

13.2.2 TSX Inc. – Trading of Sustainable Bonds on TSX – Notice of Approval

TSX INC.

NOTICE OF APPROVAL

TRADING OF SUSTAINABLE BONDS ON TSX

In accordance with the Process for the Review and Approval of the Information Contained in Form 21-101F1 and the Exhibits Thereto, the Ontario Securities Commission has approved amendments to the TSX Inc. (“**TSX**”) Rule Book to reflect the trading of sustainable bonds on TSX.

Summary of the Amendments

TSX will be amending the TSX Rule Book and certain TSX marketplace functionality (collectively, the “**Amendments**”) to accommodate trading of sustainable bonds on TSX. The Amendments will entail an expansion of the security types that can be traded on TSX to include sustainable bonds, and ancillary changes to accommodate the Amendments.

TSX reminds its participating organizations that, pursuant to National Instrument 21-101 - *Marketplace Operation*, each participating organization trading the sustainable bonds is obligated to provide to the Investment Industry Regulatory Organization of Canada (“IIROC”), in its capacity as the information processor for debt, accurate and timely information regarding details of each sustainable bond trade executed by or through the participating organization as required by IIROC.

A copy of the Amendments can be found at www.osc.gov.on.ca.

Comments Received

The Amendments were published for comment on June 11, 2020 and four comment letters were received. A summary of the comments submitted, together with TSX’s responses, is attached as Appendix A. TSX thanks the commenters for their feedback.

Effective Date

The Amendments will be effective in the first quarter of 2021, following notice by TSX.

Appendix A Summary of Comments and Responses

List of Commenters:

Joseph A Russo, Managing Partner, JST Capital &
JST Digital Assets

Greg McDonald, TD Securities

The Canadian Advocacy Council of
CFA Societies Canada

Jeff Varey, RBC Dominion Securities Inc.

Capitalized terms used and not otherwise defined in the Notice of Approval shall have the meaning in the Notice of Proposed Amendments and Request For Comments dated June 11, 2020.

Summary of Comments Received	TSX Responses
Three commenters were supportive of posting sustainable bonds for trading on TSX, and noted that the initiative resulted in easy access to sustainable bonds and price transparency.	TSX thanks the commenters for their input.
One commenter asked whether sustainable bonds includes green bonds. Another commenter asked for a definition of sustainable bonds.	As noted in the Request for Comment, sustainable bonds are debt securities where the proceeds are used to fund projects that bring clear environmental and/or socio-economic benefits. There are three types of sustainable bonds at present; green bonds, social bonds and transition bonds. When and if the industry expands the definition of sustainable bonds in the future, TSX may consider posting sustainable bonds within that expanded definition as well.
One commenter asked why bonds issued by corporate issuers are excluded from the initiative (" corporate bonds "). One commenter noted that bonds issued by a wider array of issuers such as corporations should be considered after a reasonable observation period.	TSX would like to remind market participants that TSX continues to be open to list any securities of corporate issuers, including debt securities, subject to specified listing criteria. TSX determined that corporate bonds were not within the scope of this initiative.
One commenter asked for a clearer definition of "quasi-government corporations".	Quasi-government corporations are corporations or enterprises wholly-owned by a government. In Canada, "quasi-government corporations" are often referred to as Crown corporations.
One commenter suggested a more robust framework for posting sustainable bonds, and highlighted the extensive rules that the Luxembourg Stock Exchange (the " LuxSE ") developed with respect to its listed sustainable bonds including having the issuers (i) have a broader external review of the bond performed by an independent third-party, (ii) provide specific ongoing reporting about the intended and actual use of proceeds, (iii) report to investors regarding allocation of proceeds and confirmation that the money raised has in fact been used to fund appropriate projects (or alternatively, indicate whether they intend to do any such reporting), and (iv) indicate if a sustainable bond framework or set of principles was applied, and if so, which one.	While the bonds on LuxSE are listed, the bonds posted for trading on TSX as part of the sustainable bond initiative will not be listed on TSX. As such, the sustainable bonds are not subject to the robust framework applicable to securities listed on TSX. The main goal for TSX under the sustainable bond initiative is to increase the accessibility and transparency of these securities which are already available to Canadian investors. TSX is sensitive to placing regulatory requirements on these bond issuers given that their securities are already available to Canadian investors through other channels. TSX will, however, monitor the progress and success of the sustainable bond initiative, and may determine that a more robust framework is desirable in the future.
One commenter suggested that investor education was important in order for investors to understand the difference between "posting for trading" and "listing on TSX".	TSX will include education as part of its marketing campaign for sustainable bonds.
One commenter noted that trading sustainable bonds in both a visible auction market and an OTC market simultaneously may present a challenge for dealers in satisfying their best	While TSX endeavors to improve its clients' experience, best execution is not a requirement within the jurisdiction of TSX. Interpretation and guidance on a dealer's best execution

<i>Summary of Comments Received</i>	<i>TSX Responses</i>
<p>execution obligations, and requested the TSX coordinate further regulatory guidance on satisfying best execution requirements.</p>	<p>obligation is the jurisdiction of IIROC and members of the Canadian Securities Administrators. TSX confirms that the sustainable bonds posted for trading will not be products listed on TSX. TSX notes that IIROC has provided guidance to dealer members regarding the best execution obligation and fair pricing standards that can be found here: https://www.iiroc.ca/Documents/2017/1b8dfd31-462d-4a5d-8bdb-3cc2605b9d2c_en.pdf</p>