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Thursday 3 March 2011

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Jeudi 3 mars 2011

**Select Committee on
the proposed transaction
of the TMX Group and the
London Stock Exchange Group**

Review of proposed stock
exchange transaction

**Comité spécial sur la
transaction proposée
entre le Groupe TMX et le
London Stock Exchange Group**

Examen de la transaction
boursière proposée

Chair: Hon. Gerry Phillips
Clerk: Trevor Day

Président : L'hon. Gerry Phillips
Greffier : Trevor Day

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**SELECT COMMITTEE ON
THE PROPOSED TRANSACTION
OF THE TMX GROUP AND THE
LONDON STOCK EXCHANGE GROUP**

**COMITÉ SPÉCIAL SUR LA
TRANSACTION PROPOSÉE
ENTRE LE GROUPE TMX ET LE
LONDON STOCK EXCHANGE GROUP**

Thursday 3 March 2011

Jeudi 3 mars 2011

The committee met at 0901 in room 151.

COMMITTEE BUSINESS

The Chair (Hon. Gerry Phillips): Ladies and gentlemen, I think we're ready to begin.

Before we do, I've asked the clerk to circulate to you a letter that the Integrity Commissioner sent to myself. I just wanted to be sure that my blind trust was handled properly. The letter indicates that it's fine for me to hold the position because all of my holdings are in a blind trust, and I have no knowledge of it. She wanted to make sure that the committee was aware of that.

Mr. Gilles Bisson: I want you to know that my holdings are just blind.

**REVIEW OF PROPOSED STOCK
EXCHANGE TRANSACTION**

COUNCIL OF CANADIANS

The Chair (Hon. Gerry Phillips): With that said, we will now begin with our first presentation, the Council of Canadians. I believe it's Mr. Garry Neil who will be presenting. I think you know, Mr. Neil, we have a total of 20 minutes with you, and a maximum of 15 minutes for your presentation and then—

Mr. Garry Neil: I'll only take half of that, Mr. Chairman.

The Chair (Hon. Gerry Phillips): Okay, good. That will give us a chance for some questions, then.

Mr. Garry Neil: My name is Garry Neil. I'm executive director of the Council of Canadians. I'm sorry that Maude Barlow, our national chairperson, cannot be with us. Maude will be speaking tonight at the Royal Ontario Museum on the campaign she led globally to have the United Nations declare access to clean water and sanitation as a fundamental human right, which member states did last July. Her schedule simply did not permit her to be here this morning as well.

The Council of Canadians is one of the world's largest citizens' advocacy organizations. We have tens of thousands of members from coast to coast to coast who work

locally, provincially, nationally and internationally to promote economic, environmental and social policies that will make Canada more just and equitable.

The Council of Canadians urges you to oppose the proposed merger of the London Stock Exchange and TMX Group. First of all, we note that this really is a takeover of the Toronto Stock Exchange by the LSE, since the London group will control the board and the chairman's position. This transaction is of no benefit to Ontario, it will bring risks for Canada's financial stability, and it will erode our ability to regulate financial markets in the public interest.

If the transaction is approved, the combined LSE/TSE would be regulated in both Canada and the UK. In this environment, the pressure to harmonize regulations would be very powerful. Effectively, this would mean that the most lenient rules would apply. While Canada could theoretically maintain tougher regulations, this would merely encourage the combined exchange to shift the regulated activities into the UK to avoid the tougher standards. As the TSE lost business, the pressure on Ontario and Canada to allow risky activities which are either banned outright or highly restricted in Canada would be overwhelming. Our regulatory authorities would be unable to maintain our standards. Regulatory co-operation between different jurisdictions always results in the lowest common denominator winning the day.

Why does this matter? Surely, if we have learned only one lesson from the global economic meltdown, it is that regulation and supervision of financial markets is essential. Our politicians all proudly point out that Canada's financial system and banks were far more resilient than those of the United States, Europe and elsewhere. We weathered the recession far better than most. This is the case because we resisted the worldwide push to deregulate the sector, including our stock markets. Instead, we maintained smart regulations on our banks and their financial products and services, and the corporate structure of the banks and insurance companies. Stock exchange regulators struggle constantly to deal with efforts to subvert the rules and the latest hare-brained, get-rich-quick schemes. Approving the merger of the LSE and TMX Group will threaten our ability to continue to regulate our financial markets in the public interest.

A further risk to our regulatory capacity comes from the proposed comprehensive economic and trade agreement, CETA, being negotiated between Canada and the European Union. Even with the secrecy surrounding the talks, it's clear that the EU objectives include substantially deregulating Canada's financial sector; allowing more foreign ownership of banks, insurance companies and other strategic assets; and removing corporate structuring rules which prohibit some companies from offering certain financial products. What's more worrisome to the Council of Canadians is that our governments, including Ontario's, appear willing to agree to these EU demands.

There's another risk with the CETA which would be realized if the proposed transaction is approved. Largely at Canada's insistence, any agreement with Europe is likely to contain a right for foreign investors to sue Canadian governments and to seek compensation for government actions, including those of regulatory agencies such as the Ontario Securities Commission, that negatively affect their investment in Canada. This provision will be based on NAFTA's chapter 11, which has been a disaster for Canada. Perhaps the most high-profile case was the \$130-million settlement handed to pulp and paper giant AbitibiBowater by the federal government. The action arose after the government of Newfoundland and Labrador seized the hydro assets and resources rights of the company because AbitibiBowater reneged on the agreement between it and the province over the industrial development of the province's timber and water resources for the benefit of the residents of the province. If the LSE/TMX transaction goes ahead and CETA is concluded, the LSE may be able to challenge future measures that might be imposed by the Ontario Securities Commission or other governmental bodies.

I want to give you one more concrete example of how our concerns about restrictions on our ability to regulate could play out. If the transaction is approved, the largest mining and natural resources exchange in the world would be created, but many Canadians are working hard to bring some measure of control and accountability to Canadian mining companies that operate abroad. Some of these companies have poor practices, including violations of human rights, polluting local water supplies and destroying local livelihoods. There is a move to reintroduce in the House of Commons a bill that lost by only six votes last November. If such a bill were to become law, Canada's ability to enforce it against the mining companies listed on the TSX would be constrained if the exchange is partnered with the LSE and controlled from London.

Canada's experience with foreign investors taking over strategic Canadian assets is not good, and we would not expect a different outcome in this case. In a recent newspaper article, Maude Barlow pointed to US Steel's 2007 takeover of Stelco and Brazilian mining giant Vale's takeover of Inco as examples of what can happen when foreign companies acquire Canadian firms: "US Steel told the Harper government it would keep jobs here

when it took over Stelco and then laid off hundreds. Ditto Brazil's Vale when it took over Inco in Sudbury," leading to a disastrous strike. There is no remedy when foreign investors renege on commitments they make to our governments.

Those who are pushing for liberalization of financial services continue to use the pre-crisis model that favours expansion without sufficient regulation and oversight. This model surely has now been discredited.

This is about democracy and sovereignty—the right to have the values and wishes of the Canadian people reflected in our laws and regulations. As the centre of control of financial institutions moves further away, the harder it is to enforce those laws and regulations.

The Council of Canadians urges you to oppose the proposed merger of the London Stock Exchange and TMX Group. Let's retain the maximum flexibility to regulate markets and the financial system in the Canadian public interest.

We thank you very much for this chance to share our concerns with you.

The Chair (Hon. Gerry Phillips): Thank you. We have about 12 minutes, so we've got about four minutes per caucus. We'll begin with Mr. Shurman.

Mr. Peter Shurman: Thank you very much for appearing before us. Please don't misconstrue what I'm going to say as confrontational, but it has to be put on the table. People who listen to your presentation might conclude that the council is basically protectionist and a naysayer, and is drawing a line on great potential. I'm sure that the folks we heard from, the two sides of this proposed merger, would say that.

0910

They responded before the fact to some of your concerns, and I want to get your reaction on that. They talked about, in response to our questions, the fact that TSX, the operating entity, would remain entirely controlled. Indeed, revenues and monies generated through that operation would remain here in terms of the reporting function, paying Canadian and Ontario taxes. So that's how they want to assuage the fears that you have expressed, where the holding company would be what exists on a transoceanic basis. How do you respond to them?

Mr. Garry Neil: Two things: First of all, I think the Council of Canadians was called protectionist and naysayers a number of years ago, when we were very active in opposing the proposal to allow our big banks to merge with each other. The government of the day, federally of course, decided to prohibit that. I think hindsight tells us that we were absolutely correct in our assessment, and we're absolutely convinced that we're correct in our assessment here. There is no downside to us if we refuse to allow the merger, and the upside for us is exactly addressing your other question.

The power to regulate in Canada is eroded to the extent that we have non-Canadians who are involved and to the extent that we have our governments effectively

giving away our right to undertake that regulation. There's something called naked short selling. I'm far from an expert in these matters, but naked short selling is prohibited in the US, Australia, Hong Kong, Japan, Brazil and other places. The UK is currently considering legitimizing naked short selling and allowing it. If they were to make that decision, we would submit that effectively, with this merger, Canada would be unable to make an independent decision. The Ontario Securities Commission would be unable to make an independent decision to prohibit naked short selling, because in fact, what would happen is the merged entity would merely transfer all of those responsibilities and all of those issues to the London Stock Exchange. So effectively, we'd be unable to regulate in our own market, and that's our concern.

The Chair (Hon. Gerry Phillips): You've got about one minute, Mr. Klees.

Mr. Frank Klees: On the issue of regulation: You refer to the combined LSE/TSE. As my colleague indicated, we have assurance, of course, that it's not a combining of the exchanges; it simply is a combining of the holding companies.

Nevertheless, yesterday I raised the issue of the regulatory environment in the UK that, within the industry, is referred to as the "light touch." Obviously, the regulatory environment in the US, under Sarbanes-Oxley, and here are much tougher environments; it's more difficult to get a listing and so on. I raise that concern because there is a tendency, of course, if you have a combined platform, for the market to go to the less onerous listing.

I'd be interested in your comments in terms of what experience you might have with this and your perspective on the lowering of standards that we may well see as a result of this proposed transaction.

Mr. Garry Neil: Thank you, Mr. Klees. Of course, we do not support the light touch regulatory approach. In fact, in some ways we would argue that the economic meltdown was a failure of regulation, and that's perfectly clear when you look at the different experience here in Canada and the rest of the world.

We do see many, many examples where harmonization of regulations across international borders—even across provincial borders—effectively means that the lowest common denominator is the regulation that applies. You never harmonize upwards; you always harmonize downwards. Effectively, that's the substance of our concern in this particular case.

Mr. Frank Klees: Thank you.

The Chair (Hon. Gerry Phillips): Mr. Bisson?

Mr. Gilles Bisson: Just a couple of comments before I get to my question.

First of all, there's a reason why it's harder to list a mining stock on the TSX. It's because we have a review process to make sure that the buyer of the stock doesn't get hosed. We had things like Bre-X; we had Viola McMillan years ago with a play in my own backyard in regards to Kidd Creek that taught us plenty about making

sure that we have a really strong system that is transparent and that has some checks and balances in it in order to make sure that when the investor comes and buys the stock, that stock that's being listed has been checked by people who understand the mining industry. I think that is part of what's being lost in this discussion: We're really good at that and, quite frankly, thank God it is that way. That's the first thing.

The other thing is the Vale comment that you made. The part that always bothered me about Vale Inco coming in and buying out one of our premier mining companies was that neither the Canadian government nor the Ontario government, first of all, set any conditions to it that really meant anything. But the bigger thing is, why would we allow the Brazilians to come and buy a Canadian mining company when a Canadian mining company can't go and buy a Brazilian company? The Brazilian government would shut you down if you went in and tried to buy Vale as a Canadian mining company. They won't allow you to do it.

What I don't understand is that somehow or other, only Canada has got to have the race to the bottom, but it's okay for them to position themselves in order to strengthen their industry.

Some of the rhetoric that we hear—and, of course, I have rhetoric on my side, but the rhetoric from the right, I think, misses the point. If you really want free trade, well, then, it does mean to say that you should be able to do things both ways. What I see happening is that it's more of a one-way street.

My last point before I get to my question, and it leads to my question, is that the UK needs this more than we do. The reality is that the AIM market, which is the mining part of the London Stock Exchange, has only essentially got about 10 or 14 investors. They're basically pension investment funds etc. that buy mining stocks. What they have a difficulty doing, because of problems they've had in listing stocks on the LSM—the investors are afraid of buying stocks there because many people have been hosed. So they need to get on our platform because we have a much better system.

My question to you is, if we were to do the inverse and say, "Okay, there is an argument about a larger stock market bringing more capital. Why don't we then take the position that the TSX should be buying out the LSM?" Your view on that part?

Mr. Garry Neil: Let me make two comments quickly, if I could—first with respect to Vale Inco and the foreign investment reviews undertaken by the federal government. In fact, there are commitments that are made. Part of the problem is that those commitments are private, and they ought to be released publicly. At the very least, the committee may wish to consider that it urge the federal government, if this is to move ahead, to make public whatever commitments have been made by the London Stock Exchange and the TMX Group with respect to employment, operations, management and all of those things. They ought to be public and on the record, be-

cause surely one of the ways that we can ensure that those are enforced is by having public awareness.

With respect to a reverse takeover, the TMX Group effectively taking over the London Stock Exchange, the one concern we would have about that is, we would think that it's not going to stop there. In fact, even if this merger is approved, what's the next step? Because we do see a worldwide tendency for stock exchanges to be attempting to position themselves as larger, more effective and so on. So our concerns, while they wouldn't be direct, because clearly we'd have a far better opportunity in a reverse takeover to continue to regulate the Toronto Stock Exchange—we would worry that that would simply be the first step in another subsequent takeover down the road, an even larger corporate entity. Once again, we see internationally, as that happens, that regulations race to the bottom.

The Chair (Hon. Gerry Phillips): Thank you. Mr. Zimmer.

Mr. David Zimmer: It's a complex and many-faceted undertaking that's being proposed here. We've heard your concerns. Just looking at the flip side of the coin, do you see any benefits at all—any benefits at all—in any components of the proposed transaction that might be of benefit to Ontario or to Canada? Is there anything there that you see on the positive side?

0920

Mr. Garry Neil: I'll let others make the arguments about what positive benefits might exist. We certainly don't see any. We certainly fear—

Mr. David Zimmer: No, but as a matter of fairness, do you see any benefit to any component of the proposed transaction?

Mr. Garry Neil: I personally cannot see any.

Mr. David Zimmer: All right. Thank you.

My next question is: As you know, in the last year or so in the newspapers and in the financial magazines from around the world, there's been great praise about the strength of Canada's regulatory system. In fact, Canada's regulatory system and Ontario's regulatory system are a very, very strong brand. It's admired around the world now. They've seen how effective it was in the last financial crisis the last few years.

What makes you so sure that the regulatory control is somehow going to shift to London? It would seem to me, from the media reports that I've been reading out of the financial press in London, New York and so on, that, in fact, those countries, those markets, are attracted by the strong Canadian regulatory brand. Would not the positive sides of that strong brand migrate to those other jurisdictions?

Mr. Garry Neil: They're not attracted by a strong regulatory environment; they're attracted by strong financial performance, presumably. We would argue that the strong regulatory underpinning is the reason for that strong financial performance.

We share with others the pride that we have that we have maintained those relatively stronger regulations

than have other countries, as a consequence of which we performed much better.

Mr. David Zimmer: But if London and New York and other markets are attracted by our strong regulatory brand, it would seem to me that they would want to emulate it.

Mr. Garry Neil: I hope they do. I would like to see that happen. I would like to see stronger regulatory controls because we are not immune. However strong our own regulatory controls, we are not immune to international developments. We suffered as a consequence of the economic meltdown. We favour stronger regulatory controls. We support the position of several of the European governments that we should, in fact, find ways to regulate the financial sector internationally, since particularly with electronic commerce and the Internet, it's increasingly easy for companies to simply shift virtually to operate anywhere in the world. So we favour stronger regulatory controls in other countries, but we're here talking about Canada and fighting to maintain whatever degree of control we have over our own financial system.

Mr. David Zimmer: Thank you, Chair.

The Chair (Hon. Gerry Phillips): Mr. Neil, thank you very much for your presentation.

Mr. Garry Neil: Thank you very much, and good luck with your work.

MR. JON AIKMAN

The Chair (Hon. Gerry Phillips): The next one is Mr. Aikman. Is Mr. Aikman here?

Thank you very much for being with us. As you know, you have 20 minutes. We'd appreciate your presentation being no more than 15 minutes so we can have a chance to ask some questions. If you might start off just by introducing yourself so that Hansard, our record, records that.

Mr. Jon Aikman: Thank you very much, Mr. Chair. I appreciate the opportunity to address the select committee today. I am a lecturer in finance at the Rotman School of Management at the University of Toronto. I recently completed a book on the financial crisis called *When Prime Brokers Fail: The Unheeded Risk to Hedge Funds, Banks, and the Financial Industry*. This highlighted some of the risks of an increasingly complicated international financial system.

I'm in a slightly unique position in that I'm a dual-qualified lawyer in both England and Ontario. I previously was vice-president and counsel for Citigroup Global Markets in London. Given my professional experience and some of my research, I hope to share some additional considerations for your review.

To put the proposed merger in context, this has been described as a merger of equals. However, with an English parent holding company, a majority of English directors and a majority of shares going to the LSE shareholders, it would seem that some are more equal than others.

There are certain global and regional factors which should be highlighted to colour this debate. Obviously,

we have just survived the global financial crisis. The European sovereign debt crisis has only recently subsided. The uncertainty in the Middle East and north Africa continues to spread.

The TMX/LSE deal could pose many serious risks to Ontario, Canada and our financial industry. The current decline in the European market share of the London Stock Exchange is only a symptom, and a belated symptom at that, of the more profound problems that are afflicting the United Kingdom. The UK currently has arguably some of the worst per-capita financial debt and trade balance statistics in the developed world, with negative growth, a large trade balance deficit, a large current account balance deficit and increasing inflation. The UK is a net capital user, not a capital provider.

There are six basic concerns I would hope to draw the select committee's attention to when considering the consequences of the proposed merger, including: (1) the protection of Canadian investors; (2) the prevention of market abuse and regulatory arbitrage; (3) the identification and management of systemic risk; (4) the competition for the Canadian financial industry; (5) better merger opportunities for the TMX; and, finally, (6) the future strategic control over Canadian markets.

First, the protection of Canadian investors: The merger would likely increase trading volumes in Canada, which would profit the TMX. However, it may also increase the volatility of Canadian markets, which would not be good for smaller investors. This increased volatility may make the whole Canadian market less attractive to investors, on a risk-adjusted basis, and may impact Canadians saving for retirement.

Secondly, market abuse and regulatory arbitrage is an important issue. There is the potential for market abuse and regulatory arbitrage in this deal. There is reason for concern, given the findings of recent reports on the financial crisis. For example, the Valukas report in the United States on the Lehman Brothers bankruptcy cited differential accounting and regulatory views between the UK and US financial systems as sources of risk for a systemically important firm.

It is noteworthy that with Lehman Brothers you had a parent holding company in the United States and a UK vehicle, the same sort of parent and active trading structure that is currently being proposed in the TMX deal. In a certain sense, it would look at systemically important firms in the same light. But that structure didn't protect Lehman Brothers and I would suggest it wouldn't protect the TMX in the event of a distress with the holding company.

In order to prevent a similar potential regulatory arbitrage between exchanges, it is vital to be proactive in understanding and assessing the implications of merging complex equities, derivatives and commodities markets. Also, merging markets may create complicated international enforcement matters where market participants in other jurisdictions have increased access to and ability to influence or manipulate the Canadian market and its issuers.

Thirdly, the potential for systemic risk: Systemic risk is a critical public policy issue that has the potential to impact Canada's economy and our financial industry. London was a major focal point in the global financial crisis. Many of the largest English banks needed extraordinary government support and capital injections during the financial crisis. By contrast, Canadian financial firms, brokers and banks did not require the same government intervention.

To some extent, conservative risk management and a solid regulatory and legal framework in Canada protected the Canadian financial markets and the larger economy better than in the UK or Europe. The Canadian financial industry successfully managed to avoid much of the carnage of the global financial crisis, and Canada now stands as an economic leader, which many other nations are currently attempting to emulate.

Extending our markets to permanently link with England and Europe is a significant issue that deserves to be studied in great detail, as its implications are far-reaching and the merger will create the potential for systemic risk. Systemic risk may stem from shared investments, like derivatives; shared investors, such as when common investors liquidate uncorrelated positions, leading to a correlated market crash; or the failure of a major financial firm, which creates a domino effect on other market participants, such as we saw with Lehman Brothers. Also, a sovereign default or debt crisis may constitute systemic risk.

The merger will undoubtedly increase the bond between Canada, the UK and Europe, and may make us inextricably intertwined financially. A major failure or financial crisis in Europe could potentially spread to Canada and our financial markets more easily with the merger than without it.

0930

The fourth issue is the increased competition for the Canadian financial industry. The LSE is a mature market, but its future growth is not certain given the UK's serious fiscal circumstances and the implications of the EU regulatory changes. Furthermore, London's fiercely competitive financial participants may prove very challenging competition for the Canadian financial industry. If some domestic safeguards are not established, then increased market harmonization and competition from abroad may move Canadian opportunities to more favourable locations. If the Canadian financial industry is to continue to prosper, then safeguards would need to be put in place, or market harmonization may mean that Canadian opportunities and jobs will be outsourced. If issuers can opt for a light-touch regulatory filing on AIM, rather than multiple regulators in each province, then these issuers may simply list on AIM to gain easy access to a larger market. As a consequence, their bankers, lawyers, advisers, accountants, auditors, administrators and other service providers would likely be located in London as well.

The fifth issue is that there are better opportunities for the TMX. There are a number of arguably better merger

candidates. The potential to attract capital from the UK is far less certain than capital available from many other jurisdictions such as China and other emerging and emerged markets. If the purpose of the merger is to attract capital to Canada, then we should be looking at opportunities in growing markets, particularly in Asia. There may be an opportunity to merge with an Asian market or to form a multi-party exchange that would provide a unique global offering. There are several suitable markets that should be considered before we settle on a merger with the LSE. These markets are in nations that are holding capital surpluses, do not have a massive debt hangover from the global financial crisis and are not running huge trade and fiscal deficits—unlike the UK.

The sixth issue is a loss of control over the future of the Canadian markets. The LSE's future and Mr. Rolet's strategic plan for additional acquisitions or mergers both remain unanswered questions. The LSE may make other acquisitions or may be acquired by another market, such as the Dubai bourse, which is the largest shareholder of the LSE. If the LSE is in the dominant control position with 55% of the shares and eight of the 15 directors, then the LSE may make future strategic decisions in its own interest. It is unclear what negotiating position Ontario or Canada would be in given that the LSE will have the majority control and a majority of directors in an English parent holding company.

For these brief reasons, I would respectfully suggest there are better potential opportunities for Ontario, Canada and our financial industry. Many of the risks outlined here are unaddressed by the proposed merger. I would urge the select committee to recommend a more comprehensive, proactive investigation of the complex implications of this merger before the important decision is finalized.

The Chair (Hon. Gerry Phillips): We have about nine minutes, so three minutes each if that's okay. Mr. Bisson.

Mr. Gilles Bisson: You looked at this from a bit of a different lens as far as the AIM market versus the TSX. There's a sense within the mining industry that the good part about this is it opens greater pools of capital. However, if the greater pool of capital is listings not on the TSX but listings that go to AIM and that don't have the kind of sniff test that the TSX has, we could end up with another Bre-X. My worry is that that's going to kill the generation of investment. We saw it with Bre-X: For 10 or 15 years, it was almost impossible to raise money as a junior mining company. Is that what you're getting at here? It may end up actually getting stocks that would normally not get listed on the TSX, because they don't pass the sniff test, listed on AIM and maybe creating sort of a Bre-X kind of environment? Is that what you're getting at?

Mr. Jon Aikman: What I'm suggesting is that you look at the development of markets and look at the development of AIM and the implications for a market like NASDAQ where you have many prominent technology firms listing on NASDAQ. With a light-touch regulatory framework, it made it much, much more economically,

and in terms of a regulatory approach, feasible to list on AIM and avoid Sarbanes-Oxley and a lot of the hurdles that you would have to go over, as well as a lot of the cost. From a financial perspective and from a burden perspective, it did encourage people to potentially off-shore opportunities. That same potential is there in the future for the Canadian industry and the Canadian mining industry. If it becomes the best and easiest way to do that to get to a larger pool, and you don't have to jump the hurdles or deal with this, then from a financial perspective, you may have a Delaware effect where you do have a rush to the bottom that the lowest denominator wins.

Mr. Gilles Bisson: Which, at the end of the day, would be harmful to the mining industry.

Mr. Jon Aikman: It may mean that important opportunities and important sources of financial intermediation for the Canadian market move to the London market. So, in that sense, there could be significant competition.

Mr. Gilles Bisson: Thank you.

The Chair (Hon. Gerry Phillips): Ms. Albanese.

Mrs. Laura Albanese: I want to thank you for your presentation. It does bring a different perspective to what we have been hearing thus far.

I would like to ask you, first of all, to expand on this idea of better opportunities for the TMX. You believe that there are other possibilities out there. You mention that, and you also mention Asia. I wonder if some of the same negative comments that you've made about this particular deal would apply in a merger with an Asian market.

Mr. Jon Aikman: There is a variety of different—

Mrs. Laura Albanese: What are the differences?

Mr. Jon Aikman: What are the differences?

Mrs. Laura Albanese: Yes.

Mr. Jon Aikman: I think it's fair to say that we should probably assess the deal itself, in that Canada would not be in the majority position with regard to directors or shareholdings in this, that this would be an offshoring. You might have an opportunity to structure things in a different way, where we could maintain control over those strategic decisions in Canada. So there are key issues. I think you would look at the deal and look at what the better opportunities are out there.

If the key idea here is to attract capital for Canadian opportunities, then it would seem to make sense to look at emerging nations that are sitting on capital surpluses, that have those resources to invest. Rather than going to a very mature competitive market that is currently in decline, from a strategic perspective I would suggest it would be a good idea to consider what all the available options are, and whether you look at Shanghai or at a more complicated deal with Singapore or other nations, there is a variety of options available, just because the availability is here.

One of the keys about the LSE deal is that it is clear and it is written in the merger agreement that we will never have more than 49% of this deal. Clearly, control is a key issue for the LSE, and it seems clear from some of the statements that have been made that this is one step in

a larger process of global harmonization. Why would we want to be the first step in that? If the agreement is to ultimately have three or four exchanges combined together, why would we want to be the first step in that kind of process?

Mrs. Laura Albanese: Given Canada's reputation around the world, are you surprised that the TMX hasn't taken a more aggressive role in pursuing other mergers than in settling for, as you say, a role of 49%?

Mr. Jon Aikman: The LSE is a very good market, a very competitive market. It's not to besmirch the LSE. We are entering upon something that has amongst the most complicated implications—it's incredibly complicated, where you have not just the merger of equities but the derivatives markets, commodities and different exchanges. So I would see this as a very complicated issue that needs to be assessed very thoroughly.

That was announced a few weeks ago; however, clearly the TSX and the LSE have been negotiating for over five months on this specific deal. I would simply suggest that when you're looking at it, there are certain benefits that will come out of this deal. It is likely that it will attract capital to Canada. The question is: Will the risks associated with gaining that capital justify entering into this kind of an arrangement?

From my perspective, I would suggest that the committee consider maintaining more control over the strategic directions of how this will play out. If we understand that the move is towards market harmonization and towards a global network, then it would seem that we should not be a junior partner at the table but that there truly should be a merger of equals if we are to proceed on this basis.

0940

The Chair (Hon. Gerry Phillips): Mr. Shurman.

Mr. Peter Shurman: Thank you for appearing, Mr. Aikman. You're right, it's complex, and I want to drill down a little more on the risk issue.

We have been in session for three or four hours in total, and we've heard that this is a fabulous way to attract capital and that we're going to lose capital; we've heard that it's wonderful for Canada and it's terrible for Canada. So it really comes down to your point of view.

Your point of view is clear; you've outlined it well. I'm surprised you didn't bring a selection of red flags to stick up in front of you on the desk—and I don't mean that in a negative way—because you've run up a lot of them.

I want to turn you back to the recession period. When we entered it, the TSX index was somewhere in the 15,000-plus range. In a very, very short period of time, we dropped down to not quite half of that, in the high 7,000s. It happened in about a month, a month and a half. Canada was rather insular. We had this great banking system—we really hadn't done anything to deserve any of that. But we were connected to the rest of the world. So there is no question that no matter what happens anywhere, we're going to feel the effects.

My question is this: Even if the UK crashed and burned financially and the LSE collapsed, if we can

believe the proponents of the merger, the TSX would be operated virtually independently from here, and the net results of the operations of the TSX would be contributed to this holdco parent that, yes, would be controlled in London. So what?

Mr. Jon Aikman: Here's the "what": I would suggest that we do care about this because that kind of a structure will not protect us. You're talking about a holding company and an operating company structure. That is exactly the structure that occurred in Lehman Brothers. When the Lehman Brothers holding company went bankrupt, that had major implications for Lehman Brothers International (Europe), which also filed for bankruptcy. It had a devastating impact.

Mr. Peter Shurman: Walk us through that. Let's suppose that that holdco has incredible pressures on it because you've got a financial crisis in Europe, and very specifically, in the UK. Canada, at that point, from an independent perspective, is operating: The mining companies are functional, the exchange has listings, people are buying and selling. Yes, there's an impact from the rest of the world. But what pressures are going to be applied on an "independently operated" TSX as a result of this crisis on the other side of the ocean?

Mr. Jon Aikman: The pressure on the TSX may come from strategic decisions that are made by the holding company. In my personal experience, it has been that the holding company plays a very significant role in the operations that are expanded or the operations that are minimized.

The second issue would be the funding requirements for the operating company. If you're looking at a similar scenario—I can only touch on some of these issues.

What I would suggest is needed is a thorough stress-testing and a scenario analysis of your best-case scenario, your worst-case scenario and where you think you may play out. I would suggest that will reveal more risks associated with this deal than simply coming up with a bipartisan review by some people who have a vested interest on one side and some people who have a vested interest on the other.

The two sources of strain that could come out of the distress of the holding company would be in terms of the financial resources that were drained away, potentially, from the TSX. If the TMX Group independent operating structure is doing very well, that could drain liquidity away from them to fund the holding parent company. That is exactly the same scenario that you saw with Lehman Brothers.

The Chair (Hon. Gerry Phillips): I think we're going to have to move on, Mr. Shurman. Sorry about that.

Mr. Aikman, thank you very much for being here. We appreciate it. Thanks for the advice.

ROTMAN SCHOOL OF MANAGEMENT,
UNIVERSITY OF TORONTO

The Chair (Hon. Gerry Phillips): Mr. Martin is next, from the Rotman School of Management. I think you

know we've got 20 minutes; 15 minutes, if possible. If you would state your name, just so we get that in the record. Thank you very much for being here.

Mr. Roger Martin: Sure. My name is Roger Martin. I'm dean of the Rotman School of Management at the University of Toronto. I'll try to be very brief today. We've got lots of time for questions, and I'll try not to overlap with what you've heard before.

I think the perspective I'd like to provide, in hopes that it's helpful, is to put this in a broader context of what's happening here and what this is part of. I'd say what's happening in the world—in the developed world in particular—is that we are moving from a world in which there are three kinds of large companies in every country to two kinds of large companies in every country.

What were the three kinds that we've traditionally had in our country and others? One is national franchises, companies that operate either entirely or mainly in one country. TMX would be a perfect example. Molson and Labatt would be other examples. La Senza would be another example, Zellers, companies like that.

A second kind of company is the local operations of home-based multinationals, so a RIM or a Magna would be examples of that. A third type of company would be the local operations of foreign multinationals: Honda Canada, Bayer Canada, IBM Canada, companies like that.

Each major economy has had those three kinds of companies. The first kind of company is slowly but surely disappearing. That is part of globalization, that that kind of company is disappearing. Why are they disappearing? It's because the global companies can do more with the assets of these companies, so they can afford to pay more for them.

Now, is that a totally happy occurrence, and something that nobody should worry about? No. I think it's good that you're spending time thinking about that. But one thing I'm not keen on is Canadians somehow thinking that this is about us. If you Google—and I encourage you do it—just Google “hollowing out,” and what you'll see is the Australians think they're being hollowed out, the Kiwis think they're being hollowed out, the Koreans think they're being hollowed out, the Japanese think they're being hollowed out, the Germans think they're being hollowed out, the French think—everybody thinks they're being hollowed out. Why? They're all paying attention to that national franchise kind of company and they are disappearing, here and everywhere.

The question then is, what's the job of a government in that world? I'd say the key job of the Ontario government is to make sure we're doing everything we can to ensure that our home-based companies that have global aspirations can do that and globalize, and to ensure that Ontario, as a jurisdiction, is a great place for foreign multinationals to put high-paying jobs and important activities. Right? Because those are the two things that are going to underpin every developed economy as time goes forward, and those are the two most important jobs

that you, as a sitting government, can pay attention to in this era. Is it to try to stop national franchise companies from being part of the global wave that's happening? I would argue no, I don't think that's actually a terribly useful role. Is it to make sure you've got a great environment for business? Absolutely. Should you worry about how securities are regulated in this province, how securities are traded in this province, that regulatory framework? Absolutely, because that matters. But I don't think it's actually an important job of yours at all to try to prevent national franchises from being purchased.

I think the important rule that that brings about—and I'm very interested, Mr. Bisson, in your view, because you're the only person other than me who I've ever heard have this view, so thank you. That is that we should be thinking, first—

Mr. Gilles Bisson: Now you know what it's like to be in a minority.

Mr. Roger Martin: Yes, there you go. You and I can hang. You can even become a dismal scientist like me—

Interjection.

Mr. Roger Martin: —and that is, what environment do you need to produce for the success of our local companies as they globalize, to be the case? It's exactly what Mr. Bisson said, and that is reciprocity. We shouldn't have allowed Vale to buy Inco, because there is no reciprocity. He's absolutely right. If the shoe was on the other foot it wouldn't have happened. We turned down Potash for exactly the wrong reasons. Net benefit is a terrible criteria. It should have been reciprocity. Australia will not let anybody buy BHP; we should not let them buy Potash. But the British, happily—not happily—allowed us to buy Reuters, our very own Thomson bought Reuters and our Canadian Pension Plan Investment Board and Onex bought Tomkins. There is reciprocity on that front. It would be a shame to enforce something other than reciprocity in this case.

0950

I'm not going to go over all the arguments. You've heard about what has to be done on the regulatory front. We should make sure that we have important jobs here in this merged entity, because that's one of your two jobs. One of your two jobs is to make sure that foreign-owned local operations are encouraged to have high-paying, important jobs; I encourage all of that. But I think it would be a horrible mistake to attempt to keep this Canadian-owned for the sake of Canadian ownership. I think you won't have a TMX of any consequence 10 or 15 years from now if that were the case—and it's not going to be; I understand that. That's not going to be the case.

Those would be my thoughts.

The Chair (Hon. Gerry Phillips): Thank you very much. We actually have close to 15 minutes—

Mr. Roger Martin: I told you I'd be brief.

The Chair (Hon. Gerry Phillips): —for each caucus. We'll begin with Mr. Arthurs.

Mr. Wayne Arthurs: I only have a couple of comments, and I'll just take a second or so.

I've been thinking, in the last couple of days, about a microcosm of—a little player, the little town of Pickering, back when I was the mayor. The story is that at that time, I had aspirations to do a merger on the hydro front, when it was opened up, with our neighbours in Ajax.

The consequence of that was that we were going to be a 53% or 54% owner and they were going to be 47%, because of the size. We couldn't put a deal together because our neighbours were afraid that we were taking them over, until we found a third partner in that instance. It happened to be the little town of Clarington, which took on about 11%, which drew us down to about 47% or something.

Mr. Roger Martin: And they liked that better?

Mr. Wayne Arthurs: We didn't have control of the board and all those kinds of things. I've been thinking about that as we've gone through this process, and thinking about Italy, London, Toronto and globalization. The TMX might be 45% going in, but the reality is, maybe somewhere in this globalized movement down the road, they'll be 30%, because there will be another player.

For me, at least, in the discussion—and I'd be interested in your comments—the issue of control being something more than 50% seems to be a bit of a non-starter, because it's not looking down the road somewhere. That's one comment I have.

The second one I would have for you is, the TMX is unlike a Molson, as a national franchise, I guess. I think it's unlike a Molson in that it influences the entire financial marketplace in Canada. For that reason, I would think we should be looking at it differently, instead of saying we're going to have to give it up anyway because it's happening elsewhere and the whole of that's occurring. I think we need to give it more thought and have more insight in that regard because of its consequences to the overall financial marketplace than we would to a Zellers or a Molson, as much as I love my Molson.

Mr. Roger Martin: Fair enough. I would agree.

I'm perhaps the only person here who comes from a smaller town than you. I come from Wallenstein, which I think is even smaller than Pickering.

I do think that there will be an ongoing consolidation in this industry. You've undoubtedly heard from other people who have studied this industry on a regular basis. There's a massive global consolidation of the traditional bourses, in large part because of alternative trading systems, of which we have Alpha here. I think you've heard from Alpha already, or are going to hear from Alpha.

Because of that, what we've got is a market that's trying to deal with taking traditional players, of which the TMX—the TSE and LSE are among the traditional players competing with new, technology-enabled, lower-cost players and industry consortia like Alpha. Because of that, as in most industries that face new forms of competition, the existing players are going to consolidate. I'd almost be willing to bet the mortgage on the notion

that this will be part of a succession of moves, and that will probably be the case.

Undoubtedly, the Italians are feeling just that, right? They had five versus three directors—or maybe they had a different number—but they've got three directors of a smaller group.

I think, in structuring it, it's important to be thinking through what the next steps are, absolutely, and saying, "Are we protected for the next steps?"

If I can just say, on the second part of your question, on the importance, yes: Even though some people would disagree and say Molson is much more important than anything—I'm being facetious—I would agree. But on this front, I really do think it's important for us, if we want to be really clear and careful about this, to separate out the entity that trades stocks from the entity that regulates the trading of stocks. You and your Ontario Securities Commission are going to continue to regulate how it's done and the rules by which that is, and you give up zero authority on that. So I do think that will be really important.

Regulatory policy regarding the securities industry is unbelievably important and will continue to be important and, in my view, will be unchanged by this. If you do that separation, then I think the importance of the ownership of this gets put in a more proper light. Is it not consequential? No. Would I, in my most romantic side, wish that globalization wouldn't happen so we can continue to have all the entities that I like a lot? Yes. But would I want to give up all the things that we've gotten as benefits from globalization? No. What I'm saying is, being careful to separate out those two issues, and then thinking carefully about what we'd want to have put in place on the ownership front, I think makes this a doable task.

The Chair (Hon. Gerry Phillips): I'm afraid we're going to have to move on. Sorry.

Mr. Klees.

Mr. Frank Klees: Thank you, Mr. Martin. So you see this proposed transaction as part of a natural evolution and not something to be arbitrarily halted in its path. You have some concerns.

You're familiar with the agreement, I'm assuming. If you could write into that agreement some specific amendments that you feel would protect those areas, be they regulatory or otherwise, what would some of those amendments be?

Mr. Roger Martin: It's a good question. One thing I'd have to say, since I'm not a party to this and not inside, so I don't have a detailed understanding of those conditions, is that what I have heard and read makes me think that our folks at this end have done a really good job. That's the way I think about it.

The division of responsibilities and the way that our exchanges are going to continue to be run seem right. The positioning of Canadians—TMXers—in important roles seems right. The one thing that I might consider doing is maybe lengthening some of the provisions—again, I'm not an expert on the terms of the deal—that the structures will be guaranteed for four years. Four

years is kind of an okay period, but four years is a time where, if you were being bloody-minded and nasty, you could say, “I’ll wait this out,” whereas if it were six or seven years, you’d say, “You know what? I’ve got to make this work.” There might be something on that front.

On the governance, though, on this issue of the board, board seats and the like, my caution for legislators would be that the most important thing you can do—the most important thing—is to help create a structure that will make the TMX operations healthy and thriving. So if we put too many entanglements in that damage the ability of the TMX’s exchanges across the country to compete well because they’ve got this massive bureaucracy and they can’t do what they really want to do, they’ll just die. It’s as simple as that: They’ll die.

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Other things like Alpha will gain share, so the best thing for Alpha would be for you to tie up the TMX as much as humanly possible. They’d be happy because they would get way more share. But if those important exchanges kind of die in Montreal, Toronto and whatever, things will shift elsewhere. Trading will shift elsewhere.

I would say I’m not fussed at all about the board seat distribution or who has control. What you need is an LSE/TMX that succeeds wonderfully. We’re betting on that, and that will be absolutely great for Canada—absolutely great for Ontario, but absolutely great for Canada. “Take care on that front” would be my thought.

Mr. Frank Klees: So you’re satisfied with the explanation that the market will look after that, that once this merger happens of this holding company, then whoever the directors are will have as their primary interest the success of that business?

Mr. Roger Martin: From that entity, yes.

Mr. Frank Klees: And they have the fiduciary responsibility, then, to provide the direction to achieve that success?

Mr. Roger Martin: That would be my view, yes. That would be a good statement of my view.

Mr. Frank Klees: I think Mr. Shurman has—

The Chair (Hon. Gerry Phillips): You have about one minute.

Mr. Peter Shurman: Okay. I’d like you to simply comment on the effect of—I’ll use the word “optics”—on this whole transaction.

Mr. Roger Martin: Well, as I say, I think in all countries—this is why I say to go Google “hollowing out.” All countries around the world think they’re uniquely being hollowed out by the rest of the world. I have sort of a conservation-of-matter approach to this. It’s sort of like, if there are hollowees, there must be hollowers, and if everybody is a hollowee, how can there be hollowers?

Mr. Gilles Bisson: There are fewer hollowers than hollowees.

Mr. Roger Martin: Maybe.

Mr. Peter Shurman: So we’re going to become hollowed ground?

Mr. Roger Martin: Very good.

I think everybody is nervous because it’s about change, so the optics of this are, “We’re losing our stock exchange. Isn’t that a terrible thing?” Well, for starters, we’re losing one of our exchanges, if you want to put it that way. It’s no longer the only one; we have other Canadian exchanges, as it turns out.

To me, it’s about change. That’s worrisome, and I think the duty of the people in this room is to ask the question, “What’s good for Ontario?” And what’s good for Ontario, I would argue, is making sure it’s a great jurisdiction for locally based globalizing companies and a great jurisdiction for the local operations of foreign companies. If you stick to that as your rules of engagement, I think you’ll make the right choices.

Mr. Peter Shurman: Gee, if I had any more time, I’d ask you if we’re doing that, but I won’t.

Mr. Roger Martin: Whew.

The Chair (Hon. Gerry Phillips): Thank you. Mr. Bisson.

Mr. Gilles Bisson: Thank you for the compliment, but we’re probably going to disagree on a few things here.

Mr. Roger Martin: That could be, but that’s okay.

Mr. Gilles Bisson: I hear what you’re saying, and the job of government and the job of all, I guess, is to try to find economic opportunities for the citizens through jobs and investments. We get that. And yes, if there’s a larger pool of capital, obviously, there’s going to be a greater ability to raise money. We get that too.

But two things: One is, the AIM market, as you know, is not as—how would I say?—it’s easier to list the stock there. It’s much easier to put up a fraudulent mining stock on AIM that would probably never pass the sniff test here in Toronto. Is there a danger that we could end up sort of worldwide, but specifically for us as Canada, because we’re the premier mining community in the world, putting ourselves in a position where, all of a sudden, mining stocks get a bad name, thus affecting the listings on the TSX?

Mr. Roger Martin: I think it’s a concern. I’m less worried about that, maybe, than some for a couple of reasons. One is, AIM hasn’t succeeded.

Mr. Gilles Bisson: Well, that’s why they want the TSX.

Mr. Roger Martin: Certainly in part, although I think it’s more—

Mr. Gilles Bisson: It’s more than that, but this is a big part of it.

Mr. Roger Martin: Yes, a piece of it—and there is more research now. My academic colleagues in finance are doing research that is showing the benefit to companies of listing in, if you will, a harshly regulated jurisdiction from a security standpoint, and I think companies have figured that out: The short-term pain of having to go through tough prospectuses and whatever is actually worth it to them. So there’s not sort of a market failure problem here—

Mr. Gilles Bisson: I understand that, but it’s more for the investor. Somebody will list on AIM who can’t get on the TSX, and if the investors get burned, we end up with

a Bre-X again. That's not good. For a generation, people don't want to invest their money.

Let me get to the other point where we kind of agree. That is on the issue of foreign companies taking over Canadian companies without attaching some conditions and without—I never can say the word.

Mr. Roger Martin: Reciprocity.

Mr. Gilles Bisson: I can say it in French; I can't say it in English. Don't ask me why.

But the issue is this: For example, in the copper business, we had a refinery smelter in Timmins. That's what the game is in mining. If you can have a refinery smelter somewhere, that's where the dollars are made: on the refining end. Effectively, we allowed a multinational to control our natural resources by shutting down that refinery smelter in Timmins. What we end up with is more and more of our natural resources eventually being exported out of Canada and processed in some jurisdiction—

Mr. Roger Martin: At a lower value added, yeah.

Mr. Gilles Bisson: —where there's a larger environmental footprint, because standards may be lesser. I know they are lesser in most cases. At the end of the day, who the hell does that serve here in Canada?

You said, "I don't want to muck up by putting conditions in the agreement," but what I've learned in the mining industry is that if you don't put conditions in the agreement, at the end of the day, the national and provincial interests aren't protected.

Mr. Roger Martin: I think we have no disagreement on that. I think about it as a little Venn diagram: You've got regulations that you would want and regulations that will make the entity strong, and you've got to try and make sure you focus on the intersection of those two.

I'm not a mining expert, and I didn't like the way we handled the Vale Inco thing, but I'm not an expert on what would have had to be done. But I wouldn't be surprised if we could have found a way there to get the best of both worlds.

Mr. Gilles Bisson: Bringing in the foreign capital is not the problem; it's what that foreign capital does to you and your own national interests. That's the problem.

Mr. Roger Martin: You are absolutely right. That's one thing. We've done some really good research on this. People have a view that these foreign operations are not good for Canada, but it turns out that foreign-owned companies give as much to charity as local companies. They pay as much for professional services.

Mr. Gilles Bisson: Come to northern Ontario. It was a lot easier when you knocked on the mine manager's door, and it was somebody from your community—when it was Noranda—than it is today.

Mr. Roger Martin: That's the romantic part. That having been said, I think it is very possible for governments to figure out that win-win, and that's what I think we should be doing here. Fortunately, it feels to me as though the company, in its negotiations, has done a lot of that work already.

Mr. Gilles Bisson: Last question, because I think we're running out of time. Would it make more sense for us to buy out the LSE to protect our national interest and to make sure that we do have control over what happens in our own backyard? The first question is, should we be looking at inverting the takeover—because this is a takeover; this is not a merger, in my view. The second question is, would the UK government agree?

Mr. Roger Martin: I wouldn't be surprised if they would; they've showed an inclination, too. I think in this case the larger market cap operation is buying the smaller market cap. That's sort of the rules.

Mr. Gilles Bisson: Listen, Conrad Black started from somewhere, and we saw where he ended up.

Mr. Roger Martin: Yes.

The Chair (Hon. Gerry Phillips): I think we've taken up our time. Mr. Martin, thank you very much for being here, and thank you for your advice. We appreciate it.

Mr. Roger Martin: My pleasure. Thank you for all the great questions. I appreciate it.

The Chair (Hon. Gerry Phillips): We're just about to adjourn.

The clerk tells me that I think tomorrow we get a list of all those that have requested to appear. Right now it looks like we have 12. Do you think the OSC will be on Wednesday?

The Clerk of the Committee (Mr. Trevor Day): With the numbers we have right now, if we don't get any more between today and tomorrow at noon, with everything packed in, we should be able to finish up on Wednesday the 9th. If we get any more, we'll spill into Thursday morning. Again, if we get way more, then it's Thursday afternoon. But this is what we're attempting to do.

We're looking, at this time, to send an invitation to the OSC as per the subcommittee, and we'd be looking to see them Wednesday at noon, if it's amenable to them.

Mr. Wayne Arthurs: Chair, what did we conclude on the OSC? For all the members—

Mr. Gilles Bisson: We agreed.

Mr. Wayne Arthurs: I know we agreed. An hour—how do we divide the time up? Is it 20 to a half an hour?

The Clerk of the Committee (Mr. Trevor Day): I think it would be up to 20 minutes for the presentation. The remaining time in the hour will be split three ways for questions from committee members.

The Chair (Hon. Gerry Phillips): Mr. Klees?

Mr. Frank Klees: With regard to the invitation to the OSC, I'd ask that we include in our letter of invitation to them a request that they specifically be prepared to address a point that was made again this morning, but it was made a number of times over the last number of presentations. In the presentation that we had from the Council of Canadians, on page 2, the bottom paragraph there, they make the statement, "Approving the merger of the LSE and TMX Group will threaten our ability to continue to regulate our financial markets in the public interest." I would just be interested in having the OSC

specifically address that and be prepared to discuss it with us.

Mr. Gilles Bisson: I think it's a very bad practice for the committee to try to get somebody to prepare their presentation on what we might believe politically. We have an opportunity to ask those questions in the rotation. I think that's where that is more properly served. Otherwise, I'm going to be asking all kinds of people to respond to whatever it is that I'm interested in. I don't think we should start doing that.

Mr. Frank Klees: I didn't think that was a political issue—

Mr. Gilles Bisson: It's just that I think they've been watching this. My point is this: I'm sure that the OSC is watching this; they're interested because they're active participants. I'm sure they're looking at everything everybody has said, I would assume. They're going to come and give their view as to the pros and cons of what they see about this deal. If you have concerns, which I have as well, it's up to us to ask questions around those concerns, but not ask them to put it into their brief.

The Chair (Hon. Gerry Phillips): Is that okay with you, Mr. Klees? I think you—

Mr. Frank Klees: I know exactly what Mr. Bisson is doing.

Mr. Gilles Bisson: Exactly. Thank you.

The Chair (Hon. Gerry Phillips): Okay. We're going to break very shortly.

One thing I've asked the clerk to do is, as we're doing our report-writing, I think we'll need to be sure that we—because it will have some commercial sensitivity—understand the ground rules for the report-writing. I think, sometime before we begin that work, any advice the clerk has got for us on that—the last thing, I think the subcommittee indicated that at some stage they wouldn't mind the opportunity to give advice to the researchers. I don't know whether there is anything today, any information you need or anything like that for the researchers?

Mr. Frank Klees: As long as it's not political advice.

Mr. Gilles Bisson: They certainly wouldn't take it from me. Don't worry about it, Frank.

The Chair (Hon. Gerry Phillips): All right. With that, we'll now adjourn until noon on Wednesday, March 9. Thank you very much everyone.

The committee adjourned at 1013.

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