



February 25, 2015

VIA EMAIL

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M^e Anne-Marie Beaudoin
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Dear Sirs/Mesdames:

Re: CSA Notice and Request for Comment – Proposed Amendments to National Instrument 45-106 *Prospectus and Registration Exemptions*, National Instrument 41-101 *General Prospectus Requirements*, National Instrument 44-101 *Short Form Prospectus Distributions*, and National Instrument 45-102 *Resale Restrictions and Proposed Repeal of National Instrument 45-101 Rights Offerings*

TMX Group Limited (“**TMX Group**” or “**we**”) welcomes the opportunity to comment on behalf of its subsidiaries, Toronto Stock Exchange (“**TSX**”) and TSX Venture Exchange (“**TSX Venture**”) (each, an “**Exchange**” and collectively, the “**Exchanges**”), on the Notice and Request for Comment published by the Canadian Securities Administrators (“**CSA**”) entitled “CSA Notice and Request for Comment – Proposed Amendments to National Instrument 45-106 *Prospectus and Registration Exemptions*, National Instrument 41-101 *General Prospectus Requirements*, National Instrument 44-101 *Short Form Prospectus Distributions*, and National Instrument 45-102 *Resale Restrictions and Proposed Repeal of National Instrument 45-101 Rights Offerings*” (“**Request for Comment**”). Capitalized terms used in this letter and not specifically defined have the meaning given to them in the Request for Comment.

The Exchanges are extremely supportive of the introduction of changes to the current rights offering regime, and are very appreciative of the significant work among the Canadian securities regulatory authorities that went into revisions to these rules. We are generally of the view that rights offerings are inherently fair to security holders and should therefore be supported by regulatory authorities. The Exchanges are committed to reviewing their policies in order to support the appeal of rights offerings. We believe that the CSA’s efforts to reduce the standard timetable and associated costs of completing a rights offering are key to increasing the viability of rights offerings as a useful way for listed issuers to access capital.

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Attached as Appendix A to this letter are responses to certain questions set out in the Request for Comment.

Thank you for the opportunity to comment on the Request for Comment and on the Proposed Amendments. 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". The signature is fluid and cursive.

Ungad Chadda
Senior Vice President
Toronto Stock Exchange

A handwritten signature in black ink, appearing to read "John McCoach". The signature is fluid and cursive.

John McCoach
President
TSX Venture Exchange

APPENDIX A

RESPONSES TO THE REQUEST FOR COMMENTS

CSA questions from the Request for Comment are repeated here in italics for ease of reference.

Questions relating to the Proposed Exemption

1. *We propose that the exercise period for a rights offering under the Proposed Exemption must be a minimum of 21 days and a maximum of 90 days. These time periods are substantially consistent with those under the Current Exemption. Some market participants have told us that an exercise period of 21 days is too long. Others thought a longer exercise period is beneficial. Reasons cited for a longer exercise period are that at least 21 days may be necessary to reach beneficial security holders and foreign security holders and that institutional investors often need a longer period to receive approvals.*
 - (a) *Do you agree that the exercise period should be a minimum of 21 days and a maximum of 90 days*
 - (b) *If not, what are the most appropriate minimum and maximum exercise periods? Why?*

TMX Group has submitted proposals to improve the efficiency of the rights offering regime in Canada in order to make rights offerings more attractive and viable financing options for issuers and their security holders.¹ As described in our previous submissions, the Exchanges believe the 21-day minimum period should be reduced to 10 business days. The Exchanges believe that issuers should be permitted to launch the rights offering by issuing a news release and electronically filing the Notice and Circular and should not be required to mail the Notice to security holders. Allowing electronic filing of the Notice and Circular will enable the minimum period to be reduced to 10 business days. As described in our previous submissions, the Exchanges are considering how their policies may be amended to reduce the timetable for completing a rights offering. Possible changes are described in more detail below.

We further believe that 10 business days is sufficient because recipients of the rights are existing security holders who are already familiar with the listed issuer and, as a result, do not require 21 days to make an informed investment decision. Secondary market purchasers of rights are not prejudiced by a shortened exercise period as their investment decision is made at the time they purchase the rights and is not based on receipt of a disclosure document. These purchasers will instead rely on publicly available disclosure.

2. *We propose that the Notice must be filed and sent before the exercise period begins and that the Circular must be filed concurrently with the Notice. Do you foresee any challenges with this timing requirement?*

We do not see an issue with requiring the Notice and Circular to be filed concurrently, before the exercise period begins. However, another timing consideration is the coordination of the record date, the ex-distribution date and the trading date. Currently, all requisite documentation must

¹ Please refer to the letter from TMX Group Limited to the OSC dated March 6, 2013 Re: OSC Staff Consultation Paper 45-710 – Considerations of New Capital Raising Prospectus Exemptions.

be filed with the relevant Exchange at least seven trading days prior to the record date. This seven-day period is designed to enable the Exchange to properly notify the market of the ex-distribution date and the record date and to list the rights two trading days prior to the record date. The Exchange will also issue a bulletin in respect of the rights offering that provides market participants with adequate notice of the rights offering and the key terms related to it. However, based on our review of Exchange procedures, we believe that the Exchanges may (subject to regulatory approval) seek to reduce this seven-day period to five trading days without compromising the objective of providing adequate notice to market participants.

These proposed measures, along with allowing electronic filing of both the Notice and Circular and a 10 business day minimum period, would reduce the time required to complete a rights offering in Canada, as illustrated in the chart below. The column entitled “CSA Proposal” outlines the approximately 30 day period required to complete a rights offering under the timeline in the Request for Comment, including a 21 day minimum period. The column entitled “TSX Proposed Timeline” demonstrates how the timeline for a rights offering may be reduced to approximately 22 days if issuers were permitted to launch the rights offering by issuing a news release and filing the Circular and Notice, and if the minimum period were reduced to 10 business days. The timelines in both columns assume the Exchanges have reduced the seven trading day period referred to above to five trading days.

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	28	30	31			

Day	CSA Proposal	TSX Proposed Timeline
1	<ul style="list-style-type: none"> File and print Notice File Circular Notify TSX (five trading days before record date) 	<ul style="list-style-type: none"> Issue news release File Circular and Notice Notify TSX (five trading days before record date)
2	<ul style="list-style-type: none"> Deliver Notice to transfer agent and intermediaries 	
4	<ul style="list-style-type: none"> Ex-distribution date/trading of rights begins (two trading days before record date) 	<ul style="list-style-type: none"> Ex-distribution date/trading of rights begins (two trading days before record date)
8	<ul style="list-style-type: none"> Record date 	<ul style="list-style-type: none"> Record date (exercise period begins)
9	<ul style="list-style-type: none"> Mail date (exercise period begins) 	
22		<ul style="list-style-type: none"> Expiry date (10 business days after record date)
30	<ul style="list-style-type: none"> Expiry date (21 days after mail date) 	

3. *Some market participants have suggested we consider requiring the issuer to only file and not send the Notice and the Circular. While we do not think that the issuer should have to send the Circular itself, it is our view that the issuer should send the Notice to ensure that each security holder is aware of the offering. We also understand that the issuer would have to send rights certificates to security holders in any event.*
- (a) *Do you foresee any challenges with requiring the issuer to send a paper copy of the Notice?*
- (b) *Do you foresee any challenges with the Circular only being available electronically?*

The Exchanges believe it is sufficient for the Circular to be available electronically. Printing and mailing of a disclosure document to all security holders involves a significant amount of time and cost. The Exchanges believe the CSA should allow issuers to file both the Notice and Circular electronically and issue a news release to provide notice of the proposed rights offering, rather than require the Notice to be mailed to security holders. This will reduce the time required to complete a rights offering, as illustrated in our response to question 3 above. Beneficial holders are not sent a rights certificate, so the requirement to mail the Notice to all security holders will lead to additional time and expense.

6. *The Current Exemption permits the trading of rights and we propose to allow for the trading of rights under the Proposed Exemption. We have received mixed feedback from market participants on the costs and benefits of allowing rights to trade freely.*

On the one hand, the trading of rights adds complexity to a rights offering and could potentially add a few days to the timeline for an average rights offering. The trading of rights also allows the issuance of free-trading securities to new investors. On the other hand, the trading of rights may benefit issuers as it often puts the rights into the hands of holders who are more likely to exercise the rights. It allows for monetization, which means that security holders who are unable to exercise rights could receive compensation for the rights. It also benefits foreign security holders as the issuer's transfer agent will typically attempt to sell the rights of ineligible security holders on the market.

- (a) *Should we continue to allow rights to be traded? If so, why?*
- (b) *What are the benefits of not allowing rights to be traded?*
- (c) *Should issuers have the option of not listing rights for trading?*

The Exchanges strongly believe that the CSA should continue to allow rights to be traded. We are generally of the view that rights offerings are inherently fair in that they afford all existing security holders the opportunity to maintain their pro rata position in the issuer. Permitting trading of rights also allows security holders who do not wish to, or are ineligible to, participate in the rights offering the ability to sell their rights to investors who wish to participate in the offering. This enables the issuer to raise capital and means security holders who are ineligible to participate in the rights offering are not diluted without compensation.

The Exchanges do not believe that the trading of rights adds complexity or cost to a rights offering. The Exchanges do not charge a listing fee to the issuer for the listing of rights. If the

securities underlying the rights are of a listed class, the Exchanges will require notice of the offering at least five trading days prior to the record date, whether or not the rights will trade, in order to set the ex-distribution date and notify the market by issuing a bulletin as described in the response to question 2 above. Therefore, we do not believe that permitting trading of the rights will add to the timeline for a rights offering, particularly if the minimum exercise period is reduced to 10 business days. As discussed above, the Exchanges are also considering amendments to their rules and policies to reduce the period of time between when the Exchange is provided with the required documentation and the record date.

Under current TSX and TSX Venture rules, rights that have received all required regulatory approvals are automatically listed if the rights entitle security holders to purchase securities of a listed class. The Exchanges believe that the CSA should continue to allow rights to be traded.

7. *When we looked at historic use of rights offerings by reporting issuers, we found that the time between the filing of the draft circular and the notice of acceptance was quite lengthy (an average of 40 days). As a result, we considered options to reduce the review period. One of the options was to conduct a more focused initial review in three days rather than 10 days prior to the regulators' acceptance of the offering. The review would focus on sufficiency of proceeds, stand-by commitments, use of proceeds, insiders, and other issues that raise significant investor protection or public interest concerns. We decided not to proceed with this option but instead to remove regulatory review prior to use. This is similar to other prospectus exemptions and it would significantly improve issuers' time to market. Certain jurisdictions are also proposing reviewing rights offerings on a post-distribution basis for a period of two years to assess the use of and compliance with the Proposed Exemption.*
- (a) *Do you agree with our proposal to remove pre-offering review?*
 - (b) *Do the benefits of providing issuers with faster access to capital outweigh the costs of eliminating our review?*
 - (c) *Post-distribution review would focus on sufficiency of proceeds, stand-by commitments, use of proceeds, insiders and other issues that raise significant investor protection concerns. Are there other areas that we should focus on?*

We support the proposal to remove the pre-offering review. We believe that reducing the standard timetable and associated costs of completing a rights offering are key to increasing the viability of rights offerings as a useful way for listed issuers to access capital. We believe the benefits of making rights offerings a more viable way for issuers to raise capital by reducing the timetable outweigh the costs of eliminating review by the CSA.

9. *Given the potential size of rights offerings, there may be circumstances where it is desirable to mitigate the effect of the offering on control of an issuer. In this regard, CSA staff question whether security holders would benefit from separating the timing of the basic subscription and additional subscription privilege such that an issuer would announce the results of the basic subscription before commencing the additional subscription privilege period. An issuer's announcement of the results of the basic subscription may help security holders make more informed decisions about their participation under the additional subscription privilege.*
- (a) *Would security holders benefit from knowing the results of the basic subscription*

before making an investment decision through the additional subscription privilege?

- (b) *Would security holders make a different investment decision through the additional subscription if the results of the basic subscription were announced? If so,*
- *Should the additional subscription privilege be inside or outside of 21 days?*
 - *Should the split timing for basic subscriptions and additional subscriptions always be required or only required in circumstances where there may be an impact on control?*
- (c) *What are the costs and benefits of having a two-tranche system for security holders?*

The Exchanges believe that security holders should continue to exercise both the basic subscription and additional subscription privilege at the same time and that a two-step process is not necessary. We do not think that concerns about the effect of the offering on control of the issuer are significant enough to warrant the additional cost and complication of a two-step process. If the timing of these two privileges is separated, we believe that the additional subscription privilege should occur within the minimum period so that the two-step process does not extend the time required to complete a rights offering.

Questions relating to the Stand-by Exemption

11. *We propose that the securities distributed under the Stand-by Exemption to a stand-by guarantor who is not a current security holder or who is a registered dealer will be subject to a four-month hold period. We understand that stand-by guarantors are often either insiders of the issuer or registered dealers.*
- (d) *Should stand-by guarantors be subject to different resale restrictions depending on whether or not they are security holders of the issuer on the date of the notice?*
- (e) *What challenges would there be for issuers trying to find a stand-by guarantor that is not already a security holder?*

We do not believe that any securities distributed by a reporting issuer through a rights offering should be subject to a hold period, whether or not a stand-by guarantor is an existing security holder. We think it will be confusing to the market to have different resale restrictions on securities distributed as part of the same rights offering.

Engaging a stand-by guarantor results in additional costs for the issuer, and this cost may increase if the securities the stand-by guarantor receives are subject to a hold period. As stand-by guarantors reduce uncertainty for issuers regarding whether a rights offering will be successful, we believe that the use of stand-by guarantors should be encouraged. Therefore, we do not believe that stand-by guarantors should be treated differently from other security holders with respect to resale restrictions.

12. *We are considering whether securities distributed under the Stand-by Exemption to a stand-by guarantor that is an existing security holder should also be subject to a four-month hold.*
- (f) If the stand-by guarantor is an existing security holder, should we require a four month hold? Why or why not?*
 - (g) We understand that in many cases, a stand-by guarantor receives a fee for providing a stand-by commitment. Should a stand-by guarantor that receives a fee and is a current security holder be subject to a restricted period on resale when other security holders are not subject to the restricted period?*
 - (h) What challenges do you foresee if we require a four-month hold?*

Please see our answer to question 11 above.