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30 May 2003

Mr. John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West, Box 55, 19th Floor
Toronto, Ontario
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Subject:

Comments on Multilateral Instrument 55-103 and Companion Policy 55-103CP
- Insider Reporting for Certain Derivative Transactions (Equity Monetization)

Dear John,

Further to the letter of March 13, 2003 we received from Mr. David Brown, we are providing additional comments on your proposed multilateral instruments.

As we mentioned in our letter to Mr. Brown of February 28, 2003, we support your proposal to require disclosure of stock hedges by insiders.

As compensation consultants, we frequently design equity-based compensation programs that are designed to tie executives to the company's stock and, thus, to the shareholder experience. This equity exposure is typically a fundamental objective of the plans we design. While we understand the portfolio diversification, risk and financial security needs of the individual executives that cause executives to hedge their positions, such hedging defeats one of the central objectives of these plans. Similarly, we encourage our clients to adopt share ownership guidelines and disclose executives' progress in achieving the required ownership levels; again, undisclosed hedging leaves shareholders unaware of the true extent of the executive's exposure to the stock.

Initial awards and payouts under compensation programs are disclosed in management information circulars. Any subsequent outright sales of stock are also disclosed via insider trading reporting. By extension, it seems reasonable that transactions that have the effect of reducing an individual's exposure to the company's stock should also be disclosed.

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Under the current proposal, individuals would be required to disclose any hedging instruments outstanding on the date the instrument becomes effective. This would effectively require disclosure of instruments established when the need to disclose was less clear (although we understand the CSA's position that it was always the intent, perhaps not explicitly stated, that transactions of this nature be disclosed). We agree with the argument that indefinite failure to disclose existing arrangements can result in a misleading representation of an individual's true exposure to the stock.

The proposal does not contain an effective date. We would suggest that to the extent that the instrument will apply to all instruments outstanding at the effective date, sufficient time be provided prior to the effective date to allow individuals to unwind their hedging arrangements, if they so desire. We would suggest that the effective date be at least 6 months after the date the final rule is published.

We trust that these comments are useful to you in finalising the rule. Please contact me at 416-868-2902 or Rosemary Cooke at 416-868-2169 if you would like to discuss any further.

Sincerely,

Ken Hugessen

Copy:

Mr. David A. Brown, Q.C.