CANACCORD Financial

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November 7, 2011

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

By e-mail to: jstevenson@osc.gov.on.ca

Dear Sirs/Mesdames:

RE: MAPLE GROUP ACQUISITION CORPORATION – NOTICE AND REQUEST FOR COMMENT

Canaccord Genuity Corp. (Canaccord) is pleased to respond to the Notice and Request for Comment issued by the Ontario Securities Commission (the Commission) on the Maple Group Acquisition Corporation's (Maple) proposed acquisition of TMX Group Inc., Alpha Trading Systems Limited Partnership, Alpha Trading Systems Inc., CDS Ltd. and indirectly CDS Clearing and Depository Services Inc. (together with CDS Limited, CDS). Canaccord has actively participated in the committee created by IIROC to solicit industry views on the strategic, operational and public policy considerations arising from the proposed transaction. As a result, many of our comments are reflected in the IIROC submission. We confirm our strong support for the views and recommendations contained in that submission. In this letter we will provide additional context for some of the recommendations made in the IIROC submission and also raise a number of additional concerns. As in the IIROC submission our comments will focus on concerns related to the implications of the CDS acquisition. We further reiterate that "as a general proposition, we believe that CDS' current business model (ie. "cost recovery") has delivered efficient and cost-effective clearing and settlement services to all market participants and has served the Canadian capital markets well and our preferred approach is to maintain, to the greatest extent practicable, the status quo with respect to CDS' operations going forward."[1] We believe the negative impacts of this transaction will far outweigh any potential benefits for the Canadian capital markets.

About Canaccord Genuity Corp

Canaccord is a leading independent Canadian investment dealer with operations in 3 principal segments of the securities industry: wealth management, capital markets and third party clearing. Canaccord, through its affiliates also operates in the U.S., the U.K., China, Hong Kong, Australia and Barbados. Canaccord was established in 1950 and has 32 offices across Canada. In addition to actively transacting in all Canadian trading

[1] IIROC submission: Maple Group Acquisition Inc's Proposed Acquisition of the Canadian Depository for Securities Limited, November 7, 2011

Canaccord Genuity Corp. is a member of the Canadian Investor Protection Fund, Investment Industry Regulatory Organization of Canada (IIROC), and the Toronto Stock Exchange (TSX)

markets, Canaccord is a Participating Organization of the TSX, TSX Venture, a limited partner in Alpha and a Direct Participant of CDS.

Governance of CDS

We believe there are several issues with the Maple governance models. The potential for conflict, or appearance of conflict, between Maple and the users of CDS services, necessitates a more balanced board structure. We expect that the Maple board will have significant influence over the mind, management and direction of CDS and its board, and when overlaid with the public interest and regulatory mandates, we recommend all founding Maple shareholders should be excluded from being considered as independent directors of the Maple Board.

The application proposes that the CDS Board be comprised of eleven directors, including 5 independent directors. On the surface this seems to be a balanced approach, however, Maple's definition of an "independent" director includes anyone who does not own more than 5% of Maple. Further, users of CDS' services will also be considered independent. We recognize that it is important to have directors that understand CDS' business and the services they provide. We do not accept Maple's representation that founding shareholders owning less than 5% are independent, in fact, under the proposed transaction, 5 of the 14 founding shareholders would qualify as independent. In addition, and because of the dilutive effect, all the Bank Investors would also qualify as independent if either BMO or RBC were to accept the invitation to join Maple. This could result in a highly concentrated, non-independent board.

The one exception to a CDS board complete with Maple Investors is the offer to include an industry candidate. The Maple application proposes to "invite IIAC and IIROC to propose to the Governance Committee of… CDS…a list of potential independent director candidates". Subject to the Governance Committee's review and approval, the candidate would also be invited to sit on the Risk Management Committee. We appreciate the invitation but submit that IIROC should have the right to nominate at least one director and that nomination(s) should not be subject to Maple's confirmation.

As we will discuss below, Canaccord's concerns focus on fair access to CDS, its services and cost effective pricing. To provide some influence, we recomend the IIROC nominee(s) should sit on any committee charged with reviewing and approving changes to the risk or pricing models.

It should be no surprise that the world's most cost effective central clearing settlement and depository, Depository Trust Company (DTC) recently adopted a governance model that

a. Requires ALL of its Participants to be shareholders
b. Requires shareholdings to be rebalanced using prescribed criteria and a defined timeline
c. Restricts only Participants to be shareholders

d. Reconfirmed its mandate to continue to reduce prices and operate on a cost recovery basis.

Cost of Clearing, Settlement and Depository Services

The Application includes several references to current market inefficiencies that Maple believes will be resolved by the acquisitions. Maple asserts that by eliminating these market inefficiencies thru a vertically integrated company, they will reduce costs, provide more comprehensive reporting and improve cross-collateralization. We believe these benefits are overplayed and the ultimate objective is to create an organization that will use its monopolistic powers for the benefit of its shareholders at the expense of its users. Maple's representations that market forces will keep their prices competitive are illusionary. There are no obvious competitors, including DTC, because the barriers to entering the clearing, settlement and depository businesses are significant.

The single national utility model works from a pricing perspective because CDS is user owned and operated on a cost recovery basis. The current CDS shareholdings of the TMX, if not legally, morally belong to the investment dealers. It is the introduction of non-users and the transition to a for profit model that enhances and leverages the monopoly and the resultant conflicts. CDS' existing pricing model annually returns 10% - 20% of gross revenues to its participants. This fiscally conservative model was developed over the past 20 years to ensure our Canadian utility was always able to satisfy its operating expenses and any capital investments. Capital expenditures are made to replace aging assets, but also to invest in innovation that reduces direct and indirect costs to the Participants. In fiscal 2010 CDS returned over $14 million to its Participants. If Maple were to withhold these payments, from the Participants, it would be the equivalent of a 17% price increase.

While maintaining the status quo remains our ultimate hope and firm recommendation, if the Maple acquisition of CDS is approved, we believe it is essential that an independent body be established to annually review and approve CDS' pricing. We submit that it is not only customary but vital to the Canadian capital markets, to ensure pricing models are approved by an independent body where a monopolistic tendency exists. This independent body's mandate should be to not only review price changes, but to also confirm all static prices. Because CDS' costs are largely fixed, continued increases in transaction volumes should undoubtedly result in price reductions. Alternatively, in absolute dollar terms costs to Participants, and in turn our clients, will increase.

Access to Clearing and Settlement Services

In the Commission' Notice and Request for Comment (Notice), it is suggested that Maple, being profit motivated, may relax its access requirements to encourage more participation. The Notice further suggests that this may cause Maple to tamper with the CDS Risk Model resulting in increased risk that a Participant default will spill over to other Participants. We do not believe this will be a likely outcome, and in fact, we believe the opposite will occur. Because the CDS Risk model operates with the concept of Participants sharing risk, it has historically been a delicate balance between reducing risk and fair access to CDS' services. Inevitably, the larger the Participant the smaller their tolerance for spill-over risk. The bank Participants have traditionally been pre-occupied with the notion that a failure by a smaller CDS Participant will spill over to them as bankers of last resort, and consequently, they have lobbied for ever increasing collateral requirements. We believe this will not only continue but may result in changes that reduce the opportunity of smaller financial institutions remaining as CDS Participants.

The Notice further suggests that the consequence of a stricter risk model could be reduced revenue for CDS and therefore contrary to Maple's profit objectives. We do not believe this will occur, and feel it is more likely to drive CDS Participants to clear and settle their trades and custody their holdings with the larger financial institutions, who for the most part are Maple Investors. Any impact on trading activity or transactional volumes thru CDS would be marginal. The volume would simply be concentrated with a smaller group of Participants.

We thank you for the opportunity to provide our comments. Please do not hesitate to contact us if you have any questions.

Yours truly,

CANACCORD GENUITY CORP.

Peter Virvilis
Executive Vice President Operations,
Treasurer