

**Canadian Coalition for  
GOOD GOVERNANCE**  
THE VOICE OF THE SHAREHOLDER

May 30, 2011

John Stevenson  
Secretary  
Ontario Securities Commission  
20 Queen Street West  
19<sup>th</sup> Floor, Box 55  
Toronto, ON  
M5H 3S8

Dear Sir:

**Re: Application for Recognition of Alpha Trading Systems Limited Partnership and Alpha Exchange Inc. as an Exchange (the "Application").**

We have reviewed the Application and thank you for the opportunity to provide you with our comments.

Representing the interests of institutional shareholders, CCGG promotes good governance practices in Canadian public companies to best align the interests of boards and management with those of their shareholders. We also seek to improve Canada's regulatory framework to strengthen the efficiency and effectiveness of the Canadian capital markets. CCGG has 47 members who collectively manage in excess of \$1.9 trillion of savings on behalf of most Canadians. A list of our members is attached to this submission.

We do not intend to address all of the issues and questions highlighted in the Notice and Request for Comment but would like to outline our concerns with several aspects of the Application.

***Competition for listings should not lead to lower standards***

We acknowledge that it might be acceptable to allow competing exchanges to market their listing requirements to attract certain types of issuers to list on a particular exchange. However, we are of the view that it is inappropriate to allow an exchange to market itself by offering issuers less onerous governance requirements or reduced shareholders' rights. It is important for securities regulators to establish mandatory minimum listing requirements in order to ensure that competition for listings business between exchanges does not lead to a "race to the bottom" vis-à-vis shareholders' rights or other governance standards.

In fact, the Application and the prospect of competing exchanges in Canada should provide the impetus for securities regulators to re-consider the current model which gives exchanges the power to establish their own listing standards as well as the power to interpret and enforce those standards. The conflicts of interest inherent in this model have been well-documented (most recently in the July, 2010 Complain Report prepared for FAIR Canada) and should be formally addressed by securities regulators. That report indicates that the TSX is the only major exchange that has not put formal procedures in place to manage the conflicts between its listings business and the ongoing regulation of its listed issuers.

We note that if approved, the Alpha Exchange would have the same inherent conflicts of interest. Moreover, these conflicts will likely become more acute as the two exchanges compete for listings business. Securities regulators should establish minimum listing standards that enshrine basic shareholder rights and should ensure that exchanges establish independent entities, overseen by securities regulators, to interpret and enforce those standards for listed issuers.

***Alpha Exchange's proposed listing standards are less rigorous than the TSX***

In light of the above, we believe that the Alpha Exchange's proposed listing standards should offer the same rights and protections to shareholders as those of the TSX. However, the Alpha Exchange's proposed requirements appear to offer less protection to shareholders in several important respects, including:

- It would not require periodic shareholder approval of evergreen option plans.
- Shareholders would not be required to approve any amendments to insider options, such as a decrease in price or an extension of the term. Only if directors are unable to approve an amendment would the matter be subject to approval by disinterested shareholders.
- No insider option plan maximum appears to be required. If there is a plan maximum, shareholders will only have the right to approve an increase over the maximum that has been approved by the directors if it exceeds 10% or, if not approved by the directors, if it exceeds 5%.
- There do not appear to be any rules providing for shareholder approval of an amendment to a shareholder rights plan.

These discrepancies highlight the need for securities regulators to establish minimum standards to protect the rights of shareholders.


***All exchanges should retain the ability to exercise discretion over their listed issuers***

The Notice indicates that the Alpha Exchange does not propose to retain any discretion when reviewing its listed issuer transactions. When reviewing transactions, it proposes to rely on the objective rules set out in its listing standards and will not generally approve or disapprove a transaction, which is a significant departure from the approach taken by the TSX.

In our view, it is essential for an exchange to retain discretionary oversight of the activities of its listed issuers, particularly given the public interest mandate of an exchange. It is impossible for any set of rules, no matter how comprehensive, to fully contemplate all circumstances that may arise. If an exchange is going to regulate its listed issuers, it must have the discretion to impose additional requirements, such as

shareholder approval or additional disclosure, and it must be able to disallow a transaction that does not meet those additional requirements.

Yours very truly,

A handwritten signature in cursive script, appearing to read "S. Griggs / cc".

Stephen Griggs  
Executive Director  
Canadian Coalition for Good Governance

## CCGG MEMBERS

Acuity Investment Management Inc.  
 Alberta Investment Management Corporation (AIMCo)  
 Alberta Teachers' Retirement Fund Board  
 Aurion Capital Management Inc.  
 BlackRock Asset Management Canada Limited  
 BMO Harris Investment Management Inc.  
 British Columbia Investment Management Corporation (bcIMC)  
 Burgundy Asset Management Ltd.  
 Canada Post Corporation Registered Pension Plan  
 CIBC Global Asset Management  
 Colleges of Applied Arts and Technology Pension Plan (CAAT)  
 Connor, Clark & Lunn Investment Management  
 CPP Investment Board  
 Franklin Templeton Investments Corp.  
 Genus Capital Management  
 Greystone Managed Investments Inc.  
 Hospitals of Ontario Pension Plan (HOOPP)  
 Jarislowsky Fraser Limited  
 Leith Wheeler Investment Counsel Ltd.  
 Lincluden Investment Management  
 Mackenzie Financial Corporation  
 McGill University Pension Fund  
 McLean Budden Limited  
 MFC Global Investment Management  
 NavCanada  
 New Brunswick Investment Management Corporation (NBIMC)  
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 Ontario Municipal Employees Retirement Board (OMERS)  
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 Ontario Teachers' Pension Plan (Teachers')  
 OPSEU Pension Trust  
 Public Sector Pension Investment Board (PSP Investments)  
 RBC Global Asset Management Inc.  
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 Russell Investments  
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 SEAMARK Asset Management Ltd.  
 Sionna Investment Managers Inc.  
 Standard Life Investments Inc.  
 State Street Global Advisors, Ltd.  
 Teachers' Retirement Allowance Fund  
 TD Asset Management Inc.  
 UBS Global Asset Management (Canada) Co.  
 United Church Pension Plan  
 University of Toronto Asset Management Corporation  
 Workers' Compensation Board - Alberta  
 York University Pension Plan