

September 18, 2000

**SENT BY COURIER**

British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Securities Commission  
The Manitoba Securities Commission  
Ontario Securities Commission  
Office of the Administrator, New Brunswick  
Registrar of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Yukon Territory  
Registrar of Securities, Nunavut

c/o John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West  
Suite 800, Box 55  
Toronto, Ontario M5H 3S8

-and-

Claude St. Pierre, Secrétaire  
Commission des valeurs mobilières du Québec  
800 Victoria Square  
Stock Exchange Tower  
P.O. Box 246, 23rd Floor  
Montréal, Québec H4Z 1G3

Dear Sirs/Mesdames:

**Proposed National Instrument 55-102: "System for Electronic Data on Insiders (SEDI)"**

This letter is submitted in response to the publication in the August 16<sup>th</sup>, 2000 OSCB of Proposed National Instrument 55-102 "System for Electronic Data on Insiders (SEDI)" ("NI55-102 or SEDI"). As requested this submission is being submitted in duplicate and a diskette containing an electronic copy of this submission is also included.

Our comments are restricted to the requirements of Form 55-102 F2 (the “Form”), and its requirements to disclose transactions in third party derivatives.

1. We note that subsection 107(1) of the *Securities Act* (Ontario) (the “Act”) only requires that a person or company who becomes an insider of a reporting issuer file a report within 10 days of becoming an insider disclosing any direct or indirect beneficial ownership of or control or direction over “securities of the reporting issuer”, and in subsection 2 only requires the insider to file subsequent reports of trades in securities “of the reporting issuer.” We therefore do not believe that the requirement contained in the Form to report transactions in third party derivatives is within the obligations under the Act of insiders to report trades in securities “of the reporting issuer”.
2. The term “derivative security” is not defined in the Form or in NI55-102.
3. We are very concerned by the requirement in paragraph 19 of the Form to specify the expiration date of the derivative security. As at least one of the parties to the derivative transaction likely will be in a position to want to effect their hedge in respect of that transaction on or about the maturity date. To ask the insider to provide the maturity date of the derivative security will provide to the marketplace information which will allow the participants in the marketplace, if they choose, to interfere with the ability of the counterparties to the derivatives transaction to unwind their hedge at the most efficient price possible.

We note that trades in securities of an issuer by an insider are only reported 10 days after the date the trade has occurred; there is therefore no policy requirement which would underscore the necessity of an insider who is reporting a trade in a derivative instrument to also be required to report the maturity or expiration date of that instrument in advance of the instrument’s maturity. Indeed, we would note that upon the maturity of the derivative instrument, should the insider be in a position to settle the instrument by disposing of certain of the insider’s shares of the reporting issuer, the insider will be required to report that disposition within 10 days of the date of the disposition. However, the insider does not need to signal to the investment community the pending sale of securities of the reporting issuer.

We therefore recommend that, should the authority for requiring insiders to report trades in third party derivative instruments be established, insiders be required to report, within 10 days of entering into the derivative transaction, the fact they have entered into the derivative transaction and the number of shares the transaction represents, but that insiders not be required to in advance provide the maturity date or price at which the transaction is being struck.

We trust the foregoing is of assistance to you and your consideration of NI55-102 and the Form. If you have any questions or comments please feel free to contact Steven Smith at 416-862-6547, Randall Pratt at 416-862-5908, Ward Sellers at 416-862-4226 or Janet Salter at 416-862-5886.

Yours very truly,

OSLER, HOSKIN & HARCOURT LLP

JS:es