

June 9, 2000

Mr. Purdy Crawford
Chair
Securities Review Advisory Committee
Osler, Hoskin & Harcourt
Box 50
1 First Canadian Place
Toronto, Ontario
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Dear Mr. Crawford:

I thank you for the opportunity to provide comments to the Securities Review Advisory Committee, in response to the request published in the April 28, 2000 Ontario Securities Commission Bulletin.

In the last few years, the Canadian Securities Administrators have made great strides in developing the Canadian Securities Regulatory System. The CSA is continually looking for opportunities to co-ordinate the development of securities regulatory policy as well as streamlining the way in which market participants interact with securities regulators, whether through new electronic filing systems or through the development of our mutual reliance initiatives. The CSA's initiatives recognize the changes that have taken place in the Canadian capital market, and indeed the world markets, where borders have become meaningless and securities markets have become global.

In today's environment, any of the recommendations developed by the Committee in relation to matters dealt with by the Ontario Securities Commission will have implications for all Canadian securities regulators. Securities regulation cannot be developed in isolation and I believe that it is important for the Committee to take this fact into consideration when developing its recommendations and preparing its draft report. I very much look forward to the recommendations of the Committee and to working closely with the Ontario Securities Commission as it considers the Committee's report.

In the meantime, I would like to offer some thoughts of a general nature for the Committee's consideration as it begins its work.

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The impact of regulatory harmonization and globalization trends is addressed briefly in paragraphs 32 and 33 of the Issues List and Commentary and Additional Questions issued as part of the Committee's Request for Comment. These paragraphs deal mainly with the mechanism by which the securities regulators cooperate to streamline the review of documents filed under securities legislation, such as prospectuses, annual information forms and continuous disclosure documents. They do not discuss the mechanism for harmonizing securities regulatory policy. This is an area that requires further streamlining. I am sending you a copy of a letter to David Brown suggesting changes to remove impediments in the Ontario rule making process whose removal would improve considerably the flexibility and speed with which the members of the CSA can make rules.

To make the Canadian securities regulatory system more flexible and the securities regulators better equipped to deal with regulatory issues quickly, I support examining closely the concept outlined in paragraph 2 of your Issues List. Securities legislation should set out broad regulatory principles, leaving detailed requirements to commission rules.

A regulatory framework based on this concept, together with a streamlined rule-making process, would considerably improve our ability deal with regulatory issues in a timely and effective way. It would also allow the regulators to implement new initiatives such as the Integrated Disclosure System in a much more straightforward manner. IDS, for example, could be implemented through a set of rules that set out the requirements of the new system instead of through a convoluted structure designed to exempt issuers from requirements of the statute that are inconsistent with the IDS approach.

It is also important to consider the Canadian securities regulatory system in view of the globalization of the securities markets and the predominance of the U.S. capital markets. It is clear that for the Canadian capital markets to maintain any relevance and significance in today's world markets, the Canadian securities regulatory system must offer some distinct advantages to market participants over its U.S. counterpart. The challenge will be to provide these advantages while continuing to protect investors and maintaining the public interest.

The BCSC believes that some of the other issues Canadian securities regulators should be dealing with in the foreseeable future include the issues relating to the regulation of registrants, including the issue of the shift from "trade execution" to "advice giving", and the issues relating to self-regulatory organizations and other market intermediaries described in the Issues List and Commentary and Additional Questions.

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I trust that these thoughts are helpful to the Committee as it starts its deliberations. I would be pleased to discuss these matters with you or the members of your Committee and look forward to receiving a copy of your draft report in due course.

Yours truly,

Douglas M. Hyndman
Chair

cc: CSA Chairs