

June 12, 2007

VIA EMAIL

Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
New Brunswick Securities Commission
Securities Commission of Newfoundland and
Labrador
Registrar of Securities, Department of Justice, Government of
the Northwest Territories
Nova Scotia Securities Commission
Registrar of Securities, Legal Registries Division,
Department of Justice, Government of Nunavut
Ontario Securities Commission
Prince Edward Island Securities Office
Saskatchewan Financial Services Commission
Registrar of Securities, Government of Yukon

Jason Koulouras
Director, Third Party Content
TSX Inc.
The Exchange Tower
130 King Street West
Toronto, ON, Canada M5X 1J2
T (416) 947-4228
F (416) 814-8811
Jason.koulouras@tsx.com

c/o John Stevenson, Secretary to the Commission
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
Fax: (416) 593-2318
E-mail: jstevenson@osc.gov.on.ca

Autorité des marchés financiers
c/o Anne-Marie Beaudoin, Directrice du secrétariat
Tour de la Bourse
800, square Victoria
C.P. 246, 22e étage
Montréal, Québec, H4Z 1G3
Fax: (514) 864-6381
E-mail: consultation-en-cours@lautorite.qc.ca

Dear Members of the Canadian Securities Administrators:

**Re: Request for Comment – CSA Staff Notice 21-306 Notice of Filing of
Forms 21-101F5 Initial Operation Report for Information Processor
("CSA Notice")**

Thank you for providing TSX Inc. ("TSX" or "we") with the opportunity to comment on the summary of applications for the information processor role for fixed income as set out in the CSA Notice. TSX, in conjunction with CanDeal.ca Inc.

("CanDeal"), has applied to become the information processor for fixed income. The questions set out below reflect the questions set out in the CSA Notice.

Question #1: What are the advantages and disadvantages associated with each proposal summarized in Schedule A?

We believe that the TSX/CanDeal proposal is the best solution for the Canadian marketplace because it achieves the objective of enabling price discovery and distributing content as broadly as possible on a cost effective basis.

All stakeholders are looking for solutions that are easy to implement and do not require significant effort and investment. TSX/CanDeal is best positioned to meet this objective through leveraging existing marketplace connectivity, investments and resources and to ensure a prompt industry solution at a low total cost. This is to the benefit of all - regulators, market data vendors, investors, market participants and subscribers.

Key aspects of the TSX/CanDeal proposal are already live in production and display under existing contractual arrangements both upstream (connectivity, processes and production (including redundant) environments in place for the 12 existing primary dealers) and downstream (connectivity to over 90 market data vendors, direct connectivity to a number of market participant firms, current connectivity through Savvis and BT Radianz and pending connectivity into SFTI, administrative controls, billing processes in place along with access and audit controls). To facilitate broad distribution and maximum public consumption, the existing display of key fixed income securities on tsx.com will be continued.

TSX/CanDeal will put into place the necessary policies and procedures to deal with the conflicts that arise as the information processor for fixed income. It is important to note in the consolidating market vendor space, TSX/CanDeal will not be subject to the competitive conflicts that exist now and will multiply in the future as the industry continues its consolidation. That is, market data vendors are reluctant to expose client information to a competitor in connection with the provision of third party services. The ability to achieve the objective of broad dissemination may well be negatively impacted where market data vendors (who are key to facilitate the distribution of the data) are competing with the Information Processor in the redistributor space.

On the cost side, many downstream recipients will not have to make new investments in feed readers, connectivity solutions and display templates if the TSX/CanDeal proposal is chosen. These recipients will be able to leverage all their existing connectivity, intellectual property and know how to treat these new data sets as an extension of existing capabilities and solutions that are in place today. The TSX/CanDeal proposal provides for vendor fees that are significantly less than all of the other listed fee structures. TSX/CanDeal has achieved this outcome by leveraging the marketplace's existing investments in intellectual

property, infrastructure, administration and architecture to deliver an economically reasonable solution that meets the CSA's requirements. The TSX/CanDeal proposal will result in no new connectivity costs to the 12 existing primary fixed income dealers and sets out the lowest vendor fees of all the proposals who disclosed a fee structure. The TSX/CanDeal proposal is also the only proposal with a public investor friendly fee structure of \$0.02 per quote packet with a \$10.00 cap. The fee structure will provide cost certainty on downstream distribution, broaden the audience and assist in contributing to the goal of marketplace transparency. When combined with the existing website display, TSX/CanDeal's proposal will provide a broad outreach to market participants around the world.

In conclusion, we believe that TSX/CanDeal is best positioned to provide wide effective distribution on a global basis and to ensure the broadest possible reach and audience for the Canadian fixed income market space. TSX/CanDeal does not have any channel conflicts downstream and industry participants can confidently deal with TSX/CanDeal. Finally, TSX/CanDeal has the lowest proposed vendor fee structure—proving TSX/CanDeal's commitment to leverage existing marketplace resources and investments to ensure the broadest reach for Canadian fixed income data on the most cost effective basis.

Question #2: Are the criteria used for evaluation of the applications adequate? Should other factors be considered by the CSA in reviewing the applications?

Yes, from a fixed income perspective, we believe that the existing criteria for evaluation are adequate and no material factors have been omitted by the CSA in the application process.

Question #3: Should an information processor be required to create and disseminate a standardized, consolidated display of data? Alternatively, should the information processor disseminate consolidated data feeds that may be accessed by market participants to create their own displays?

TSX/CanDeal's application addresses both parts of Question 3. Firstly, TSX/CanDeal propose to extend the existing TSX/CanDeal fixed income consolidated feed to include additional contributors and information and to continue to publish the information in a fully described record based format on a consolidated basis. Secondly, TSX/CanDeal currently displays fixed income data on tsx.com in a standardized data display and will continue such offering in the future.

Question #4: What would the advantages and disadvantages of having one versus multiple information processors? For example, how would each alternative impact market participants' ability to achieve best execution or

comply with trade-through or other obligations? Should the information processors for the fixed income and equity markets be different?

In the fixed income market space, the advantage of having more than one information processor would be to create firm level redundancy in downstream distribution capabilities. However, in a smaller marketplace such as Canada (where due to market structure issues and the relative size of the economy on a global basis, the audience for fixed income market data is relatively limited), it is difficult to see how more than one fixed income information processor would be able to achieve economic viability. Furthermore, multiple information processors would risk increasing costs to the industry as a whole (for example, contributors may feel the need to connect to all the information processors). As well, there is a risk of increased market fragmentation where there is more than one information processor. That is, certain contributors may choose to only connect to one information processor and thereby effectively stop the formation of a consolidated data solution. It is our belief that the economics of the Canadian marketplace (including its size and the willingness of the participants to pay) will be a challenge to ongoing economic viability of a single fixed income information processor. Having more than one information processor is likely to increase costs for the industry, create potential fragmentation of the consolidated data stream and significantly compromise the ongoing economic viability for the information processor(s) which are ultimately chosen.

Regarding the second part of Question #4, we see advantages if TSX/CanDeal and TSX are chosen as the information processors for fixed income and equity, respectively. TSX/CanDeal and TSX are currently the only applicants who have live offerings in both the fixed income and equities space. TSX/CanDeal and TSX would work together to leverage their resources, experience and capabilities to drive efficiencies in providing information processor services to the marketplace that meet the requirements of all stakeholders. TSX/CanDeal and TSX also have the broadest possible distribution capabilities of all the applicants for both fixed income and equities. With (i) existing connectivity to market data vendors, communication hubs and firms such as BT Radianz and Savvis, (ii) existing direct connectivity to many market participants, and (iii) existing connectivity to channels that reach non-professional investors coupled with new connectivity into SFTI in New York City, We believe that TSX/CanDeal and TSX are best positioned to ensure the broadest possible distribution and audience reach of the content. As noted above, leveraging existing connectivity, investments and resources will act to ensure a prompt industry solution that meets the requirements of all stakeholders at the lowest total cost. The benefit of this shared experience/knowledge is currently seen in the proposals as TSX/CanDeal is the only applicant for the fixed income information processor that is proposing a fee solution tailor made for the non-professional fixed income audience incorporating both per quote and capped costs (similar to what is offered in equities). If TSX/CanDeal and TSX are chosen as the information processors for

fixed income and equity, respectively, TSX and TSX/CanDeal will also leverage their existing administrative processes and architecture to ensure that the information processor services are delivered on a cost effective basis.

We hope that the CSA will consider our comments. Please do not hesitate to contact me with any questions or comments.

Yours very truly,



Jason Koulouras

cc: Richard Nesbitt, TSX Group
Jayson Horner, CanDeal
Eric Sinclair, TSX Group