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September 9, 2011

SUBMITTED ELECTRONICALLY

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Manitoba Securities Commission
New Brunswick Securities Commission
Ontario Securities Commission
Saskatchewan Financial Services Commission

c/o John Stevenson, Secretary
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Re: Canadian Securities Administrators ("CSA") Consultation Paper 91-402 on Derivatives: Trade Repositories, CSA Derivatives Committee June 23, 2011 (the "**Committee**")

Dear Mr. Stevenson and Me Beaudoin:

TMX Group Inc. ("TMX Group") appreciates the opportunity to comment on the CSA Consultation Paper 91-402 on Derivatives: Trade Repositories (the "**Consultation Paper**"). The Consultation Paper invited market participants to provide input on Committee proposals regarding the reporting of OTC derivatives transaction data to trade repositories, as well as the governance and operational guidelines of such repositories. The reporting, collection, aggregation and monitoring of OTC transaction data is an important element of OTC derivative market reform, and the TMX Group commends the Committee and the CSA for addressing the regulatory objectives, key issues and challenges associated with OTC trade repositories.

The implementation of trade repositories will have a significant impact on Canadian derivatives market participants and intermediaries, as well as on TMX Group subsidiaries, and our domestic and foreign market participants. Although many of our comments are addressed in broad terms, we would be pleased for an opportunity to expand on our comments, either in writing or in person

TMX Group

TMX Group's key subsidiaries operate cash and derivative markets for multiple asset classes including equities, fixed income and energy. Toronto Stock Exchange, TSX Venture Exchange, Montreal Exchange, NGX, Boston Options Exchange (BOX), Shorcan, Equicom and other TMX Group companies provide trading markets, clearing facilities, data products and other services to the global financial community. TMX Group is headquartered in Toronto with offices in Montreal, Calgary, Vancouver and Houston.

Responses

Question #1: If a Canadian trade repository is mandated, should it be privately developed and operated for profit, privately developed an operated on a not-for-profit basis or should provincial market regulators perform this function directly?

The TMX Group strongly supports the establishment of a Canadian trade repository for the reasons enumerated in the Consultation Paper. We also recommend that this be a single trade repository for all asset classes. It is our belief that this model will provide the optimal levels of efficiency and access required by Canadian regulators and market participants.

In addition to the reasons given in the Consultation Paper, there are compelling efficiency arguments for a Canadian-based trade repository, particularly in the case that an existing financial market infrastructure ("FMI") is selected as the trade repository. There are existing Canadian FMIs that have the expertise and capacity to act as trade repositories, including central counterparty clearing houses and data aggregators.

If a Canadian solution is mandated, it would be most efficient for one of these existing FMIs to operate the repository. This would offer several important advantages:

- Using existing infrastructure will lower marginal costs.
- A large subset of all participants with reporting obligations – i.e. banks, broker/dealers – are already connected to existing FMIs.
- Regulatory approvals and oversight are already in place.
- Existing FMIs will meet the governance and operational standards that will be required of a trade repository.

Despite the efficiencies that will be gained by leveraging an existing FMI to act as a trade repository, investment will be required to perform the additional trade repository functions. It is our view that a privately operated, for-profit entity is best positioned to make the investments and deliver the solutions that are required. A for-profit model provides the greatest likelihood that the capital required is deployed and managed efficiently. Capital must earn a return, and this is a powerful motivation for efficiency.

In addition, a for-profit model is favoured over a cost-recovery model in that it provides stability with respect to the fees charged for trade repository services. In a for-profit model, the FMI will establish a fee structure, inform the market, and then operate within those parameters. In a cost recovery model, fees will fluctuate according to the variable costs involved in operating the facility. It is our experience that stability and predictability with respect to fees is favoured by the market over a variable structure based on the costs of operation.

Question #2: What is required to enable Canadian derivatives market participants to be able to report derivatives transaction information in real time, and how long will it take to achieve this functionality?

This will ultimately be dependant on reporting requirements. More complete information can be provided by consultation with market participants.

Question #3: What is the appropriate block trade threshold for the Canadian market?

Block trade facilities are important to allow participants to execute large trades at a single price that would be market disruptive if negotiated in the open marketplace. A trade size is market-disruptive when the market is unable to absorb the transaction such that the transaction has a negative effect on orderly price and volume activity.

The TMX Group supports the Committee's recommendation to exempt block trades from real-time reporting requirements. Real-time reporting of block trades can threaten anonymous trading, make hedging more expensive, and therefore discourage parties from providing liquidity for large trades.

It is our view that a single block trade threshold for the Canadian market would not be appropriate. The appropriate block trade threshold for any market depends on the specific characteristics of that market, and should be established at a trade size that would be disruptive if executed directly in the market, in the case of exchange-traded derivative, or reported in real time in the case of OTC derivatives. A thorough analysis of recent data for each of the relevant markets is required to establish the appropriate thresholds.

Question#4: What is the appropriate publication delay for block trades?

A 15 minute delay, such as that applied by the Montréal Exchange, is appropriate for exchange-traded markets and has been proposed by the CFTC.

However the publication delay for OTC markets should be dependent on the characteristics of the market being traded and the operational logistics inherent in the trade confirmation-affirmation process. The appropriate publication delay will therefore be dependent on the readiness of the market for real-time or same-day reporting and therefore closely related to the responses received to Question 2 above.

Question #5: Would a uniform block trade threshold across asset classes be acceptable or should thresholds be determined based on asset class? If block trade thresholds should be determined based on asset class, what thresholds would be suitable for specific asset classes?

It is our view that a single block trade threshold for all asset classes would not be appropriate. A thorough analysis of recent data for each asset class is required to establish the appropriate thresholds.

Question #6: If block trade thresholds are determined by asset class and given the changes inherent in liquidity conditions, how often should these be assessed? (as per the CFTC's two tests proposal for example?)

As noted above, we do not recommend a single threshold for all asset classes/markets. Thresholds should be established on a market by market basis, dependent on the characteristics of the market

Liquidity conditions do change and regular review of block trades are reasonable. It is our experience that an annual assessment would be sufficient.

We are also of the view that the proposed CFTC procedure incorporating two tests - a distribution test determining the transaction size that is greater than 95 percent of transactions during the calendar year, and a social size multiple test determining the transaction size that is five times the largest of the mean, median and mode of transaction sizes for that category – would be acceptable for Canadian markets.

Additional Comments

Section 3.4(b)i *Creation Data*

The reporting, warehousing and analysis of Creation Data is key to the role of the Trade Repository. The Committee's recommendation on Creation Data is very general, and we would urge the Committee to provide additional clarity with respect to the filing and treatment of the legal agreement as well as the granularity sought from data aggregation requirements. The TMX Group supports the Committee's efforts to align Canadian reporting requirements with global standards, and we also recommend that clear reporting requirements be developed in consultation with market participants.

As a general comment, we recognize the scope and complexity of any new data reporting, analysis and publication infrastructure. We recommend a phased and thoughtful approach to implementing these recommendations, with a careful consideration of early stage priorities. We also take this opportunity to remind the Committee that regulators must prepare to make infrastructure changes of their own in order to be able to process the information that they will receive from domestic and foreign trade repositories, in order to draw meaningful conclusions from the large amount of data that will be warehoused.

CONCLUSION

TMX is supportive of the general direction in which the CSA proposals have been framed. We applaud the commitment by the CSA to implement reforms intended to bring transparency to the market and enhance regulators' oversight and ability to respond to market risks or manipulations. We believe that OTC markets will benefit from appropriate and sensible regulatory reform, and we are ready and willing to participate in the development and implementation of these reforms in order to improve market integrity and systemic stability.

Please feel free to contact me (514) 871-3525 with any questions regarding our comments.

Respectfully submitted;

Alain Miquelon