



October 27, 2011

VIA EMAIL

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

E-mail: ashlyn.daoust@asc.ca

Re: PROPOSED NATIONAL INSTRUMENT 51-103 ONGOING GOVERNANCE AND DISCLOSURE REQUIREMENTS FOR VENTURE ISSUERS AND RELATED AMENDMENTS

Alpha Trading Systems Limited Partnership ("Alpha LP") and Alpha Exchange Inc. ("Alpha Exchange") (together, "**Alpha Group**") would like to thank the Canadian Regulators for providing us the opportunity to provide comments on Proposed National Instrument 51-103 as published by the Ontario Securities Commission (the "**OSC**") on July 29, 2011.

In general we agree with the changes proposed but would like to address the following questions:

Question 1. Do you support the proposal to replace the requirement to file three and nine month interim financial reports (and associated MD&A) with a prescribed framework for voluntary three and nine month financial reporting? a) If you support this proposal, why? What are the benefits? b) If you do not support this proposal, why not? What are your concerns?

Alpha believes that venture issuers should continue providing full interim quarterly financial statements and MD&A reports. If smaller issuers find it a burden to produce quarterly financial statements and MD&A then they should not be listed. Additionally, Alpha analyzed the level of liquidity for venture issuers for the period comprising 63 trading days ending June 2011. We found that 68% of the traded

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securities at the TSXV have less than 10 trades per day, which is a low level of liquidity. We believe that part of the cause of such low liquidity is the lack of material news. Providing financial statements with an MD&A does provide news that the market can use to trade and therefore create liquidity on that security. Therefore we submit that all issuers should prepare quarterly financial statements.

Question 10. The Proposed Instrument requires an audit committee to be composed of at least three directors, a majority of whom are not executive officers or employees of the venture issuer or an affiliated entity of the venture issuer. Should control persons be added to the list, similar to section 21(b) of Policy 3.1 of the TSX Venture Exchange Corporate Finance Manual? a) If you think control persons should be added, explain why. b) If you do not think that control persons should be added, explain why.

An audit committee and its composition are important for any reporting issuer and therefore we welcome the changes proposed. We also believe that the control person or a director or executive of the control person should be added to the list of persons that cannot compose the majority of the audit committee members. Many venture issuers have a control person that name most of the executives and can control decisions made by those executives. Having a control person as a member of the audit committee is similar to having an executive of the issuer on the committee. The majority of the members of an audit committee must be able to exercise the impartial judgment necessary for the member to fulfill his or her responsibilities as an audit committee member and we believe that control persons do not have that impartiality. For example, the review of financial statements presented by the executives that a control person controls is a case in point.

Question 14. If you have suggestions about additional steps that we could take to tailor a regulatory regime that is directed at the venture market, please provide them.

We note that a concern for Alpha Group is that the application of specific securities laws relies on which exchange an issuer is listed on as opposed to what particular class an issuer falls within. We note that the definitions of “venture issuer” and “non-venture issuer” have been entrenched in securities acts, rules and regulations with the definition of such issuers being a reporting issuer that, as at the applicable time, did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc. This definition embeds the idea that the TSX is the only Canadian senior exchange. However, the Canadian landscape has changed; we now have CNSX Alpha Exchange in the approval process. We believe that it would be beneficial for the committee to consider revising the definition of “venture issuer” such that it does not refer to listing on a particular exchange (as new exchanges can emerge over time) and focus more on what actually constitutes a “venture issuer” – i.e. an early stage issuer that has limited resources, is a higher investment risk and has less internal controls than a senior issuer. One might even consider bright-line tests similar to listing standards to distinguish “venture

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issuers” from “non-venture issuers”. Perhaps a “venture issuer” would conduct a yearly review to determine it still remains in the category of a “venture issuer” for the ensuing year or whether it has sufficiently matured to become a “non-venture issuer.”

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