

# Backgrounder Document d'information



Ministry of Finance

Ministère des Finances

May 29, 2003

## **EVES GOVERNMENT IS ENHANCING INVESTOR CONFIDENCE IN FAIR AND EFFICIENT FINANCIAL MARKETS**

The Ontario government is committed to maintaining timely and effective securities laws while protecting investor confidence and the integrity of Ontario's capital markets.

In 2000, an independent committee was established to review laws administered by the Ontario Securities Commission (OSC). The committee examined issues such as clarifying the regulatory structure, and increasing the authority of the OSC. Ontario's *Securities Act* requires that Ontario's securities laws be reviewed every five years. The report released today is the first five-year review.

The Eves government has already taken important steps based on the committee's interim report, all of which the committee strongly supports in its final recommendations. They were enacted in the *Budget Measures Act 2002*, and proclaimed in April 2003, making Ontario's system the toughest in Canada. The provisions now in effect include:

- maximum court fines for general offences have been raised to \$5 million from \$1 million and maximum prison terms have been increased to five years less a day from two years
- new rule-making powers for the OSC to hold CEOs and CFOs accountable for their company's financial statements and to ensure that audit committees of the boards of directors of public companies play an appropriate role in ensuring the integrity of those financial statements
- new powers for the OSC to impose fines for securities violations and to order offenders to give up their ill-gotten gains
- stronger powers for the OSC to review the information that public companies disclose to investors
- proposals in this spring's Budget legislation, *The Right Choices Act (Budget Measures), 2003*, would allow the government to provide broader rights for secondary market investors to sue companies that make misleading or untrue statements or fail to give full and timely information.

The Eves government has already met one of the recommendations of the Committee. A Memorandum of Understanding between the OSC and the Ministry of Finance has been concluded and will be published on the OSC web site as suggested in the Final Report of the Five Year Review Committee.

The government understands that the OSC is acting on the rule-making powers given to it by the *Budget Measures Act, 2002*, and it is anticipated that the commission will be publishing proposed rules for comment very shortly on the functions and responsibilities of audit committees of public companies and on the certification of financial statements by public company executives.

The Ontario *Securities Act* requires that once the Minister tables the report, the Minister is to direct it to a committee for review, consultation and report back on suggested changes to the *Securities Act* and other recommendations. Given the importance of protecting investors and maintaining efficient markets, the government will move to strike a select committee of the Legislative Assembly and report back to the government in the fall.

### **Recommendation Highlights from Final Report**

- Securities regulation in Canada must be sensitive to the nature of our capital markets and the participants in it, the large proportion of small issuers and the significant number of companies with controlling shareholders. A one-size-fits-all approach may not work in all instances in Canada;
- The committee supports a single national securities regulator and recommends continuing to harmonize securities regulation across Canada;
- The committee recommends that the government and the OSC review the current structure of the OSC as a multi-function agency that performs both regulatory and adjudicative functions.
- Streamline registration requirements for securities dealers and other participants in our capital markets.
- The committee supports the proposals to extend to investors in secondary markets the right to sue for misleading or inadequate disclosure. The committee also recommends that the OSC look at changes that would ensure that the rights of all investors are more consistent.
- Further recommendations would provide new remedies for investors (i.e. to go to court directly for an order for restitution or compensation) and a number of new enforcement powers for the OSC and the courts.

### **Committee Members**

The Committee was chaired by Purdy Crawford, Q.C., counsel to Osler, Hoskin & Harcourt and former Chair of Imasco Limited. Other committee members are Carol Hansell, a partner with Davies, Ward & Beck; William Riedl, former president and CEO of Fairvest Securities Corporation; Helen Sinclair, CEO of Bank Works Trading Inc.; David Wilson, co-chairman and co-CEO at Scotia Capital; and Susan Wolburgh Jenah, OSC general counsel.