



March 31, 2011

DELIVERED BY EMAIL

John Stevenson
Secretary
Ontario Securities Commission
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Re: OSC Staff Notice 54-701 Regulatory Developments Regarding Shareholder Democracy Issues

TMX Group Inc. welcomes the opportunity to comment on behalf of both Toronto Stock Exchange (“**TSX**”) and TSX Venture Exchange (“**TSX Venture**”) (collectively, the “**Exchanges**”) on OSC Staff Notice 54-701 Regulatory Developments Regarding Shareholder Democracy Issues (the “**Staff Notice**”) as published by the Ontario Securities Commission (the “**OSC**”) on January 10, 2011.

To assist us with developing our comments, the Exchanges held discussions with various stakeholders, including consulting with our respective Listing Advisory Committees.

Both Exchanges are active participants in corporate governance. TSX continues to conduct an annual review of a sample of listed issuers’ corporate governance disclosure and follows up with issuers to improve deficient disclosure. In addition, TSX developed a successful corporate governance disclosure workshop which has been presented across Canada to educate TSX listed issuers about corporate governance disclosure requirements. TSX Venture also conducts regular reviews of issuers’ corporate governance disclosure and follows up with issuers that have deficient disclosure. TSX Venture policies provide additional guidance and, in some instances, impose additional requirements with respect to corporate governance practices. TSX Venture has also organized and developed several workshops dealing with corporate governance and internal control matters which it has presented across Canada, to help educate TSX Venture listed issuers regarding appropriate corporate governance practices and disclosure.

The Exchanges have drawn upon these extensive experiences in formulating these comments.

We generally support the review of proposals in all of the noted areas as further described below. However, we strongly urge these initiatives be undertaken by the Canadian Securities Administrators (“**CSA**”). The introduction of requirements by the CSA would support efforts to harmonize and streamline securities law in Canada. A uniform set of rules is simpler to understand, more cost effective to apply, and is positive for the Canadian capital markets and their participants. A consistent approach among CSA members also supports Canada’s reputation internationally.

Slate voting and majority voting for uncontested director elections

The Exchanges support reforms to facilitate individual director voting. As of mid-September 2010, 186 issuers (approximately 82% of the issuers in the S&P/TSX Composite Index (the “**Index**”)) hold



individual director elections (no slates). Virtually all of the issuers (98%) in the Index annually elect their directors. TSX Venture policies already prohibit slate voting and require that directors be elected annually.

Further, we understand that Canada is one of the only major markets other than the U.S. to allow slate elections for directors. We support Canada being a leader in corporate governance and shareholder democracy and believe that reforms in these areas will have a positive impact on Canada's capital markets and international reputation.

TSX also supports reforms to facilitate majority voting for its listed issuers. To date, approximately 126 issuers in the Index have also voluntarily adopted majority voting. This represents approximately 53% of the Index. These practices are therefore becoming better understood. Reforms in these areas would enforce higher standards for all issuers and improve awareness of these issues particularly among smaller TSX listed issuers. The experience of TSX listed issuers who have voluntarily adopted such standards appears to have generally been positive and we are not aware that any legal or governance issues have resulted. TSX is monitoring issuer voting practices and considering reforms in these areas.

Mandated shareholder advisory votes on executive compensation

The Exchanges support the investigation of say on pay rules, but believe it may be premature to adopt such practices as mandatory in Canada. We submit that the issues regarding slate voting and majority voting, and the effectiveness of the proxy voting system in Canada, more directly impact the quality of corporate governance in Canada at this time. If these issues are resolved and there are improvements in corporate governance in Canada, then more research in this area would be useful as it represents just one part of the larger governance system in Canada. The Exchanges also note that they each have extensive rules with respect to shareholder approval of security based compensation arrangements, providing shareholders with some say on issuer compensation practices.

Effectiveness of proxy voting system

The Exchanges strongly support the identification of issues with the current proxy voting system and the investigation of proposed solutions. The Exchanges agree that we need an effective voting system that allows shareholders to make informed voting decisions and ensures that their votes are counted, and believe that securities regulators have an important role to play in the integrity of this system. Improvements in this system will be positive for Canada as a whole.

Thank you for the opportunity to comment on the Staff Notice. Should you wish to discuss any of the comments with us in more detail, we would be pleased to respond.

Yours truly,

A handwritten signature in black ink, appearing to read 'Ungad Chadda', written in a cursive style.

Ungad Chadda
Senior Vice President
Toronto Stock Exchange

A handwritten signature in black ink, appearing to read 'John McCoach', written in a cursive style.

John McCoach
President
TSX Venture Exchange