

June 5, 2012

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
Toronto, ON M5H 3S8  
comments@osc.gov.on.ca

**Re: Proposed Recognition Orders for Maple Group Acquisition Corporation et al and CDS et al.**

The Canadian Advocacy Council<sup>1</sup> for Canadian CFA Institute<sup>2</sup> Societies (the CAC) appreciates the opportunity to comment on the Proposed Recognition Orders issued on May 3, 2012

Generally speaking, we believe that the Proposed Recognition Orders have substantially addressed most of the concerns we highlighted in our letter of November 7, 2011.

*Board of Directors and Independence*

We are satisfied that an independent chair, an independent audit committee and at least 50% independent directors are likely to ensure that the recognized exchanges will operate in the public interest.

*Board Committees*

While we endorse the composition requirements of the Regulatory Oversight Committee, we believe that the periodic reporting of the ROC to the Commission should be made available to the public. We note that the frequency of ROC meetings is not stated and would recommend that the ROC be required to meet (and report) at least quarterly.

---

<sup>1</sup> The CAC represents the 12,000 Canadian members of CFA Institute and its 12 Member Societies across Canada. The CAC membership includes portfolio managers, analysts and other investment professionals in Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. See the CAC's website at <http://www.cfaadvocacy.ca/> Our Code of Ethics and Standards of Professional Conduct can be found at <http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx> .

<sup>2</sup> CFA Institute is the global association for investment professionals. It administers the CFA and CIPM curriculum and exam programs worldwide; publishes research; conducts professional development programs; and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry. CFA Institute has more than 110,000 members, who include the world's 90,000 CFA charterholders, in 135 countries and territories, as well as 135 affiliated professional societies in 58 countries and territories. More information may be found at [www.cfainstitute.org](http://www.cfainstitute.org).

### *TSX Conflicts of Interest*

We do not believe that the updated proposal sufficiently addresses concerns with the potential conflict of interest between the regulatory functions of the TSX and its for-profit mandate. Regulatory functions of the TSX should be outsourced to a completely independent body and spun off before the transaction. As well, the public comment process now used for some of the proposed new rules, policies and related matters should be expanded to all rule and policy changes similar to the request for comment procedure of the commissions so that more independent views of affected parties can be heard and as a means to address areas of conflict.

### *CDS*

While we appreciate the compromise nature of the proposed fee model and incentives for CDS, specifically the fact that only the Commission can approve increases to the 2012 base fees, we ask that any proposed fee increases be subject to the public comment process. In addition, Maple's statement that no access fees are currently proposed to be introduced following the transaction is not sufficient. There should be an explicit statement that such fees will not be introduced in the future without extensive public consultation and regulatory approval.

### *Market Participant Advisory Committees*

The CAC feels that market participant advisory committees comprised of independent persons is a positive step toward good governance and especially commends requiring such committees to provide regular reports to the regulators regarding implementation or rejection of their proposals.

### *CDS and CDSS integration*

In CAC's opinion, the benefits of data and systems integration between the CDS and CDSS can be achieved without requiring these two entities to be combined into one under new ownership. Meanwhile, consolidation of two currently separate entities within the Canadian financial infrastructure will introduce increased operational and systemic risks.

### *Cross-margining*

The CAC would like to point out that cross-margining does not actually reduce risk exposure so much as it reduces the perception of risk exposure due to its consolidated view of exposures across currently separate systems. As evidenced by many recent events in the markets, risk exposures cannot be said to be accurately measured by any currently available system. While reducing collateral in the system would not change risk exposures of members, it would certainly reduce the existing cushion available in the market to mitigate potential fallout from these exposures. If the CDS and CDSS systems are integrated, care should be taken to not only identify those members whose offsetting positions across asset classes reduce their perceived risks, but also to identify those whose positions create increased risk exposure.

### *Enhanced Oversight*

The CAC agrees that the proposed transaction will affect a profound change on the Canadian financial infrastructure. Securities regulators will need to ensure that this new near-monopolistic entity complies with both the letter and spirit of regulations designed to protect public interest. While the CAC commends all the proposed enhancements to oversight, there needs to be

assurance that the cost of this enhanced supervision will not be passed by Maple on to the users in a form of higher fees in any part of the new system.

### **Concluding Remarks**

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have and appreciate the time you are taking to consider our points of view. Please feel free to contact us at [chair@cfaadvocacy.ca](mailto:chair@cfaadvocacy.ca) on this or any other issue in future.

(Signed) Keith Summers

**Keith Summers, CFA**  
**Chair, Canadian Advocacy Council**