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Alberta Securities Commission
Saskatchewan Financial Services Commission,
Securities Division
Manitoba Securities Commission
Ontario Securities Commission
Commission des valeurs mobilières du Québec
Nova Scotia Securities Commission
Securities Administration Branch, New Brunswick
Office of the Attorney General, Prince Edward Island
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice,
Government of the Northwest Territories
Registrar of Securities, Legal Registries Division, Department
of Justice, Government of Nunavut

c/o John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, ON M5H 3S8

c/o Denise Brosseau
Secretary
Commission des valeurs mobilières de Québec
Tour de la Bourse
800, square Victoria
C.P. 246, 22e étage
Montréal, QC H4Z 1G3

Dear Securities Regulatory Authorities:

Thank you for the opportunity to comment on the Proposed Investor Confidence Rules. You will find our detailed comments on each of the proposed instruments in a separate document called “Annex: Proposed Investor Confidence Rules”.

As you will see in our detailed annex, we are generally supportive of and certainly in accord with the objective of ensuring that investors, in Canada and elsewhere, can have confidence in the integrity of our market and the quality of Canadian issuers. Indeed, we believe that they have good reason to believe in

the quality of our market compared to others. Several international studies on governance, most recently the Governance Metrics Inc. survey of governance in 49 countries, put us at or near the top in this area.

Before turning to the specifics of the instruments, we would like to highlight the application of these instruments to smaller reporting issuers. We recognize and applaud the proposal to exempt TSX Venture Exchange issuers from certain aspects of Proposed Multilateral Instrument 52-110 *Audit Committees*. We believe, however, that exemptions from various aspects of each of the Proposed Multilateral Instruments 52-108 and 52-110 should be considered for small non-TSX Venture Exchange issuers as well. We suggest, then, that the CSA monitor the effect of these on such issuers on a cost/benefit basis.

Proposed Multilateral Instrument 52-108 *Auditor Oversight*

We believe that Canada's public accounting oversight regime currently operates under a high degree of supervision and oversight that may not be present in other jurisdictions. Based on this, and our understanding of the importance of Canada not being viewed as having a less stringent review of public accounting with respect to its capital markets, we believe that the Canadian Public Accountability Board ("CPAB") mandate should complement and enhance the existing regime.

Accordingly, TSX Group supports the CPAB's efforts "to promote high quality external audits of reporting issuers". However, more detailed disclosure is needed with respect to exactly what will or will not be in CPAB's mandate. A few examples are: will CPAB be investigating complaints, how will the sanction process operate, will CPAB be providing comments on accounting and assurance standards? We also believe that the omission of detailed requirements and procedures for both the application process and participation agreement in the proposed auditor oversight rules is significant. Further details for each are required in order to properly review them and provide substantive comments, and ultimately, to properly disclose to both accounting firms and issuers what they will be expected to comply with.

We also have concerns on the impact the proposed auditor oversight rules will have on small reporting issuers, who are an important part of Canadian capital markets. In addition to added costs from an additional layer of regulation, smaller accounting firms with few public issuer clients may choose not to enter participation agreements with CPAB given that it would not add value to the majority of their private issuer clients. As such, the smaller public issuers may have to seek out new accounting firms at a potentially higher cost to represent them. We suggest the exemption of all TSX Venture Exchange issuers from the requirement that all reporting issuers must retain auditors by a participating auditing firm in good standing with the CPAB.

Proposed Multilateral Instrument 52-109 *Certification of Disclosure in Companies' Annual and Interim Filings*

With respect to the proposed certification rules, we support any initiative that will strengthen current corporate and securities laws in the enforcement of misrepresentations in our capital markets.

We support certification, even as it relates to smaller TSX reporting issuers and TSX Venture Exchange issuers. As drafted, the proposals do not prescribe the degree or complexity of the policies and procedures that must make up an issuer's internal controls or its disclosure controls. As such, smaller issuers should be able to use their discretion to determine the appropriate level of such controls based on their size, nature of business and size of operations.

Proposed Multilateral Instrument 52-110 *Audit Committees*

On the matter of audit committees, TSX Group clearly shares your assessment of the importance of such committees to good corporate governance. We also support implementing certain guiding principles for audit committees.

We believe that the proposed definition of independence is appropriate as it is principles based, which goes to the heart of the issue of measuring an audit committee member's freedom in being able to challenge management's decisions. However, deeming provisions alone cannot capture all potential conflicts of interest or non-independent relationships. We recommend that the proposed deeming provisions currently set out should instead be presented as guidelines for boards of directors when assessing the independence of a particular director. The underlying principle to be used by the issuer's board of directors, should be an assessment of whether a particular relationship would impair that person's ability to use independent judgment in carrying out their audit committee office.

In particular, we believe that the "cooling off" period should also be viewed as a guideline, rather than a definitive period for each relationship. In any event, we suggest that the three year cooling off period currently proposed is too long and should be abbreviated to one year.

We also ask you to consider our recommendations for issuers as they relate to the definition of independent directors for controlled companies. We believe that where both the ownership of equity and voting securities are controlled by the same person or entity, such person or entity should not be precluded from acting as an independent member of the audit committee of the controlled issuer. Such person is often in the most advantageous position to be able to act in the best interests of the issuer.

We support the exemption of venture issuers from certain parts of the proposed audit committee rules and believe that this exemption is appropriate. We agree with the statement in the commentary to the proposed instrument that it may be

difficult or impossible for many small issuers to comply with the independence and financial literacy requirements as proposed. However, and as indicated above, we believe that this exemption should be considered for smaller non-venture issuers listed on TSX.

Please let us know if you would like additional comments.

Sincerely,

ANNEX
Detailed Comments to Proposed Investor Confidence Rules

The following are comments from TSX Group on certain aspects of:

- Proposed Multilateral Instrument 52-108 *Auditor Oversight* ("MI 52-108" or the "Auditor Oversight Rules"),
- Proposed Multilateral Instrument 52-109 *Certification of Disclosure in Companies' Annual and Interim Filings* ("MI 52-109" or the "Certification Rules"), and
- Proposed Multilateral Instrument 52-110 *Audit Committees* ("MI 52-110" or the "Audit Committee Rules") (collectively, the "Proposed Investor Confidence Rules").

We have not attempted to comment on each of the areas addressed in the Proposed Investor Confidence Rules and have limited our comments to those which are of particular concern to issuers listed on TSX and TSX Venture Exchange, collectively referred to below as "the Exchanges".

Proposed Multilateral Instrument 52-108 *Auditor Oversight*

General Comments

General

We understand the importance of Canada not being viewed as having a less stringent review of public accounting with respect to its capital markets. However, given that Canada's current public accounting regime consists of oversight by several bodies such as the Accounting Standards Oversight Council ("ACSOC"), the provincial accounting organizations and the Canadian Institute of Chartered Accountants ("CICA"), we believe that our regime already has a high degree of supervision and oversight that may not be present in other jurisdictions who do not have a similar regime. Consequently, the Canadian Public Accountability Board's ("CPAB") mandate should complement and enhance the existing regime.

Auditing Function

The mandate of CPAB is "to promote high quality external audits of reporting issuers" through the use of an oversight program "that includes regular and rigorous inspections of the auditors of Canada's public companies". As such, the ultimate role and function of CPAB is that of a national "auditor" of accounting firms who audit reporting issuers – this role should be made more clear. The CPAB should clearly state what is and what is not in their mandate. For example, it should be clear from the Auditor Oversight Rules that the CPAB will not be investigating complaints made to the CPAB.

We also question the additional value from another layer of regulation by CPAB for accounting firms and accountants in Canada, particularly given that accounting firms and accountants are already regulated by the rules and standards set by the CICA, the

accounting and auditing oversight councils, such as ACSOC, and the provincial accounting organizations.

Small Reporting Issuers

We have concerns on behalf of smaller reporting issuers (venture issuers and non-venture issuers) who usually do not retain large, national accounting firms to complete their auditing. For example, will the smaller accounting firms be required to meet the same standard on internal control review required of the large, national accounting firms? A perceived added layer of regulation, particularly for smaller accounting firms, will ultimately result in added costs being passed on to reporting issuers who retain them. Further, the smaller accounting firms with few public issuer clients may choose not to enter in to participation agreements with CPAB given that it would not add value to the majority of their private issuer clients, and as such, the smaller public issuers may have to seek out new accounting firms to represent them. To this end, there may be a smaller pool of accounting firms available to public issuers, which may indirectly increase auditing costs for such issuers.

Application Process and Participation Agreement

We have concerns over the “application process” and the “participation agreement”, both of which appear to be at the complete discretion of CPAB. As stated in the commentary to MI 52-108, “any firm seeking to participate in the CPAB Oversight Program must demonstrate its suitability in its application…Once a public accounting firm’s application is approved, it will have to enter into a participating agreement agreeing to abide by all of the provisions of the by-laws and rules and regulations of the CPAB…”.

The conditions for acceptance of such “application” are not set out in either MI 52-108 or in section 11.4 of the CPAB by-laws, which set out the application process requirement. As well, no terms and conditions or requirements of the participating agreement have been set out in MI 52-108 or in section 11.5 of the CPAB by-laws, which sets out the participation agreement requirement. Given that the participation agreement will be a major commitment by an accounting firm, a standardized form of agreement should also be available for comment. Although the substance of both the application process and the participation agreement are set out in brief, the means for both are not set out sufficiently.

The omission of detailed requirements and procedures for both the application process and participation agreement in the Auditor Oversight Rules is significant. Further details for each are required in order to properly review them and provide substantive comments, and ultimately, to properly disclose to both accounting firms and issuers what they will be expected to comply with.

Sanctions

With respect to sanctions which may be imposed by CPAB, CPAB should disclose what its due process will be before it imposes sanctions on an accounting firm. This should include what would occur should an accounting firm wish to challenge a CPAB decision. For example, would a challenge be made through the court system? What elements of this due process will be disclosed?

Accounting and Assurance Standards

On the issue of standards, if CPAB is going to provide comments and recommendations on accounting and assurance standards and governance practices, CPAB's mandate should state clearly whether it will publish such comments. We believe such comments should be published.

It is also unclear if CPAB will be working with provincial accounting organizations to inspect accounting firms, and if so, how? Also, will CPAB will seek any special status for disclosure of, and/or intervening in, the discipline processes of provincial accounting organizations?

Venture Issuers

We suggest the exemption of all venture issuers from section 2.3 of MI 52-108, based on our comments as described above and particularly since venture issuers are exempt from parts of the Audit Committee Rules in MI 52-110. We suggest that venture issuers be required to disclose, whether or not their financial statements have been prepared and/or audited by a CPAB registered accounting firm, and if not, include an explanation as to why.

We also suggest that the CSA monitor the effect of MI 52-108 on smaller non-venture issuers on a cost/benefit basis.

CPAB Disclosure

In the spirit of ensuring a high degree of transparency, we suggest that the CPAB implement a public disclosure regime similar to that of a senior Canadian public issuer. The CPAB should commit to provide disclosure in its annual report of audited financial statements and MD&A, particularly in order to reflect the allocation of equitable costs and the CPAB's initial and ongoing expenditures, as well as a comparison of actual expenditures of the CPAB to forecasts previously disclosed.

Request for Comments

Part 1: Requirement to participate in the CPAB Oversight Program

Do you agree that public accounting firms in foreign jurisdictions should be required to participate in the CPAB Oversight Program? If not, what other alternatives should be considered? For example, should a public accounting firm based outside Canada that is subject to oversight by a comparable body in a foreign jurisdiction, such as the PCAOB, be treated differently?

There would appear to be unnecessary duplication where an accounting firm in a foreign jurisdiction with similar oversight rules is required to participate in both its home jurisdiction oversight rules and those of the CPAB. Although an exemption to the section 2.3 requirement for issuers is being provided to SEC issuers and designated foreign issuers, foreign accounting firms auditing such issuers are still required to comply with section 2.1, which requires entering into a participation agreement and being subject to CPAB oversight. As such, the exemption under section 2.3 to foreign issuers does not have any real benefit to issuers, since their accounting firm will still be required to comply. Where an accounting firm is subject to oversight equivalent to the CPAB, they should not be required to be subject to similar oversight in Canada.

Part 3: Reporting sanctions and/or defects with quality control systems

Do you think that five business days is an appropriate length of time for a public accounting firm to provide notice to its audit clients? Do you agree that an audit firm should only be required to provide notice to its audit clients when it fails to address defects within the time period prescribed by the CPAB? Are there other more effective means of having information about sanctions or restrictions communicated? For example, should the CPAB disclose to the public on a timely basis any sanctions or restrictions it imposes on a public accounting firm?

In the event that sanctions are imposed on a public accounting firm by the CPAB, notice of such sanctions should be provided by the accounting firm to its clients immediately. The five day notice period proposed in MI 52-108 is inappropriate and is unnecessarily lengthy. In addition, the CPAB should disclose promptly to the public a statement announcing that it is has imposed such sanctions or restrictions on a particular public accounting firm, and the details relating to such sanctions or restrictions.

Proposed Multilateral Instrument 52-109 *Certification of Disclosure in Companies' Annual and Interim Filings*

General Comments

Certification and Liability

Although we are supportive of the Certification Rules initiative, we do not believe that the Certification Rules add significant additional liability in the event of misrepresentation than what is currently available under corporate and securities laws in Canada. Currently, officers of a reporting issuer have a legal duty to ensure that the

reporting issuer's disclosure, including financial disclosure, is not false or misleading. The Certification Rules may be helpful however, in assisting in the enforcement of penalties for such misrepresentation.

In addition, although the commentary to MI 52-109 makes several references to "personal liability" of the signing officers to the certificates, such liability may be unclear based on the form of certification set out in Forms 51-109F1 and F2. The forms, in their opening preamble, require that the officer, in addition to stating their name and the name of the issuer, also state their position or office with the issuer. This may be confusing as it could appear that the officer is certifying the certificate in and on behalf of his or her position or office with the issuer.

Request for Comments

Part 1: Representations

Do you agree that the proposed one-year transition period is appropriate?

A transition period is necessary, particularly given the level of controls the reporting issuer must implement, if not already in place. A minimum of a one year transition period is appropriate.

In our view, because the second and third representations are knowledge-based, it is necessary not only to require CEOs and CFOs to certify (i) the accuracy and fairness of their issuer's filings (representations 2 and 3) but also to require them to certify (ii) as to the informational foundation upon which these representations are based (representations 4 through 6). Do you believe it is appropriate to include representations 4 through 6?

It would be difficult for a CEO or CFO to make representations 2 and 3 without having satisfied, at least to themselves at a minimum, that representations 4 through 6 have been met. Without representations 4 through 6, it would be also be difficult to enforce the certification to representations 2 and 3 as there would likely be many potential defences and justifications raised by the CEO and CFO to explain any failure to comply.

Do you think that there is reason to differentiate between smaller and larger issuers? For example, is there any reason to exclude representations 4 through 6 with regard to smaller issuers?

For the same reasons that a transition period is necessary in order for reporting issuers to implement the necessary controls to allow for proper certification, smaller issuers may experience more difficulty, particularly in terms of cost and time, implementing such controls. However, since the Certification Rules do not prescribe the degree or complexity of policies or procedures that must make up an issuer's internal controls or its disclosure controls and procedures, smaller issuers can use their discretion to

determine the appropriate level of such controls based on their size, nature of business and size of operations.

Part 4: Exemptions

Do you think that the exemption in section 4.1, as currently drafted, will have the effect of discouraging issuers that prepare their financial statements in accordance with U.S. GAAP from preparing and filing Canadian GAAP financial statements?

It would be unlikely for a reporting issuer to choose to prepare both a set of financial statements and a reconciliation to such financial statements indefinitely, under both U.S. and Canadian GAAP, unless they are required to do so under the two year reconciliation required by NI 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*. As such, if an issuer has chosen to prepare their financial statements in accordance with U.S. GAAP, they are likely doing so in order to avoid having to prepare them also in accordance in Canadian GAAP.

General: Application to Certain Classes of Reporting Issuers

Should an issuer that is structured such that all or majority of its business is operated through a subsidiary or another issuer of which it materially affects control or direction such as an income trust, be subject to the same certification filing requirements as issuers that offer securities directly to the public?

The certification is required by the CEO and CFO who, in substance and in practice, can properly certify the representation required in the certificates. By implication, the CEO and CFO must be in the position of active management of the actively operating entity. As a result, the certification requirements should apply both to the active entity, whether it be a subsidiary or another issuer which is material controlled or directed by the reporting issuer, and to the reporting issuer.

General: Internal Controls, and Disclosure Controls and Procedures

Should we formally define: (i) internal controls and (ii) disclosure controls and procedures? If so, what should the appropriate definitions be?

The only reference to internal controls and disclosure controls and procedures is found in Forms 51-109F1 and F2. As such, issuers have no guidance in the instrument itself as to what they constitute. Definitions, examples or guidelines of what constitute internal controls and disclosure controls and procedures would assist issuers in their ultimate compliance with the Certification Rules. However such definitions, examples or guidelines should not be restrictive or actual requirements as such controls and procedures will differ based on the size, nature of business and complexity of operations of the issuer.

<u>Proposed Multilateral Instrument 52-110 *Audit Committees*</u>

General Comments

We agree with the assessment of the importance of audit committees and we support the implementation of certain guiding principles for audit committees. However, we believe that by adding additional specific rules for audit committees, the application of such specific rules could, in some circumstances, run afoul of the spirit and intent of the Audit Committee Rules. Specific rules do not necessarily take into account the variety of issuers participating in Canadian capital markets, specifically smaller non-venture issuers and issuers whose equity ownership and voting control are both in the hands of a single person, entity or group.

Request for Comments

Part 3: Composition of Audit Committees – Independence

Independence is defined in subsection 1.4(1) of the Proposed Instrument as the absence of a material relationship between the issuer and the director. Subsection 1.4(2) provides that a material relationship is one that could, in view of the board of directors, reasonably interfere with the exercise of a member's independent judgement. Do you consider this definition of independence appropriate?

The proposed definition of independence is appropriate as it is principles based, which goes to the heart of the issue of measuring an audit committee member's freedom in being able to challenge management's decisions. We believe that the definition of independence itself is sufficient, and that the deeming provisions set out in section 1.4(3) are not necessary. Rather, we suggest that such deeming provisions be presented as guidelines to serve as factors to be considered when a board of directors is making a determination as to whether a particular relationship would interfere with an audit committee member's independent judgment. See also our next comment in paragraph (a).

In light of this, an exception to the independence requirements should be made for arm's length qualifying transactions for capital pool companies (CPC's) and reverse take-over bids of public company shells. In both cases, often the directors and officers of the CPC or shell will continue with the post-transaction/take-over bid entity, but may not meet the definition of independent because of their association with the former CPC/public company shell. Since their former association was not of a managerial role, but rather as a promoter of a non-operating entity, such association should not preclude them from meeting the definition of independent in the post-transaction entity provided all other requirements are met.

Notwithstanding the definition of material relationship in subsection 1.4(2), subsection 1.4(3) deems certain categories of persons to have a material relationship with the

issuer. As a result, these individuals are precluded from serving on the issuer's audit committee.

(a) *Do you think that the categories of precluded persons are appropriate? Are there other categories that should be added?*

Generally, the categories proposed are appropriate. However, further to our comments above, they should be presented as general principles applicable in every case where a non-independent relationship may exist. Categories of predetermined persons or relationships should be in place only as guidelines to assist the board of directors in determining whether a particular relationship could interfere with a member's independent judgment. More specifically, the deeming provision in section 1.4(3)(e) regarding "consulting, advisory or other compensatory fees" is overly broad and should be limited to only those relationships where some type of remuneration was paid or is payable that would impair that person's ability to use independent judgment in carrying out their audit committee office. An alternative test might be a person who accepts, or has accepted, any form of remuneration which, in the opinion of the board of directors' nominating or governance committee, could reasonably interfere with that person's judgement, and the nature of that payment is such that the recipient would be constrained in the exercise of their independent judgment vis a vis the board of directors. One example of a relationship that would be exempt would be remuneration between an issuer customer and a director related supplier in the ordinary course of business, where that relationship is not material to the supplier. Another example is where a university receives an endowment from a public issuer – such endowment, absent other factors, should not prevent a professor of that university from serving as an independent director or audit committee member for the donor public issuer.

The deeming provisions, in and of themselves, do not capture all potential conflicts of interest or non-independent relationships. Therefore, guidelines, rather than specific deeming provisions, would be more expansive in their reach and thus, more effective tools to identify non-independent relationships.

(b) *Certain of the categories reference a "cooling off" period (or a "prescribed period") of up to three years. Is this period appropriate? Is it too long? Too short?*

The "cooling off" period should be viewed as a guideline rather than a definitive period for each relationship. In any event, the three year "cooling off" period is too long and should be abbreviated to one year. For the purposes of an audit committee, one year is sufficient for determining

a person's independence to carry out this office. The three year period will serve to unnecessarily further limit the pool of individuals available to serve on an audit committee. It is also our understanding the Canadian government's conflict of interest rules have deemed that a one year cooling off period is sufficient for their purposes.

(c) *Certain individuals may be precluded from serving on an audit committee as a result of their employment, or the employment of an immediate family member. Should these categories be restricted to individuals earning a minimum monetary amount (i.e. $75,000)?*

Similar to our comment above in paragraph (a), this deeming provision should be set out as a guiding principle to assist in the determination of independence. Specifically, it should be limited where the remuneration paid would remove that person's obligation to use independent judgment in carrying out their audit committee office. We believe that in most cases, the fact that a person, or an immediate family member, is or has been employed by an issuer, would indicate a non-independent relationship. However, if such employment with the issuer is insignificant to that person, or to their immediate family member, such relationship should not remove a person's ability to be independent. The level of significance of the employment remuneration should be measured according to the person who receives, or has received, it.

(d) *Some categories contained in subsection 1.4(3) were derived from U.S. legislation (i.e. SOX), while others were based on the listing requirements of NYSE. Do you believe that all of these categories should be incorporated into the Proposed Instrument, given their differing levels of authority in the U.S.?*

Consistent with our comments above, the categories in section 1.4(3) should not be deeming provisions or definitive relationships, but rather guidelines to assist in the determination of independence.

Do you believe that the exemption in section 3.3 appropriately addresses the concerns of controlling shareholders?

Although we are supportive of the exception provided in section 3.3, we believe that this exception should be expanded in certain circumstances. Where both the ownership of equity and voting securities are controlled by the same person or entity, such person or entity should not be precluded from acting as an independent member of the audit committee of the controlled issuer. In these circumstances, such controlling shareholders' interests are aligned with the best interests of the issuer as a result of that control position. In fact, investors often rely on the participation of such controlling shareholders in making their investment decisions.

Section 1.4 provides that a person who is an affiliate entity of the issuer is not independent of the issuer. Section 1.3 defines an "affiliate entity" in terms of its ability to control, or be controlled by, the issuer, and specifically includes a director of an affiliated entity who is also an employee of the affiliated entity. In light of this, do you believe that the exemption for controlled companies in section 3.3 is necessary?

As stated in our comment above, the exemption for controlled companies in section 3.3 is not only necessary, but should be expanded. For those reasons set out in our comments above, we do not believe that employee directors of an affiliated entity should be precluded from acting as an independent member of the audit committee for the controlling issuer.

In your view, does the definition of financial literacy provide sufficient guidance to allow an issuer to adequately assess a member's compliance with the Proposed Instrument?

The definition of financial literacy provides sufficient guidance for this purpose. The definition provided is guidelines-based, which is an approach we support and recommend throughout the entire Audit Committee Rules.

Part 5 and Form 52-110F1

The Proposed Instrument does not require that every audit committee have an audit committee financial expert. Instead, paragraph 3 of Form 52-110F1 requires that an issuer disclose the identity of the audit committee financial expert(s), if any, that are serving on its audit committee. If an audit committee does not have an audit committee financial expert, an issuer must disclose that fact and explain why…In light of the foregoing, do you believe this disclosure requirement is an appropriate alternative to requiring every audit committee to have an audit committee financial expert? Can you suggest other meaningful ways to encourage issuers to appoint audit committee financial experts to their audit committees?

We agree that this disclosure requirement is an appropriate alternative to requiring every audit committee to have a financial expert.

Part 6: Exemptions for Venture Issuers

[Part 6 exempts venture issuers from Part 3 of the Proposed Instrument.] Do you believe this exemption is appropriate? Should audit committee composition requirements (i.e. independence, financial literacy) be imposed on venture issuers"? If so, should these requirements be the same as for other issuers?

We support the exemption of venture issuers from Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of MI 52-110 and believe that this exemption is appropriate. We agree with the statement in the commentary to MI 52-110 that it may be difficult or impossible for many small issuers to comply with the

independence and financial literacy requirements as proposed. Rather, the alternative disclosure required in Form 52-110F2 for venture issuers is sufficient.

However, we believe that this rationale should also apply to certain non-venture small issuers listed on TSX. Accordingly, we suggest that the CSA monitor the effect of MI 52-110 on these issuers on a cost/benefit basis.