

Registered Traders' Group

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August 21, 2002

Ontario Securities Commission

20 Queen Street West
Toronto, Ontario
M5H 3S8

Attention: Secretary of the Commission

Dear Sirs:

Re: Notice and Request for Comment TSX Inc.
(Formerly The Toronto Stock Exchange Inc.)
Reorganization and Initial Public Offering

The Registered Traders' Group ("RTG") is pleased to respond to your request for comments published in Volume 25, Issue 30 of the OSC Bulletin, dated July 26, 2002.

RTG would like to offer comment on three areas dealing with the Conflicts Committee; share ownership restrictions; and, rules and rule making. RTG offers comments with the following considerations in mind:

- a. To ensure that the structure of the public marketplace will not be compromised by the TSX Group's business interests as a public company; and
- b. Some constraints upon the operations of the TSX Inc. and TSX Group are necessary in the public interest, given the Toronto Stock Exchange's central role in the Canadian capital markets along with its *de facto* monopoly position.

(i) Conflicts Committee:

RTG agrees with the Toronto Stock Exchange's position that the members of the Conflicts Committee "have a requisite level of expertise in, and understanding of, TSX Inc.'s business and that the members are able to respond in an expedited manner to any time-sensitive conflicts or potential conflicts".

RTG notes that the Toronto stock Exchange's submission indicates that the Conflicts Committee will report to the Manger of Market Regulation as soon as a matter is brought before it. RTG further notes that the submission also indicates that there will be a regular flow of information to the Commission by the Conflicts Committee. This would imply that "time-sensitive" conflicts will not require immediate action; therefore, RTG suggests that more members of the Conflicts Committee be persons with no connection to the Toronto Stock Exchange or its participating organizations. To ensure that these independent members have "the requisite level of expertise in, and understanding of, TSX Inc.'s business", RTG suggests that independent members of the Conflicts Committee could be drawn from a pool of past Toronto Stock Exchange Board members, retired senior brokerage personnel, senior members of the investment community (i.e. buy side) and members of the academic community. RTG would also like to suggest that independent members of the Conflicts Committee represent a significant minority of the Committee.

It is of the utmost importance that the Conflicts Committee not only be impartial but that it has the appearance of impartiality.

(ii) Ownership Restriction:

RTG feels that the original 5% cap on ownership restriction should not be changed at this time, but that this restriction should be reviewed on a periodic basis to ensure its continued validity. RTG believes that the 5% restriction is valid given that the Toronto Stock Exchange has a very concentrated customer base, and that if this were coupled with an equally concentrated shareholder base, a potentially toxic combination could be created.

RTG feels that should a viable regime of ATSS (Alternative Trading Systems) develop, each with a diverse customer base, our concerns regarding ownership concentration would be moot and that no ownership restrictions of any kind would be necessary.

(iii) Rules and Rule Making:

RTG feels that "the rules and rule making function" of TSX Inc. become more transparent than it currently is. RTG believes that the demutualization of the Toronto Stock Exchange and subsequent reorganization with an initial public offering is being undertaken to place the Toronto Stock exchange on a sound commercial footing so that its operations be conducted in the most cost effective (and therefore, most profitable) fashion possible.

However, a distinction must be made between the operations of the Toronto Stock Exchange (i.e. service deliveries) and the structure of the Toronto Stock Exchange's marketplace. While the Toronto Stock Exchange must be allowed the widest possible latitude in its execution of the former, with regard to the latter, in order to ensure a fair

and equitable marketplace constraints should be place on TSX Inc. and TSX Group to ensure that due process at the highest level is maintained.

The constraints discussed are necessary since we are dealing with the public marketplace. Events of the recent past underscore what happens when investors lose confidence in the public markets.

Trusting that these comments will prove useful as you go forward, we remain,

Respectfully yours,

REGISTERED TRADERS GROUP

Per:

Peter Erglis
Chairman