

June 6, 2012

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Ontario Securities Commission
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Toronto ON M5H 3S8www.canaccordfinancial.com**SUBJECT: MAPLE GROUP RECOGNITION ORDER; REQUEST FOR COMMENTS**

Canaccord Genuity Corp. (Canaccord) would like to thank the OSC for the opportunity to comment on the Draft Recognition Order (DRO) for the Maple Group Acquisition Corporation's (Maple) proposed acquisition of the TMX Group Inc., Alpha Trading Systems Limited Partnership, Alpha Trading Systems Inc., CDS Ltd. and indirectly CDS Clearing and Depository Services Inc. We recognize and commend the OSC and its staff for the substantial effort spent listening and responding to the various submissions made with respect to this transaction. The DRO has clearly attempted to address the issues raised by market participants.

As in previous submissions, Canaccord's comments will focus on concerns related to the implications of the CDS acquisition. We remain committed to and reiterate our belief that CDS' current business model (ie. "cost recovery") has delivered efficient and cost-effective clearing and settlement services to all market participants. It has served the Canadian capital markets well and our preferred approach is to maintain, to the greatest extent practicable, the status quo with respect to CDS' operations going forward. The substantial debate raised by this transaction has failed to convince us that any significant value will accrue to the Canadian capital markets generally, or to market participants specifically (other than perhaps the Maple participants). Many of the benefits which Maple has presented are so general in nature as to render them worthless. As described in various other comment letters and at the public hearings, even those that have some substance, like cross-margining, are expected to provide limited economic value – even if participants accept the increased risk sharing.

Most participants that have commented on the consequences of this transaction have raised concerns about this new for-profit monopoly. The DRO has diligently and in some cases quite effectively attempted to address the industry's concerns. We applaud the OSC for their efforts in this regard. While we continue to oppose Maple's acquisition of CDS, we recognize that this transaction may still proceed and wish to recommend a number of changes to the DRO, specifically:

- Transparency
- Competition in Clearing
- Review of CDS Participant Agreements and business practices
- Maintenance of local services
- Governance of CDS and CDCC
- Modifications to the Pricing Model
- Cost of Oversight
- Minority Shareholder Rights

Transparency:

The DRO requires Maple to submit various reports to the OSC for review and ultimately to ensure they are abiding by the Recognition Order. We believe these submissions should all be made in an open and transparent way such that Participants have access to this information. Some of the information to be included in these reports is available to Participants today. Detailed financial reports, transaction metrics – even details on pricing models – are currently available. Any confidentiality concerns are mitigated by the fact there is limited opportunity for competition. We believe this critical information will allow Participants to support the OSC's efforts to enforce the intent of the Recognition Order.

Competition in Clearing:

We firmly believe that the opportunity for competition in the primary CDS services is doubtful. The DRO attempts to ensure Maple will allow interested parties access to the CDS services and seems pre-disposed to encouraging competition. We would like to see the DRO also include a clear statement about the right of Participants to determine where exchange trades are directed for clearing and settlement services. Under today's framework, all trades executed thru the TMX and other trading venues are directed to CDS. If there is to be any opportunity for competition in this area, Participants must have clear rights to direct these exchange trades to a competitive service if they so chose. Further, TMX must be required to provide the functionality to allow Participants to direct their trades elsewhere and CDS must be required to accept netted trades in a standard format from other service providers. We note that CDS made a similar recommendation to the OSC in early 2011 when the LSE and the TMX were in merger discussions.

Review of CDS Participant Agreements and Business Practices:

CDS has operated as a not-for-profit, industry owned utility for nearly 40 years. The foundation of its business practices and legal agreements contemplate dealing with its owners in a not-for profit environment. We believe it is necessary to review these legal agreements in the context of a for-profit commercial venture to confirm the terms and conditions are still relevant. For example, the Participant Agreement specifically precludes Participants from initiating any legal action against CDS - the premise being that one would only be suing themselves. If the Maple transaction were to proceed this premise would no longer apply and may therefore need to be reconsidered. If there are changes required to both legal agreements and business practices, we recommend the OSC take an active role in these discussions because we do not expect Maple to be receptive to any changes.

Maintenance of local services:

CDS currently has offices in 4 major centers: Montreal, Toronto, Calgary and Vancouver. The majority of daily processing is performed in Toronto and to a lesser degree in Montreal. The Calgary and Vancouver offices support the local markets by accepting for deposit and delivering certificates to Participants. In addition, these offices provide necessary application training and customer service to the local communities. We believe there is risk Maple will at some point choose to close these offices and stop providing these services to Calgary and Vancouver. The DRO should require CDS to maintain these services indefinitely in all four centers and be required to maintain consistent service levels and prices.

Governance of CDS and CDCC:

We acknowledge the DRO proposes a number of positive changes to the CDS governance structure from the one originally proposed by Maple. We note that Maple has consistently extolled the benefits of having both CDS and CDCC under common ownership. We presume these benefits arise because they provide similar and in some cases complimentary services, albeit for different instruments. We submit, under common ownership there is little practical reason to continue to run separate entities. If the Maple transaction were to proceed, we recommend CDCC be folded into CDS with a single board. The board would be constructed as proposed in the DRO for CDS. Further, the Recognition Order should require all the CDCC functions to be subject to the same scrutiny, participant committee framework and pricing model restrictions and oversight as the CDS functions.

Modifications to the Pricing Model:

In the proposed pricing model, Maple attempts to share some of the anticipated synergies as well as additional revenues from transaction volume increases with the Participants. While we are encouraged by their efforts, we do not believe they go far enough. In our view, the complex nature of CDS' pricing and costing models provides ample opportunity for Maple to manipulate the model to their advantage. Including the concept of "core" versus "non-core" services within the definition of Regulated Revenue aggravates further the opportunity to manipulate prices and the sharing of increased revenue. We recommend all Regulated Revenue be subject to the 50% profit share.

Cost of Oversight:

The DRO will require significantly higher involvement from the OSC staff to oversee the operation of the Maple group of companies. It may even be necessary for the OSC to hire resources with new skill sets. Whether that effort is focused on reviewing additional reports from the various Participant committees, reviewing public comments on pricing changes, analyzing independent third party reports etc, the increased oversight will translate into additional costs to the industry. These ongoing costs should be born entirely by Maple and not be considered a cost against the profitability of CDS for purposes of justifying price increases. As evidenced by the written and oral submissions to the OSC, our industry is generally not supportive of this transaction. To add the cost of keeping the Maple monopoly honest on the backs of those same organizations that oppose this transaction seems entirely inappropriate.

Minority Shareholder Rights:

The Maple consortium has "independently" negotiated the purchase price for CDS with themselves and "independently" arrived at the value of \$167.5million. This is an altogether new twist to the definition of "independent". Maple is clearly naïve if they believe their closed door negotiation with members of their own consortium would produce a valuation process that could withstand any level of scrutiny. We ask that the OSC require Maple, as a condition of approving the recognition order, to negotiate a fair price with the CDS shareholders not included in their consortium.

The Draft Recognition Order has made great strides to address the issues raised by this proposed transaction. While there are significant improvements over the original proposal submitted by Maple, we remain unconvinced the proposed transaction will generate sufficient benefits to outweigh the inherent conflicts that will result from the creation of a for-profit monopoly that is owned by a small group of powerful industry participants.

We thank you for the opportunity to provide our comments. As always, please do not hesitate to contact us if you have any questions.

Yours truly,

CANACCORD GENUITY CORP.

A handwritten signature in black ink, appearing to read 'P. Virvilis', with a long horizontal flourish extending to the right.

Peter Virvilis
Executive Vice President Operations,
Treasurer