long as a Maple nomination agreement is in effect;
- (c) the chief executive officer of CDCC;
- (d) such number of directors who are resident of Québec and represent at least 25% of the total number of directors nominated for election; and
- (e) such number of directors who have expertise in derivatives clearing and represent at least 50% of the total number of directors nominated for election.

For the purposes of this paragraph 9, (A) a director shall be independent if the director is independent within the meaning of that term in CDCC's recognition order, and (B) the terms "significant Maple shareholder", "unrelated to original Maple shareholders" and "Maple nomination agreement" will have the meanings given to such terms in CDCC's recognition order.

Change in Ownership

10. Maple undertakes that it will not complete or authorize a transaction that would result in any person or company, or any combination of persons or companies acting jointly or in concert, beneficially owning or exercising control or direction over more than 10 per cent of any class or series of voting shares of TMX Group, MX and CDCC, without obtaining the prior authorization of the Autorité.

11. Maple will undertake to continue to own, directly or indirectly, all of the issued and outstanding voting shares of TMX Group, MX and CDCC.

12. Maple undertakes that it will not complete or authorize a transaction that would result in more than 50 percent of any class or series of voting shares of TMX Group, MX and CDCC ceasing to be controlled by Maple, directly or indirectly, without obtaining the prior authorization of the Autorité.

Derivatives trading and related products operations.

13. Maple undertakes that it will cause the existing derivatives trading and related products operations of MX to remain in Montreal. Maple undertakes that MX will continue as Maple's exclusive Canadian business unit responsible for exchange traded derivatives and related products.
14. Maple undertakes to maintain, and continue to develop, Montreal as a centre of excellence in derivatives and a hub of attraction for Maple's derivatives trading and related products operations, including over-the-counter derivatives.
15. Maple undertakes that it will use commercially reasonable efforts to continue to grow the business of trading and clearing of derivatives and related products in Montreal.
16. Maple undertakes that if MX and/or CDCC determine from time to time to export their expertise in derivatives and related products trading and clearing, such international activity will be directed from Montreal.
17. Maple undertakes that further enhancements to the SOLA application software will be developed in Montreal.
18. Maple undertakes that if it establishes an exchange or clearing house in Canada (or participates in a joint venture or partnership) for trading or clearing derivatives that are presently over the counter derivatives, that exchange or clearing house (or the principal Maple business unit that manages Maple's interest in that joint venture or partnership) will comply with paragraphs 19 and 20 below.
19. Maple undertakes that the head office and executive office of MX, CDCC and any business unit established under paragraph 18 will be or will continue to be located in Montreal. Maple further undertakes that the mind and management of MX, CDCC and any business unit established under paragraph 18 responsible for overseeing the annual operating plans and budgets thereof will be or will continue to be located in Montreal.
20. Maple undertakes that the most senior officer of Maple (other than Maple's chief executive officer) with direct responsibility for MX, CDCC and any business unit established under paragraph 18 shall be a resident of Quebec at the time of his or her appointment, or as soon as reasonably practicable thereafter, and for the duration of his or her term of office and shall work in Montreal. Maple further undertakes that the executives responsible for managing the development and execution of the policy and direction of MX, CDCC and any business unit established under paragraph 18 will continue to be sufficient to permit such most senior officer to execute his or her responsibilities and will work in Montreal.
21. Maple undertakes not to do anything to cause MX, directly or indirectly, to cease to be the Canadian national exchange for all derivatives trading and related products, including being the sole platform for trading of carbon and other emission credits in Canada, without obtaining the prior authorization of the Autorité and complying with any terms and conditions that the Autorité may set in the public interest in connection with any change to MX's operations.
22. Maple undertakes not to do anything to cause CDCC, directly or indirectly, to cease (a) to be a Canadian national clearing agency for the clearing of derivatives and related products, including being the sole clearing agency for trades in derivatives that are exchange traded on MX and (b) its development as a leading clearing agency for fixed income transactions (as such term is defined in paragraph 0(ii)), without obtaining the prior authorization of the Autorité and having complied with any terms and conditions that the Autorité may set in the public interest in connection with any change to CDCC's operations.

Strategic Plan for Derivatives and Related Products

23. Maple undertakes that it will submit annually to the Autorité, within 30 days of its approval, its strategic plan for derivatives and related products as approved by the board of directors of Maple. The strategic plan will address the progress achieved during the past year in the fulfillment of the previous strategic plan for derivatives and related products.

Access to Information

24. Maple undertakes that it will permit the Autorité to have access to and to inspect and to cause its subsidiaries to permit the Autorité to have access to and to inspect, all data and information in its or their possession that is required for the assessment by the Autorité of the performance by Maple, TMX Group, MX and CDCC of their regulatory functions and the compliance of these entities with the terms and conditions of the Autorité's decisions.

Resources

25. Maple undertakes that it will, subject to paragraph 26 and for so long as TMX Group, MX and CDCC carry on business as an exchange or clearing house, as applicable, allocate sufficient financial and other resources to TMX Group, MX and CDCC to ensure:

- (a) their financial viability and the proper performance of their functions; and
- (b) the exercise of the self-regulatory functions of MX and its regulatory division;

in accordance with the terms and conditions set out in their recognition order.

26. Maple undertakes that it will notify the Autorité immediately upon becoming aware that it is or will be unable to allocate sufficient financial and other resources to TMX Group, MX or CDCC to ensure that they can carry out their functions as an exchange, a self-regulatory organization, or a clearing house, as applicable, in a manner that is consistent with the terms and conditions of their recognition order.

Non-Compliance

27. Maple acknowledges that if it fails to comply with any of the terms and conditions set forth herein, the Autorité may revise its recognition order.

Canadian Derivatives Clearing Corporation

28. Maple undertakes that it will do everything within its control to cause the CDCC to comply with the terms and conditions of its recognition order.

General

29. For purposes of the undertakings contained in this letter:

- (a) the expressions "control", "beneficial ownership" and "acting jointly or in concert" have the meaning provided under sections 1.4, 1.8(5) and 1.9 of Regulation 62-104 respecting Take-Over Bids and Issuer Bids, as amended from time to time, *mutatis mutandis* and, for greater certainty, including persons deemed or presumed to be acting jointly or in concert within the meaning of that expression, and the exercise of direction over any class or series of voting shares of Maple shall be determined in accordance with section 90 of the *Securities Act*, R.S.Q., c. V-1.1 (Québec);
- (b) a person shall be resident of Québec if he or she is considered to be resident of Québec under the *Taxation Act* (R.S.Q., c.I-3); and
- (c) all references to derivatives (whether exchange traded, over-the-counter or otherwise) and related products, other than the reference to paragraph 6, pertain to (i) equity, interest rate, currency, index and exchange traded fund derivatives, (ii) the clearing of fixed income transactions⁵⁷ and (iii) other types of derivatives and related products under the responsibility of MX or CDCC, as the case may be, on the date hereof or which may reasonably be developed under the responsibility thereof, but excludes (iv) the types of derivatives and related products under the responsibility of Natural Gas Exchange Inc., Shorcan Brokers Limited, and Shorcan Energy Brokers Inc. on the date hereof or which may reasonably be developed under the responsibility thereof.

These undertakings by Maple will, as applicable, cease to have effect with respect to TMX Group, MX or CDCC if (a) the Autorité revokes the recognition of TMX Group, MX or CDCC for any reason other than the failure by Maple to fulfill its undertakings with the Autorité, (b) TMX Group, MX or CDCC ceases to carry on business after complying with any terms and conditions the Autorité may impose, or (c) TMX Group, MX or CDCC ceases to be a subsidiary of Maple after complying with any terms and conditions the Autorité might impose.

These undertakings will take effect upon the take-up by Maple of voting securities of TMX Group in connection with the Maple Acquisition.

Yours truly,

Luc Bertrand
on behalf of
Maple Group Acquisition Corporation

⁵⁷ For purposes of these undertakings fixed income transactions means: "Repurchase Transactions" and "Cash Buy or Sell Trades" on securities that are eligible for Repurchase Transactions (i.e., on "Acceptable Securities"). Each capitalized term has the meaning given thereto in the CDCC Rules.

SCHEDULE 1
MAPLE GROUP ACQUISITION CORPORATION
(THE "CORPORATION")
DERIVATIVES COMMITTEE
CHARTER

30. General

The Board of Directors of the Corporation (the "Board") has established a Derivatives Committee (the "Committee") to advise and make recommendations to the Board with respect to all policy issues and matters that are likely to have a significant impact on derivatives and related products of the Corporation and its subsidiaries and, among other things, on the role of the Corporation and/or Montreal Exchange Inc. ("MX") and/or Canadian Derivatives Clearing Corporation ("CDCC") in relation thereto.

31. Members

The Board will in each year appoint a minimum of four (4) directors as members of the Committee. All members of the Committee shall be non-management directors and at least a majority of the members shall have expertise in derivatives.

The Chief Executive Officer ("CEO") of the Corporation and the most senior officer of each of MX and CDCC and, to the extent the Chair of the Board is not otherwise a member of the Committee, the Chair, and all other non-management directors who are not members of the Committee may attend all meetings of the Committee in an ex-officio capacity and will not vote. Directors who are also members of management, other than the CEO and the most senior officer of each of MX and CDCC, shall be entitled to attend meetings of the Committee if invited to do so by the Chair of the Committee. In-camera sessions of the Committee will initially include the CEO but exclude the presence of other staff of the Corporation and subsequently continue without the CEO.

32. Duties

The Committee shall have the following duties:

- (a) To advise and make recommendations to the Board on all policy issues and matters that are likely to have a significant impact on derivatives and related products of the Corporation and its subsidiaries and, among other things, on the role of the Corporation and/or MX and/or CDCC in relation thereto.
- (b) To consider such other matters as the Board shall determine from time to time.

33. Chair

The Board will in each year appoint the Chair of the Committee from among the members of the Committee. In the Chair's absence, or if the position is vacant, the Committee may select another member as Chair. The Chair will have the right to exercise all powers of the Committee between meetings but will attempt to involve all other members as appropriate prior to the exercise of any powers and will, in any event, advise all other members of any decisions made or powers exercised.

34. Meetings

The Committee shall meet at the request of its Chair, but in any event it will meet at least twice a year. Notices calling meetings shall be sent to all Committee members and to the CEO of the Corporation, most senior officer of each of MX and CDCC, the Chair of the Board and to all other directors.

35. Quorum

A majority of members of the Committee, present in person, by teleconferencing, or by videoconferencing will constitute a quorum.

36. Removal and Vacancy

A member may resign from the Committee, and may also be removed and replaced at any time by the Board. A member will automatically cease to be a member as soon as the member ceases to be a director. The Board will fill vacancies in the Committee by appointment from among the directors of the Board in accordance with Section 2 of this Charter. Subject to quorum requirements, if a vacancy exists on the Committee, the remaining members will exercise all its powers.

37. Experts and Advisors

Any member may, subject to the prior approval of the Governance Committee, engage an outside advisor, at the expense of the Corporation, to provide advice with respect to a Corporate decision or action. The Governance Committee shall receive and consider all such requests for the retention of outside advisors.

38. Secretary and Minutes

The most senior officer of MX, or such other person as may be appointed by the Chair of the Committee, will act as Secretary of the Committee. The minutes of the Committee will be in writing and duly entered into the books of the Corporation. The minutes of the Committee will be circulated to all members of the Board.

APPENDIX B

DRAFT UNDERTAKINGS

[MAPLE GROUP ACQUISITION CORPORATION LETTERHEAD]

April 30, 2011~~2012~~

Mario Albert
 President and Chief Executive Officer
 Autorité des marchés financiers
 800, Square Victoria, 22nd Floor
 P.O. Box 246, Tour de la Bourse
 Montréal, Québec
 H4Z 1G3

Dear Mr. Albert

Re: TMX Group Inc. – Acquisition by Maple Group Acquisition Corporation

We are writing to provide certain undertakings to the Autorité des marchés financiers (the "Autorité") in support of the application by Maple Group Acquisition Corporation ("Maple") filed under sections ~~sections~~ 65 and 66 of the *Act respecting the Autorité des marchés financiers* and under section 169 of the *Québec Securities Act* (the "Application") in respect of the proposed integrated transaction to acquire all of the outstanding common shares (the "Maple Acquisition") of TMX Group Inc. ("TMX Group"). In connection with the Maple Acquisition, TMX Group will become a subsidiary of Maple. In support of the Application, Maple undertakes to the Autorité as set out below. Maple understands that the Autorité is relying on these undertakings to rule on the Application.

Compliance

~~1. Maple undertakes that it will do everything within its control to cause TMX Group to perform its April 9, 2008 undertakings to the Autorité.~~

1. Maple undertakes that it will do everything within its control to cause Montreal Exchange Inc. ("MX") to comply with the terms and conditions of its recognition order ~~(the "Recognition Order")~~.

Maple Share Ownership Restrictions

~~2. Maple undertakes that it will be subject to the restriction that no person or company and no combination of persons or companies acting jointly or in concert shall beneficially own or exercise control or direction over more than 10 per cent of any class or series of voting shares of Maple, without the prior approval of the Autorité.~~

~~3. Maple undertakes that it will inform the Autorité immediately in writing if it becomes aware that any person or company or any combination of persons or companies acting jointly or in concert beneficially own or exercise control or direction over more than 10 per cent of any class or series of voting shares of Maple and shall take the necessary steps to immediately remedy the situation, in compliance with Schedule B of Maple's articles of incorporation.~~

~~For purposes of these paragraphs 3 and 4, the expression "acting jointly or in concert" has the meaning provided under Section 1.9 of Regulation 62-104 respecting Take-Over Bids and Issuer Bids, as amended from time to time, *mutatis mutandis* and, for greater certainty, including persons deemed or presumed to be acting jointly or in concert within the meaning of that expression, and beneficial ownership and control or direction over any class or series of voting shares of Maple shall be determined in accordance with the *Securities Act* (Ontario);~~

[Note: The section "Maple Share Ownership Restrictions" to be removed from undertaking if Maple is recognized as an exchange and these provisions are included in the recognition order.]

Maple Board Representation

~~4. Maple undertakes that it will nominate every year, without limit as to time, for election to the board of directors of Maple, at every annual meeting of Maple held following the date hereof:~~

- (a) such number of directors who are independent and represent at least 50% of the total number of directors nominated for election for that year;

- (b) ~~(a)~~ such number of directors who are resident of Québec and represent at least 25% of the total number of directors nominated for election that year;
- (c) ~~(a)~~ such number of directors who have expertise in derivatives and represent at least 25% of the total number of directors nominated for election that year; and
- (d) ~~(a)~~ one director drawn from the Canadian independent investment dealer community (for greater certainty, excluding investment dealers which are affiliates of Canadian Schedule I banks) under the Bank Act, SC 1991, c 46).

For the purposes of this paragraph 5, a director shall be resident of Québec if he or she is considered to be resident of Québec under the Taxation Act (R.S.Q., c.13) at the time of his or her election or appointment.

5. ~~1.~~ Maple undertakes that it ~~will select~~ as the chair of the Maple board will be an independent director.

For purposes of these paragraphs 5 and 6, a director shall be independent if they are independent within the meaning of section II (b) of the Recognition Order.

~~[Note: Sections 5 and 6 to be removed from undertaking if Maple is recognized as an exchange and these provisions are included in the recognition order.]~~

6. Maple undertakes to maintain a committee of the Board of Directors of Maple to be named the Derivatives Committee, in a manner consistent with the attached terms of reference (Schedule 1). Maple will refer to the Derivatives Committee for recommendation and advice all policy issues and matters that are likely to have a significant impact on derivatives and related products of Maple and its subsidiaries and, among other things, on the role of Maple and/or MX and/or the Canadian Derivatives Clearing Corporation (CDCC) in relation thereto.

TMX Group and MX Board Representation

7. ~~1.~~ Maple undertakes that, unless it obtains the prior authorization of the Autorité to make changes, it will maintain mirror boards of directors for Maple, TMX Group and MX.

MX Special Regulatory Committee

8. ~~1.~~ Maple undertakes that at least ~~25~~50% of the special regulatory committee of the ~~the~~ MX will be comprised of directors individuals who ~~will~~ have expertise in derivatives.

MX Operations

1. ~~Maple undertakes that it will cause the existing derivatives trading and related products operations of the MX to remain in Montreal.~~

1. ~~Maple undertakes not to do anything to cause MX, directly or indirectly, to cease to be the Canadian national exchange for all derivatives trading and related products, including being the sole platform for trading of carbon and other emission credits in Canada, without obtaining the prior authorization of the Autorité and complying with any terms and conditions that the Autorité may set in the public interest in connection with any change to MX's operations.~~

CDCC Board Representation

9. ~~1.~~ Maple undertakes that it will cause to be nominated every year, ~~without limit as to time,~~ for election to the board of directors of Canadian Derivatives Clearing Corporation ("CDCC") CDCC, at every annual meeting of CDCC held following the date hereof:

- (a) such number of directors who are independent and represent at least ~~45~~33% of the total number of directors nominated for election for that year, of which at least two will not be an associate, partner, director, officer or employee of a participant of CDCC or its affiliates or an associate of such director, partner, officer or employee;
- (b) ~~(a)~~ such number of directors who are a current or former associate, partner, director, officer or employee of a participant of CDCC or its affiliates (A) are an associate, partner, director, officer or employee of a clearing member of CDCC or such member's affiliates, (B) possess expertise in derivatives clearing, and (C) are financially literate within the meaning of National Instrument 52-110, and represent at least 33% of the total number of directors nominated for election for that year, and of these directors:

- (i) one director will be the chief executive officer of the Bourse, or such other officer or employee of the Bourse as nominated by the Bourse; notwithstanding that such person is not an associate, partner, director, officer or employee of a clearing member of CDCC or such member's affiliates; and
- (ii) two of these directors will not be, at the time of appointment or election, an associate, partner, director, officer or employee of a significant Maple shareholder and will be unrelated to original Maple shareholders for as long as a Maple nomination agreement is in effect;
- (c) the chief executive officer of CDCC;
- (d) ~~(a) such number of directors who are resident of Québec and represent at least 25% of the total number of directors nominated for election that year; and~~
- (e) ~~(a) such number of directors who have expertise in derivatives clearing and represent at least 25% of the total number of directors nominated for election that year.~~

For the purposes of this paragraph 11, ~~(i) a director shall be resident of Québec if he or she is considered to be resident of Québec under the Taxation Act (R.S.Q., c.13) at the time of his or her election or appointment, and (ii) (A) a director shall be independent if the director is not (A) an associate, partner, director, officer or employee of a shareholder of Maple where such shareholder beneficially owns or exercises control or direction over more than 5% of the outstanding shares of Maple, or (B) an officer or employee of Maple or CDCC or an affiliate of Maple or CDCC or an associate of such officer or employee independent within the meaning of that term in CDCC's recognition order, and (B) the terms "significant Maple shareholder", "unrelated to Original Maple shareholders" and "Maple nomination agreement" will have the meanings given to such terms in CDCC's recognition order.~~

Change in Ownership

10. ~~4. Maple undertakes that it will not complete or authorize a transaction that would result in any person or company, or any combination of persons or companies acting jointly or in concert, beneficially owning or exercising control or direction over more than 10 per cent of any class or series of voting shares of the TMX Group, MX and CDCC, without obtaining the prior authorization of the Autorité, except for Maple or an affiliate of Maple.~~

~~For purposes of this paragraph 12, the expression "acting jointly or in concert" has the meaning provided under Section 1.9 of Regulation 62-104 respecting Take-Over Bids and Issuer Bids, as amended from time to time, *mutatis mutandis* and, for greater certainty, including persons deemed or presumed to be acting jointly or in concert within the meaning of that expression.~~

11. ~~4. Maple will undertake to continue to own, directly or indirectly, all of the issued and outstanding voting shares of TMX Group, MX and CDCC.~~

12. ~~4. Maple undertakes that it will not complete or authorize a transaction that would result in more than 50 percent of any class or series of voting shares of the TMX Group, MX and CDCC ceasing to be controlled by Maple, directly or indirectly, without obtaining the prior authorization of the Autorité.~~

Strategic Plan for Derivatives trading and related products operations.

1. ~~Maple undertakes that it will submit annually to the Autorité, within two months of its approval, its strategic plan for derivatives as approved by the board of directors of Maple. The strategic plan will address the progress achieved during the past year in the fulfillment of previous strategic plan for derivatives.~~

13. Maple undertakes that it will cause the existing derivatives trading and related products operations of MX to remain in Montreal. Maple undertakes that MX will continue as Maple's exclusive Canadian business unit responsible for exchange traded derivatives and related products.

14. Maple undertakes to maintain, and continue to develop, Montreal as a centre of excellence in derivatives and a hub of attraction for Maple's derivatives trading and related products operations, including over-the-counter derivatives.

15. ~~4. Maple undertakes that it will invest in the continued growth use commercially reasonable efforts to continue to grow the business of trading and clearing of derivatives and related products in Montreal.~~

16. ~~4. Maple undertakes that if MX and/or CDCC determine from time to time to export their knowledge of expertise in derivatives and related products trading and clearing, such international activity will be directed from Montréal Montreal.~~

17. ~~1. Maple undertakes that MX will continue as the exclusive business unit responsible for exchange traded derivatives and related products~~**further enhancements to the SOLA application software will be developed in Montreal.**

18. ~~1. Maple undertakes that if Maple it establishes an exchange or clearing agency~~**house in Canada (or participates in a joint venture or partnership)** for trading or clearing derivatives that are presently over-the-counter derivatives, that exchange or clearing agency**house (or the principal Maple business unit that manages Maple's interest in that joint venture or partnership)** will comply with paragraphs 2019 and 2420 below.

19. ~~1. Maple undertakes that the head office and executive office of MX, CDCC and any business unit designated~~**established** under paragraph 4918 will **be or will continue to** be located in Montreal. Maple further undertakes that the mind and management of MX, CDCC and any business unit **established** under paragraph 4918 responsible for overseeing the annual operating plans and budgets thereof will be **or will continue to be** located in Montreal.

20. ~~1. Maple undertakes that the most senior officer of Maple (other than Maple's chief executive officer) with direct responsibility for MX, CDCC and any business unit~~ **established** under paragraph 4918 shall be a resident of Quebec at the time of his or her appointment, **or as soon as reasonably practicable thereafter**, and for the duration of his or her term of office and shall work in Montreal. Maple further undertakes that the executives responsible for managing the development and execution of the policy and direction of MX, CDCC and any business unit **established** under paragraph 4918 **will continue to be** sufficient to permit the **such most** senior officer to execute his or her responsibilities, **and** will work in Montreal.

For purposes of the undertakings contained in this letter, all references to derivatives and related products pertain to equity and fixed income derivatives and exclude any derivatives and related products of TMX Group or any affiliate thereof not under the direct responsibility of MX on the date hereof including, without limitation, derivatives and related products of Natural Gas Exchange Inc., Shorcan Brokers Limited, and Shorcan Energy Brokers Inc.

21. **Maple undertakes not to do anything to cause MX, directly or indirectly, to cease to be the Canadian national exchange for all derivatives trading and related products, including being the sole platform for trading of carbon and other emission credits in Canada, without obtaining the prior authorization of the Autorité and complying with any terms and conditions that the Autorité may set in the public interest in connection with any change to MX's operations.**

22. **Maple undertakes not to do anything to cause CDCC, directly or indirectly, to cease (a) to be a Canadian national clearing agency for the clearing of derivatives and related products, including being the sole clearing agency for trades in derivatives that are exchange traded on MX and (b) its development as a leading clearing agency for fixed income transactions (as such term is defined in paragraph 29(c)(ii)), without obtaining the prior authorization of the Autorité and having complied with any terms and conditions that the Autorité may set in the public interest in connection with any change to CDCC's operations.**

Strategic Plan for Derivatives and Related Products

23. **Maple undertakes that it will submit annually to the Autorité, within 30 days of its approval, its strategic plan for derivatives and related products as approved by the board of directors of Maple. The strategic plan will address the progress achieved during the past year in the fulfillment of the previous strategic plan for derivatives and related products.**

Access to Information

24. ~~1. Maple undertakes that it will permit the Autorité to have access to and to inspect and to cause its subsidiaries to permit the Autorité to have access to and to inspect, all data and information in its or their possession that is required for the assessment by the Autorité of the performance by Maple, TMX Group, MX and CDCC of their regulatory functions and the compliance of these entities with the terms and conditions of the Autorité's decisions.~~

Resources

25. ~~1. Maple undertakes that it will, subject to paragraph 2426 and for so long as TMX Group, MX and CDCC carry on business as an exchange or clearing house, as applicable, allocate sufficient financial and other resources to TMX Group, MX and CDCC to ensure:~~

- (a) their financial viability and the proper performance of their functions; and
- (b) ~~(a)-the exercise of the self-regulatory functions of MX and its self regulatory division;~~

in accordance with the terms and conditions set out in the Recognition Order **their recognition order**.

26. ~~4.~~ Maple undertakes that it will notify the Autorité immediately upon becoming aware that it is or will be unable to allocate sufficient financial and other resources to TMX Group, MX or CDCC to ensure that they can carry out their functions as an exchange, a self-regulatory organization, or a clearing house, as applicable, in a manner that is consistent with the terms and conditions of the Recognition Order their recognition order.

Non-Compliance

27. ~~4.~~ Maple acknowledges that if it fails to comply with any of the terms and conditions set forth herein, the Autorité may revise the Recognition Order its recognition order.

Canadian Derivatives Clearing Corporation

28. ~~4.~~ Maple undertakes that it will do everything within its control to cause the CDCC to comply with the terms and conditions of its recognition order.

General

29. **For purposes of the undertakings contained in this letter:**

- (a) **the expressions "control", "beneficial ownership" and "acting jointly or in concert" have the meaning provided under sections 1.4, 1.8(5) and 1.9 of Regulation 62-104 respecting Take-Over Bids and Issuer Bids, as amended from time to time, mutatis mutandis and, for greater certainty, including persons deemed or presumed to be acting jointly or in concert within the meaning of that expression, and the exercise of direction over any class or series of voting shares of Maple shall be determined in accordance with section 90 of the Securities Act, R.S.Q., c. V-1.1 (Québec);**
- (b) **a person shall be resident of Québec if he or she is considered to be resident of Québec under the Taxation Act (R.S.Q., c.1-3); and**
- (c) **all references to derivatives (whether exchange traded, over-the-counter or otherwise) and related products, other than the reference to paragraph 6, pertain to (i) equity, interest rate, currency, index and exchange traded fund derivatives, (ii) the clearing of fixed income transactions¹ and (iii) other types of derivatives and related products under the responsibility of MX or CDCC, as the case may be, on the date hereof or which may reasonably be developed under the responsibility thereof, but excludes (iv) the types of derivatives and related products under the responsibility of Natural Gas Exchange Inc., Shorcan Brokers Limited, and Shorcan Energy Brokers Inc. on the date hereof or which may reasonably be developed under the responsibility thereof.**

These undertakings by Maple will, as applicable, cease to have effect with respect to TMX Group, MX or CDCC if (a) the Autorité revokes the Recognition Order recognition of TMX Group, MX or CDCC for any reason other than the failure by Maple to fulfill its undertakings with the Autorité, (b) TMX Group, MX or CDCC ceases to carry on business after complying with any terms and conditions the Autorité may impose, or (c) TMX Group, MX or CDCC ceases to be a subsidiary of Maple after complying with any terms and conditions the Autorité might impose.

These undertakings will take effect upon the take-up by Maple of voting securities of TMX Group in connection with the Maple Acquisition.

Yours truly,

Luc Bertrand
on behalf of
Maple Group Acquisition Corporation

¹ **For purposes of these undertakings fixed income transactions means: "Repurchase Transactions" and "Cash Buy or Sell Trades" on securities that are eligible for Repurchase Transactions (i.e., on "Acceptable Securities"). Each capitalized term has the meaning given thereto in the CDCC Rules.**

SCHEDULE 1**MAPLE GROUP ACQUISITION CORPORATION
(THE "CORPORATION")
DERIVATIVES COMMITTEE
CHARTER****1. General**

The Board of Directors of the Corporation (the "Board") has established a Derivatives Committee (the "Committee") to advise and make recommendations to the Board with respect to all policy issues and matters that are likely to have a significant impact on derivatives and related products of the Corporation and its subsidiaries and, among other things, on the role of the Corporation and/or Montreal Exchange Inc. ("MX") and/or Canadian Derivatives Clearing Corporation ("CDCC") in relation thereto.

2. Members

The Board will in each year appoint a minimum of four (4) directors as members of the Committee. All members of the Committee shall be non-management directors and at least a majority of the members shall have expertise in derivatives.

The Chief Executive Officer ("CEO") of the Corporation and the most senior officer of each of MX and CDCC and, to the extent the Chair of the Board is not otherwise a member of the Committee, the Chair, and all other non-management directors who are not members of the Committee may attend all meetings of the Committee in an ex-officio capacity and will not vote. Directors who are also members of management, other than the CEO and the most senior officer of each of MX and CDCC, shall be entitled to attend meetings of the Committee if invited to do so by the Chair of the Committee. In-camera sessions of the Committee will initially include the CEO but exclude the presence of other staff of the Corporation and subsequently continue without the CEO.

3. Duties

The Committee shall have the following duties:

- (a) To advise and make recommendations to the Board on all policy issues and matters that are likely to have a significant impact on derivatives and related products of the Corporation and its subsidiaries and, among other things, on the role of the Corporation and/or MX and/or CDCC in relation thereto.
- (b) To consider such other matters as the Board shall determine from time to time.

4. Chair

The Board will in each year appoint the Chair of the Committee from among the members of the Committee. In the Chair's absence, or if the position is vacant, the Committee may select another member as Chair. The Chair will have the right to exercise all powers of the Committee between meetings but will attempt to involve all other members as appropriate prior to the exercise of any powers and will, in any event, advise all other members of any decisions made or powers exercised.

5. Meetings

The Committee shall meet at the request of its Chair, but in any event it will meet at least twice a year. Notices calling meetings shall be sent to all Committee members and to the CEO of the Corporation, most senior officer of each of MX and CDCC, the Chair of the Board and to all other directors.

6. Quorum

A majority of members of the Committee, present in person, by teleconferencing, or by videoconferencing will constitute a quorum.

7. Removal and Vacancy

A member may resign from the Committee, and may also be removed and replaced at any time by the Board. A member will automatically cease to be a member as soon as the member ceases to be a director. The Board will fill vacancies in the Committee by appointment from among the directors of the Board in accordance with Section 2 of this

Charter. Subject to quorum requirements, if a vacancy exists on the Committee, the remaining members will exercise all its powers.

8. Experts and Advisors

Any member may, subject to the prior approval of the Governance Committee, engage an outside advisor, at the expense of the Corporation, to provide advice with respect to a Corporate decision or action. The Governance Committee shall receive and consider all such requests for the retention of outside advisors.

9. Secretary and Minutes

The most senior officer of MX, or such other person as may be appointed by the Chair of the Committee, will act as Secretary of the Committee. The minutes of the Committee will be in writing and duly entered into the books of the Corporation. The minutes of the Committee will be circulated to all members of the Board.

SCHEDULE 2

SUMMARY OF COMMENTS AND RESPONSES PREPARED BY MAPLE

Set out below is a summary of the comments received by the Ontario Securities Commission (the "**OSC**") in respect of the application submitted by Maple Group Acquisition Corporation ("**Maple**") in connection with its proposed transaction to acquire the outstanding shares of TMX Group Inc. ("**TMX Group**") (the "**Maple Acquisition**"), together with the acquisition of: (a) Alpha Trading Systems Limited Partnership and Alpha Trading Systems Inc. (collectively, together with any successors thereto, "**Alpha**"); and (b) The Canadian Depository for Securities Limited and, indirectly, CDS Clearing and Depository Services Inc. ("**CDS Clearing**" and, collectively, "**CDS**") (collectively, the "**Alpha and CDS Acquisitions**" and, together with the Maple Acquisition, the "**Transactions**"). Included in the summary below are responses to the relevant points prepared by Maple. The summaries of the comments received below are qualified entirely by the full comment letters, copies of which are available at www.osc.gov.on.ca.

Comment letters were received from each of the following individuals or organizations: Canaccord Genuity Corp. ("**Canaccord**"), an industry sub-committee of the Investment Industry Regulatory Organization of Canada ("**IIROC**"), WWoods & Co. ("**Woods**"), Chi-X Canada ATS Limited ("**Chi-X**"), Mr. Bob Perry, Canadian Coalition for Good Governance ("**CCGG**"), The Canadian Advocacy Council for Canadian CFA Institute Societies ("**CFA**"), Canadian Foundation for Advancement of Investor Rights ("**FAIR**"), Edward Jones ("**EJ**"), Paramax Solutions Inc. ("**Paramax**"), Ontario Teachers' Pension Plan Board ("**OTPPB**"), CNSX Markets Inc. ("**CNSX**"), Dr. Barry F. Graham ("**Graham**"), ITG Canada Corp. ("**ITG**"), Cyber Invest, and The Investment Industry Association of Canada ("**IIAC**").

General Response

Over the past several months, Maple has engaged in detailed discussions with staff of the OSC ("**Staff**") with respect to the Transactions. Such discussions have been oriented towards addressing concerns raised by Staff and the various commenters referred to above in connection with Maple's application dated October 3, 2011. In general, these concerns were related to such matters as governance, board composition and representation, the relationship of the Original Maple Shareholders (as defined below) with Maple going forward, including the potential for real or perceived conflicts of interest, increased concentration of ownership of TMX Group, the potential impact of the Transactions on competition and fees, the change of ownership of CDS from a user-owned model to a non-user-owned model, including related governance issues and the implementation of a for-profit clearing and settlement model as envisioned as part of the Transactions.

Maple has considered these various matters in great detail, and as a result, has made several changes to its original proposal as described in its application to the OSC dated October 3, 2011. Such changes are reflected in the draft recognition orders published along with this summary by the OSC and discussed in more specific detail below. Among others, these changes have included:

- a requirement that at least 50% of the Maple board of directors (excluding the chief executive officer of Maple should the chief executive officer also be a director) be comprised of directors that are Unrelated to Original Maple Shareholders (as defined below) for so long as those shareholders have board nomination rights and other changes intended to ensure fair, meaningful and diverse representation on the Maple board and its committees. These changes include related changes to the Maple board governance committee to be implemented following completion of the Transactions;
- the establishment of a regulatory oversight committee, comprised of independent directors on the Maple board, to, among other things, consider, and establish mechanisms to address, conflicts of interest that may arise following completion of the Transactions;
- an annual certification requirement applicable to the Original Maple Shareholders to confirm that the Original Maple Shareholders are not acting jointly or in concert;
- elimination of the previously proposed non-competition and non-preferencing agreements and clarification of new restrictions on certain discounting and pricing practices by marketplaces. These steps should provide Canadian capital market participants added comfort that innovation and competition among marketplaces will continue to thrive;
- enhanced continuous oversight that will be implemented by Staff; and
- a detailed CDS governance structure and fee model designed to ensure that CDS fees remain fair, reasonable and competitive in the context of the Canadian marketplace and trends relating to comparable

services offered by clearing houses worldwide and that CDS continues to be operated both in the public interest and in the interest of its users.

Maple believes that these various items, together with the measures provided for in the draft recognition orders as a whole, will allow the various benefits expected to result from the Transactions to be realized, while effectively addressing the various concerns raised by Staff and the commenters noted above.

Part A – Timing of Consideration		
<u>Original Question</u>	<u>Comments Received</u>	<u>Response</u>
<p>1. <i>Do you believe that the Commission should consider the requested approvals all at the same time, or should the requested approvals be considered in stages?</i></p>	<p>One commenter (CFA) suggested that the Maple proposal was sufficiently complex to warrant consideration in stages.</p> <p>One commenter (FAIR) encouraged the OSC to consider deferring a decision regarding CDS and conducting further consultation on its conversion into a for-profit entity.</p> <p>One commenter (CNSX) commented that the issues would benefit from consideration as a whole, but that acquisition of TMX Group and Alpha could potentially be dealt with separately from the CDS acquisition.</p> <p>Another commenter (ITG) commented that the Maple requests are all conditional on one another and are interconnected, and that accordingly the totality of the proposal should be considered.</p>	<p>As the issues raised by the OSC with respect to the Transactions are interrelated, Maple believes that the OSC’s simultaneous and extensive review and consideration of all of the approvals requested in connection with the Transactions has been the best approach in the circumstances.</p>

Part B – Maple Board Composition		
<u>Original Question</u>	<u>Comments Received</u>	<u>Response</u>
<p>2. <i>What is the optimal composition of Maple’s board, and why?</i></p>	<p>Several commenters (Woods, CFA, CNSX) suggested that the Maple board should have a majority of independent directors, including an independent chair.</p> <p>One commenter (CFA) suggested that non-owner users (including at least 10% or two directors representing retail investor protection groups) should make up a majority of the Maple board. The commenter also suggested that the nomination committee of the Maple board should comprise only those members of the Maple board that have not worked in the securities industry for at least five years.</p> <p>One commenter (FAIR) proposed that the Maple board should consist of: (a) one-third of the directors being independent and representatives of investors (including at least two retail investor representatives); (b) one-third of the directors being independent and representatives of other stakeholders including listed companies and the general public interest; and (c) one-third of the</p>	<p>Maple has considered the various comments received on this point and believes that its revised proposal, as described below, will ensure fair, meaningful and diverse representation on the Maple board of directors and its committees, including appropriate representation of independent directors and a proper balance among the interests of the various stakeholders using TMX Group’s services and facilities. Importantly, Maple’s revised proposal addresses perceived conflicts of interest that have been identified by commenters.</p> <p>Under the revised Maple proposal, for so long as the nomination agreements in favour of original Maple investors remain in effect, at least 50% of the directors on the Maple board (excluding the chief executive officer of Maple from this calculation should the chief executive officer also be a director) will be “Unrelated to Original Maple Shareholders”. For this purpose, a person will be considered to be Unrelated to</p>

	<p>directors being non-independent directors, including nominees of Maple’s founding shareholders.</p> <p>One commenter (CNSX) commented that, in addition to the requirement that 50% of all directors be independent, the Maple board should have meaningful representation from non-owner users and expertise to cover all business lines. The commenter encouraged that reference be made to the approach of the U.S. Securities and Exchange Commission towards BATS and DirectEdge. The commenter also argued that it was important for the Maple board to have diversity requirements beyond geography and derivatives.</p> <p>One commenter (ITG) suggested that the Maple board should have staggered term limits to eliminate the mechanism of slate elections. The commenter also suggested that the Maple board should lead with appropriate representation in terms of geography, language, specialties, ownership, gender and ethnicity.</p> <p>One commenter (ITG) questions whether a predetermined formula or mechanism should be implemented to address potential board changes if Maple were to expand and acquire or merge with another marketplace or be taken over by a foreign entity.</p>	<p>Original Maple Shareholders if the person:</p> <ul style="list-style-type: none"> (a) is not a partner, officer¹ or employee of an “Original Maple Shareholder”² or any of its affiliates (or an associate of that partner, officer or employee); (b) is not nominated under a Maple nomination agreement; (c) of a director of an Original Maple Shareholder or any of its affiliates or any associates of that director; and (d) does s not have, and has not had, any relationship with an Original Maple Shareholder that could, in the view of the Maple governance committee (as discussed below) having regard to all relevant circumstances, be reasonably perceived to interfere with the exercise of his or her independent judgment as a director of Maple. <p>Additionally, the Maple board of directors will establish a governance committee, comprised of at least five directors, all of whom will be independent and, so long as a Maple nomination agreement is in effect, a majority of whom will be Unrelated to Original Maple Shareholders, that will be tasked with (in addition to nominating all Maple directors that are not otherwise nominated pursuant to a nomination agreement) assessing and approving all directors nominated pursuant to a nomination agreement.</p> <p>In the event that the governance committee determines that a candidate put forward for election to the Maple board pursuant to a nomination agreement is not suitably qualified, such candidate will not be put forward for election and the applicable nominating shareholder will be entitled to select a replacement nominee for consideration by the governance committee. Maple feels that this process is appropriate and will assist in ensuring that qualified candidates will be nominated to serve on the Maple board.</p>
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¹ For this purpose, "officer" means: (a) a chief executive officer, a chief operating offer, a chief financial officer, a president, a vice-president, a secretary, an assistant secretary, a treasurer, an assistant treasurer and a manager; (b) every individual who is designated as an officer under a by-law or similar authority of the registrant or issuer, and (c) every individual who performs functions similar to those normally performed by an individual referred to in clause (a) or (b).

² For this purpose the Original Maple Shareholders are Alberta Investment Management Corporation, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., Desjardins Financial Corporation, Dundee Capital Markets Inc., Fonds de solidarité des travailleurs du Québec (F.T.Q.), GMP Capital Inc., The Manufacturers Life Insurance Company, National Bank Financial & Co. Inc., National Bank Financial Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc. and TD Securities Inc.

		<p>For clarity, the applicable elements of the original Maple proposal will also be retained, including that: (a) at least 50% of the Maple board will be comprised of independent directors (within the meaning of section 1.4 of National Instrument 52-110³); (b) one member of the Maple board will be chosen from Canada’s independent investment dealer community and, so long as a Maple nomination agreement is in effect, that person must be Unrelated to Original Maple Shareholders; (c) the chair of the Maple board will be independent; (d) at least 25% of the Maple board will have expertise in derivatives; and (e) at least 25% of the Maple board will be residents of Québec at the time of election or appointment.</p>
<p>3. <i>Is fair and meaningful representation on the board of directors being achieved in the Maple Proposal or is the proportion of shareholder representation under the proposed nomination agreements too large?</i></p> <p>4. <i>Is it appropriate that the shareholder representatives are nominated by only a certain subset of the shareholders, i.e. the Investors?</i></p>	<p>Several commenters (Chi-X, CFA, CNSX) took issue with the proposed nomination arrangements in favour of the founding Maple shareholders.</p> <p>One commenter (Chi-X) argued that at most, only five of the founding Maple shareholders should be provided with nomination rights, and that such rights should apply to only the first election period.</p> <p>One commenter (CCGG) noted that it is generally appropriate for significant, long term shareholders to nominate representatives to boards of directors to participate in the strategic oversight and overall good governance of a corporation.</p>	<p>Maple believes that, in light of the revised proposal for the composition of the Maple board, which requires the presence of at least 50% independent directors and 50% individuals that are Unrelated to Original Maple Shareholders (excluding the chief executive officer of Maple from this calculation should the chief executive officer also be a director) for so long as a Maple nomination agreement remains in effect, together with the oversight and review process relating to nominees to the board to be conducted by the wholly independent governance committee (described in the response to Question 2 above), the proposed nomination rights in favour of the original Maple investors are not disproportionate and are not contrary to the public interest.</p>
<p>5. <i>Should there be representation of non-owner users on the board of directors?</i></p>	<p>See comments above.</p>	<p>Maple believes that the requirement for at least 50% of the members of the Maple board to be Unrelated to Original Maple Shareholders (excluding the chief executive officer of Maple from this calculation should the chief executive officer also be a director) for so long as a Maple nomination agreement remains in effect provides sufficient opportunity for directors that are not affiliated with the original Maple investors to serve on the Maple board. This may include individuals with connections to non-owner users of Toronto Stock Exchange, provided that the Maple board will otherwise continue to satisfy the other applicable board composition criteria that will apply.</p>

³ Note however that an individual will not be independent for these purposes if the individual is: (a) a partner, director, officer or employee, of any participant in a marketplace owned or operated by Maple or its affiliates or an associate of such partner, director, officer or employee, or (b) a partner, director, officer or employee of an affiliate of a participant in a marketplace owned or operated by Maple or its affiliates who is responsible for or is actively or significantly engaged in the day-to-day operations or activities of that participant.

<p>6. <i>How should independence be defined for purposes of the Maple Proposal?</i></p> <p>7. <i>Should founding non-dealer shareholders be excluded from the definition of independent director?</i></p>	<p>Several commenters (Woods, CFA, FAIR, CNSX, ITG) raised general concerns with the application of the usual standard of independence to the Maple board.</p> <p>One commenter (Woods) suggested that directors, officers or employees of any of the dealer investors of Maple (even if holding less than 10% of its shares) should not be treated as independent. The commenter suggested that the definition of independence from National Instrument 81-107 – <i>Independent Review Committees for Investment Funds</i> be considered for application to the Maple board.</p> <p>Another commenter (CNSX) similarly suggested that representatives of users (i.e., dealers, issuers and other large users of clearing and settlement services) should be excluded, together with officers and employees of Maple or its entities, those with significant ownership interests and those that are reliant on such owners. The commenter also suggested that listed issuers should be excluded for these purposes.</p> <p>Another commenter (CFA) suggested that the employees of Original Maple Shareholders and their families, directors, other persons with financial links to Maple shareholders (including consulting fees, pension or other benefits) and Maple shareholders should not be permitted to serve as directors of Maple. The commenter also stated that shareholders of the Maple founding shareholders should not be treated as independent.</p> <p>Some commenters (FAIR, CNSX) believed that the appropriate percentage threshold for evaluating independence from a nominating shareholder should be lowered to 5%, with one commenter noting that this was the applicable threshold under the <i>Securities Act</i> (Ontario) prior to 2002. One of the commenters (CNSX) also requested that the OSC consider whether it would be appropriate to continue to deem the Maple founding shareholders to be acting in concert for purposes of assessing their independence.</p> <p>One commenter (ITG) believed that the appropriate ownership threshold for assessing independence was 1%, and that accordingly any nominees of Maple founding shareholders holding greater than this amount (as well as any nominees of listed issuers holding greater than this amount) should be excluded. The</p>	<p>Maple believes that, in light of its revised proposal including a requirement that at least 50% of the Maple board be Unrelated to Original Maple Shareholders (excluding the chief executive officer of Maple from this calculation should the chief executive officer also be a director) for so long as a Maple nomination agreement remains in effect, the definition of “independence” currently applied to the TMX Group board is suitable and appropriate for application to the proposed Maple board. See further discussion in this regard in the response to Question 2 above.</p>
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	<p>commenter did however submit that listed issuers should not generally be excluded from the definition of independence (unless they held greater than 1% of Maple), and the commenter suggested that listed issuers should arguably have a seat reserved on the Maple board for a representative thereof.</p> <p>Two commenters (CCGG, OTPPB) took issue with the OSC's suggestion of a revised definition of independence that would exclude directors nominated by the non-dealer founding shareholders of Maple (holding between 6.9% to 8.6% of the Maple shares). The commenters argued that the ability of significant, long-term shareholders to nominate board members is an important one, and that (absent any agreements or understandings to act jointly or in concert) deeming a nominee of a shareholder holding less than 10% to not be independent was not appropriate. One commenter (OTPPB) also noted that, if nominees of non-dealer founding shareholders were treated as non-independent, this could require an increase to the size of the Maple board to a size that would detract from its effectiveness.</p>	
<p>8. <i>Should listed issuers be excluded from the definition of independent director?</i></p>	<p>See comments above. Additionally, one commenter (CFA) did not believe that listed issuers should be excluded from the definition of independence, believing that the probability of a conflict of interest was minimal.</p>	<p>Maple does not believe that the exclusion of directors affiliated with listed issuers from being independent is appropriate or necessary. Furthermore, Maple believes that such an exclusion could severely limit the pool of potential directors able to serve on the Maple board.</p>
<p>9. <i>Is it appropriate that eight of the Investors be entitled to nominate one director each for a period of six years?</i></p>	<p>See comments above. One commenter (CFA) argued that that it was important that independent directors have as much tenure as any directors nominated by Maple founding shareholders.</p>	<p>Maple does not believe that any measures in this regard are necessary. All Maple directors (including those nominated pursuant to a nomination right) must ultimately be elected by Maple's shareholders and will be elected for annual terms. The Maple board (and its governance committee) will consider all appropriate factors when identifying independent directors for nomination to the Maple board.</p> <p>Additionally, Maple has incorporated several structural mechanisms (as reflected in the draft recognition orders) to address concerns relating to the nomination rights. These include:</p> <ul style="list-style-type: none"> • as noted in the response to Question 2 above, at least 50% of the original Maple board will be required to be Unrelated to Original Maple Shareholders (excluding the chief executive officer of Maple from this calculation should the chief executive

		<p>officer also be a director) for so long as a Maple nomination agreement remains in effect;</p> <ul style="list-style-type: none"> as noted in the response to Question 2 above, the establishment of a governance committee of the Maple board (comprised of at least five directors, all of whom will be independent and, for so long as a Maple nomination agreement is in effect, a majority of whom will be Unrelated to Original Maple Shareholders) that will be tasked with, among other things, assessing and approving all directors nominated pursuant to a nomination agreement, and that will have the power to determine that a candidate put forward pursuant to a nomination agreement is not suitably qualified to serve on the Maple board; composition guidelines applicable to each of the Maple board committees that will ensure that directors that are independent and/or Unrelated to Original Maple Shareholders will be appropriately represented on all such committees; and an enhanced annual certification regime that will require each Original Maple Shareholder to certify certain factual matters, including that its nominee director (if any) has not coordinated its decisions or voting with any other nominee director of any other Original Maple Shareholder.
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Part C – Conflicts of Interest		
<u>Original Question</u>	<u>Comments Received</u>	<u>Response</u>
<p>10. Are Maple's proposed measures to mitigate potential conflicts of interest sufficient or are additional measures needed? If additional measures should be implemented, please indicate which ones and why.</p>	<p>One commenter (Woods) suggested that Maple should be subjected to an explicit duty to give precedence to the public interest over its other interests (similar to Section 21(2)(b) of the Hong Kong Securities and Futures Ordinance). The commenter also suggested that the OSC should impose an obligation on the Maple investors to require them to not give preference to those exchanges owned by Maple following the Maple acquisition.</p> <p>One commenter (Chi-X) suggested that both exchange and dealer policies for conflicts of interest should be required to be</p>	<p>Maple has worked with Staff to address the potential for conflicts of interest arising in connection with the proposed Transactions. Maple believes that its revised proposal (as reflected in the draft recognition orders), together with the ongoing OSC oversight contemplated thereby, provides sufficient measures to address real or perceived potential conflicts. In particular, Maple notes that:</p> <ul style="list-style-type: none"> the presence on the Maple board of independent directors and directors Unrelated to Original Maple Shareholders will mitigate against

	<p>established and posted on their respective websites.</p> <p>One commenter (Chi-X) suggested that dealer-shareholders of Maple should be required to provide transparency to their clients regarding routing decisions. However, one commenter (CFA) argued that this was not sufficient, as clients would not be able to "go elsewhere" under the proposed structure.</p> <p>One commenter (Chi-X) suggested that the OSC should form a task force to consider requiring Maple to create a separate affiliate tasked with the conduct of its regulatory mandate. Similarly, other commenters (CCGG, CFA, FAIR) argued that approval of the Maple application should be contingent on elimination of the perceived conflict of interest between TMX Group's profit mandate and its role in regulation of listed issuers, or that at a minimum certain steps be taken in the interim to manage this perceived conflict (such as creation of a subsidiary with a board of directors including a majority of independent directors).</p> <p>One commenter (FAIR) argued that the TMX Group listings regulatory functions should be transferred to another regulator (preferably an independent self-regulatory organization). Alternatively, the commenter suggested that this role should be transferred to provincial securities regulators or a separate subsidiary of TMX Group with an independent board of directors. Another commenter (CFA) similarly argued that an independent body overseen by provincial securities regulators should be created to oversee TMX Group's listing regulatory functions. However, another commenter (CNSX) did not believe that such an outsourcing should occur, arguing that it could stifle innovation.</p> <p>One commenter (CFA) argued that a regulatory oversight committee ("ROC") reporting to the Maple board would be insufficient, as would a separate regulatory division or subsidiary. Another commenter (FAIR) similarly took issue with a ROC approach, arguing that its effectiveness could be increased only if: (a) it were composed of directors independent from Maple and its shareholders, as well as listed issuers; (b) it had decision-making capabilities; and (c) reported directly to the OSC, rather than the TMX Group or Maple board.</p>	<p>potential conflicts of interest while reinforcing the balancing of the public interest and the interests of shareholders;</p> <ul style="list-style-type: none"> • Maple will form a ROC of the Maple board (to be comprised entirely of independent directors, and for so long as a Maple nomination agreement is in effect, a majority of whom will be Unrelated to Original Maple Shareholders) specifically tasked with, among other things, considering real or perceived conflicts of interest that may arise in the context of: (a) ownership interests in Maple by participating organizations with representation on the Maple board; (b) increased concentration of ownership under Maple; and (c) the profit-making objective and the public interest responsibilities of Maple, including general oversight of the management of the regulatory and public interest responsibilities of TMX Group and TSX Inc.; • each Original Maple Shareholder will establish, maintain and require compliance, or ensure that its dealer affiliate establishes, maintains and requires compliance, with policies and procedures that identify and manage any conflicts of interest or potential conflicts of interest, real or perceived, arising from its ownership interest in Maple, and indirectly TMX Group TSX, Alpha and CDS, including conflicts of interest or potential conflicts of interest that arise from any interactions between TSX Inc. and the Original Maple Shareholder, or its dealer affiliate, where TSX Inc. may be exercising discretion in the application of its rules that involves or affects the Original Maple Shareholder either directly or indirectly; • following completion of the Transactions, Maple's marketplaces will continue to be subject to National Instrument 21-101 – <i>Marketplace Operation</i>, which will continue to provide protection to marketplace participants and ensure that Maple's various marketplaces are operated in a manner that supports fair and orderly markets. This includes the restrictions under section 5.2 of such instrument that provide that a recognized exchange shall not
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	<p>One commenter (CNSX) suggested that proposed measures could be sufficient with the appropriate Maple board composition, especially if requirements such as transparency of routing decisions and structural changes such as the creation of a ROC were implemented.</p> <p>One commenter (ITG) raised concerns regarding the potential for selected market participants to be given preferential pricing on trading and/or market data fees, and recommended that the OSC place strict limits on such arrangements and require transparent disclosure of pricing.</p>	<p>prohibit or limit, directly or indirectly, a user from effecting a transaction on any marketplace; and</p> <ul style="list-style-type: none"> all fees imposed by TSX Inc. on its participating organizations will continue to be reasonable and equitably allocated, and to be consistent with the requirements of Ontario securities laws.
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Part D – Concentration of Ownership and Non-Competition/Non-Preferencing Agreements		
<u>Original Question</u>	<u>Comments Received</u>	<u>Response</u>
<p>11. Do you have any concerns with a shift to a more concentrated ownership of the exchange, in particular by dealer users?</p>	<p>Several commenters (Woods, CFA) raised general concerns with dealer-owned exchanges and the potential for preferential arrangements. One commenter (CFA) raised concerns that this structure would encourage criticism, complaints and even legal claims, the costs of which are more likely to be passed onto clients than absorbed by Maple shareholders.</p>	<p>Maple has carefully considered these comments and believes that the various changes and enhancements it has made in its revised proposal and reflected in the draft recognition orders address any concerns in this regard.</p>
<p>12. Are the concerns exacerbated by the fact that the same dealers control the majority of order flow in Canada?</p>	<p>One commenter (CNSX) stated that the appropriateness of the proposed shareholding limit depended on whether all or part of the Maple proposal were accepted, but did believe that the shared interests of the Maple founding shareholders raised questions of whether an unfair market existed and whether the Canadian markets may be viewed as less competitive and attractive.</p>	<p>Firstly, Maple has included a requirement that at least 50% of the members of the Maple board be Unrelated to Original Maple Shareholders (excluding the chief executive officer of Maple from this calculation should the chief executive officer also be a director) for so long as a Maple nomination agreement remains in effect. See further discussion in this regard in the response to Question 2 above.</p> <p>Secondly, as noted in Maple’s original application, the operative limit on shareholders (including those acting jointly or in concert) holding greater than 10% of TMX Group will be applied to Maple following completion of the Transactions, restricting the ability of any one shareholder from unduly influencing Maple. In its revised proposal, Maple has supplemented these existing requirements to provide that until the first anniversary of the later of: (a) the earlier of (i) six years from the effective date of the draft recognition order, and (ii) the date on which for a consecutive six month period such Original Maple Shareholder has beneficially owned or exercised control or direction over that number of voting shares of Maple that represents less than 50% of the number of voting shares of Maple which it beneficially owned or exercised control or direction over</p>

		<p>on the date of completion of the Subsequent Arrangement; and (b) the later of (i) the termination or expiry of any right it has to nominate a director to the Maple Board, and (ii) the date on which no partner, officer, director or employee of the Original Maple Shareholder is a director on the Maple Board, the Original Maple Shareholder will provide an annual certification to the OSC, which will be signed on its behalf by its chief executive officer and either of its general counsel or chief compliance officer, to the effect that, based on their knowledge, having exercised reasonable diligence:</p> <ul style="list-style-type: none"> • it is not acting jointly or in concert with any other Original Maple Shareholder (or any affiliate or associate thereof) with respect to any voting shares of Maple; • it has no agreement, commitment or understanding, written or otherwise, with any other Original Maple Shareholder (or any affiliate or associate thereof) with respect to the acquisition or disposition of voting shares of Maple (other than in the case of dispositions, in the case of certain limited matters set out in the acquisition governance agreement among the Original Maple Shareholders), the exercise of any voting rights attached to any voting shares of Maple or the coordination of decisions or voting by its nominee director of Maple (if any) with the decision or voting by the nominee director of any other Original Maple Shareholder; and • since the last certification, it has not acted jointly or in concert with any other Maple investor (or any affiliate or associate thereof) with respect to (i) any voting shares of Maple, including with respect to the acquisition or disposition of any voting shares of Maple (other than in the case of dispositions, in the case of certain limited matters set out in the acquisition governance agreement among the Original Maple Shareholders) or the exercise of any voting rights attached to any voting shares of Maple or (ii) coordination of decisions or voting by its nominee director of Maple (if any) with the decisions or voting by the nominee director of any other Original Maple Shareholder.
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<p>13. Does this shift to a more concentrated ownership of the exchange raise other market structure issues in addition to the ones already identified in this Notice?</p>	<p>One commenter (CFA) commented that stock exchanges operate as a <i>de facto</i> public utility, and should accordingly be subjected to ownership restrictions similar to those in the Canadian banking sector and pricing/profitability restrictions similar to those in the consumer electricity market.</p>	<p>Maple does not believe that a model of pricing and profitability restrictions similar to that employed in the consumer electricity markets or with respect to other regulated utilities is appropriate in this context. Requirements for fees to be reasonable and equitably allocated among participating organizations will apply to Maple. Maple believes that these guiding principles are sufficient to provide protection to marketplace participants (including non-owner users) in this regard.</p> <p>Lastly, Maple notes that following completion of the Transactions, Maple's</p>

		marketplaces will continue to be subject to National Instrument 21-101 – <i>Marketplace Operation</i> , and will accordingly be subject to the various regulatory restrictions and oversight that is contemplated therein.
14. <i>Notwithstanding the percentage set out in section 21.11 of the Act, should the degree of ownership by each Investor be capped at the level proposed by Maple (or should it be capped at a lower level)?</i>	One commenter (CFA) questioned why the approach to ownership restrictions currently governing Canadian chartered banks (which would restrict the Maple founding shareholders as a group to holding 10% of the shares of Maple) was not being adhered to with respect to Maple.	Maple believes that its proposal is appropriate in this regard. Maple highlights that each of the Original Maple Shareholders that is a participating organization of TSX Inc. has agreed to enter into a standstill agreement with Maple, pursuant to which each such Original Maple Shareholder shall (subject to certain ordinary course business activities) be restricted from increasing its ownership percentage in Maple for a period of five years following completion of the Maple Acquisition.
15. <i>Do you have any concerns with the Non-Competition Agreement or the Non-Preferencing Agreement?</i>	<p>One commenter (CFA) believed that these agreements would impede, but not imperil, the development of further alternative trading systems in Canada.</p> <p>One commenter (Paramax) argued that any restriction that could have the effect of preventing Maple shareholders from investing in future competing clearing and settlement operations should be avoided. Similarly, another commenter (ITG) raised concerns with the impact on the ability of Maple's founding shareholders to invest in competing marketplaces.</p> <p>One commenter (CNSX) viewed these agreements an indication of an intention of the Maple founding shareholders to achieve a change in market structure, and suggested that any non-preferencing agreements should include TMX Group exchanges to ensure the best execution governs decisions regarding which marketplace services to consume.</p>	Maple notes that the Original Maple Shareholders have agreed to withdraw the previously proposed non-competition agreement and non-preferencing agreement.

Part E – Alpha Acquisition		
<u>Original Question</u>	<u>Comments Received</u>	<u>Response</u>
16. <i>Will the Alpha acquisition impact competition in the Canadian market or concentrate market power with respect to trading?</i>	<p>Several commenters (IIROC, CNSX) believed that the impact of the Alpha acquisition would not be significant and that viable competition would remain in the alternative trading system market following the Maple acquisition of Alpha, if completed.</p> <p>One commenter (Chi-X) argued that further information with respect to Maple's intentions regarding Alpha is required, in particular regarding whether Alpha will continue to operate as a marketplace or be closed. The commenter suggested that if Alpha were to remain operational, other</p>	<p>Maple has engaged with Staff regarding the potential competitive impact of the Alpha Acquisition on Canadian equities trading markets, including in response to specific Staff questions concerning equities trading markets.</p> <p>Maple and TMX Group believe that the Transactions are not likely to substantially lessen competition with respect to equities trading because of, among other things: (a) the low barriers to entry and expansion for ATSS, from both a technology and regulatory perspective; (b) the absence of</p>

	<p>marketplaces should not be restricted from operating more than one trading venue.</p> <p>One commenter (CFA) argued that the Maple acquisition of Alpha would further strengthen an oligopoly arrangement, and could impact service to the public, competitive pricing practices and innovation. Another commenter (Graham) was concerned that the Transactions would eliminate competition among marketplaces for equities trading.</p>	<p>meaningful capacity constraints on each of the individual ATSS – each ATS could individually handle far more trades than Alpha handles today; (c) the ease with which market participants can switch their trades from one venue to the other, due in part to advances in order routing technology and the diverse range of Canadian and U.S. based traders on every marketplace; (d) requirements for all market participants to establish access (directly or indirectly) to each visible marketplace in Canada; and (e) the ease with which trades of interlisted securities can be made on a U.S. trading platform as an alternative to trading on the Canadian venues.</p> <p>Maple and TMX Group also recognize that the Commission considers certain pricing practices to be prohibited or to require prior approval of the Commission on a case by case basis, in each case pursuant to the provisions of National Instrument 21-101 - <i>Marketplace Operation</i>, which provisions apply equally to all marketplaces. Maple will, and TMX Group and TSX Inc. will continue to, adhere to these provisions. In particular, the draft recognition order for Maple, TMX and TSX Inc. includes express restrictions on the types of discounts that recognized exchanges can offer. Pursuant to section 5.1 of National Instrument 21-101, these restrictions ensure that a recognized exchange shall not (a) unreasonably prohibit, condition or limit access by users to its services, (b) permit unreasonable discrimination among users or (c) impose any burden on competition that is not reasonably necessary or appropriate. One particular effect of these restrictions is to prevent Maple from imposing conditions on discounts that might unreasonably impair the entry or expansion of competing equities trading platforms. The draft recognition order also includes provisions that would reinforce the incentives of certain of the largest dealers who are Original Maple Shareholders to trade on the most competitive marketplace and restrict coordination of their routing activities. As noted in the response to Question 15 above, the previously proposed non-competition and non-preferencing agreements have been withdrawn; the withdrawal of the non-competition agreement preserves the ability of Original Maple Shareholders to invest in competing trading platforms.</p> <p>The OSC will also retain its ability to intervene in the event of any conduct in respect of equities trading that is not in the</p>
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		<p>public interest, and accordingly will be in a position to take action in respect of any instances of anti-competitive behaviour that it identifies or becomes aware of in the course of its continuing oversight of Maple's operations.</p> <p>In sum, these factors will provide added and sufficient comfort that the Transactions will not significantly lessen competition in equities trading, and that vigorous and effective competition will remain following completion of the Transactions.</p>
<p>17. More generally, what are other implications, both positive and negative, of the Alpha acquisition?</p>	<p>One commenter (Chi-X) noted that the Maple acquisition of Alpha could lead to greater competition, as non-dealer founding shareholders of Maple will have a tension between a desire to reduce fees and to increase profits, which should help in creating a more competitive landscape. Another commenter (CNSX) similarly noted that increased opportunities to compete on service levels and costs may arise if it is not required to compete against Alpha (to the extent the commenter viewed Alpha as currently being preferred by its owners).</p>	<p>Maple is not in the best position to respond to this question.</p>

Part F – Vertical v. Horizontal Model for Clearing Services		
<u>Original Question</u>	<u>Comments Received</u>	<u>Response</u>
<p>18. What are the implications of the vertical integration of TSX and CDS, the monopoly clearing agency, to the capital markets, market participants and the provision of depository, clearing and settlement services? Please explain both positive and negative implications for Canada.</p>	<p>Two commenters (Canaccord, CNSX) questioned whether the proposed elimination of inefficiencies under the Maple proposal were overstated. Similarly, one commenter (IIAC) suggested that any such proposed benefits should be appropriately discounted to reflect that such benefits were likely to occur only after a complicated and lengthy implementation process. One commenter (Paramax) argued that some rationalization of data processing between TMX Group and CDS has already occurred and will not be repeated.</p> <p>One commenter (Chi-X) questioned whether any such proposed benefits and elimination of inefficiencies could not also be achieved in a horizontal structure with appropriate governance restrictions in place.</p> <p>One commenter (CFA) argued that the vertical integration could introduce a higher level of operational and systemic risk into the Canadian market. Another commenter (CNSX) similarly questioned whether vertical integration would create a larger single potential point of failure.</p>	<p>Maple does not believe that common ownership of CDS and CDCC under TMX Group will be contrary to the public interest. In this regard, Maple notes the following:</p> <p><i>Benefits of the Transactions</i></p> <ul style="list-style-type: none"> Maple has identified several significant potential benefits that will likely arise from the integration of CDS and the Canadian Derivatives Clearing Corporation ("CDCC") (currently a subsidiary of TMX Group), including the ability to implement inter-central counterparty cross-margining, and accordingly being able to recognize the risk exposure reductions from resulting offsetting positions of common members of CDS and CDCC and thereby reducing those members' margin requirements. <p><i>CDS Pricing Model</i></p> <ul style="list-style-type: none"> As described in the draft CDS recognition order, CDS will be required to comply with a detailed fee

		<p>model that is subject to the continuing oversight of the OSC and the Autorité des marchés financiers (“AMF”) and provides for the sharing of revenue increases on core CDS Clearing services with participants, together with the provision of an integration rebate to CDS participants in respect of on-exchange clearing services that reflects (but is not conditional on) synergies and efficiencies Maple expects to achieve as part of the Transactions.</p> <ul style="list-style-type: none"> • Any change to CDS Clearing's 2012 base fees for core services will be subject to the approval of the OSC and AMF, and CDS will bear the onus of satisfying the OSC and the AMF through an application with detailed supporting materials that a proposed fee increase will result in fees that remain fair, reasonable and competitive in the context of the Canadian marketplace and trends relating to comparable services offered by clearing houses worldwide. Any proposal to the OSC or AMF to adjust 2012 base fees would be required to include any benchmarking data that is considered relevant by CDS or the OSC or AMF before being provided to the OSC and AMF for approval and a public comment period. • The pricing of any new or materially improved services offered by CDS Clearing will be reviewed and considered by a market participant advisory committee, the risk management and audit committee of the CDS board and the CDS board itself, before then being submitted to the OSC and AMF for approval and a public comment period. The pricing of any such new or materially improved services will be required to be fair, reasonable and competitive in the context of the Canadian marketplace and trends relating to comparable services offered by clearing houses worldwide. In addition, any new or materially improved services (including cross-margining services) will be offered by CDS to all participants on a non-discriminatory basis in terms of fees, access and service, and in particular will not discriminate based on the marketplace where the trade occurs.
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		<ul style="list-style-type: none"> Per transaction pricing for CDS clearing services will be the same for all marketplaces, participants and trades (i.e. no discounts will be provided based on a participant's level of activity). Fees, rebates and other terms of service will not discriminate based on the marketplace in Canada where the trade occurs (for example, no rebates will be based on a trade being executed on a particular marketplace). <p><i>Governance Proposals</i></p> <ul style="list-style-type: none"> Numerous protections have been integrated into the proposed CDS governance model (as reflected in the draft recognition orders and discussed in greater detail below) that will benefit Canadian capital markets including: (a) a requirement for at least 33% of the directors of CDS to be independent⁴; and (b) a requirement that 33% of the directors be representatives of participants of CDS ("Participant Directors")⁵ including one director to be nominated by IIROC, and (c) one director to be jointly nominated by marketplaces unaffiliated with Maple. Maple will maintain a risk management and audit committee of the CDS board, to be advised by market participant advisory committees, to obtain participant input on CDS clearing operations, including the following advisory committees: strategic development review committee; risk advisory committee, legal drafting committee; problem management group; and a fee committee.
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⁴ For these purposes, an individual shall be considered "independent" if the person is not: (a) an associate, partner, director, officer or employee of a Significant Maple Shareholder; (b) an associate, partner, director, officer or employee of a participant of CDS or such participant's affiliates or an associate of such partner, director, officer or employee; (c) an associate, partner, director, officer or employee of a marketplace or such marketplace's affiliates or an associate of such partner, director, officer or employee; or (d) an officer or employee of CDS or its affiliates or an associate of such officer or employee. A "Significant Maple Shareholder" is a Maple shareholder which, (a) beneficially owns or exercises control or direction over more than 5% of the outstanding voting shares of Maple, (b) an Original Maple Shareholder for so long as such Original Maple Shareholder is party to a nomination agreement which remains in effect, or (c) an Original Maple Shareholder that, subject to certain limitations, has a partner, officer, director or employee on the Maple Board other than pursuant to a Maple nomination agreement. The determination of whether the 5% threshold is exceeded would be subject to certain ordinary course of business exceptions where Maple shares are acquired as a result of activities that are not related to the Maple shareholder's investment in Maple and which are not undertaken for the purpose of influencing the voting of Maple shares.

⁵ Of these: (a) one Participant Director will be nominated by IIROC; and (b) three Participant Directors will be nominated by Maple, of whom (i) one must be nominated from one of the five largest participants (including affiliates as a single unit), and (ii) for so long as a Maple nomination agreement remains in effect, at least one must be Unrelated to Original Maple Shareholders.

		<p><i>Enhanced Oversight</i></p> <ul style="list-style-type: none"> • An enhanced continuing oversight program reflected in the draft recognition orders will be overseen by Staff. • The Bank of Canada will continue to exercise its active regulatory oversight of matters relevant to systemic risk following completion of the Transactions, and Maple notes that the operational changes resulting from the Transactions may aid the Bank of Canada in this regard.
<p>19. <i>Is the answer to Question 18 above affected by the fact that the TSX currently has a dominant position in the market for trading systems? Please explain.</i></p>	<p>Two commenters (CFA, Paramax) stated that their response was not affected by TSX's position in the market for trading systems.</p>	<p>No response appears to be required for these comments.</p>
<p>20. <i>Do you have any concerns with the move from a horizontal model of clearing to a vertical model of clearing? If so, please explain the issues and how they may be addressed through appropriate regulatory measures or why the concerns could not be mitigated.</i></p>	<p>One commenter (Chi-X) suggested that a horizontal model of clearing and settlement is optimal, but noted that under certain conditions, a vertical model may be able to bring similar benefits. The commenter suggested that if a vertical model of clearing and settlement was introduced, governance, transparency and disclosure should be three essential principles to be adhered to.</p> <p>One commenter (CFA) argued that while a horizontal model could insulate certain parts of the clearing and settlement model from the effects of a natural disaster, terrorist attack, etc., a vertical model may not be able to do so. The commenter argued that such risks are binary and unpredictable in nature and are not easily mitigated.</p> <p>One commenter (Paramax) argued that the distinction between a horizontal and a vertical model was not as critical as the change from a not-for-profit model to a for-profit model.</p>	<p>Maple believes that the various provisions described in the draft recognition orders, including those identified in the response to Question 18 above, will sufficiently mitigate any of the potential risks associated with such a change. To maintain separation of financial risk, Maple expects that the clearing operations of each of CDS and CDCC will remain housed in separate legal entities.</p>
<p>21. <i>Is there a concern that the interests of unaffiliated marketplaces may not be taken into account? If so, are the mechanisms proposed by Maple adequate to address the concern? If not, what other mechanisms could be put in place?</i></p>	<p>One commenter (Chi-X) argued that an unaffiliated marketplace representative (nominated by the unaffiliated marketplace with the greatest market share measured by number of trades) should be represented on the clearing boards (in addition to the proposed risk advisory committee and marketplace advisory committee membership set out in the original Maple proposal). However, another commenter (CFA) argued that the interests of marketplaces and a clearing firm are different in nature, and that marketplaces</p>	<p>Maple believes that the interests of unaffiliated marketplaces are protected by, among other things, the following:</p> <ul style="list-style-type: none"> • a fee model that includes: (a) input from a market participant advisory committee; (b) continuing oversight by the OSC and AMF (including a restriction on any change to 2012 base fees for services without the approval of the OSC and AMF and a review process applicable to any new or materially improved service); and

	<p>should not be represented on the CDS board.</p> <p>One commenter (Chi-X) raised concerns with the potential for new fees relating to connectivity and access of unaffiliated marketplaces to CDS, citing an example of certain fees paid in connection with the clearing services offered by the Australian Stock Exchange as a fee that should be prohibited. Another commenter (CNSX) similarly identified such a fee as an example of inappropriate behaviour on the part of an incumbent monopoly.</p> <p>One commenter (Chi-X) raised concerns that certain trading margins may be put under pressure because of compensatory clearing subsidies not enjoyed by non-Maple marketplaces. The commenter proposed a prescriptive or formulaic fee setting process, including regulation and a public comment period.</p> <p>One commenter (Paramax) noted that there should be concerns in light of the fact that the proposed clearing and settlement structure will not have any constraints from competition unless changes to existing rules and new rules are implemented.</p> <p>One commenter (Paramax) suggested that provisions similar to the "interoperability" rules enacted by the U.S. Securities and Exchange Commission following the formation of OMGEO be considered.</p>	<p>(c) a requirement that per transaction pricing for CDS Clearing services will be the same for all marketplaces, participants and trades and that fees, rebates and other terms of service will not discriminate based on the marketplace in Canada where the trade occurs. Additionally, Maple highlights that no access fees for marketplaces are proposed to be introduced following completion of the Transactions;</p> <ul style="list-style-type: none"> • a requirement that CDS obtain the prior approval of applicable regulatory authorities before implementation of any internal cost allocation model and any policies with respect to the allocation of costs or transfer of prices, and any amendments thereto, between itself and its affiliates. CDS will also annually engage an independent auditor to conduct an audit and prepare a report in accordance with established audit standards regarding its compliance with the approved internal cost allocation model and any related policies. Such independent auditor's report to will be provided to the CDS board promptly after the reports' completion and then to the OSC and AMF within 30 days after providing it to the CDS board; and • the CDS board will include one director nominated by marketplaces unaffiliated with Maple. <p>Maple believes that the foregoing protections also establish suitable measures to address any concerns relating to cross subsidization.</p>
<p>22. <i>If you are of the view that unaffiliated marketplaces should be represented on Clearing Boards, what is the appropriate percentage representation? What should the nomination process be to ensure that different unaffiliated marketplaces are well represented on the Clearing Boards?</i></p>	<p>One commenter (Paramax) argued that board representation would be insufficient, as a board member's ability to restrict certain practices would be limited.</p> <p>One commenter (CNSX) suggested that an appropriate clearing board would be comprised of: (a) one-third nominees of user owners; (b) one-third nominees of non-owner users; and (c) one-third nominees of unaffiliated marketplaces (consisting of at least two directors). The commenter argued that a ROC should be responsible for all nominations, and that if a ROC that reports to the Maple board is included as part of the approvals granted, any nominees that are not approved should be reported to the OSC.</p>	<p>Maple believes that, in the context of the overall proposed composition of the CDS board and the draft recognition orders as a whole, the provision for one unaffiliated marketplace representative is sufficient to protect the interests of unaffiliated marketplaces. It is noted that such an unaffiliated marketplace director would, subject to satisfaction of the other applicable requirements, be in a position to potentially serve on the governance committee of the CDS board. Maple also notes that any concerns of unaffiliated marketplaces can be raised at the various market participant advisory committees to be established by the CDS board.</p> <p>Unaffiliated marketplaces will be asked to</p>

		<p>jointly submit a short list of candidates for nomination to be elected to the CDS board. The governance committee of the CDS board will be tasked with approving the nomination of the most suitable candidate to serve as an unaffiliated marketplace director. Maple notes that this committee will be comprised of a majority of independent directors, and will be chaired by an independent director. Maple believes that the nomination process provided for an unaffiliated marketplace director is sufficient to ensure its integrity.</p>
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Part G – Ownership Structure of CDS		
<u>Original Question</u>	<u>Comments Received</u>	<u>Response</u>
<p>23. <i>What are your views on the user-owned and the non-user owned model for clearing agencies, including the pros and cons of each model?</i></p>	<p>One commenter (CFA) argued that there is no reason to believe that a non-user owned clearing and settlement system would perform better than the current system, and that self-interest of non-user owners could take precedence in such a proposed model.</p> <p>One commenter (Paramax) questioned whether a Canadian model that diverges from the not-for-profit, user-owned model of clearing and settlement in the U.S. should be implemented.</p>	<p>Maple believes that its revised proposal for CDS governance, together with the market participant advisory committees and the other requirements established in the draft recognition orders, establish an appropriate balance among the interests of users, owners, and the public interest generally, in the efficient and effective operation of the clearing and settlement system.</p>
<p>24. <i>What criteria should be used to determine which model would be more appropriate for our capital markets?</i></p>	<p>Commenters (CFA, Paramax, CNSX) identified the following criteria as important in this regard: (a) strategic value of clearing and settlement to Canadian economy; (b) quality and price of service; (c) cost; (d) minimization of conflicts and enhanced risk management; (e) fairness in the application of clearing rules; (f) fair access; (g) market confidence.</p>	<p>Maple is not in an appropriate position to respond to this question. However, Maple believes that the model it has put forward reflects the strategic value of clearing and settlement to the Canadian economy and takes into account issues of quality and price of service, cost, minimization of conflicts, enhanced risk management and fairness. For further discussion of these points, see the responses to Question 18 above.</p>
<p>25. <i>In your view, is one model preferable for our capital markets and why? If you believe that both models could work for Canada, please explain.</i></p>	<p>Several commenters (CFA) argued that the current model of user ownership worked well for Canadian markets and risks did not justify proposed changes.</p> <p>One commenter (CNSX) argued that exchange-owned clearing typically exists in regions with a monopoly exchange (with considerable government oversight) or multiple exchange/clearing entities. The commenter argues that neither of such circumstances exist in Canada.</p>	<p>Maple is not in an appropriate position to respond to this question. However, as noted in the responses to Question 18 above Maple believes that its proposed model provides considerable benefits to the Canadian capital markets, and further believes that the regulatory oversight provided for in the draft recognition orders is sufficient to address any concerns with its revised proposal.</p>
<p>26. <i>Are there concerns related to the divergence of the interests of the users of CDS services and the interests of the owners of CDS and Maple? Why?</i></p>	<p>One commenter (CFA) believed that divergence of interests between Maple and CDS could occur. One commenter (Paramax) argued that opportunities would exist for a monopoly in clearing and settlement to make increased profits by</p>	<p>Maple notes that its revised proposal (as reflected in the draft recognition orders) includes several governance-related structures that it believes will provide considerable protections to users of CDS services. These include:</p>

	<p>perpetuating inefficiencies, but that increased competition could mitigate these concerns.</p>	<ul style="list-style-type: none"> • a requirement that: (a) 33% of the directors of CDS will be independent⁶; (b) at least 33% of the CDS board will be comprised of Participant Directors (one of whom must be nominated by IIROC and only a portion of which may, subject to further terms and conditions, be nominated by Maple) that should represent a diversity of participants; and (c) one director will be a representative of a marketplace unaffiliated with Maple and nominated by marketplaces unaffiliated with Maple; • composition guidelines applicable to each of the CDS board committees that will ensure that directors that are Unrelated to Original Maple Shareholders will be appropriately represented on all such committees⁷ and accordingly able to represent the interests of CDS users that are not Maple shareholders; and • formalized market participant advisory committees, a majority of each of which must be comprised of persons that are unrelated to Significant Maple Shareholders. CDS will be subject to annual reporting obligations to the OSC, AMF and Bank of Canada with respect to the recommendations made by such market participant advisory committees, and will be required to explain any rejection of a recommendation or any partial or modified implementation of a recommendation of such committees with respect to its clearing and settlement operations. <p>Maple notes that several of the Original Maple Shareholders are large users of CDS and CDCC, and accordingly would be directly prejudiced by any action by CDS or CDCC that attempted to favour the owners of CDS and Maple at the expense of CDS and CDCC users generally.</p>
<p>27. Are requirements ensuring a minimum number of directors representing users on Clearing Boards</p>	<p>One commenter (CFA) believed it would be preferable for a majority of members of clearing boards to be "independent users", as defined in the existing CDS recognition</p>	<p>Maple believes that its revised proposal provides for a sufficient degree of representation for parties other than Maple and its shareholders on the CDS board.</p>

⁶ See *supra* footnote 4.

⁷ For example, an independent director and two Participant Directors who are Unrelated to Original Maple Shareholders will represent three of the five directors serving on the risk management and audit committee of the CDS board of directors.

<p><i>effective to ensure that CDS services are appropriately designed and operated to meet the needs of users? If so, what would be the appropriate number of user representatives?</i></p>	<p>order.</p> <p>One commenter (Paramax) questioned the ability of an individual board member to affect change on behalf of its constituents.</p>	<p>Under the current proposal: (a) 33% of the directors of CDS will be independent⁸; and (b) at least 33% of the CDS board will be comprised of Participant Directors (one of whom must be nominated by IIROC and only a portion of which may, subject to further terms and conditions, be nominated by Maple) that should represent a diversity of participants.</p> <p>Maple believes that, when combined with the formal market participant advisory committee process to provide for user input on clearing operations described in the response to Question 26 above, this level of participation will provide an opportunity for users of CDS clearing and settlement services to provide meaningful input.</p>
<p><i>28. Is the definition of independent director under the Maple Proposal appropriate? If not, how should an independent director be defined and why?</i></p>	<p>One commenter (Canaccord) expressed concern with the inclusion of directors nominated by Maple's founding shareholders as being within the group of independent directors for purposes of the clearing boards.</p> <p>One commenter (CFA) requested further clarification on the reasons for changing the definition of independence from that set out in the existing CDS recognition order.</p> <p>One commenter (CNSX) argued that a principles-based approach similar to that which should be implemented with respect to the Maple board should be applied to the clearing boards. However, the commenter noted that solely focusing on independence is not appropriate, and that an overly exclusionary definition of independence could deprive the clearing boards of necessary expertise.</p>	<p>Maple believes that the revised definition of independence⁹ it has proposed is appropriate and ensures that the independent directors serving on the CDS board are sufficiently separate from Maple, any of its shareholders holding greater than 5% of its shares and CDS itself. Maple notes that the nomination of independent members of the CDS board will be within the scope of responsibilities of the governance committee of the CDS board, which will be comprised of a majority of independent directors, and will be chaired by an independent director.</p>
<p><i>29. What is the optimal composition of CDS' board and why?</i></p>	<p>One commenter (Canaccord) submitted that IIROC should be permitted to nominate at least one director to the clearing boards (without such nominee requiring Maple's approval to be appointed).</p> <p>One commenter (IIROC) suggested that a majority of the CDS board should be independent of both Maple and its shareholders.</p> <p>One commenter (IIROC) submitted that each committee of the CDS board should contain a requirement for a specified minimum percentage/number of</p>	<p>Under the revised Maple proposal: (a) at least 33% of the CDS board will be comprised of independent¹⁰ directors; (b) at least 33% of the CDS board will be comprised of Participant Directors¹¹; and (c) at least one-half of the directors will be required to possess expertise in clearing and settlement. Under this proposed structure, a majority of the directors on the CDS board will be Unrelated to Original Maple Shareholders.</p> <p>As discussed above, Maple believes that the revised proposed structure for the CDS board (as reflected in the draft recognition</p>

⁸ See *supra* footnote 4.

⁹ *Ibid.*

¹⁰ *Ibid.*

¹¹ See *supra* footnote 5.

	<p>independent directors. The commenter also suggested that any CDS board committee with a mandate to review fees and access should be required to maintain independent industry/user representation.</p> <p>One commenter (CFA) stated that the clearing boards should be primarily reflective of CDS users and the public interest, including a majority of directors independent of Maple.</p>	<p>orders) represents an appropriate balance of interests. In particular, Maple believes that the minimum percentage of independent directors, the nomination rights in favour of IIROC and unaffiliated marketplaces, the CDS board committee composition requirements and the formal market participant advisory committee structure, when taken together, provide adequate opportunities for the applicable stakeholders to address CDS clearing and settlement operations in an effective manner.</p>
<p>30. <i>Are there other measures that should be considered to ensure that CDS services are appropriately designed and operated to meet the needs of market participants and the industry generally?</i></p>	<p>One commenter (Paramax) argued that the following additional measures should be considered: (a) introduction of interoperability rules similar to those implemented by the U.S. Securities and Exchange Commission following creation of OMGEO; (b) restrictions on the charging of unreasonable access fees and the establishment of unreasonable technical impediments; (c) the provision of "link accounts" by all financial market infrastructure providers in Canada; (d) a requirement for all Canadian exchanges and alternative trading systems to allow clients to direct trades to be cleared and settled on the provider of their choosing; (e) elimination of any restrictions on Maple shareholders investing in the future in competing clearing and settlement operations.</p> <p>One commenter (CNSX) recommended that the following measures should be required: (a) a mandate constrained to cost-recovery; (b) non-owner users being provided board membership or at least observer status; (c) reporting to a ROC; and (d) a requirement for the CDS budget to be approved by a ROC and provided to the OSC.</p> <p>One commenter (ITG) argued that, if a vertically integrated clearing and settlement structure within the Maple structure were accepted, the following measures should be required: (a) fair treatment of all dealers and marketplaces; (b) fair pricing of each service, to ensure that excess margins in monopoly offerings do not cross-subsidize competitive pricing in other areas; (c) fair and transparent cost allocation; (d) clearing boards empowered to protect the market as a whole; (e) fair treatment of competing marketplaces; (f) profits derived from increased efficiencies rather than increased prices on monopoly products; and (g) careful consideration of technology and capital requirements to ensure smaller participants are not denied access.</p>	<p>Maple notes that the following features, among others, have been included in the draft recognition orders:</p> <ul style="list-style-type: none"> • a detailed CDS fee model that is subject to the oversight of the OSC and the AMF and provides for the sharing of revenue increases on core CDS Clearing services with participants, together with the provision of an integration rebate to CDS participants in respect of on-exchange clearing services that reflects (but is not conditional on) synergies and efficiencies Maple expects to achieve as part of the Transactions; • a requirement that CDS obtain the prior approval of applicable regulatory authorities before implementation of any internal cost allocation model and any policies with respect to the allocation of costs or transfer of prices, and any amendments thereto, between itself and its affiliates. Any amendments to such model or policies will also be subject to prior approval from the OSC and AMF. CDS will also annually engage an independent auditor to conduct an audit and prepare a report in accordance with established audit standards regarding its compliance with the approved internal cost allocation model and any related policies. Such independent auditor's report to will be provided to the CDS board promptly after the reports' completion and then to the OSC and AMF within 30 days after providing it to the CDS board; • a requirement that per transaction pricing for CDS Clearing services will be the same for all marketplaces, participants and trades and that fees, rebates and other terms of service

		<p>will not discriminate based on the marketplace in Canada where the trade occurs;</p> <ul style="list-style-type: none"> • a requirement that, for so long as CDS Clearing carries on business as a clearing agency, Maple will allocate sufficient financial and other resources to CDS Clearing to ensure that CDS Clearing can carry out its functions in a manner that is consistent with the public interest and the terms and conditions of the OSC and AMF recognition orders; • a requirement that CDS Clearing will continue to maintain sufficient financial resources to ensure the proper performance of its functions and allocate sufficient financial and staff resources to carry out its functions as a clearing agency in a manner that is consistent with any regulatory requirements; and • an elimination of the previously proposed non-competition agreement. <p>Maple believes that such measures, together with effective ongoing oversight by the OSC, AMF and Bank of Canada, as applicable (including pursuant to the enhanced oversight program to be overseen by Staff), will ensure that CDS will continue to be operated in a manner sufficient to meet the needs of market participants and the industry generally.</p>
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Part H – For-Profit v. Cost-Recovery Model for Clearing Agencies		
<u>Original Question</u>	<u>Comments Received</u>	<u>Response</u>
<p>31. <i>What are the implications of a for-profit CDS to the capital markets, market participants and for the provision of clearing and settlement services? Please describe both positive and negative implications; in particular, any implications for capital market developments, innovation, costs of clearing and settlement services, risk management or other areas affecting the public interest.</i></p>	<p>Certain commenters (Canaccord, IIROC, EJ, CNSX) expressed a general preference to maintain a cost-recovery model, believing it to have delivered efficient and cost-effective clearing and settlement services. One commenter (CFA) argued that the main goal of CDS should be the minimization of costs and optimization of service, rather than profit maximization.</p> <p>Several commenters (IIROC, EJ, CNSX) cited The Depository Trust & Clearing Corporation ("DTCC") as an example of clearing and settlement services being delivered in a more cost-effective manner than certain unspecified European central securities depositories operated on a for-</p>	<p>Maple recognizes that a for-profit CDS business model represents a significant operational change from the current cost-recovery model. However, Maple believes that the for-profit CDS business model it proposes represents a viable model that includes robust protections for participants in the Canadian capital markets. In particular, Maple notes that:</p> <ul style="list-style-type: none"> • a detailed fee model has been developed with respect to CDS services that will be subject to the oversight of the OSC and AMF. Among other things, this fee model provides for the sharing of revenue increases on core CDS Clearing

<p>32. <i>Are the measures proposed by Maple adequate to address the conflicts that may arise, or are there other measures or specific requirements that are needed?</i></p> <p>33. <i>What are your views on the additional measures outlined above? Should any other measures be considered, and if so, why?</i></p>	<p>profit basis.</p> <p>Some commenters (Chi-X, Paramax) argued that even if no direct fee increases occurred in the for-profit CDS model, participants may cease to share in cost reductions from increased transactional volumes. Another commenter (EJ) similarly argued that an elimination of rebates to users would ultimately result in increased costs having to be passed on to Canadian individual investors and market participants.</p> <p>One commenter (Paramax) argued that a for-profit CDS could have the following benefits: (a) inclusion of CDS in the Maple structure may effectively prevent any foreign takeover of the structure as a whole and ensure Canadian ownership of both trading and clearing and settlement; (b) some costs savings from the combination of administrative functions at TSX and CDS; (c) some limited synergies from the combination of CDS and CDCC; and (d) some limited reduction in collateral requirements arising from the integration of CDS and CDCC. However, the commenter noted that potential negative effects could include increased clearing and settlement costs and possibly a reduction in innovation.</p> <p>One commenter (CNSX) questioned whether an unintended consequence could be a shift in the current regulatory stance of the U.S. Securities and Exchange Commission towards the DTCC/CDS relationship.</p> <p>One commenter (Woods) argued that there is no effective way to mitigate the anti-competitive features of any proposal to operate CDS on a for-profit basis, and that this should accordingly not be permitted to proceed. Other commenters (CFA, CNSX) also expressed concern that inherent conflicts of interest in the ownership model could not be resolved.</p> <p>Several other commenters (CFA) argued that proposed measures fell short of what is required to address the potential conflicts of interest.</p>	<p>services with participants, together with the provision of an integration rebate to CDS participants in respect of on-exchange clearing services that reflects (but is not conditional on) synergies and efficiencies Maple expects to achieve as part of the Transactions;</p> <ul style="list-style-type: none"> • a robust governance structure has been provided, which will provide for a number of avenues for various stakeholders to raise concerns relating to CDS clearing and settlement operations, including by way of participation in formalized market participant advisory committees (a majority of each of which must be comprised of persons who are unrelated to Significant Maple Shareholders). In this regard, it is noted that CDS will be subject to annual reporting obligations to the OSC, AMF and Bank of Canada with respect to the recommendations made by such market participant advisory committees, and will be required to explain any rejection of a recommendation or any partial or modified implementation of a recommendation of such committee with respect to its clearing and settlement operations; • a formal risk management and audit committee of the CDS board will be established, comprised of: (a) an independent chair; (b) two Participant Directors (one may be the Participant Director nominated by IIROC), provided that, for so long as a Maple nomination agreement is in effect, both must be Unrelated to Original Maple Shareholders; and (c) two members who were nominated to the CDS board by Maple. This committee will be tasked with: (a) providing advice and recommendations to the CDS board to assist it in fulfilling its risk management responsibilities, including reviewing and assessing CDS' risk management policies and procedures, the adequacy of the implementation of appropriate procedures to mitigate and manage such risks and CDS' participation standards and collateral requirements; (b) monitoring the financial performance of CDS and providing financial management oversight and direction to the
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		<p>business and affairs of CDS; (c) advising the CDS board on the fairness, reasonableness and competitiveness of its pricing and fees in the context of the Canadian marketplace and trends relating to comparable services offered by clearing houses worldwide; and (d) ensuring fair and equitable resources are dedicated to development projects for unaffiliated marketplaces; and</p> <ul style="list-style-type: none"> the effective oversight of the OSC, AMF and the Bank of Canada, as applicable, over CDS clearing and settlement operations will be maintained, as set out in the draft recognition orders (including pursuant to the enhanced oversight program to be overseen by Staff, which will include considerable oversight over many operational matters and matters relating to CDS fees). <p>Given the potential benefits identified by Maple as arising from the Transactions, it believes that these measures are such that the introduction of a for-profit clearing and settlement model for CDS will not be contrary to the public interest.</p>
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Part I – Fees		
<u>Original Question</u>	<u>Comments Received</u>	<u>Response</u>
<p>34. <i>Are the measures proposed by Maple sufficient to prevent anti-competitive or monopolistic pricing? If not, what other measures should be put in place?</i></p>	<p>Several commenters (Canaccord, IIROC, Woods, EJ, CNSX) expressed concern with the fact that no obvious competitors currently exist or will exist to a consolidated clearing, settlement and depository business, whether arising from natural constraints on DTCC's ability to operate in Canada, due to the likelihood of the Bank of Canada acting as a lender of last resort being very remote or due to a desire of participants to not be a member of an additional credit ring.</p> <p>One commenter (IIROC) raised concerns that increased leverage and debt service requirements arising from the Maple proposal may cause Maple to have a strong incentive to extract revenues and value from CDS operations.</p> <p>One commenter (IIROC) requested that an express prohibition on two-tiered pricing be included in any revised CDS recognition order. The commenter also suggested that the following measures be introduced: (a) a requirement that fees be set in a manner</p>	<p>Maple believes that the CDS fee model it has proposed provides adequate protection against anti-competitive or monopolistic pricing. In particular, Maple notes that:</p> <ul style="list-style-type: none"> the CDS fee model will require that: (a) fees will remain fair, reasonable and competitive in the context of the Canadian marketplace and trends relating to comparable services offered by clearing houses worldwide; (b) per transaction pricing for CDS Clearing services will be the same for all marketplaces, participants and trades; (c) fees for CDS Clearing services will not be bundled with any other services offered by CDS Clearing or any of its affiliates, including trading or data services offered by TMX Group equities marketplaces; (d) fees, rebates and other terms of service will not discriminate based on the marketplace in Canada where the trade occurs; and (e) fees, rebates and other terms of service will not

	<p>that limits the return on capital and/or is based on DTCC/global benchmarks; (b) a requirement for the CDS board and any committee tasked to consider fees to include representation from industry; (c) a requirement for CDS to publish its proposed fee model and any amendments for public comment; and (d) the establishment of an independent body (similar to bodies existing in other regulated industries) to review and approve CDS fees.</p> <p>One commenter (Chi-X) suggested that in no circumstances should a discount for clearing services based on trading activity on a specific marketplace be permitted. The commenter noted that, even if not tied to a specific marketplace, volume discounts could be set at a threshold that could only be reached on the TSX.</p> <p>One commenter (CFA) noted that, while proposed pricing measures appeared reasonable, the allocation of costs within a vertically integrated structure was an area of concern.</p> <p>One commenter (Paramax) argued that regulatory oversight, together with the encouragement of market-based restraints, is required.</p> <p>One commenter (IIAC) commented that Maple should take steps to ensure independent members of the Maple board (and in the case of clearing and settlement fees, the clearing boards and market participant advisory committees) are involved in decisions related to execution fees (i.e., trading fees) and market data fees, and to ensure that market participants should be provided with full disclosure of the mechanisms used to determine execution fees, market data fees and clearing and settlement fees.</p>	<p>have the effect of unreasonably creating barriers to access for dealers or marketplaces and must be balanced with the criterion that CDS Clearing has sufficient revenues to satisfy its responsibilities;</p> <ul style="list-style-type: none"> • the CDS fee model provides for the sharing of revenue increases on core CDS Clearing services with participants, together with the provision of an integration rebate in respect of on-exchange clearing services to CDS participants that reflects (but is not conditional on) synergies and efficiencies Maple expects to achieve as part of the Transactions. Applying such revenue sharing and integration rebates to volume projections prepared by CDS management for the next five years results in participants being subject to lower on-exchange clearing fees under the Maple model than they would have under the status quo; • any change to CDS Clearing's 2012 base fees on core services will be subject to the approval of the OSC and AMF, and CDS will bear the onus of satisfying the OSC and the AMF through an application with detailed supporting materials that a proposed fee increase will result in fees that remain fair, reasonable and competitive in the context of the Canadian marketplace and trends relating to comparable services offered by clearing houses worldwide. Any proposal to the OSC or AMF to adjust 2012 base fees would be required to include any benchmarking data that is considered relevant by either CDS or the OSC or AMF before being provided to the OSC and AMF for approval and a public comment period; • the pricing of any new or materially improved services offered by CDS Clearing will be reviewed and considered by a market participant advisory committee, the risk management and audit committee of the CDS board and the CDS board itself, before then being submitted to the OSC and AMF for approval and a public comment period. The pricing of any such new or materially improved services will be required to be fair, reasonable and competitive in the context of the Canadian
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		<p>marketplace and trends relating to comparable services offered by clearing houses worldwide, and benchmarking data that is considered relevant by CDS or the OSC and AMF will be included with any application;</p> <ul style="list-style-type: none"> • as noted above, a formal risk management and audit committee of the CDS board will be established, comprised of: (a) an independent chair; (b) two Participant Directors (one being the Participant Director nominated by IIROC), both of whom will, for so long as a Maple nomination agreement remains in effect, be Unrelated to Original Maple Shareholders; and (c) two members who were nominated to the CDS board by Maple. This committee will be tasked with, among other things: (a) providing advice and recommendations to the CDS board to assist it in fulfilling its oversight responsibilities with respect to the accounting and financial reports of CDS; (b) monitoring the financial performance of CDS and providing financial management oversight and direction to the business and affairs of CDS; (c) advising the CDS board on the fairness, reasonableness and competitiveness of its pricing and fees in the context of the Canadian marketplace and trends relating to comparable services offered by clearing houses worldwide; and (d) ensuring fair and equitable resources are dedicated to development projects for unaffiliated marketplaces. In addition, the risk management and audit committee will advise the CDS board of any proposed changes to the 2012 base fees and fee-setting for any new products or services; • CDS will annually engage an independent auditor to conduct an audit and prepare a report in accordance with established audit standards regarding CDS' compliance with the approved fee and rebate model over the previous year. This report will be provided to the OSC and AMF within 90 days of the end of CDS's fiscal year. Maple will also file separate audited financial statements for CDS with the OSC and AMF each year; and • a market participant advisory
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		<p>committee of the CDS board comprised of industry participants (a majority of whom will be unrelated to Significant Maple Shareholders) will review and provide comments to the CDS board concerning any proposed changes to the 2012 base fees on CDS Clearing services and fee-setting for any new products or services. In its reports to the OSC, AMF and the Bank of Canada, CDS will be required to review such committee's recommendations and CDS' response to such recommendations. In addition, the risk management and audit Committee of the CDS board (a majority of which will be comprised of persons that are Unrelated to Original Maple Shareholders for so long as a Maple nomination agreement is in effect) will advise the CDS board on any proposed changes to the 2012 base fees on core services and fee-setting for any new products or services.</p> <p>With respect to trading fees, Maple references the response to Question 16 above and notes that:</p> <ul style="list-style-type: none"> • following completion of the Transactions, Maple's marketplaces will continue to be subject to National Instrument 21-101 – <i>Marketplace Operation</i>, which will continue to provide protection to marketplace participants and ensure that Maple's various marketplaces are operated in a manner that supports fair and orderly markets. This includes the restrictions under section 5.2 of such instrument that provide that a recognized exchange shall not prohibit or limit, directly or indirectly, a user from effecting a transaction on any marketplace; and • all fees imposed by TSX Inc. on its participating organizations will continue to be reasonable and equitably allocated.
<p>35. <i>Is increased fee regulation by the Commission warranted and, if so, what specific measures should be adopted and why?</i></p>	<p>One commenter (Canaccord) suggested that CDS fees (including static prices) should be reviewed on an annual basis by an independent body. Other commenters (CFA, FAIR, Paramax) similarly identified a need for fee regulation in light of the Maple proposal, with one commenter arguing that the OSC should require the regulation of CDS pricing in a manner similar to a public</p>	<p>Maple believes that the revised proposed structure of CDS fee regulation is appropriate and will provide for adequate safeguards to prevent against unreasonable fees being charged by CDS. For further discussion in this regard, see the response to Question 34 above.</p>

	utility in order for the Maple transaction to proceed.	
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Part J – Fair Access		
<u>Original Question</u>	<u>Comments Received</u>	<u>Response</u>
<p>36. <i>Are the current fair access requirements sufficient to mitigate any fair access concerns that arise with dealer-ownership of an exchange and non-user ownership of a clearing agency? Are additional requirements required? If additional measures are required, please provide examples.</i></p>	<p>Several commenters (Canaccord, Woods) raised concerns that changes in fair access requirements may result in a reduction of the opportunity for smaller financial institutions to remain as CDS participants. Several commenters (IIROC, EJ, Paramax) expressed particular concern that a shift to more restrictive capital requirements could cause smaller firms that are self-clearing to be forced to instead enter into carrying broker arrangements. One of such commenters (IIROC) argued that any revised recognition order for CDS should contain an express requirement that broad direct access to its clearing services be maintained for various models of investment firms, and that changes to the CDS risk model should be independently reviewed.</p> <p>One commenter (IIAC) submitted that Maple should be required to provide details regarding any proposed changes to the clearing and settlement risk model, particularly where this could impact access.</p> <p>Another commenter (CFA) identified the current fair access requirements as reasonable, noting however that these should continue to be policed by the OSC.</p> <p>One commenter (CNSX) noted that there was no reference to fair access to CDCC being made in the Maple application, and that such a requirement should be included.</p>	<p>Under Maple, CDS will be required to provide: (a) open access to CDS services on a non-discriminatory basis no matter which marketplace a trade is executed on; (b) access to its clearing, settlement and depository services to any person or company that satisfies its written participation standards, as required by the current OSC and AMF recognition orders; and (c) open access to all recognized Canadian marketplaces.</p> <p>Maple notes that no changes to participation standards or collateral requirements (other than potential reductions resulting from the implementation of cross-margining) have been proposed by Maple in connection with the Transactions, and that no access fees for marketplaces are proposed to be introduced. In addition, any changes to CDS participation standards or collateral requirements will be subject to the review of the risk management and audit committee of the CDS board, as well as the approval of the OSC, AMF and Bank of Canada. Any such changes will also be subject to consultation with the relevant market participant advisory committee.</p> <p>Maple also notes that acceptance or rejection for participation in CDS will continue to be a matter determined by the CDS board and will be subject to ongoing reporting obligations to the OSC and the AMF. CDS will continue to maintain written records of each grant or denial or limitation of access and the reasons for such decision, and such records will remain open for review by the OSC and AMF. Any party denied access to CDS will continue to have a right of appeal to the OSC or AMF.</p> <p>Maple accordingly believes that there are no material issues with respect to access to CDS clearing and settlement services that arise in connection with the Transactions, and that the above-noted mechanisms (combined with the effective ongoing oversight of the OSC, AMF and Bank of Canada, as applicable, including pursuant to the enhanced oversight program to be overseen by Staff) will be effective in maintaining appropriate access to CDS services.</p>

<p>37. Are there concerns with access to clearing and settlement services by unaffiliated marketplaces? If so, what measures could be put in place to address the concerns?</p>	<p>One commenter (Paramax) noted that it would be in Maple’s commercial interest to allow all unaffiliated marketplaces to have access to clearing and settlement services, but that artificial barriers could potentially benefit Maple’s trading operations.</p>	<p>As noted above, Maple does not propose to introduce any access fees for marketplaces. Maple believes that the measures detailed above will be sufficient to ensure that CDS does not impose any artificial barriers to access to its clearing and settlement services.</p>
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Part K – Integration of CDS and CDCC

Original Question	Comments Received	Response
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<p>38. What are the benefits and costs of integrating CDS and CDCC?</p> <p>39. Would you support the integration of CDS and CDCC and why? If so, what, in your view, would be the optimal degree of integration?</p>	<p>Several commenters (IIROC, CNSX, ITG) agreed that certain changes arising from the integration of CDS and CDCC (such as the ability to cross-margin across asset classes) may give rise to benefits for market participants.</p> <p>However, one commenter (Paramax) argued that potential costs savings would likely be minimal due to differences in focus of CDS and CDCC systems. The commenter also argued that cross-margining has always been possible by way of agreements, but that this has not been pursued by market participants.</p> <p>One commenter (Woods) argued that a "silo" model consisting of CDS and CDCC within a Maple structure would be disastrous, would stifle innovation, not be supportive of junior issuer markets, and naturally would lead to an increase in fees.</p> <p>One commenter (Paramax) would support an integration, noting that while many benefits could be achieved without a merger, any elimination of duplication was beneficial.</p>	<p>Maple has detailed several benefits from the common ownership of CDS and CDCC, including as follows:</p> <p><i>Cross-Margining</i></p> <ul style="list-style-type: none"> • Cross-margining refers primarily to inter-central counterparty cross-margining between these two entities, and namely the possibility of being able to recognize the risk exposure reductions resulting from offsetting positions of common members of CDS and CDCC thereby reducing those members' margin requirements. These offsets can result from directly offsetting combinations of long and short positions in instruments affected by common market changes or from the diversification effects that result from consideration of the positions of a member across multiple instrument types and asset classes. • Note that cross-margining should not increase risk for participants, clearing agencies or markets, and should simply remove excess and unnecessary collateral from the applicable central counterparty, allowing it to be redeployed in participants' businesses. In addition, a properly implemented loss sharing arrangement would allow such central counterparties to better manage a participant default, allowing short positions on one market to be offset by excess positions in another market. • In this regard, market participants that are sensitive to collateral optimization should benefit substantially from cross-margining arrangements. In addition, cross-margining should reduce margin inefficiencies that act as a structural barrier to entry for smaller
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		<p>participants into the derivatives marketplace. Institutional and retail investors and other market participants should also benefit indirectly with the capital freed as a result of margin savings being redeployed into the market thereby enhancing liquidity.</p> <p><i>Benefits Arising from Increased Scale and Efficiency</i></p> <ul style="list-style-type: none"> • The alignment of CDS and CDCC under common ownership will allow them to effectively align corporate priorities to more efficiently and cost effectively innovate and develop new products and services and refine existing products and services. • Participants in CDS and CDCC will benefit from dealing with one entity for clearing, settlement and risk management, easing implementation of changes and reducing back-office costs. Furthermore, participants may achieve efficiencies in collateral management through common pledging, pricing and eligibility requirements, optimizing collateral selection and substitution. <p><i>Future Innovations</i></p> <ul style="list-style-type: none"> • Under the common ownership model proposed by Maple, future innovations would be more likely to be explored and ultimately implemented, such as institutional trade matching, clearing and settlement services across new asset classes, technology exporting and securities lending. <p><i>Enhanced Risk Management</i></p> <ul style="list-style-type: none"> • The common ownership of TMX Group, CDS and CDCC will, over time, permit a move to a common interface, common risk management approach and common collateral across organizations. It is anticipated that this will, among other things: (a) significantly reduce the cost of entry into the derivatives marketplace for smaller participants; (b) reduce the complexity of risk management for participants; and (c) reduce the complexity of risk management oversight for regulatory authorities. • Furthermore, Maple hopes that the
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		<p>Transactions will help enable the enhanced utilization of the derivatives market by retail investors for portfolio protection purposes.</p> <ul style="list-style-type: none"> Common ownership of CDS and CDCC should also improve the ability of both entities to operationally manage defaults in a coordinated manner and develop more harmonized risk models, thereby reducing complexity and improving their ability to manage risk. <p>Maple notes that many of the above-noted benefits would be unlikely to occur other than under a common ownership model under TMX Group. Maple accepts that this model will require ongoing oversight by the OSC, AMF and Bank of Canada, as applicable, but believes that the structures it has proposed to facilitate such oversight are sufficient in the circumstances.</p>
<p>40. What would the impact of integration be to market participants?</p>	<p>Several commenters (CFA, CNSX) requested that further information on the proposed integration be provided in order to allow the proposed benefits to be considered. One of the commenters (CNSX) noted that this would also allow evaluation of what benefits could be obtained through stronger connectivity and cooperation between CDS and CDCC if they were to remain separately owned.</p> <p>One commenter (Paramax) expected the impact of integration to be fairly minor, except insofar as it could result in significant changes to a market participant's own systems.</p>	<p>As described in the response to Question 39 above, Maple believes that considerable benefits are likely to arise from the common ownership of CDS and CDCC under TMX Group that would not otherwise be achieved outside of such an ownership model.</p>

Part L – Market Structure Changes		
<u>Original Question</u>	<u>Comments Received</u>	<u>Response</u>
<p>41. In addition to the specific issues identified above, do you have any concerns with the changes in market structure that the Maple Proposal introduces? If so, please provide examples of issues not already identified and whether the concerns can be mitigated by some of the measures already mentioned or others.</p>	<p>One commenter (CFA) raised general concerns regarding the potential relationship between dealer founding shareholders of Maple and other dealers, requesting that further detail be provided as to how TMX Group and IIROC would ensure an arm's length relationship. Specific concerns regarding the transfer of personnel between the dealer Original Maple Shareholders and TMX Group were raised.</p>	<p>Maple notes that it will operate as a separate corporate entity from the Original Maple Shareholders, and procedures will be in place to ensure that no inappropriate relationships between Maple and such parties will exist. In addition, Maple will be a reporting issuer obligated to provide continuous disclosure documents to its shareholders, including financial statements and MD&A in which any related party transactions must be described.</p>
<p>42. Do you believe it would be useful to require Maple to</p>	<p>Several commenters (Chi-X, CFA, Paramax, CNSX) commented that</p>	<p>As noted in the response to Question 34 above, in certain specific instances</p>

<p><i>perform regular international benchmarking of its operations? In answering, please explain why you believe it would or would not be useful.</i></p>	<p>international benchmarking would be a beneficial exercise. However, one commenter (CFA) questioned whether Maple would be the most unbiased group to do this, and whether any reviews would be timely enough to ensure competitiveness. One commenter (Paramax) noted that the comparison of fees may be a difficult exercise given the differences between pricing models among clearing and settlement operations, but that the comparison of an "all in" trade price based on net revenue (net of rebates) divided by the number of trades processed in a given period would be helpful. One commenter (CNSX) noted that any such benchmarking should include DTCC together with other for-profit clearing and settlement operations.</p>	<p>including in connection with changes to 2012 base fees or the pricing of new CDS services, benchmarking and other supporting data may be required to be submitted if the OSC determines it to be relevant. In addition, as part of the annual reporting obligations of CDS, any relevant supporting materials that may be requested by the OSC to assist it in determining whether CDS Clearing's fees on core services remain fair, reasonable and competitive in the context of the Canadian marketplace and trends relating to comparable services offered by clearing houses worldwide will be required to be prepared.</p>
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