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Dear Members of the Canadian Securities Administrators,

Re: Request for Comments on:

- **Proposed National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“NI 58-101”), and**

- **Proposed National Policy 58-201 *Corporate Governance Guidelines* (“NP 58-201”)** (collectively, the “**Current Proposal**”)

TSX Group Inc. welcomes the opportunity to comment on behalf of both Toronto Stock Exchange (“TSX”) and TSX Venture Exchange (“TSX Venture”) (collectively, the “Exchanges”) on the Current Proposal published by the Canadian Securities Administrators (the “CSA”) on October 29, 2004.

We applaud the national approach taken by the CSA in proposing a single, national policy, setting out “guidelines” for all issuers, and a single national instrument setting out two disclosure requirements based on which stock exchange the issuer is listed. We believe that the Current Proposal sets out a balanced compromise between the proposed Multilateral Policy and Instrument published by certain securities regulators on January 16, 2004 (the “January Proposal”), and the proposed Multilateral Instrument published by the British Columbia, Alberta and Quebec securities commissions on April 23, 2004 (the “April Proposal”).

We are also pleased to see that many of the Exchanges’ recommendations which we provided in our comments to the January and April Proposals have been adopted in the Current Proposal. In fact, the majority of the guidelines in NP 58-201 are largely based on TSX’s current 14 best practice corporate governance guidelines, which have been in place since 1995, as well as on amendments proposed to the guidelines by TSX in 2002.

Given that the Exchanges have historically been leaders in corporate governance oversight in Canada, we have a vested interest in the transition of this oversight from the Exchanges to the securities regulatory authorities, particularly with respect to the ongoing monitoring and enforcement of NI 58-101. In the interest of improving investor confidence in Canadian capital markets, we encourage the CSA to maintain an open dialogue with the Exchanges in order to assist with the transition, and to learn from our experience in this area.

In light of this, we do have some comments relating to the Current Proposal, which we will discuss below.

A Regulatory Requirement

We continue to be concerned that by making corporate governance guidelines and disclosure requirements regulatory requirements, the motivation of issuers to disclose may be based on regulatory compliance rather than on the need to provide meaningful disclosure to investors. In an effort to reduce the risk of compromised quality of disclosure, we believe it is important to educate issuers about the non-prescriptive nature of both NP 58-201 and NI 58-101, during the transition and implementation phases, and on an on-going basis. Issuers should be reminded that although they may feel pressure to comply with the Current Proposal as a regulatory requirement, they should choose a corporate governance regime appropriate to them.

Monitoring and Enforcement

Like the January and April Proposals, the Current Proposal – specifically NI 58-101 - does not specify how the securities regulatory authorities will monitor and undertake reviews of disclosure. It is unclear how many issuers will be reviewed, or the basis, timing and scope of such review. In addition, there is no mention of the consequences for non-compliance.

Further, it is unclear which of the 13 different securities regulatory authorities will be responsible for the monitoring and enforcement of issuers reporting in several jurisdictions. For example, will the Ontario Securities Commission be responsible for monitoring all TSX listed issuers, or will the Alberta Securities Commission be responsible for monitoring those TSX listed issuers whose lead jurisdiction is Alberta?

Independence

While we support the consistency in using the same definition of independence used in Multilateral Instrument 52-110 *Audit Committees* (as proposed to be amended) (the “Audit Committee Instrument”), we recommend that the definition of independence be included in the text of both NI 58-101 and NP 58-201 for ease of reference.

Although we continue to support one meaning of independence for all jurisdictions, we recommend that NI 58-101 be clarified as to when the meaning of independence for directors in British Columbia (“BC”) applies. NI 58-101 should explicitly state that the only occasion when an issuer can assess independence based on the BC meaning of independence is when the issuer is a reporting issuer only in BC and in no other jurisdiction.

Composition of the Board

We are pleased that our recommendations regarding board composition have been adopted in the Current Proposal, particularly the requirement to disclose the boards of other reporting issuers of which a director is a member. However, in NI 58-101, we recommend that issuers also be required to describe the basis for the determination of directors who are identified as independent.

Audit Committee Disclosure

We believe that all corporate governance disclosure requirements should be centralized into one disclosure instrument. While the Audit Committee Instrument sets out the required disclosure for, and composition of, audit committees, disclosure is required in the issuer’s annual information form (“AIF”). There is only a secondary requirement to include in the information circular, cross references to the AIF disclosure when securityholders are meeting to elect directors. Accordingly, we recommend that the

Audit Committee Instrument be amended to require audit committee disclosure in the information circular.

Venture Issuers

The disclosure guidelines for TSX Venture issuers (“Venture issuers”) are appropriate as they highlight the key governance issues for smaller issuers, while not imposing an implied standard on them. This allows Venture issuers to establish structures, committees and processes that are appropriate for their size and stage of development.

The required disclosure will provide investors with material and salient information about Venture issuers’ corporate governance practices, while the guidelines in NP 58-201 provide issuers with standards that they should consider adopting as they evolve into more senior issuers. The instruments taken together provide issuers with guidance and flexibility to adopt appropriate practices as they grow.

One concern with NP 58-201, however, is that the language does not appear to have moved away from “best practices”. There are still many instances of “the board should...” . This lends a prescriptive tone to the instrument that may or may not be intentional, but does not seem consistent with the movement away from the comply or explain model for Venture issuers.

Transition and Education

TSX proposes to amend its current corporate governance rules (as published on October 29, 2004) upon implementation of the Current Proposal so that that issuers will only be required to comply with the new NI 58-101 and follow the guidelines of the new NP 58-201. However, the Exchanges will continue to play an active role in this area in order to maintain the highest quality and standards on the Exchanges. As such, it is critical that the Exchanges work with CSA members to ensure a smooth transition in corporate governance oversight.

We recommend that CSA members issue guidance to issuers as soon as possible regarding the timing of the transition of oversight from the Exchanges to the securities regulators. To date, the Exchanges have received a number of questions from issuers seeking information to assist them in their planning. The Exchanges would be happy to work with the securities regulators to develop and implement education and other programs to assist issuers in this transition.

Thank you for the opportunity to comment on the Current Proposal. Should you wish to discuss them with us in more detail, we would be pleased to respond.

Sincerely,

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