



# Securities Transfer Association of Canada

**William J. Speirs**  
President

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**Sent via email:** [tsxrequestforcomments@tsx.com](mailto:tsxrequestforcomments@tsx.com)

Catherine De Giusti  
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Dear Ms. De Giusti:

**Re: Public Consultation on Requirements Respecting Customized Share Certificates (May 21, 2015)  
("Public Consultation")**

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Further to our June 25, 2015 letter on the Public Consultation, the Securities Transfer Association of Canada ("STAC") would like to take this opportunity to provide some additional comments in connection with the subject of dematerialization of securities and our proposal for the TMX to mandate the availability of the Direct Registration System ("DRS") as a listing requirement.

The Depository Trust Company ("DTC") has been holding ongoing stakeholder meetings to move dematerialization forward in the United States. It is our understanding that NYSE and NASDAQ will be shortly issuing their rule filings to mandate DRS for newly listed issuers, with some limited exceptions. This move toward fully dematerialized securities for new listings is a considerable step toward the elimination of physical certificates.

Although we understand that various legislative requirements in Canada prevent certain issuers from moving to a fully dematerialized register, with no certificates being available, we strongly believe that Canada needs to take the first step of mandating DRS as a listing requirement, thereby providing choice to investors. This move in the United States is further evidence of the global trend toward dematerialization of security ownership, and another indication of the need for Canada to take steps to keep up-to-date with other countries. Many of the largest issuers on the Toronto Stock Exchange are also inter-listed on one of the exchanges in the United States, so this will not be a new or revolutionary

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concept to them. We note that most other major international markets are also either already fully dematerialized or are making substantive progress in that direction.

To reiterate the information in our previous response, participation in electronic recordkeeping offers several advantages to issuers and their securityholders, including:

- Increased flexibility and timeliness of share administration and transfer, which is even more relevant given the recent announcement regarding the proposed timeline for a T+2 settlement cycle in the United States and Canada, with implementation by the end of Q3 2017;
- The elimination of administrative costs and risks associated with storing and moving paper certificates;
- The elimination of the risk and insurance costs associated with lost or stolen certificates;
- Fast and secure processing of transactions between the investor and their agent.

There are also added benefits for the Canadian marketplace, as industry-mandated DRS:

- Paves the way for further steps towards dematerialization of the Canadian securities environment, such as by making DRS the default for all investors unless they specifically request a certificate;
- Will position Canada to participate in growing international trends toward dematerialization, reduction of settlement periods, and straight through processing.

We continue to believe that requiring all Canadian listed issuers to make DRS available is a vital step in enhancing the efficiency of the Canadian markets for the benefit of all stakeholders. Securityholders and issuers are demanding the option of more modern, secure and cost-efficient methods of security ownership, and the Canadian and global markets are moving toward a reduced reliance on paper. STAC believes that DRS is a solution to meet both of these demands, yet still allow issuers to maintain a registered shareholder base. Our members are in a position to support the implementation of a DRS mandatory listing requirement with little or no development or changes to our existing processes.

Thank you for the opportunity to provide our additional comments on this topic. If necessary, we would be pleased to provide any additional information on DRS you may require.

Yours truly,



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