

December 16, 2003

**DELIVERED and via E-MAIL**

Mr. John Stevenson  
Secretary to the Commission  
Ontario Securities Commission  
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Dear Mr. Stevenson:

**Re: Comments on Canadian Trading and Quotation System Inc. ("CNQ")  
Application for Recognition as a Stock Exchange**

TSX Group Inc. ("TSX Group") welcomes the opportunity to comment on the CNQ Application for Recognition as a Stock Exchange (the "CNQ Application") published by the Ontario Securities Commission on November 21, 2003.

We welcome CNQ's application for recognition as a stock exchange and welcome competition from marketplaces such as CNQ that will provide listings opportunities to emerging companies while maintaining a solid level of investor protection achieved through effective regulatory oversight. We understand that the Canadian Securities Administrators ("CSA") have recently undertaken a self-regulatory organization ("SRO") Oversight Project that will, among other things, review the approach to SRO oversight and the division of regulatory responsibilities among SROs and regulators. TSX Group views this CSA initiative as a positive step in addressing inconsistencies that may exist pursuant to current SRO oversight arrangements. We feel confident that a thorough review of current oversight arrangements should lead to the creation of oversight arrangements that are applied consistently to stock exchanges such as TSX Inc., TSX Venture Exchange Inc. ("TSX Venture") and, when recognized, CNQ.

TSX Group believes that Canadian capital markets will benefit from the entrance of a new exchange that, while focused on emerging companies, is not exempt from regulatory and other requirements that have become industry standards. Specifically, CNQ's retention of Market Regulation Services Inc. as a regulation services provider ensures that the Universal Market Integrity Rules that currently apply to all Canadian exchanges (and, indeed to CNQ currently as a quotation and trade reporting system) will continue to apply to CNQ as a stock exchange. In respect of listings and disclosure review, and in particular in respect of the review of reverse take-over circulars and related disclosure, we assume that CNQ will perform (and be required to perform) prospectus level review of these documents to the same standard as TSX Venture,

pending any solution that involves the transfer of this disclosure review obligation by all marketplaces to the securities commissions.

Further, it is our understanding that CNQ is working towards compliance with the committee standards set by the Industry Committee on Trade Reporting and Electronic Audit Trail Standards. We applaud marketplaces, such as CNQ, that are committed to improving marketplace transparency and meeting industry standards that ensure a level regulatory playing field for marketplaces in Canada which translates into equal protection for all marketplace investors.

Thank you for the opportunity to comment on the CNQ Application.

Sincerely,