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Via Email & Fax

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Dear Members of the Canadian Securities Administrators:

Re: CSA and OSC Requests for Comment - Proposed Multilateral Instrument 11-101 *Principal Regulator System*, Form 11-101F1 and Companion Policy 11-101CP ("MI 11-101" or "Proposed Instrument")

Thank you for providing TSX Group Inc. with the opportunity to comment on proposed MI 11-101, as published by certain members of the Canadian Securities Administrators ("CSA").

The Proposed Instrument represents important work in the on-going effort to mitigate the financial and other complications that arise as a result of Canada having 13 provincial and territorial securities regulators and no national securities regulator, a situation that makes Canada unique among developed economies.

The position of TSX Group has been clear and consistent. We believe that Canadian capital markets will be best served by a single regulator and a single and consistent set of regulatory standards which recognize, at the same time, the unique needs of Canadian issuers based on size, industry sector and differing regional requirements. Consolidating responsibility for securities regulation would result in a simpler, consistent, more transparent, accessible, and efficient system for regulating our markets. We support any proposal which will enhance the efficiency and competitiveness of Canadian capital markets, however, we strongly believe this will be best achieved through the single regulator proposal, rather than working towards such a system through phases such as the passport and principal regulator systems.

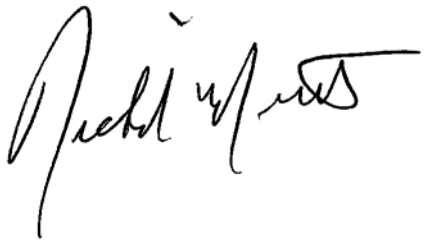
While we are of the view that a single regulator model is the best solution to Canada's regulatory complexity and its accompanying costs, we acknowledge that it may not be achievable in the short-term. During the transition, we may well be faced with a compromise solution involving more than one regulator. Given the likelihood of this scenario, we believe that the work done by the CSA to date on reducing regulatory complexity has demonstrably improved our markets. Clearly, Canadian capital markets want, and thrive with, a single set of regulatory standards. We trust that the CSA will continue to follow the action plan timeline set out in the September 30, 2004 Memorandum of Understanding, by developing and implementing highly harmonized securities laws and reviewing their underlying fee structures.

Despite these advances, we have specific concerns with the passport system as proposed in MI 11-101. We offer our comments for the CSA's consideration as they move to the next stage of their work. On its face, the Proposed Instrument

could be advantageous for certain issuers. However, some of the local carve outs give the system an element of complexity. As well, with Ontario opting out, the purpose of the Proposed Instrument will be undermined, and could add confusion to the Canadian marketplace as multiple rules will be applied to issuers and registrants.

We hope that the CSA will consider TSX Group's specific comments, attached in Appendix A, as they continue to structure the passport system.

Yours very truly,



Richard W. Nesbitt
Chief Executive Officer

cc: Rik Parkhill, President, TSX Markets
Linda Hohol, President, TSX Venture Exchange

Appendix A

Harmonization

The advantage of MI 11-101 is that issuers will need to comply with only one out of 13 sets of securities laws. Issuers could benefit from the proposed streamlined and simplified filing requirements. However, our concern lies with the possibility that these issuers may be permitted to follow different regulatory standards depending solely on where their head office is located. This could result in an inconsistent standard of regulation in the Canadian capital markets.

As the CSA's notice and request for comment provides, British Columbia currently provides a number of local carve-outs from various national and multilateral instruments. Many of the carve-outs represent rules which every other jurisdiction in Canada has implemented. We agree with the CSA members that certain of these carve-outs must be reworked if MI 11-101 is implemented.

The carve-out issue serves to highlight our concern that, in order for MI 11-101 to work, and to avoid the possibility of regulatory arbitrage, the rules to be applied to issuers should be the same regardless of the location of their head office. Although categories of issuers may need to be treated differently based on their size or industry sector, pure geographical regulatory arbitrage must not be facilitated by MI 11-101. For the Proposed Instrument to be viable, the CSA must ensure that the harmonization of securities laws continues. If the movement toward continued and increased harmonization fails, MI 11-101 will cease to function in the manner that was intended.

To respond to the CSA's specific request for comment on the differences in requirements, TSX Group agrees with the majority of the CSA members that the principal regulator system must be based on uniform, or at a minimum highly harmonized, requirements. Market participants should not be subject to different standards simply because of where their head office is located.

Ontario Opt-out

Despite the benefits and progress that MI 11-101 can represent, it simply cannot achieve its desired intent without the participation of Ontario. The unfortunate result of MI 11-101 with an Ontario opt-out will be to further complicate and perpetuate an already fragmented and complex system of securities regulation in this country.

Enforcement

The Ontario Securities Commission ("OSC"), in its notice and request for comment, maintains that it is unclear what authority the OSC as a non-principal regulator will have to intervene to protect Ontario investors under the Proposed Instrument. TSX Group is concerned by the proposition that MI 11-101 could possibly result in the inability of a non-principal regulator to begin enforcement proceedings against an issuer or individual even when substantial harm arising

from a breach of securities laws has occurred in its jurisdiction. Canadian marketplaces and regulators must promote market stability through clear rules and the consistent enforcement of these rules, to both protect and instil confidence in investors.

We urge the CSA to determine definitively that each non-principal regulator will be able to undertake any necessary enforcement proceedings. If this requires the non-principal regulator's enforcement rights to be clearly outlined in the Proposed Instrument, then we request such drafting changes to be made.

Delegation/Rule-Making Authority

We understand that the second phase of the implementation of the MOU is for the provinces and territories to seek legislative amendments to, among other things, provide powers of delegation to each securities regulatory authority. We applaud this effort as this legislative reform will be necessary to ultimately move Canada's markets toward a single regulator model with uniform securities laws. However, the legislative process for this type of reform should not be underestimated, given that different legislatures will be required to pass different securities rules.

Costs and Benefits

The CSA did not complete a cost-benefit analysis of the Proposed Instrument because they expect it to reduce costs. It was not clear to us which costs will be reduced in connection with MI 11-101. Specifically, we would like confirmation that filing and/or registration fees paid to non-principal jurisdictions will be lowered or removed altogether. One would expect that with the streamlined filing/registration approach of MI 11-101 will come a commensurate fee decrease. For example, if a non-principal regulator is not reviewing an issuer's filing, the issuer should not be required to pay a fee to the non-principal regulator. We believe that the issuers listed on Toronto Stock Exchange and TSX Venture Exchange will want to understand the cost savings that they should expect with this first stage of the passport system's implementation.

Disclosure and Liability

To the extent that an issuer is permitted to rely upon a principal regulator's local carve-out of a rule, disclosure of such reliance should be made by the issuer. This disclosure requirement should be mandated in the Proposed Instrument.

Foreign Issuers

We believe that foreign issuers should be permitted to rely on the exemptions in the Proposed Instrument.

National Policy 43-201 *Mutual Reliance Review System for Prospectuses* ("NP 43-201")

The proposed amendments to NP 43-101, particularly those that will result in shortened review periods, are welcome improvements to the current Mutual Reliance Review System.