



CANADIAN BANKERS ASSOCIATION

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Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission
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 Mr. John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8

Ms. Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22^e étage
Montréal, Québec H4Z 1G3

Dear Sirs and Madames:

Re: Proposed Amendments to Multilateral Instrument 52-110 Audit Committees

The Canadian Bankers Association appreciates the opportunity to provide comments on the proposed amendments to Multilateral Instrument 52-110 *Audit Committees* (Amendments). We support the objective of the participating Canadian Securities Administrators (CSA) to harmonize the Amendments with the provisions of the U.S. Securities and Exchange Commission (SEC) and the NYSE Listed Company Manual Section 303A.

Our specific comments are as follows:

Additional Independence Requirements

Section 1.5(1)(a) provides that an individual who has a relationship with the issuer pursuant to which the individual may accept directly or indirectly any consulting, advisory or other compensatory fee ... is considered to have a material relationship with the issuer.

The parallel restriction in SEC Exchange Rule 10A-3 section b(1)(ii) provides that in order to be considered to be independent for the purposes of paragraph (b)(1), "a member of an audit committee of a listed issuer...may not...accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer..."

We agree with the SEC's approach, inasmuch as we are of the view that this provision should operate as an independence test, such that the actual receipt of the fee, or entering into of a clear agreement to receive such a fee, itself taints the independence of the individual and not an unspecified relationship with the issuer and the possible receipt of the fee. If such an amendment that aligns the approach set out in the Amendments to that taken by the SEC is not possible at this time, we would ask the CSA to provide clarification that its intended approach as regards the acceptance of fees is the same as the SEC's.

Part 2 Effective Date

Pursuant to section 1.2(3) of proposed National Instrument 58-101 *Disclosure of Corporate Governance Practices* (NI 58-101) the independence definition for board members has been cross-referenced to section 1.4 of the Amendments. Inasmuch as NI 58-101 is subject to a separate comment period than the Amendments, we would recommend that the Amendments come into effect prior to or at the same time as proposed NI 58-101, so as to give effect to the intended definition of independence for board members.

French Version of Multilateral Instrument 52-110 *Audit Committees*

We take this opportunity to draw to your attention a discrepancy between the English and French versions of Multilateral Instrument 52-110. The English version of Part 2, Section 2.4 (b) has the word "and" after the semicolon, but the French version does not. We would ask that this oversight be corrected in the French version.

We appreciate the opportunity to express our views on this matter and would be pleased to answer any questions that you may have in respect of our comments.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Day', written in a cursive style.

RKS