CASGRAIN

Member of the Investment Industry Regulatory Organization of Canada

March 26, 2021

VIA EMAIL

Mr. Wayne S. M. Ralph
Chief Operating Officer
CDS Clearing and Depository Services Inc.
100 Adelaide Street West
Toronto, ON M5H 1S3

RE: CDS' Revised Proposal to its initially Proposed significant Changes to Eliminates CDS Fee rebates & Network Connectivity Fees ("The Revised Proposal")

Dear Wayne,

Firstly, Casgrain & Company Limited ("Casgrain or We") appreciates the opportunity to comment on CDS' Revised Proposal. While the Revised Proposal addresses some of our concerns, our main concern remains the permanent elimination of the 50/50 rebate fee. As mentioned in our prior comment letter, Casgrain is one of the firms that will benefit from a fee decrease. However, we reiterate that accepting the permanent elimination of the rebate fee is not a laudable option and would be detrimental for CDS participants in the long-run. The 2021 rebate was the highest since the Maple transaction. We recognize that industry market activity in the next few years may not reach the level seen in 2020, but based on historical data, market activity has grown since 2012 and should be expected to continue to grow over a long-term horizon surpassing 2020 levels. Accepting the 50/50 rebate fee elimination would mean that CDS participant would forfeit that growth forever.

We understand that it is reasonable to ask CDS participants to participate in the funding of its PTM project, however we do not think that participants should be committed to fund the project in its entirety, nor all of its ongoing future technology upgrades on a permanent basis. We have no objection to eliminating what is known in the industry as "the additional rebate". However, as mentioned, we are in disagreement in regards to eliminating the 50/50 rebate fees permanently. As a compromise, CDS, its participants members as well as CSA participants may consider changing the CDS Fee model rebates by adjusting the annual revenue on clearing and other core services that serve as the starting point to trigger the payment of the rebate fee to a higher level of annual revenue. Adjusting the CDS revenue basis to reflect current revenue levels (ex. CDS last three years of revenue) would not only be more representative than 2012 figures, but would also allow CDS participants to share in the funding of the PTM project and any ongoing future technology investment without forfeiting the benefit of future market growth while permitting TMX to continue earning an appropriate rate of return over the years.

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Alternatively, should the elimination of the 50/50 rebates receive regulatory approval, we suggest that at implementation of the PTM project, the elimination of 50/50 rebates be phased out over a period of 4 years, where in year one, 100% of the rebate would be paid, in year two, 75% and so on, until full elimination.

We thank you once again for allowing us the opportunity to provide comments on CDS' Revised Proposal. Should you require additional information, please do not hesitate to contact us.

Sincerely yours,

André Zanga, ~~FCPA~~, FCA
Vice-President, Chief Financial Officer &
Chief Compliance Officer

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CC:
- Me Philippe Lebel – Autorité des marchés financiers
- Manager, Market Regulation, Ontario Securities Commission
- Mr. Michael Brady, Acting Manager, Market & SRO Oversight, British Columbia Securities Commission

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