



July 31, 2020

Via email

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cc:
Market Regulation Branch
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Dear Sirs/Mesdames:

Re: TSX Inc. Notice of Proposed Amendments and Request for Comments – Trading of Sustainable Bonds

This comment letter is being submitted by RBC Dominion Securities Inc. on behalf of RBC Wealth Management and RBC Capital Markets (“RBC” or “we”). We are writing in response to the *Notice of Proposed Amendments and Request for Comments – Trading of Sustainable Bonds* published by TSX Inc. on June 11, 2020 (the “Proposed Amendments”). RBC appreciates this opportunity to comment on the Proposed Amendments; our comments are below.

General Comments

RBC commends the initiative of the TSX to further enhance the progress in ESG-related products. RBC believes that sustainable finance and ESG represents a growth opportunity for our clients and businesses. We support the general concept of programs or initiatives that allow investors more transparency, visibility and access to products.

If this initiative proves to be successful for parties transacting in these exchange traded products, it may prove to be an accelerator for other products to be traded on transparent auction markets where investors may have the ability to diversify portfolios and add to investment returns. We are hopeful that this will lead to increased competition, tighter spreads, and greater transparency and access for investors. However, we would expect the TSX to engage the industry through another public comment period if proposing this type of initiative for other OTC products in the future, to ensure a wide audience understands the potential impacts.

Although RBC is generally in favour of the Proposed Amendments to post Sustainable Bonds for trading, we have some concerns regarding the details in the mechanics of the proposal.

As part of the Proposed Amendments, the TSX will require participating organizations to acknowledge receipt of a risk disclosure, which passes the responsibility to educate investors onto dealers. Without sufficient education on this topic, investors may incorrectly assume a higher standard of listing or that these products have the same listing requirements as other TSX listed securities. As such, investors may have a greater expectation of liquidity

and fair price than actually exists. Investors may fail to do proper due diligence before making a purchase of Sustainable Bonds posted for trading on the TSX. We request that the TSX take a more active role, than that presented in the Proposed Amendments, in informing and educating investors on the difference between “posting for trading” and “listing”, as this would increase investor understanding and due diligence across the industry. We would also appreciate a clearer definition of “quasi-governmental corporations”.

We further note that Sustainable Bonds trading in both a visible auction market and an OTC market simultaneously may make best execution by dealers more challenging. The likelihood that the product will trade at different prices on different venues is not thoroughly addressed by the Proposed Amendments. Dealers may need to adjust best execution practices and policies, and add disclosures on trade confirmations to reflect this dual trading situation. Dealer Supervision and Compliance functions may also need to adjust surveillance programs to accommodate the nuances of posted Sustainable Bonds. This will place an additional burden on dealers to implement and could create confusion for investors. We request TSX coordinate further regulatory guidance on how to navigate potential best execution questions.

Conclusion

We appreciate the opportunity to provide comments and welcome the opportunity to discuss the foregoing with you in further detail. If you have any questions or require further information, please do not hesitate to contact the undersigned.

“Jeff Varey”

Jeff Varey
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