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May 30, 2003

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
Department of Government Services and Lands, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon
Registrar of Securities, Nunavut
c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario M5H 3S8

Dear Sirs:

Re: Proposed Multilateral Instrument 55-103 – Insider Reporting for Certain Derivative Transactions (Equity Monetizations)

Ontario Teachers' Pension Plan ("Teachers'"), with net assets as of December 31, 2002 of $66.2 billion, invests to secure the retirement income of 154,000 elementary and secondary school teachers and 89,000 retired teachers. Teachers' is one of Canada's largest institutional investors, with significant equity and debt investments in many Canadian reporting issuers.

We have reviewed proposed Multilateral Instrument 55-103 – Insider Reporting for Certain Derivative Transactions (Equity Monetizations) ("MI 55-103") from our perspective as an active institutional investor that reviews and relies on the accuracy and timeliness of others' insider reporting, that is obliged from time to time to file its own insider reports concerning substantial investments, and that invests in a wide variety of securities and financial instruments involving numerous investment strategies.

We are generally in favour of MI 55-103 and we agree with the CSA that timely public disclosure of equity monetization transactions is necessary in order to enhance the integrity of, and public confidence in, the Canadian insider reporting regime.

We have the following specific comments on MI 55-103:

1. Section 2.1 provides that an insider report must be filed when an insider "enters into an agreement, arrangement or understanding" altering the insider's economic exposure to (or interest in) the reporting issuer (or its securities). Section 3.1 provides that the report must disclose the "existence and material terms of the agreement, arrangement or understanding". We believe that disclosure of entering into an agreement, arrangement or understanding will not be adequate, alone, to achieve the objective of ensuring that insider transactions with a similar economic effect to insider trading activities are fully transparent. A previously reported agreement, arrangement or understanding can be terminated or unwound, or its material terms can be amended in a material way. MI 55-103 would not require such terminations or amendments to be disclosed, even though they would change the insider's true economic position in the issuer. Not requiring disclosure of terminations of, or material amendments to, transactions that were disclosed under MI 55-103 when entered into could in fact materially mislead investors, and could prohibit an insider from presenting to the investor community an accurate report of its position. **We believe that section 2.1 should be expanded to also require reporting of the termination of, or material amendments to, reported agreements, arrangements or understandings altering the insider's economic exposure to (or interest in) the reporting issuer (or its securities), so long as the reporting insider remains an insider.**

2. Paragraph 2.2(b)(i) provides an exemption from the insider reporting requirement for derivative transactions effected by way of compensation arrangements that "are, or are required to be, described in" an issuer's annual audited financial statements or other mandatory filings under Canadian securities legislation or stock exchange rules. We believe that providing an exemption when compensation arrangements will be disclosed in an issuer's annual financial statements or other filings, at some date after the arrangements come into effect, would lead to situations where the insider's publicly reported holdings do not reflect the insider's true economic position in the issuer for a lengthy period. An issuer's annual statements or filings disclosing the compensation arrangements may not be available for over twelve months after the compensation arrangements have taken effect.

However, in our view, the words “are required to be” can be interpreted as allowing for derivative transactions to be exempt altogether from insider reporting requirements because the compensation arrangements in question are required, at some date in the future, to be described in the issuer’s statements or filings. We believe that this could create inappropriate delays in disclosure and an unwarranted difference between the standards of reporting required of employee insiders and other insiders. An exemption from disclosing an employee insider’s derivative transactions, simply because the issuer would later be required to disclose the compensation arrangements in question, is inconsistent with the objectives of MI 55-103. Unlike paragraph 2.2(b)(ii), paragraph 2.2(b)(i) addresses circumstances in which a discrete investment decision is being made by the employee insider. The concerns cited in the Companion Policy relating to harm to investors and the integrity of the insider reporting regime could all arise: misleading public reporting of insider positions, impaired market efficiency, and the increased possibility of insiders improperly profiting from material undisclosed information. The apparent justification for the exemption contemplated by paragraph 2.2(b)(i) is premised on investors having access to adequate disclosure concerning the compensation arrangements in question, but that access is necessarily unavailable until the disclosure has been made. **We believe that the words “or are required to be” should be deleted from paragraph 2.2(b)(i). If the intended meaning of these words is something other than addressing the issuer’s future statements or filings, we believe that the drafting should be clarified to be more specific as to the intended meaning.** An exemption of the type contemplated in paragraph 2.2(b)(i) should only be available if the compensation arrangements in question are currently disclosed.

3. **If an insider is unaware that its economic exposure to the reporting issuer (or interest in its securities) has altered in particular circumstances, there should not be a requirement for the insider to file a report under MI 55-103, so long as the insider remains unaware of the alteration.** We can foresee circumstances where an insider may be unaware that an otherwise reportable event has occurred, given the broad definition of “economic exposure” and the lack of any materiality standard in section 2.1 (the reporting requirement is triggered by any alteration to the insider’s position, whether or not material to the insider’s position). For example, if an insider invests in units of an investment fund that does not provide the insider with full reporting of the fund’s positions and transactions on a current basis, the insider cannot make an assessment of whether the fund includes securities of the relevant reporting issuer as a material component. We believe that this proposed limitation on the reporting requirements is warranted because to

require otherwise would be to impose a standard on insiders that cannot be met (given that knowledge of the reportable event is unavailable to the insider until notice is received), because alterations carried out without the knowledge of the insider cannot be understood to indicate the views of the insider on an issuer's prospects, and because insiders will otherwise be dissuaded from investing in many indirect arrangements such as investment funds (except for investment funds willing to provide investors with full reporting of positions and transactions on a current basis, which is the case with very few funds).

If you have any questions concerning these comments, please contact me directly.

Yours truly,

Michael Padfield
Legal Counsel, Investments

CC: Claude Lamoureux, President and Chief Executive Officer