

June 5, 2007



VIA EMAIL

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission
Office of the Attorney General, Prince Edward Island
Financial Services Regulation Division, Consumer and
Commercial Affairs Branch, Department of Government
Services, Newfoundland and Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice, Government
of the Northwest Territories
Registrar of Securities, Legal Registries Division,
Department of Justice, Government of Nunavut

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Dear Members of the Canadian Securities Administrators:

Re: CSA and OSC Requests for Comment – Proposed National Instrument 11-102 *Passport System*, Form 11-102F1, Companion Policy 11-101CP (collectively, “NI 11-102” or “Proposed Instrument”) and OSC Notice 11-904 (“OSC Notice”)

Thank you for providing TSX Group Inc. (“TSX Group” or “we”) with the opportunity to comment on NI 11-102, as published by certain members of the Canadian Securities Administrators (the “CSA”), and the OSC Notice, as published by the Ontario Securities Commission (the “OSC”).

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 common securities regulator, a situation that makes Canada unique among developed economies.

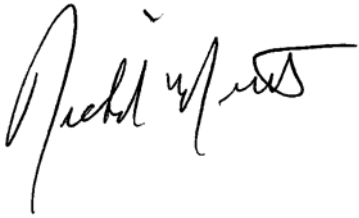
The position of TSX Group has been clear and consistent. We believe that Canadian capital markets will be best served by a single regulator and a single and consistent set of regulatory standards which recognize, at the same time, the unique needs of Canadian issuers based on size, industry sector and 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 (especially in a world where capital flows easily between countries and where one of the considerations of where that capital is ultimately placed/invested is the responsiveness of the regulatory regime). As such, we support the Proposed Instrument as a step along the path to a single regulator.

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.

Despite our support of NI 11-102 as a path to a single regulator, we do have certain concerns, as set out in Appendix A, with the passport system as set out in the Proposed Instrument.

We hope that the CSA will consider our comments as they continue with the implementation of the passport system.

Yours very truly,



Richard W. Nesbitt
Chief Executive Officer

cc: Rik Parkhill, President, TSX Markets
Richard Nadeau, Senior Vice President, Toronto Stock Exchange
Kevan Cowan, President, TSX Venture Exchange

Appendix A

Harmonization

As noted in the Proposed Instrument, a key foundation for the passport system is a set of nationally harmonized regulatory requirements that will be consistently interpreted and applied throughout Canada.

In order for NI 11-102 to function effectively, 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 NI 11-102.

We applaud the efforts of the CSA to harmonize the regulatory requirements across the country but the work is still not complete. The Proposed Instrument lists a number of national instruments and consequential amendments to local rules that need to be implemented before the next level of harmonization is achieved. The efforts to achieve the necessary outcomes (both in the legislatures of the various provinces and at the CSA) should not be underestimated.

The consistency of the interpretation and application of the harmonized regulatory requirements is also a concern. The Proposed Instrument indicates the CSA has put into place administrative practices and procedures to ensure that its members interpret and apply the harmonized securities legislation in a uniform way. The success or failure of those practices and procedures will determine the success or failure of the Proposed Instrument. The Proposed Instrument cannot result in an inconsistent standard of regulation in the Canadian capital markets where issuers are subject to different regulatory standards because of the location of the issuer's head office and the different interpretations of the applicable lead regulator.

Ontario Opt-out

Despite the benefits and progress that NI 11-102 can represent, it simply cannot achieve its desired intent (a set of nationally harmonized regulatory requirements that will be consistently interpreted and applied throughout Canada) without the participation of Ontario. The unfortunate result of NI 11-102 with an Ontario opt-out will be to perpetuate an already fragmented and complex system of securities regulation in this country. As noted in the OSC Notice, "The OSC anticipates that the passport proposal, if implemented, would be accommodated by effective "interfaces" between Ontario and the passport members." These "interfaces" (which we assume would be subject to public comment and prior notice) will be yet another set of rules which will add additional complexity and potential time delays to our regulatory regime. The effectiveness of these interfaces (which should result in seamless, consistent regulation) will be key for the ongoing viability and competitiveness of the Canadian capital markets.

Costs

The Proposed Instrument states that the “Under the MOU, governments plan to review the fee structures of participation jurisdictions to assess how they might want to change them so they are consistent with the objectives of the MOU. Meanwhile, market participants are required to pay fees in all jurisdictions for prospectus filings, continuous disclosure filings and registration. Market participants are required to pay fees for discretionary relief applications only in their principal jurisdiction.”

One would expect that the streamlined approach of NI 11-102 will result in a concurrent and 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 reasonably expect fee savings to be passed along concurrently with the implementation of the Proposed Instrument.