



October 3, 2002

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Five Year Review Committee
c/o Purdy Crawford, Chair
Osler, Hoskins & Harcourt LLP
Barristers and Solicitors
Box 50, 1 First Canadian Place
Toronto ON M5X 1B8

Dear Mr. Crawford:

Thank you for the opportunity to provide comments on the Draft Report of the Five Year Review Committee, as published in May 2002. I apologize for the delay in responding. There is one specific issue in the Draft Report which I feel compelled to comment on in detail. The Report states “the urgent need for a single Canadian securities regulator ... is the most pressing securities regulation issue in Ontario and across Canada.” I strongly disagree with this statement.

Proponents of national regulation believe it will reduce the cost of regulation and bring us a system that is simpler and easier to comply with. To the extent that it would eliminate differences in law and interpretation and eliminate multiple decision makers, a national commission would no doubt have some positive effect. However, I am not convinced it will reduce compliance costs and regulatory burden significantly.

Over the past 10 years, provincial regulators have worked together to bring about substantial uniformity in securities regulation through national instruments and mutual reliance systems that allow market participants to deal with a single regulator in many areas. Despite this strong drive towards uniformity, the volume of regulations has increased by 65% and most of this increase is attributable to the number and complexity of new national instruments. The British Columbia Securities Commission (BCSC) informs me that companies responding to a recent survey it conducted indicated they spend over 80% of their compliance time and money on areas that are already well harmonized.

In my view, the most urgent need for the Canadian markets is to attack the problem of over-regulation — the complexity and restrictiveness of regulation. For example, I am advised that a substantially harmonized prospectus system already exists and prospectuses are cleared through the mutual reliance system, and that there is arguably

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[Salutation]

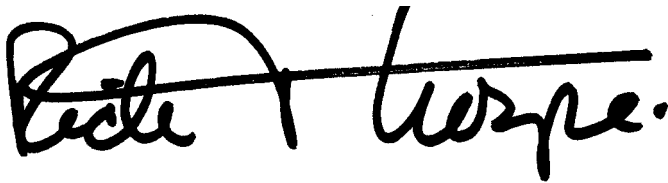
little opportunity to reduce the costs of raising capital by addressing the few minor items that are not uniform. On the other hand, replacing the current prospectus system with a continuous disclosure regime would likely reduce the time it takes for companies to get to market by up to 70%, and reduce Initial Public Offering disclosure costs by 15% - 50%, depending on the size of the company.

As you are no doubt aware, on October 1, 2001, the BCSC launched a two-year project to streamline and simplify securities legislation, rules and policies in this province. The goals of the project, approved by the British Columbia government, are to establish a regulatory system that imposes on the securities industry the minimum regulatory burden consistent with the protection of investors and market integrity. On June 5, 2002 the BCSC released for comment formal proposals for reform of securities laws. As it finalizes development of its high level proposals, the BCSC will be undertaking a detailed review of all regulatory requirements with a view to eliminating those that are no longer needed and streamlining those that remain. Ultimately, British Columbia will be in a position to adopt a more focused set of regulatory requirements that is easier to understand and comply with and better achieves the goals of investor protection and market integrity.

British Columbia could implement the proposals unilaterally to make the province's regulation more efficient and our market more competitive. However, it would be better for the proposals to be adopted more broadly, to provide greater benefits for all Canadian businesses and investors. I strongly encourage you to include in your final report a recommendation that Ontario make a real commitment to the type of streamlining and simplification that we are undertaking in British Columbia.

I trust that these comments will prove helpful to the Committee and look forward to receiving a copy of your final report in due course.

Yours truly,

A handwritten signature in black ink that reads "Rick Thorpe". The signature is written in a cursive, flowing style with a large initial "R" and a long horizontal stroke extending across the middle of the name.

Rick Thorpe
Minister

cc: Honourable Janet Ecker
Minister of Finance
Province of Ontario

Honourable Greg Halsey-Brandt
Minister of State - Intergovernmental Relations

Douglas Hyndman, Chair, BC Securities Commission

[Salutation]