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RE: Canadian Securities Administrators ("CSA") – Consultation Paper 92-401 – Derivative Trading Facilities

Dear Sirs/Mesdames:

TMX Group Limited ("**TMX Group**") welcomes the opportunity to comment on CSA Consultation Paper 92-401 (the "**Consultation Paper**")¹ regarding Derivative Trading Facilities ("**DTFs**") and is pleased that,

¹ References to the Consultation Paper throughout this letter refer to the version published on the OSC website - (2015), 38 OSCB 801. Online at: https://www.osc.gov.on.ca/documents/en/Securities-Category9/csa_20150129_92-401_derivatives-trading.pdf.

consistent with Canada's G20 commitments at the Pittsburgh Summit, the CSA is proposing a regulatory framework to govern mandatory trading of OTC derivatives on exchanges or electronic trading platforms. We have set out our responses to the CSA's questions below. Our most substantial concerns with developing this instrument are that: (i) the definition of DTF is not so broad as to capture smaller broker-type intermediaries; (ii) DTF regulations allow continued or increased liquidity in the OTC derivatives market; and (iii) volumes do not migrate from exchanges, which are more tightly regulated, to DTFs, which may have more flexibility.

TMX Group

TMX Group's key subsidiaries operate cash and derivative markets for multiple asset classes, including equities, fixed income and energy. Toronto Stock Exchange, TSX Venture Exchange, TMX Select, Alpha Exchange, The Canadian Depository for Securities Limited, Montreal Exchange, Canadian Derivatives Clearing Corporation, Natural Gas Exchange ("NGX"), Boston Options Exchange, Shorcan, Shorcan Energy Brokers, Equicom and other TMX Group companies provide listing markets, trading markets, clearing facilities, data products, and other services to the global financial community. TMX Group is headquartered in Toronto and operates offices across Canada (Montreal, Calgary and Vancouver), in key U.S. markets (New York, Houston, Boston and Chicago), as well as in London, Beijing and Sydney.

Response to Questions

What follows in this comment letter are responses to the questions listed in the Consultation Paper.

1. Is the DTF category appropriately defined? If not, what changes are need and why.

Please see our response to question 5 below regarding the DTF framework.

2. Is it appropriate to permit DTF operators a degree of discretion over the execution of transactions? Why or why not? IF discretion is permitted, should it be permitted only for trading in products that have not been mandated to trade on a DTF?

No, it is not appropriate. To allow DTF operators to exercise discretion over the execution of transactions confuses the role of market and intermediary and puts the DTF operator in a conflict of interest situation. Like exchanges, DTFs should have self-regulatory obligations to protect the confidentiality of participant information and not express an opinion or provide participants with market advice or colour, or perform any other traditional broker activity. The trading platform itself should be run in a non-discretionary manner, by parties that do not have an interest in the transactions, in a way that allows for maximum accessibility for participants. We do not believe that DTFs should offer voice or hybrid voice-electronic execution methods, as described in the Consultation Paper, where those methods allow for DTF discretion. Introducing brokers should be permitted to use discretion to facilitate trades off of the platform and bring the trades to the DTF for execution. Introducing brokers which do not offer OTC derivative trade execution facilities should not be required to be recognized as DTFs.

3. Is the description of permitted execution methods for a DTF suitable for facilities that currently offer or plan to offer trading in OTC derivatives?

DTFs should be permitted to offer execution through an order book and an RFQ system. They should not be permitted to use hybrid execution methods such as voice brokering.

4. Please comment on required modes of execution. Should any particular minimum trading functionality be prescribed for DTFs generally?

The minimum trading functionality prescribed for DTFs should be the same as that prescribed for SEFs in the United States as described in the Consultation Paper – i.e. an order book or an RFQ system offered in conjunction with an order book² for mandated trades and any execution mode for non-mandated trades.

5. Is the proposed regulatory framework for DTFs appropriate?

TMX Group agrees that DTFs should be recognized and generally be regulated similarly to exchanges. Broadly, TMX Group believes the following changes should be made to the regulatory framework for DTFs:

(i) *The definition of DTF should be narrower to allow for additional intermediary types*

Generally, it appears that the CSA has followed the European model in defining a DTF broadly, similar to the organized trading facilities (“OTFs”) in Europe. TMX Group believes that Canada should follow a model more similar to the US swap execution facility (“SEF”) definition such that only intermediaries which actually execute a trade are captured.

The proposed definition of DTF is “a person or company that constitutes, maintains, or provides a facility or market that brings together buyers and sellers of OTC derivatives, brings together the orders of multiple buyers and multiple sellers, and uses methods under which the orders interact with each other and the buyers and sellers agree to the terms of the trades”.³

The phrase “buyers and sellers agree to the terms of the trade” is too broad in scope. This definition could also capture brokers and other entities that merely facilitate or match, but do not execute, trades. We propose replacing “agree to the terms of the trades” with “execute the trade.” Other entities can use various methods to bring together or match buyers and sellers to agree on terms of a trade outside of the DTF. Entities that do not provide execution facilities should not be captured by the definition nor should these entities represent a regulated status that confuses the services and regulatory oversight for the market.

The CSA also states in the Consultation Paper “that the application of the proposed DTF regulatory regime be limited to those systems and/or facilities that bring together multiple buying and selling interests leading to the execution of OTC derivatives transactions”⁴ To the extent this language is provided in any final guidance, we propose removing “leading to the execution of” and replacing it with “to execute”.

Similar to the regulatory structure in the US, the definition of a DTF should be narrower and there should be a separate category for intermediaries such as introducing brokers. If necessary for clarity, brokers should be explicitly carved out of the definition. Under the Commodity Exchange Act, for example, certain brokers are explicitly carved out of the term “trading facility” which forms part of the definition of SEF.⁵

² Consultation Paper at 813.

³ *Ibid.* at 803 and 817.

⁴ *Ibid.* at 816.

⁵ The term “trading facility” does not include—

Brokers provide valuable liquidity and matching services in the market, but do not provide a trade execution facility and, due to the nature of their business and the costs to develop one, may not wish to do so. These participants should be permitted to continue to operate without recognition as a DTF. If counterparties wish to execute their OTC derivatives transactions on a DTF or if counterparties are trading OTC derivatives products which are mandated to trade on a DTF, a broker could then bring the transaction to a DTF for execution.

A very broad definition of DTF will likely require all market intermediaries in the OTC derivatives space to be recognized as DTFs. Brokers do not execute trades, but they do arrange or match trades before reporting them to trading platforms. Many brokers, some of which are not large entities with financial resources, may wish to continue their existing activities without becoming a DTF.

SEF set-up costs have been estimated by ISDA to be approx. \$7.4 million, with ongoing operating costs estimated at nearly \$12 million per annum. While costs in Canada pursuant to the proposed DTF rules may not be as high, there are substantial costs to bring systems into compliance, management time to oversee the transition and marketing efforts to educate clients regarding the changes will be required.

In the US, introducing brokers are able to continue carrying out their activities and report matched trades to registered SEFs instead of themselves registering as SEFs. TMX Group believes that the CSA should follow the US model with respect to this issue and with respect to DTF regulation generally for the reasons set out below.

(ii) *Canada should more closely follow the US model*

TMX Group believes that the Canadian rules should generally more closely emulate the US rules to address the issues described below:

- (a) *Market fragmentation*** - differences in regulations in multiple jurisdictions and the challenges relating to complying with multiple different regulatory regimes may cause derivatives markets to fragment along jurisdictional lines causing markets to become more national in scope and less international. The derivatives market in Canada is currently more inter-dependent with the US. As such, significant divergence from US regulation may pose significant risks in terms of disruption to commercial activity in Canada. Canadian market participants are already accustomed to US regulation of swaps and SEFs and have adjusted their operations accordingly. As such, a significant regulatory adjustment for North American participants to the US framework may cause confusion and harm economic activity levels in Canada. The European swap transaction level rules are not yet in effect and it is not yet clear how effective the

⁽ⁱ⁾ a person or group of persons solely because the person or group of persons constitutes, maintains, or provides an electronic facility or system that enables participants to negotiate the terms of and enter into bilateral transactions as a result of communications exchanged by the parties and not from interaction of multiple bids and multiple offers within a predetermined, nondiscretionary automated trade matching and execution algorithm;

⁽ⁱⁱ⁾ a government securities dealer or government securities broker...

Any person, group of persons, dealer, broker, or facility described in clause (i) or (ii) is excluded from the meaning of the term "trading facility" for the purposes of this chapter without any prior specific approval, certification, or other action by the Commission. (See 7 U.S. Code § 1a (1)(51)(B))

European model will be in practice. Canadian regulations should not diverge significantly from the US regulations unless there are very strong investor protection or capital market efficiency reasons to do so.

- (b) ***Detrimental to participants*** - Forcing brokers to be DTFs may lead to significant confusion of roles and creates problems with overall market structure. For example, brokers serve an important role in emerging markets today through acting in the best interests of their clients (one counterparty to a transaction) while trading platforms are marketplaces and for public interest reasons have broader responsibilities such as providing equal access, facilitating transparency, best pricing, etc. It is not clear how these two roles can be reconciled in one entity.

Further, a broad definition of DTF capturing almost all intermediaries is likely to drive many smaller intermediaries, which play an important role in generating market liquidity, out of the market due to costs of compliance and inability to recover those costs. This may result in less market liquidity as only a few large entities with significant financial resources are able to comply with the DTF requirements and remain in business and may also leave participants with fewer options to generate liquidity due to the more limited number and type of intermediaries. This may also result in a less competitive DTF market. A smaller number of DTFs/intermediaries are likely to result in higher fees for participants.

Much of the Canadian derivatives market may be smaller in size and less liquid than comparable markets in other countries. As such, it is important that, for particular product markets, an ability to trade certain OTC derivatives, that are not yet ripe for regulation and less liquid and subject to negotiation, off exchanges or DTFs is preserved and that existing intermediaries be able to provide liquidity to these markets.

- (c) ***Detrimental to brokers*** – As already described, because of the way in which a DTF is currently defined and described in the Consultation Paper, many introducing brokers may be required to register as DTFs. The costs of becoming a DTF is likely to be too high for many smaller brokers..

(iii) ***Standardized derivatives should be required to trade on an exchange***

Regulators may wish to reconsider the framework underlying the current approach to OTC derivative reform through establishing a regulatory framework for derivatives that ensures standardized derivatives transact in the most transparent and secure model (exchange-traded and cleared). Under US law it is illegal to transact in a future (standardized derivative) off exchange unless in a block or otherwise exempt. Swaps evolved off exchange as non-standardized negotiated contracts and serve an important role in the evolution of markets and facilitating market needs. Regulation appropriate for transaction venues for futures, however, will contain meaningful differences from those appropriate for OTC derivatives.

Regulators should reconsider alignment in the law with the US framework that requires futures be transacted through central limit order book models (futures exchanges) and cleared. OTC derivatives frameworks, including that for SEFs in the US, emerged to address a

regulatory gap for OTC derivatives (traditionally non standardized, negotiated or emerging derivative products) that warranted a regulatory framework appropriate for their role in markets. This proposal eradicates the higher purpose of futures exchanges in the markets and overlooks the incentives underlying this regulated structure to develop markets that serve the public interest the best. From the perspective of participants, there may also be little incentive to trade standardized derivatives products on an exchange, when they could trade analogous OTC derivatives more flexibly through a DTF. Under this framework, what is the value in being an exchange? If there is no concept of having to trade standardized derivatives on exchange (futures), it is unclear why a futures exchange would continue to operate when it could take advantage of the greater flexibility afforded DTFs and arguably be subject to a lower standard of regulation.

(iv) *Securities regulators should define the term “exchange”*

Securities regulators should provide a definition of “exchange” in the provincial securities regulation to clarify the distinction between an exchange, a DTF and other forms of platforms or intermediaries that may or may not require registration or regulatory oversight as a marketplace for derivatives.

(v) *Exchanges should be permitted to offer OTC derivatives without DTF recognition*

In the United States regulatory regime, as noted in the Consultation Paper,⁶ designated contract markets are permitted to offer OTC derivative products. The same structure should be permitted in Canada. Exchanges are, and will continue to be, the marketplaces subject to the highest order of regulation. It would be inefficient for exchanges to have to comply with an additional regulatory framework to offer OTC derivatives and inefficient for regulators to separately monitor their compliance with the DTF framework. If an exchange wishes to offer the flexibility of a DTF, this could be done through a separate affiliate registered as a DTF so that the distinction between the two recognition statuses are preserved and it is clear to participants whether an entity is operating as an exchange or a DTF.

Whether an entity is recognized as an exchange or a DTF should be based upon the characteristics of its platform and operations and not on the basis of the products it offers. The products an entity is permitted by regulation to offer should depend upon its recognition status – *i.e.*, an exchange can offer derivatives and OTC derivatives while a DTF can only offer OTC derivatives.

(vi) *The concept of an exchange and a DTF should be uniform across provinces*

TMX Group is pleased that the CSA’s intention is that the features and requirements of DTFs will be harmonized across the various jurisdictions in Canada.⁷ The Consultation Paper, however, also notes that the Committee anticipates that in some jurisdictions a DTF may be recognized as an exchange.⁸ Allowing an entity to qualify as an ‘exchange’ in one jurisdiction and as a ‘DTF’ in another creates confusion as to what level of regulation each category is held

⁶ Consultation Paper at 812.

⁷ *Ibid.* at 819.

⁸ *Ibid.* at 803, footnote 3.

to. It should be clear to the market, across provinces, that exchanges are held to the same high standards which have historically been imposed. Entities that permit greater flexibility and are held to the DTF regulations should be recognized as DTFs in every province, not as exchanges.

(vii) *Spot and forward products should be carved out of the definition of OTC derivative*

Similar to the US regulatory framework, trading of spot and forward products should not be captured by this instrument. Forwards are currently explicitly included in the definition of “derivative” in many provincial securities acts. The proposed definition of “OTC derivative” in the Consultation Paper is “a derivatives contract that is traded other than on a formal exchange.” Assuming the definition of derivative from the provincial securities act is applied to the use of the term derivative in DTF regulation, forward contracts may be caught by this definition. Many end users, particularly in the commodities industry, transact in forward products for commercial, non-speculative purposes. Subjecting these products to the DTF regulatory regime would be confusing and disruptive to longstanding commercial practice and at odds with the US approach to this issue. Forward and spot products should be explicitly carved out of the definition of OTC derivative.

6. Is it appropriate to impose dealer requirements on a DTF where the operator of the DTF exercises discretion in the execution of transactions?

TMX Group does not believe that DTFs should be permitted to exercise discretion in the execution of transactions.

As also addressed in our response to question 5, the inherent conflicts of interest that would exist if a DTF were to also be a dealer are too great to allow a DTF to exercise discretion in the execution of transactions and, in so doing, act as a dealer. A DTF should be a neutral trade execution facility. If it were to also act as a dealer, it may actively be acting against the interests of certain counterparties. Market participants will have less trust in a DTF if this were permitted, which will reduce volumes and liquidity. As noted earlier, an ‘introducing broker’ concept should be added to Canada’s current registration rules similar to that used in the United States. Introducing brokers would be registered dealers permitted to solicit and accept orders for execution on a DTF using a variety of discretionary methods.

7. To address conflicts of interest should a DTF that exercises discretion in the execution of transactions be required to exercise this functionality in a separate affiliated entity?

Yes. The DTF itself should not be permitted to exercise discretion.

Strict conflict of interest regulations should apply to any organization operating both a facility and a trading/dealing/brokering arm, including separation of operations in two different entities. An operator acting as a dealer or broker on its own platform, as the Consultation Paper suggests⁹ may occur, fosters unfair trade practices and may jeopardize investor confidence in Canada.

8. What factors are relevant in defining the proposed best execution duty?

We would suggest that the IROC Rulebook adequately summarize best execution duties. With respect to certain products, such as fixed income, size of the trade is a more relevant measure of best execution than price. Again, however, DTFs themselves should not be permitted to exercise execution transaction and

⁹ Consultation Paper at 819.

thereby act as dealers or brokers.

9. Is it appropriate to allow a DTF to require clearing of all trades on the DTF that are capable of being cleared?

TMX Group believes it is appropriate to allow, without mandating, DTFs to require clearing of all trades on the DTF that are capable of being cleared. Some trades may also be subject to a clearing obligation pursuant to applicable securities legislation, as addressed in proposed National Instrument 94-101 Mandatory Central Counterparty Clearing of Derivatives (the “Clearing Rule”), in which case the DTF would have no choice. Given the costs associated with clearing and the potential impact of such a requirement on market liquidity, particularly in certain product markets (such as certain energy products), however, it may well be that a DTF would not choose to require clearing unless mandated under the Clearing Rule due to the risk participants may avoid trading on a DTF that requires clearing of all trades.

10. Is it appropriate to allow a DTF to require transactions executed on its facility to be cleared through a particular clearing agency and/or reported to a particular trade repository?

When establishing the rules, the CSA should keep in mind cost effectiveness and fairness considerations for the participants, DTFs, clearing agencies and trade repositories.

11. Is it appropriate for a DTF that exercises discretion in trade execution to be permitted to limit access to its facility? If so, on what grounds should it be permissible?

A DTF should not be allowed to exercise discretion in trade execution on its facility. Prior to execution, brokers should be permitted discretion in the manner of trade matching. Access to the trading platform should be motivated by principles of fairness and market transparency rather than potential conflicts of interest between a DTF operator and participants on the platform. Additionally, the minimum requirements for dealers engaged in bringing trades to the platform (the introducing broker concept) should be dealt with through broker/dealer registration requirements.

12. Are the proposed organizational and governance requirements for DTFs appropriate? Are there additional organizational and governance requirements that the Committee should consider?

The organizational and governance requirements for DTFs should ensure a level playing field between DTFs and other marketplaces. To the extent it is possible, the same organizational and governance requirements that apply to exchanges should be applied to DTFs.

13. Is it appropriate that a DTF that does not exercise execution discretion be permitted to perform its regulatory and surveillance functions itself, or should it be required in all cases to engage a third-party regulation services provider for this purpose? Please explain.

DTFs should not be allowed to exercise execution discretion and should be permitted, as exchanges are, to perform their regulatory and surveillance functions themselves, provided they are subject to appropriate SRO/market oversight obligations.

14. Do you agree with the proposal to prohibit DTF operators from entering into trades on their platforms as principals, on their own accounts? Please explain.

TMX Group agrees with the proposal to prohibit DTF operators from entering into trades on their platforms as principals, on their own accounts. However, a separate legal entity affiliated with a DTF operator should be allowed to enter into trades as principal, on its own account, on the DTF platform

operated by its affiliate, provided regulatory requirements in place would prescribe the implementation of safeguards for the appropriate management of potential conflict of interests.

15. How should the sufficiency of a DTF's financial resources be evaluated? Please comment on the methodology and frequency of the calculation.

The sufficiency of a DTF's financial resources should be evaluated in a similar fashion to the sufficiency of exchange's financial resources is evaluated, in order to ensure a level playing field between DTFs and exchanges and to offer an equivalent protection to the DTFs participants.

16. Should pre-trade transparency requirements apply to OTC derivatives that trade on DTFs but that have not been mandated to be traded on DTFs?

As consistent with the SEF rules in the US, no they should not.

17. Are the proposed post-trade transparency requirements (involving real-time trade reporting as well as public reporting of certain daily data) appropriate for DTFs?

DTFs should be required to provide post-trade transparency to their trade repositories as soon as technologically possible.

18. What is the preferred method for real-time public reporting of transactions executed on a DTF (i.e., directly by a DTF, via trade repositories, or some other method)? What are the advantages and disadvantages of the proposed options?

TMX Group does not have a view on this matter.

19. When should deferred publication of trade information be permitted? Are there circumstances other than block trades?

In addition to block trades, deferred publication of trade information should be allowed for exchange for risk and exchange for physical trades, where applicable, in a manner similar to deferred publication allowed for marketplaces.

20. Assuming that deferred publication of trade information should be permitted for block trades, what criteria should be considered when determining the minimum block trade threshold size to permit deferred trade disclosure?

The threshold may be different depending on the class of derivative.

21. What market information should a DTF be required to provide to the general public without charge, and on what schedule? Please be as specific as possible as to data elements, granularity, and schedule (compare with the US CFTC rules in 17 CFR 16.01).

Generally, TMX Group believes these requirements should be consistent with those applicable to US SEFs.

Pre-trade information should only be required to be made available to participants, not the public generally.

The following post-trade information could be provided without charge to the public at the end of the day: instrument, quantity, open, high, low, settlement and volume.

22. In addition to reporting trade information to a trade repository, should a DTF be required to disseminate trade information directly to all its participants, or only to the counterparties to the trade? Should there be a minimum amount of post-trade information that is disseminated to all participants, containing less detail than the information provided to the counterparties? Please specify.

Real-time post-trade data should be made available for any participant willing to pay for such data. The information disseminated should include the post-trade data addressed in our response to 21.

We note that identity of counterparties should not be disseminated to participants or the public. Trade information dissemination is important for market efficiency and integrity, but the identification of counterparties could be detrimental in the context of relatively small and illiquid markets, as Canadian OTC derivatives markets can be.

Given the necessity for counterparties to remain anonymous, the CSA might need to take into consideration, in determining what level of trade transparency is beneficial for a given market, the numbers of players involved, the frequency of trading, the size of trades and other similar factors that may allow identification of the counterparties even if the information is not actually disseminated. For some specific markets, not disseminating post-trade data may foster market integrity and efficiency even more than mandated dissemination.

23. Are the proposed criteria for determining whether a derivative will be subject to a DTF-trading mandate appropriate? Should other criteria be considered?

Generally, yes. Regulators should also consider whether an analogous product is already listed on an exchange. If an analogous product has sufficient standardization and liquidity to be traded on an exchange, this is a strong indication that it may be appropriate for mandated trading on a DTF (or exchange).

24. Are there existing OTC derivatives that should be considered suitable for mandatory trading on a DTF? Are there classes of OTC derivatives for which a mandatory trading obligation would be detrimental to market participants?

In the absence of clearer rules regarding DTF regulation, it may not yet be appropriate to suggest which products should be subject to the mandatory trading obligation.

25. Are there any situations in which a product that has been mandated to trade exclusively on a DTF should be permitted to trade other than on a DTF? Should any category of market participants be exempt from a trading mandate?

Any product mandated to trade on a DTF should also be permitted to trade on an exchange as explained in the response to question 5.

Generally, the CSA may want to consider exempting end users from the mandatory trading obligation.

26. Should there be a formal role for DTFs in initiating the process to specify that a class of OTC derivatives is mandated to trade exclusively on a DTF, comparable to the role of SEFs in the MAT process described on page 813?

Yes, with regulators having the ability to evaluate classes of OTC derivatives if it appears that DTFs are not doing so or if such products may pose systemic risk. Reliance upon the market to initiate proposals would

put less pressure on regulatory resources. Regardless of which market players initiate the evaluation process, however, there could also be a public comment period (with well-defined timelines) before determining that any product should be mandated to trade. This would allow regulators to get the broad perspective necessary to make an appropriate determination on the matter.

- 27. What pre-trade transparency requirements are appropriate for OTC derivatives that have been mandated to be traded on a DTF? In particular, what precise pre-trade information should a DTF be required to publish for OTC derivatives that are subject to a DTF-trading mandate? Please be specific in terms of the execution method (e.g., order book, RFQ, etc.).**

There should either be order book level transparency or RFQ-level transparency for mandated trades. The bid-ask and size should be displayed.

- 28. For the purpose of exempting large orders and quotes from pre-trade transparency requirements or permitting modified disclosure, how should an appropriate size threshold be determined?**

This should be similar to determination of block sizes as discussed in question 20.

- 29. Is it appropriate to limit trading in OTC derivatives that have been mandated to be traded on a DTF to specific permitted execution methods, e.g., an order book, or a request-for-quote system offered in conjunction with an order book? Why or why not? If so, which modes of execution should be permitted for products that are mandated to trade on a DTF? Can an appropriate level of pre-trade transparency be achieved with other methods of execution? What other factors should be considered?**

OTC derivatives that have been mandated to trade on a DTF should be executed on an order book with certain limited exceptions. Block trades and RFQ execution may also be permitted in certain instances. TMX Group believes these requirements should align with US requirements regarding SEFs. It would also be challenging to achieve the appropriate level of transparency without order book execution.

- 30. What additional requirements should apply to DTFs with respect to trading in products that have been mandated to trade on a DTF?**

TMX Group believes that the Canadian regulatory approach should be aligned with the US approach.

General

- 31. Please describe any specific characteristics of the Canadian OTC derivatives markets that the Committee should consider, which might justify a divergence between Canadian rules and those in effect in the US and the EU. Please consider transparency requirements, the trading mandate, and anything else you think relevant. Please refer to specific consequences of the characteristics you identify.**

As discussed in the response to question 5, the Canadian rules should generally more closely align with the US rules regarding SEFs.

Further, while market rules and market models may vary between DTFs and exchanges, a level regulatory playing field should be established for the trading of listed derivatives and the trading of OTC derivatives for exchanges and DTFs. Exchanges are, and should continue to be, subject to similar, but stricter regulations than DTFs. However, the regulators should be mindful not to create a regulatory framework

that could encourage the migration of activity from exchange-traded markets to DTFs with significantly lower regulatory and compliance requirements.

We would also note that regulators should be mindful that as the Canadian market is smaller than some comparable jurisdictions, such as the US, it may also be less liquid and this should be taken into consideration when drafting any rules or mandating that any particular OTC derivatives be required to trade on a DTF.

TMX Group appreciates the opportunity to provide comments with respect to the Consultation Paper and looks forward to further dialogue on this matter. We hope that you will consider our concerns and suggestions and would be happy to discuss these at greater length. Please feel free to contact Jennifer Oosterbaan, Legal Counsel, at jeoosterbaan@cds.ca if you have any question regarding our comments.

Respectfully submitted,

TMX GROUP LIMITED



James Oosterbaan President, NGX and Group Head of Energy	Alain Miquelon President and Chief Executive Officer, Montréal Exchange Group Head of Derivatives
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