

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

May 17, 2012

The TMX Group Ltd (TMX) is being acquired by Maple Group Acquisition Corp (Maple Group), a consortium of Canada's major banks, selected pension funds and investment dealers. Maison Placements Canada Inc. (Maison) has been a member or participating organization of the Toronto Stock Exchange since 1955. In 1985 a couple of partners and I acquired Maison and we continue to be a participating organization of the TMX Group and a member of IIROC. For more than a decade I served as Chairman of the Toronto Stock Exchange Listing Committee. Maison would be classed as a small investment dealer.

#### Dividend Policy

Maison is a current holder of shares in the TMX Group. Upon the public offering of the TMX, we sold half of our position to pay taxes. The TMX Group has been a very attractive investment, throwing off a steady yield in both the good and bad times. When the London Stock Exchange made a proposal to acquire the shares of the TMX Group, the shares had run up and when we inquired as to whether the TMX's dividend policy would be maintained, we were not given a satisfactory answer, other than there were no immediate plans to alter its policy. No one gave an appropriate answer as to how a group based in offshore Canada, could continue to pay dividends as a Canadian company and ensure that Canadian shareholders would receive the dividend tax credit. This was lost on those who were to provide us the answer. Again at this time, under the current offer by Maple we are being asked to give up our shares and the source of dividends may or may not be maintained. Still like the London Stock Exchange we have no public response from Maple Group.

#### Too Big To Fail

We believe the larger issue is the evolution of the stock exchange over the past three decades, where its business has become bigger in line with our banking institutions which have become not only too big to fail but the concentration of ownership raises the risks of corporate governance. Indeed, one of the reasons that the TMX went public was to broaden ownership because of its monopoly position. We have also watched the banks in the US who were once too big to fail, fail. Indeed this trend to bigness seems to be a fact of life. And, for us a tiny firm to continue, we can only hope to bob in the waves.

We have witnessed this evolution first hand when the banks themselves told Maison that they could no longer provide banking services because Maison was too small, yet 10 years later we were called by a different set of bankers from the same banks asking us whether we would consider them as our banking institution. At one time we even had one of the banks do our payroll, and then that bank decided our business was too small and got out of the business forcing us to find alternatives. The same situation occurred when one of our auditors (one of the big four) told us our account was too small yet seven years later their senior partner approached us to consider them. In turn, we have watched some of our clients, bulk up and some of the pension funds have become active as investors, becoming sometimes co-investors with the big

banks or institutions. It is this “cronyism” and growing monopoly position that can either be good or bad depending on which side you’re on. We are thus suspicious and worry over Maple’s plans to acquire the TMX and The Canadian Depository for Securities (CDS), noting the only barrier to the abuses of its monopoly position are a set of OSC generated undertakings and a revamped board of directors. Maison believes that this is not enough and there should be more safeguards regarding conduct of business with some of the smaller firms. Left unsaid is with the so-called “utility” model imposed on the Maple Group, how are they going to pay the \$3 billion or so incurred to purchase the TMX, CDS and Alpha? Will Maple be too big to fail?

#### Moral Hazard

Today more and more trading is being done by algorithms and computers. High frequency trading is believed to generated about 30% - 40% of market volume. In fact, it is estimated that less than 20 percent of the volume on the Exchange today are actually client generated trades. In other words, computers and algorithms, with computers talking to computers are the major source of volume on the Exchange. We believe that the continuation of this trend will see more and more of these institutions bulk up. Lost among our regulators is the role of those so-called big institutions in trading today and what will happen in the future. With agency trading among clients in the minority, what will happen in the next ten years? We believe computers will continue to talk with computers, but organizations will trade for their so-called own account or book, notwithstanding regulations like the Volcker Rule. Client activity has become or will become irrelevant. That is not good particularly if the institutions own the Exchange, CDS and control the majority of trading. The other the salient question is whether the Maple Group could withstand a \$3 billion loss like JP Morgan, the largest financial institution today?

We are members of CDS and use their facility. We fear that the acquisition of CDS will see smaller groups such as our organization becoming more and more marginalized. Already we meet only the minimums, but strange as it may seem, we watched over the years a substantial increase in the minimums which hurt many of the smaller dealers, undoubtedly a factor in their demise. There is no question that the big firms are not out to get rid of the small firms, but given the economies of scale, not much attention is paid to the effects on the smaller firm. For example, a “for profit” CDS could see them tamper with the CAD Receiver’s Collateral Pool which allows members to settle larger trades with a reasonable collateral requirement. Such a move would devastate the smaller dealers. I would suggest that the same applies to the regulatory regime where there is an attempt to impose regulations for all size firms. I believe establishing a quota system or a mirror Board of Directors will not address the bigger issue and that bigness is not always good.

And then, we have the formation of alternative trading systems (ATS). The TMX has introduced its own alternative trading system in defense of outside trading systems. There is no question that with the TMX to be owned by the big institutions, more and more trading will enter the Exchange pushing the smaller ATSS to the sidelines. And the size of this organization will ensure that barriers are erected. For example, today we have high frequency traders in Canada, dark pools and the desire for multiple trading platforms. But more and more platforms present problems with respect to transparency and regulation. The market for trading equities has changed and after high frequency trading blows up, yet another fraudulent system by our financial engineers will fail.

Cronyism is too common in Canada from the banks to our cable companies to even our railroads. The current battle for change at Canadian Pacific Railway saw Mr. Ackerman reference Canada as having a cozy corporate culture. Mr. Ackerman recently gave an example of support from a lot of institutions in Canada, whose support became cautious because of a portfolio manager's comment, "I'm concerned our CEO is going to get a call from someone on the board, we can't do it there". Power corrupts but it is also subtle. It is this power that Maple and its members can wield. In our opinion, the abuses of corporate governance cannot be stopped by mandated boards, regulations and good intentions. Thus the proposed checks and balances are insufficient. A 50/50 split between independent and affiliated or connected is just optics.

#### Dispute Mechanism

And finally there should be a dispute or ombudsman mechanism so that if there were a dispute, all parties could seek arbitration. An arbitration mechanism must be enforceable and neutral. Such a mechanism would handle practical matters and legal questions and a dispute mechanism would at least level an uneven playing field.

If there are any questions, please do not hesitate to contact me.

Best regards,

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