Canadian Stock Exchange Merger Choices

Enslaving Oligopolies vs Glorious and Free Market

Canadian Oligopolies waving maple flag are misleading & fear mongering public and politicians to regain monopolist control of Canadian capital markets. Their patriotic rhetoric is all about profits and privileges and not public interest. Major banks have reinforced themselves with the coalition of the unwilling pension funds for the Battle of the Bay St. Just like they load mortgages applications with bogus income and assets to get CMHC insurance, Maple merger proposal been curry flavored with fiction for the investor delight. To enrich them by monopoly in Canadian capital markets they unleashed their Trojan horse, Maple hoping Canadians worship it with patriotism without realizing it harm to investors, businesses, workers, economy and freedom.

Canada or any country economic sovereignty is not within any holding companies that control the exchanges but in the regulations that govern it. Maple partners still believe politicians lack vision, courage and leadership to lead Canadians towards a true north strong and free Canada where ownership of capital and control can be widely held. We now have political and other leaderships with wisdom to spot wolves in maple leaf clothing to protect us from its bondage of savagery. Stock exchanges ideal dream is to be a true global provider of trading and listing. Let us not be frogs in this Maple well, but be like Canada geese and create competitive global exchanges with level playing field to raise capital, increase share value and a better life for all of us.

Recent global merger discussions and the decisions taken by regulators and legislators have given us clarity on matters related to sovereignty and competition. Nasdaq and ICE dropped their $ 11 billion bid for NYSE after learning US Justice Department would have filed an antitrust lawsuit to block purchase of NYSE Euronext because merger would curtail competition in US. Maple partners owned Alpha Trading and if merged with TMX, CDCC and CDS it would create a maple monopolistic monster controlling over 90% of the market, a worse case scenario than Nasdaq takeover. Maple monopoly can't be approved under any condition. NYSE has a substantial foreign ownership and over 50 % of its revenue are foreign. Yet U.S Treasury didn't see any national security concern over Deutsche Boerse planned takeover of NYSE. The Committee on Foreign Investment in US reviewed the deal and find no threat to national interest and stated US has the power to block any business deals. Similarly TMX- LSE deal poses no threat to Canada and Canadian federal and provincial regulators, legislators have similar powers to block any deal that is a threat or against Canadian interest. Maple lawyers will argue comparing US with Canada is like comparing apples to oranges, yet the spirit of the law make it clear, both Maple and Nasdaq offer the same kind of fruit that tempted Eve to her destruction. The US government rulings on competition & sovereignty set precedent & clarity for regulators & legislators to view Maple offer as anti competitive & sovereignty fears unfounded.

CDS must remain a non profit entity with the objectives of reducing fees and promoting competition, CDS is the custodian of $3.5 trillion securities & converting it for monopolist profit is dangerous. To promote competition, Maple's Alpha Group now controls 30% of the trading should get its exchange status approved and compete with TMX- LSE for listing and trading. This provide Canadians businesses and traders with real choices, opportunities & prosperity. A US deal such as Nasdaq- Maple partnership further benefit Canada

In virtual global capital markets, Canada can't remain an island. Businesses and regulatory frames must evolve to meet new realities. Single regulatory body & global exchange partnerships are good for Canada.

TMX – LSE promote a strong economy and a free & prosperous Canada

The cross border exchange merger trends reflect the need and the reality of integrated global capital markets. Foreign partnership at times ensure survival and market growth in a rapidly ever evolving virtual capital markets. Recent global commodity boom has resulted in merger deal between TMX and LSE. LSE focus on developed and diversified businesses while TSX Venture help startup and exploration companies . Both have been the source of capital for companies at different stages of growth. Canadian small and large companies need capital. The TMX- LSE will evolve to be a global leader with 3600 listings of start up, small, medium companies, the type of enterprises that create highest number of jobs in Canada. Canadian companies get the opportunities to access over $ 13 trillions from investors in countries like Europe, Middle East and Asia. This merger create significant revenue synergies arising from growth opportunities from these countries. Maple lack revenue synergies. Maple partners long term unity are weak and vague for competitiveness or growth

Canada is a leader in metal, mining and energy sector. Federal and provincial governments want to make Canada a global leader . LSE is a world leader in mining and is the Asian Bazaar in Europe and this gives distinct advantage under the merger to prompt Canada's interest here and abroad. TMX success in this area is very promising. For example TSX top miners gave emerged from recovery to operational efficient & growth oriented companies and their total market capitalization increased from $ 325million in 2009 to $ 467 billion in 2010. Merger will create the biggest listing of energy, mining, natural resources and clean technology companies. In fact LSEG-TMX will have closer to 7000 listings and become the leader with market value of $6-trillion. Canada has scarce resources but with 5% of capital market share it can't be globally competitive especially when there are big transatlantic exchanges merges focus on capturing global market share. Inter listing become easier, less expensive for businesses when standards in LSE and TSE are unified for single prospectus. It also gives opportunities to Canadian investors to invest in emerging and growth markets.

Specialization is essential to retain and grow as a global leader and this deal enhance combing technical and human resources to achieve better pricing and other synergies such as operational efficiencies, faster trading and other core competencies,. The merged entity can compete effectively while maintaining high performance on a stable and respected technology platform like German Boerse AG. This help Canadian businesses to raise capital cost effectively, increase share value and create jobs. TMX has decades of tract record of success when merging with other entities. Since merging with TSX Venture it has increased the amount of capital raised from $ 1 billion in 2001 to $ 10 billion in 2010. Merging with Montreal exchange enabled it to create a world leader in derivatives technologies. TMX- LSE merger is targeting an annual run-rate cost synergies of C$56 million by end of second year, representing 8% of the combined expenses. Maple may provide hard to value synergies if any. Creating and modernizing exchanges are harder than just building trading platforms.

This is not a marriage where sovereignty is given away as dowry but a free and consenting merger of equals to grow strong and prosperous. Under the deal there will be head offices in Canada and UK, management and directors represent a fair proportionate number of Canadians. The role of the chair will be consistent with corporate governance principles in both countries. The person responsible for global listings, the core operation of the exchange will be based in Toronto. This deal retain core trading and listing functions in Canada and enhance capital formation and market liquidity in Canadian markets. The merger prompts regional developments. Montreal for derivatives, Calgary for energy and Toronto for board meetings. Canadian regulatory sovereignty can't be challenged or weakened when Canadian exchanges merged with any European or US exchanges. British Financial Services Authority or any foreign power has no authority over Canadian stock exchange or public companies. In fact the LSE merger would enhance supervisory partnership with FSA. TMX- LSE merger deal has protection and covenant to ensure all regulatory oversight of the exchanges and Canadian issuers remain unchanged. There is segregation of operations to ensure federal & provincial controls. TSE and TSX Venture Exchange will continue to be regulated by Canadian regulators like Ontario Securities Commission and B.C Securities Commission and this regulatory supervision remain permanent under the deal. There is also provision to protect Canadian interest even if there are further global mergers.The role of regulators and legislators should be on how to work with exchanges and evolve capital markets to be truly global leader for both listing and trading . LSE has rich history and centuries old. So do Canada – UK political socio- economic relationship. In fact LSE- TMX deal is a Mother and Child reunion.

Banks & pension funds monopoly proposal - A maple synergy syrup with no nutrition label

CDS was created as non profit entity to reduce back office cost. In the past five years CDS reduced the trading fees by 18% by improving its operational efficiency. It process 360 million transactions annually. Under Maple monopoly, CDS become a fee gouging profit center. Maple has not outlined its growth plan or the cost savings by combining entities like TMX, Alpha and CDS. In fact IIROC (owns 15% of CDS) can't be part of CDS, if CDS become profit oriented. Any cost saving synergies can hardly compensate the billion dollar borrowing and other costs, thus shareholders are exposed to a very high risk. Converting CDS as cash cow negatively impact Canadian SME businesses ability to raise capital cost effectively, create jobs, develop Canadian resources and result in revenue decline for TMX and CDS. It only strengthened billionaire bank directors and big businesses to exploit human and national resources here and abroad for unfair profits. Maple merger to eliminate competition will also eliminate jobs as CDS and CDCC workers do similar jobs. There are many conflict of interest in a CDCC, CDS, banks partnerships including creating holes on Chinese wall and Banks recommending directors. CDS has nearly 100 partners that include TMX but banks may hold majority shares. TMX tried to buy portion of CDS shares from banks, but banks were reluctant to sell, fearing TMX will raise fees. Now the same banks under maple monopoly don't foresee fees gouging!

Alpha Trading was created in 2007 by banks and pension funds to compete against TMX because they felt TMX fees were high. Alpha Trading captured market share with discounts and patronage from pension funds & banks that account for 86% of trades. Alpha now captured 30% of trading. Once Alpha's application for an exchange status is approved it can offer stock listing and create competition to TMX thus helping Canadians and businesses with choices, opportunities and better pricing. Alpha can create its own niche markets like TSX Venture that is attractive to junior mining explorers. Unfortunately patriotic maple missile will destroy years of work done in creating competition and choices for Canadians. Maple will close down Alpha if market share was gained at a loss over the years and if the mandate of Alpha was to reduce profits of TMX. Under maple monopoly, transaction and listing cost will increase and listing and trading on the exchange will decline. Maple has no exchange experience and its risky proposal create maple mess in capital markets. Maple proposal is like Maple Food giving lecture to Toyota on how to build a Toyota car. Maple should begin its baby step building Alpha Exchange before taking giant leap for monopoly. This may later helps Maple to present values on synergies. Without knowing the profitability of Alpha Trading, it is impossible to estimate its value. Maple synergies syrup of revenues & cost saving with vague data prepared under privacy protection by spin doctors may be full of illusion. Maple partnership long term survival is at risk as their own corporate goals can't be harmonized with Maple. Maple losing control & insecure and behaving like - just a jealous guy.

Maple need cash to pay its highly leveraged venture of 2.9 times core earning, much higher than average stock exchange leverage. The premium investors been offered hardly compensate taking $ 1.1 billion net debt. This maple tree has no leaf or flowers but an illusion CDS and Alpha become these components and bare fruits for investors. Investors don't know these entities values, entities consent to merge, or how entities be compensated. Leverage may exceed over 4 times from the current 1.1 when CDS and Alpha are included. Debts will make it hard for Maple to invest in growth strategies. Maple is loaded with numerous external risks such as Competition Bureau disapproval and other numerous internal risks such as huge debts, limited growth but L-TMX don't have these risks. Risk to investors is high and Maple premium over LSE will narrow. Therefore Maple offer to investors is not only very risky but a very inferior in quality to LTMX. Maple stock not been traded, has no market value or assessed by independent body. Its value determined by Maple spin doctors. Investors can't rely too much on taxpayers bailout and banks have their own risky and ethically questionable $860 billion mortgages on its balance sheet with similar cook and delight schemes. LTMX offer real stock value, proven leadership, growth, global stature and no regulatory merger issues. Maple don't offer real value, create social miseries like job losses & be dried of revenues & be consumed as maple fire woods..

Maple patriotic profit strategies - weakening democratic capitalism and Canadian unity

LSE- TMX deal is a merger of equals and Maple- TMX deal is about control and creating inequality and disunity among Canadian regions, businesses and people. Regionally based pension funds & special interest groups like Teachers don't represent majority of Canadians. Even CPP that will hold 8% of maple shares lacks patriotic credibility. CPP has invested 40% in foreign equities and over 50% total investments are abroad. On the contrary LSE – TMX merger will create small and medium industries in Canada creating employment and various pension funds in Canada. In 2009, CPP investment return was - 20%, very risky for Canadians who put all their saving in one basket. Canadians should have choices and many pension funds and LSE – TMX facilitate such options. LSE deal involved combination of holding companies but exchanges remain independent and shareholders continue to share in the growth. Maple partners own more than 10% of current TMX shares! Too much voting power with a few in Canada!. Maple cartel is about control, reducing 100% public ownership of TMX to 40% and the balance 60% be held by Maple cartel (pension funds 35% and banks 25 % respectively). Shareholders will never have any control or influence. At banks shareholders annual meetings all motions put forward by Natives, general public and organization representing public interest get rejected by the board. Some of banks and funds directors are former politicians, bureaucrats, business leaders who get Bay St version of senate appointments. They and billionaire directors represent too much concentration of Corporate Canada with a few. They have no desire to share wealth or to protect and serve public interest. Maple director appointments create regional inequality. 25% of the director position are allocated to Quebec and Quebec secession risk add another external risk. Maple monopoly promotes undemocratic capitalism and widen the gap between the rich and poor. Recent CI Investment appeal to Ontario Securities Commission against TMX decision to grant Scotia bank voting rights, clearly show the power Maple will inherit to manipulate shareholders rights and crush democratic capitalism in Canada. Banks lack credibility on job creation as they are champions in offshoring and outsourcing jobs to Asia. Oligopolistic banks fire those who walk its talk on ethics and Canadians can't continue feeding greedy oligopolistic dreams while finding hard it to put bread on their own family table. The strategic culture of Canadian banks and pension funds is to create oligopolistic markets for global speculative investors by unfairly exploiting consumers and taxpayers globally. If countries react to maple protectionist profits, Canadian foreign business partnerships will decline. If foreign exchanges are not allowed to merge in Canada, then expecting Maple expansion abroad become a daydream. Protectionist profits like the trade wars hurts all.

We must evolve our economy from colonial to republican economy where capital & ownership can be widely held by the majority & but by oligopolies. Maple alliance is like 17th century European alliances with Natives in their bloody battle for Fur Trade monopoly resulted in net loss to Natives. 21st century Federal " net loss settlement" to Natives is invested in banks who will lend it to Maple. Banks makes profits and let Canadians and others share the pain. By rejecting Maple protectionist temptations, Canadians have nothing to lose except Maple monopolist chains. In this democratic capitalism Last Stand on Bay St choosing to fade into history for a noble cause is worthy than serving self interest. LTMX deal offer Canadians freedom and prosperity. Let Canada sail with Britannia to rules the waves of capital flow and foster freedom and prosperity to all nations.

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