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June 29, 2011

Mr. John Stevenson
Secretary to the Commission
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, ON M5H 3S8

By email: JStevenson@osc.gov.on.ca

Mr. Stevenson,

RE: OSC request for comment regarding TMX Group Inc. and TSX Inc. proposed transaction with London Stock Exchange Group plc

Please accept the within submission to the Ontario Securities Commission in response to the call for comment on the proposed merger of TMX Group Inc. and London Stock Exchange Group plc.

Having served as the President and CEO of the TSX from 1995 until 1999, in the period immediately leading up to the demutualization of the exchange, I believe I am in a unique position to comment.

In the competitive world of stock exchange businesses, the only constant is change. I am confident that the merger of TMX Group and LSEG positively responds to such change, while fostering the growth of the financial services sector in Ontario in a way that is healthy for the entire Canadian industry.

At the same time, I believe that the merger will have no negative impact on the capacity of the OSC to regulate markets in Ontario.

I also request the opportunity to participate in the oral portion of the Commission’s public consultation.

Sincerely,

Rowland Fleming

Attachment: Responses to selected questions of the Ontario Securities Commission,
Re: TMX Group Inc and LSEG plc
June 29, 2011

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Responses of Rowland Fleming to Selected Questions Posed by the OSC in Requesting Public Comment on the Proposed Merger of TMX Group Inc. and London Stock Exchange Group plc

In its request for public comment on the proposed merger of TMX Group Inc. ("TMX") and London Stock Exchange Group plc ("LSEG"), the Ontario Securities Commission ("Commission") has identified a number of issues that it will consider in connection with the application of TMX and LSEG. Of twenty-one specific questions posed by the Commission in that regard, Questions #2, 4, 5, 10, 11, and 15 have been addressed below.

Question 2

> ***Do Mergeco's proposed undertakings to the Commission provide for a sufficient degree of regulatory oversight by the Commission over the operations of TMX Group, TSX, and Mergeco as necessary? If not, why not? In any event, would there be sufficient oversight of Mergeco by the Commission or by any other regulatory body?***

It is clear that the OSC will continue to have sufficient oversight of the TMX Group, and TSX exchanges. Both TMX and LSEG have established track records in this respect, with numerous related examples of operating exchanges in more than one jurisdiction while respecting local regulation. Further, the proposed transaction leaves intact the application of local regulatory control.

Currently the headquarters of the TMX Group is in Toronto, although it operates the Montreal Exchange (MX) in Quebec, the NGX in Alberta and the Boston Options Exchange (BOX) in Massachusetts. The location of the headquarters of TMX has not reduced the capacity of the Autorité des marchés financiers in Quebec to regulate the MX; it has not impacted the capacity of the Alberta Securities Commission to regulate the NGX; and it has not impacted the capacity of the U.S. Securities and Exchange Commission (SEC) to regulate the BOX. Furthermore, the TMX has not attempted to circumvent the local regulation of any of its constituent exchanges residing in regulatory jurisdictions outside of Ontario.

Similarly, LSEG operates extra-jurisdictionally. The headquarters of LSEG is in London, while it operates the Borsa Italiana in Milan, Italy. Following the combination with Borsa Italiana in 2007, the latter continued to be regulated by the Commissione Nazionale per le Società e la Borsa (CONSOB). CONSOB is responsible for a host of regulatory functions. Throughout, LSEG has not interfered in any way with CONSOB's regulation of the Borsa Italiana.

Question 4

> ***Do the proposed undertakings by Mergeco provide for appropriate governance over the operations of TMX Group and TSX?***

Yes. The proposed undertakings by Mergeco do provide for appropriate governance over the operations of TMX Group and TSX.

As mentioned, the TMX Group and LSEG have an established track record of working effectively and constructively with multiple regulators.

Notably, the co-headquarters of the merged group will be in Toronto. The President, the CFO and the Chair of the board will reside in Toronto. The Agreement clearly states that the "core operations" of the TSX will remain in Toronto, and the TMX will continue to have its own board of directors.

By law, and under the Agreement, the Commission will continue to regulate the operations of the TMX exchanges which will continue to be located in Toronto. As the core operations of the TMX exchanges will remain in Toronto, and the OSC's oversight will be unchanged, it seems clear that the proposed undertakings by Mergeco do provide for appropriate governance over the operations of TMX Group and TSX.

Question 5:

> ***Are the proposed governance arrangements following the fourth anniversary of the Proposed Transaction sufficient to account for the interests of TMX Group and TSX?***

Yes. This question refers the corporate governance arrangement of the Mergco following the fourth anniversary of the merger, which states,

> "*Following the fourth anniversary of the Proposed Transaction, the number of Canadian directors on Mergeco's the board may be reduced to no less than: (i) an appropriate number in light of the overall significance of the Canadian business to Mergeco; or (ii) three."*

I note three important considerations: first, the role of the OSC is to regulate trading and the operation of the market, not corporate governance; second, the *Business Corporations Act (Ontario), R.S.O. 1990, c. B.16, s. 134 (1) (a)* requires that directors must act in the best interests of the corporation; and third, the proportion of Canadian directors will, in any event, represent the overall significance of the Canadian business to the Mergeco which is an entirely valid requirement.

First, the mandate of the OSC is to "provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets." It would be an extremely generous interpretation to suggest that this encompasses the ongoing makeup of the board of directors of the Mergco.

Second, by law, the role of corporate directors is to act in the best interests of the corporation, not in a national interest. The key to ensuring the ongoing health of exchanges in Ontario will be the regulation of those exchanges, rather than the makeup of the Board of Directors. Given that

Canadian operations will be a key component of the Mergco's business, it is will be the responsibility of shareholders to elect board members who will grow the value of their considerable investment in Canadian business.

Finally, some public commentators have ignored the fact that the proposed number of Canadian directors on the Mergeco board is tied specifically to the relative size of the Canadian business. This leads to two logical conclusions: first, that this is entirely fair and reasonable; and second that the Mergco and its shareholders have, in their best interests, to continue to grow TMX business, suggesting that Canadian business will remain a core component of Mergco business.

Question 10

> ***Should the Commission have the authority to approve ownership of control of more than 10 percent of the shares of Mergeco rather than the 50 percent as proposed? If so, why?***

The OSC will continue to regulate the operation of TSX exchanges, which is not impacted by the location of the Mergco, or shareholders. Through this role, the OSC will be able to ensure that no matter the ownership groups, the exchange is operated for the benefit of Ontario's markets.

Ownership of exchanges is ultimately not as important as location and regulatory oversight itself. Currently, there are a number of Alternative Trading Systems operating in Ontario. Several have non-Canadian ownership. The OSC does not regulate these ATSs, which are self-regulated, though they must report to the OSC and the OSC oversees compliance. In these cases, however, the OSC has no ability to regulate the ownership or corporate governance of these ATSs. This proves that effective regulation does not require the oversight of group ownership.

NAME	OWNER(S)	INSTITUTIONAL HOME
Equity ATSs		
Alpha	BMO, Nesbitt Burns, Canaccord, CIBC World Markets, CPPIB, Desjardins, National Bank, RBC-DS, Scotia Capital, TD Securities	Canada
Bloomberg Trade Book Canada	Bloomberg	USA
Chi-X Canada	Instinet (Nomura Holdings)	Japan
Omega ATS	Perimeter Financial (subsidiary Of CI Investments Canada), Swift Trade Inc. (BRMS), MarLar Group	Canada
Liquidnet Canada	Liquidnet holdings	USA
MATCH Now	TriAct (Investment Technology Group)	USA

NAME	OWNER(S)	INSTITUTIONAL HOME
Debt ATSs		
CanDeal	TMX Group, RBC, TD Bank, Bank of Nova Scotia, BMO, CIBC, National Bank	Canada
CBID Markets Inc	Perimeter Financial (subsidiary of CI Investments)	Canada
MarketAxxess	MarketAxxess Holdings	USA
Securities Lending ATSs		
Equilend	BlackRock, Credit Suisse, Goldman Sachs, JP Morgan Clearing, JP Morgan Strategic, Merrily Lynch, Morgan Stanley, Northern Trust, State Street, UBC	USA

Question 11

Should TSX's "core operations", as described in the Application, be kept in Canada and if so, why? What would be necessary for these operations to be considered to be "in Canada"?

The Application describes the core operations of the TSX as including two local Canadian data centres, local IT operations and support, local Canadian listing issuer services, local trading services, local Canadian compliance and regulation functions, and local market data services.

This is an accurate assessment of the core operations of the exchange, and of course, it is important that they remain in Canada. They will remain in Canada, because they only have value if they remain in Canada. Maintaining a competitive market for listings, derivatives and information is key to the operation of Canadian financial markets.

However, of greater importance to investors and to Canadian financial markets are not simply the Canada-based core operations, but the expansion of our markets. Canadian listings need to appear on terminals internationally in order to keep pace with international integration and in order to grow. This work has begun through MOUs with the Tel Aviv Stock Exchange, Brazil's BOVESPA, and the Oslo Bors. The merger with LSEG is a positive and natural next step.

Question 15

What impact will the Proposed Transaction have on issuers' ability to raise capital and on investors wanting to trade securities?

The Proposed Transaction will increase issuers' ability to raise capital and investors' ability to trade securities. My experience is that the most effective way to raise capital is to market

Canadian securities. By combining, the merged group will have access to each others' marketing departments and thereby the geographical footprint for marketing Canadian securities.

In addition, the merger will create the fastest overseas IT connectivity. Speaking from experience, I can say confidently that increased connectivity creates inherent market efficiencies that will make trading faster and cheaper.