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**VIA EMAIL**

The Secretary  
Ontario Securities Commission  
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M<sup>e</sup> Anne-Marie Beaudoin  
Corporate Secretary  
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Senior Vice President, Market Regulation  
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Dear Sirs/Mesdames,

**Re: Joint Canadian Securities Administrators/Investment Industry Regulatory Organization of Canada Consultation Paper 21-402 – *Proposed Framework for Crypto-Asset Trading Platforms* (the “Consultation Paper”)**

TMX Group Limited (“**TMX Group**” or “**we**”) welcomes the opportunity to comment on the proposed regulatory framework for certain crypto asset trading platforms, as set out in more detail

in the Consultation Paper. Capitalized terms used in this letter and not otherwise defined have the meaning given to them in the Consultation Paper.

TMX Group is an integrated, multi-asset class exchange group. TMX Group's key subsidiaries operate cash and derivatives markets for multiple asset classes, including equities and fixed income, and provide clearing facilities, data driven solutions and other services to domestic and global financial and energy markets. Toronto Stock Exchange, TSX Venture Exchange, TSX Alpha Exchange, The Canadian Depository for Securities, Montreal Exchange, Canadian Derivatives Clearing Corporation, Shorcan Brokers Limited and other TMX Group companies provide listing markets, trading markets, clearing facilities, data products and other services to the global financial community and play a central role in Canadian capital and financial markets.

It is vital to our clients and to all investors that the Canadian capital markets remain fair, efficient and competitive. Our businesses rely on our customers' continued confidence and participation in the Canadian capital markets. Therefore, we support regulatory efforts to facilitate innovation that benefits investors and our capital markets, while ensuring that regulators have the appropriate tools and understanding to keep pace with evolving markets.

### **Principles Applicable to the Regulation of Platforms**

We believe the following three principles apply to the regulation of Platforms, which, as the Consultation Paper outlines, can have features that are analogous to marketplaces, clearing agencies and/or dealers. These principles underpin the regulatory regime for marketplaces, clearing agencies and dealers, and must similarly underpin the tailored regulatory regime for Platforms:

- *Public interest:* The public interest is informed by the Canadian Securities Administrators' ("**CSA**") mission to give Canada a harmonized securities regulatory system that (i) provides protection to investors from unfair, improper or fraudulent practices, (ii) fosters fair and efficient capital markets, and (iii) reduces risks to market integrity and to investor confidence in the markets, while retaining the regional flexibility and innovation that characterize Canada's system of provincial and territorial regulation.<sup>1</sup>
- *Level playing field:* The CSA has developed a vision for a competitive Canadian marketplace environment that promotes fairness, transparency, market integrity, price discovery and liquidity. For example, in 2001, the CSA implemented the rules and policies creating this framework for marketplaces, National Instrument 21-101 *Marketplace Operation* ("**NI 21-101**") and National Instrument 23-101 *Trading Rules*. The principles underlying NI 21-101 indicate that having strong and competitive Canadian marketplaces is important to the CSA. It is fundamentally important that competition among capital market participants operating in Canada is rooted in a level playing field. All competitors, regardless of the particular technology they use or the

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<sup>1</sup> See the CSA Business Plan 2016-2019, online: [www.securities-administrators.ca/uploadedFiles/General/pdfs/CSA\\_Business\\_Plan\\_2016-2019.pdf](http://www.securities-administrators.ca/uploadedFiles/General/pdfs/CSA_Business_Plan_2016-2019.pdf).

particular types of securities with which they transact, must play by the same rules when they engage the same public interest concerns related to investor protection, fair and efficient capital markets and market integrity. This approach will ensure a truly fair, open and competitive environment for all participants in the Canadian capital markets.

- *Reducing undue regulatory burden:* We recognize that the regulatory framework applicable to Platforms must balance public interest concerns regarding investor protection and fostering fair and efficient capital markets with the cost to Platforms of complying with regulatory requirements. The CSA has prioritized the identification of opportunities to reduce regulatory burden while maintaining appropriate investor protections.<sup>2</sup> However, in developing a tailored framework for Platforms, the CSA and IIROC must consider the parity of regulatory burden borne by all capital market participants, whether they are categorized as Platforms or traditional marketplaces, clearing agencies or dealers. The Canadian capital markets will not be truly competitive if different capital market participants face unequal levels of regulatory burden and compliance costs simply due to whether they transact in novel securities such as crypto assets or derivatives based thereon, versus traditional securities and derivatives.

Given the principles discussed above, TMX Group acknowledges that it is in the interest of all stakeholders of the Canadian capital market that Platforms are regulated in a manner that is consistent with the public interest, while at the same time accommodates the ability of Platforms to be innovative. However, it is fundamentally important that the Canadian regulatory regime applicable to Platforms does not provide Platforms with a regulatory advantage over traditional financial infrastructure providers and intermediaries. We believe this is particularly the case because Platforms, while transacting in non-traditional securities and derivatives, give rise to the same investor protection and market integrity concerns that underpin the securities regulatory regime applicable to traditional marketplaces, dealers and clearing agencies. Regulation among all capital market participants operating in Canada must be rooted in a level regulatory playing field to ensure that public interest objectives related to investor protection, fair and efficient capital markets and market integrity are maintained. Therefore, we support the premise in the Consultation Paper that Platforms should be subject to a tailored regulatory regime that addresses the specific features and risks of Platforms, but that is based on existing regulatory principles and requirements applicable to traditional marketplaces, dealers and clearing agencies. The operational model of, and the risks related to, a particular Platform must dictate the regulatory regime applicable to it.

## **Conclusion**

It is in the interest of all stakeholders of the Canadian capital markets to have Platforms that are regulated in a manner that is consistent with the public interest, while at the same time accommodates the ability of Platforms to be innovative and competitive. However, a Canadian regulatory regime that provides Platforms with a regulatory advantage over traditional financial infrastructure providers and intermediaries does not benefit any participant of the Canadian

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<sup>2</sup> *Ibid.*

capital markets because the public interest concerns arising from the operational models and risks related to Platforms are the same as those arising from traditional financial infrastructure providers and intermediaries. Therefore, we support the CSA's efforts to create a tailored regulatory regime for Platforms that is based on the existing regulatory regime for marketplaces, clearing agencies and dealers. The regulatory framework the CSA applies to Platforms must be consistent with the public interest, ensure a truly level playing field that fosters competition among all Canadian market participants and avoid undue regulatory burden on any Canadian market participant.

Thank you for the opportunity to comment. We would be pleased to discuss any aspect of these matters at your convenience.

Sincerely,

*"Deanna Dobrowsky"*

Deanna Dobrowsky  
Vice President, Regulatory