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June 16, 2000

Purdy Crawford Q.C.
Chair, Securities Review Advisory Committee
c/o Osler, Hoskin & Harcourt LLP
Barristers and Solicitors
Box 50, 1 First Canadian Place
Toronto, Ontario M5X 1B8

Dear Mr. Crawford:

Re: Five Year Review of Ontario's Securities Legislation

Thank-you for your letter dated April 28, 2000 seeking our comments on the Ontario Securities Commission's (OSC) Five-Year Review of Securities Legislation. We agree with your view that there must be compelling public policy reasons to justify regulation and that where regulation is necessary, self-regulation is in many instances desirable. We believe that the regulatory objective should be to strive to maintain Ontario as an attractive place to invest by fostering a securities market which not only provides investment opportunities and access to capital but also high standards of investor protection.

GENERAL COMMENTS

The Securities Review Advisory Committee (the "Committee") has highlighted a broad range of issues for comment in the Issues List. While we agree with and support some of the issues identified in this List, we do not intend to repeat comments made by us previously either to the OSC or to the Canadian Securities Administrators (CSA) unless the issue is of significant concern.

SPECIFIC COMMENTS

We offer the following specific comments based on some of the questions raised in the Issues List.

TIERED HOLDING

We are submitting a separate detailed response (attached as an appendix) to the issues raised concerning the Tiered Holding System. We believe that the Tiered Holding System issue deserves to be accorded the highest priority in view of its impact both on domestic laws governing securities holdings and also on the international competitiveness of Canadian financial institutions. Canadian laws should provide a clear and certain legal foundation for the indirect holding system and should recognize “security entitlements” as a form of property interest. We believe that there is an urgent need for work to be done by the OSC towards developing a set of Canadian rules in this area.

REGULATION OF REGISTRANTS

We do not believe that it is necessary to regulate the activities of equity research analysts and other market participants of that type.

ELIMINATION OF THE UNIVERSAL REGISTRATION CONCEPT

We believe that there is no public benefit flowing from the concept of universal registration, given the costs that are imposed both on regulators and market intermediaries. Accordingly, we submit that this concept be eliminated.

RECIPROCITY FOR REGISTRANTS

On the issue of reciprocity for registrants in the International Dealer/International Advisor category, we believe that the laws of Ontario should not be more stringent than the laws in other jurisdictions.

SELF REGULATORY ORGANIZATIONS (SROs)

We agree with the Commission’s approach of looking to SROs to provide effective regulation in certain areas. We believe that the most valuable and useful part of the SRO structure is that SROs are composed of industry representatives and we would not want to see this aspect of the structure lost. Given the industry input that SROs provide, we propose that the SROs be given even greater power.

There seems to be duplication and some confusion around the roles of the SROs and the Commission. For instance, the IDA rules requiring the reporting of changes and the OSC rule 33-503 “Change of Registration Information” is an example of inconsistent and duplicative regulation. Needless to say, every effort should be made to eliminate areas of duplication.

CONTINUOUS DISCLOSURE OBLIGATIONS

With respect to item 19, we refer you to our attached submission dated September 21, 1998 on the proposed amendments to implement a statutory civil liability regime in connection with continuous disclosure in the secondary market. The comments in that letter address most of the questions asked by the Committee in item 19.

MATERIALITY

The issue of materiality is extremely important and we believe that disclosure should focus on significant items. If the volume of information disclosed increases, focus on the main issues can very easily be lost.

FINANCIAL DISCLOSURE

Our members support the harmonization of Canadian and US accounting standards and are also in favour of the eventual harmonization with international accounting standards.

SELECTIVE DISCLOSURE

It should be recognized that there is already sufficient regulation concerning selective disclosure through securities legislation and regulations, and the guidelines and policies of The Toronto Stock Exchange. Therefore, we do not believe that further regulation is necessary.

MUTUAL FUNDS

We feel that issues such as mutual fund governance should be dealt with by the CSA so that there is uniformity across Canada. It is our understanding that a report on mutual fund governance has been prepared and forwarded to the regulators. We have not seen this report and, therefore, we wish to reserve our comments until the commissioned report is released publicly.

We do not believe that fund managers should either be regulated or be required to be registered since the function performed by them is basically administrative in nature.

We are, moreover, not in favour of additional reform in the area relating to the distribution of investment funds as we believe that there is already too much regulation in this area.

NEED FOR REVIEW OF FUND OF FUNDS

There is an urgent need for a review of fund of funds structures. Currently, the OSC appears to be taking policy positions in the prospectus review process without public input. While this issue has been outstanding for years, the OSC has so far been imposing requirements on these structures without an appropriate review and public discussion - essentially creating rules without the proper regulatory process.

PRINCIPLES OF REGULATION

The Principles of Regulation are a key concern needing immediate attention. Although this is being considered by the CSA we wish to emphasize in the strongest of terms that this matter is an absolute priority for our members.

TRANSPARENCY

We believe that transparency is important both in terms of the market and the regulation of the market. Too often, in our view, the exercise of discretion by the regulators in response to applications from market participants and registrants is done without adequate transparency. It is, of course, important to preserve confidentiality regarding the specific entities involved or the particulars of the business or other arrangement that is at the core of the request for relief or other exercise of discretion. At the same time, we believe that the market should be aware of situations where the regulator is prepared to exercise its discretion, without the need to wait for the publication of formal policy papers.

IMPACT OF REGULATORY HARMONIZATION

We are in favour of increased regulatory harmonization. We believe that a national system of securities regulation is the preferred approach. We also believe that if market participants are forced to deal with thirteen different regulators, it will be cumbersome to effect policy changes seamlessly. We reiterate our belief that there should be a single national regulator for securities in Canada. Until that day arrives, however, we agree that the OSC should pursue harmonized regulatory standards with the other members of the CSA with a view to streamlining regulatory processes for market participants.

IMPACT OF TECHNOLOGY

We commend the Commission on its initiative in NI 11-201 "Delivery of Documents by Electronic Means". We observe that the Commission acted in a timely and effective way to meet the challenges before it. As the use of technology is moving at an accelerating pace, we urge the OSC to continue to stay on top of these changes so that everyone can benefit.

In closing, we support your commitment to consult with market participants regarding matters within the Committee's mandate. We are encouraged by the OSC's commitment to develop and implement new initiatives to improve the communication process and strengthen relationships with stakeholders and seek their input in connection with the review of legislation, regulations and rules.

We would be pleased to have further dialogue with the Committee on these and other issues. Please feel free to contact us at anytime if we can assist you or your staff.

Yours very truly,