



Ontario
Securities
Commission

Commission des
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de l'Ontario

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September 3, 2002

Stephen P. Sibold, Q.C.
Chair
Alberta Securities Commission
4th Floor, 300 Fifth Avenue, S.W.
Calgary, Alberta
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Douglas M. Hyndman
Chair
British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia
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Dear Sirs:

Re: Continued Recognition of the TSX Venture Exchange Inc. (“TSX Venture Exchange”), formerly the Canadian Venture Exchange Inc. (“CDNX”)

TSX Inc. (“TSX”), formerly The Toronto Stock Exchange Inc., will complete a reorganization (“Reorganization”). Under the Reorganization, TSX will become a wholly-owned subsidiary of a new holding company, TSX Group Inc. (“TSX Group”), and TSX Venture Exchange will continue to be a wholly-owned subsidiary of TSX. Following the Reorganization, TSX Group intends to conduct an initial public offering.

By recognition order dated April 3, 2000, the Ontario Securities Commission (“OSC”) recognized the TSX as a stock exchange in the Province of Ontario. On September 3, 2002, the OSC continued the recognition of TSX and recognized TSX Group to reflect the Reorganization (“OSC Recognition Order”).

Under the OSC Recognition Order, TSX must maintain sufficient financial resources for the proper performance of its functions and notify the OSC in the event it fails to satisfy any of the liquidity measure, the debt to cash flow ratio or the financial leverage ratio tests outlined in paragraph 12 of the OSC Recognition Order.

In addition, TSX Group must allocate sufficient financial and other resources to TSX to ensure that TSX can carry out its functions in a manner that is consistent with the public interest and the terms and conditions of the OSC Recognition Order and must notify the OSC immediately upon becoming aware that it is or will be unable to allocate sufficient financial and other resources to TSX to ensure that it can carry out its functions in a manner that is consistent with the public interest and the terms and conditions of the OSC Recognition Order.

Paragraph 14 of the OSC Recognition Order also requires TSX to meet certain requirements for each of its systems that support order entry, order routing, execution, data feeds, trade reporting

and trade comparison and capacity and integrity requirements, and to promptly notify the OSC of material systems failures and changes.

Because the TSX Venture Exchange is a wholly-owned subsidiary of the TSX, which in turn is a wholly-owned subsidiary of TSX Group, TSX and TSX Group will control whether the TSX Venture Exchange can fulfill certain obligations that have been imposed or would have been imposed on the TSX Venture Exchange by the Alberta Securities Commission and British Columbia Securities Commission as the lead regulators of the TSX Venture Exchange (“Lead Regulators”).

Further to the Memorandum of Understanding about the Oversight of Exchanges and Quotation and Trade Reporting Systems between the Lead Regulators, the Manitoba Securities Commission, the OSC and the Commission des valeurs mobilières du Québec, the OSC agrees that:

As long as the OSC recognizes and acts as the lead regulator for TSX and recognizes TSX Group, the OSC will advise the Lead Regulators of certain matters or events that occur in the operations and business of TSX Group and TSX because they may have an impact on the operations and business of TSX Venture Exchange and the recognition of TSX Venture Exchange by the Lead Regulators.

For as long as the OSC recognizes and acts as the lead regulator for TSX and recognizes TSX Group, the OSC will promptly advise the Lead Regulators in writing, if the OSC

- a) becomes concerned about the financial viability of TSX Group or TSX;
- b) is advised by TSX Group that TSX Group will not allocate sufficient financial and other resources to TSX to ensure that TSX can carry out its functions in a manner that is consistent with the public interest and the terms and conditions of the OSC Recognition Order;
- c) is advised by TSX that TSX has failed to satisfy any of the financial tests set out in the OSC Recognition Order;
- d) is considering revoking or revokes its recognition of TSX Group or TSX;
- e) becomes aware of any impending change of control of TSX Group or TSX or of an intention by TSX Group or TSX to cease operations or dispose of all or substantially all of its assets.

For as long as the OSC recognizes and acts as the lead regulator for TSX, the OSC will, immediately upon receipt of same, provide to the Lead Regulators any reports provided to the OSC by TSX regarding the results of any tests, reviews or monitoring performed by TSX in connection with its systems.

Yours very truly,

“Howard Wetston”

Vice Chair

cc: Louyse Gauvin, BCSC
Patricia M. Johnston, ASC
Denise F. Hendrickson, ASC
Cindy Petlock, OSC