

August 22, 2002

Secretary of the Commission,  
Ontario Securities Commission,  
20 Queen Street West,  
Toronto, Ontario, M5H 3S8

*Via e-mail*

**Re: NOTICE AND REQUEST FOR COMMENT: TSX INC. (FORMERLY THE TORONTO STOCK EXCHANGE INC.) REORGANIZATION AND INITIAL PUBLIC OFFERING**

Thank you for the opportunity to provide comments on the TSX application for reorganization and initial public offering.

We have identified two major discussion points. The first is the request to raise the ownership limit from 5% to 10%. We have no objection to this.

The second is the proposed composition of the conflicts committee. While the request for comment states that "TSX Inc. submits that the conflicts committee, as proposed, has the highest degree of independence of any conflicts committee of any publicly-traded stock exchange, to the best of their knowledge," we note that it is contemplated that the conflicts committee will be comprised of 5 employees of TSX Inc. and 2 employees of RS Inc. We also note that TSX Inc. owns 50% of RS Inc.

The TSX Inc. application argues that timely and swift action is of utmost importance for the conflicts committee, and is a major driver of the proposed membership. However, the documentation accompanying the application sets out that "the conflicts committee will report to the Manager of Market Regulation as soon as a matter is brought before it. After this initial notice, there will be a regular flow of information to the Commission by the conflicts committee that will allow the Commission to review the matter and any recommendations of the conflicts committee on an independent and fully informed basis. The Commission will have final, independent, decision-making power over every matter that is brought before it by the conflicts committee, and will have the ability to intervene in TSX Inc.'s disposition of a matter at any time during the process."

The involvement of the OSC will serve to bring objectivity and independence to the process. We recommend that there should be at least one OSC representative actively participating as a member of the conflicts committee (rather than being informed after the fact as an external observer); as well there should also be representation from independent directors of TSX Inc. The application stipulates "the inclusion of two members on the conflicts committee who are external to, and independent from, TSX Inc., and the requirement that at least one such individual must attend a meeting in order to achieve quorum, provides independent representation on this committee in both fact and appearance." We agree, but believe that independent, in this case, should be defined as independent of TSX Inc. **and** RS Inc.

Please contact me if you would like further clarification of our views.

Regards,

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