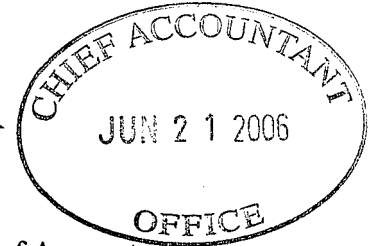




CANADIAN
WESTERN BANK



June 13, 2005

Mr. Fred Snell, Chief Accountant
Alberta Securities Commission
4th Floor, 300 – 5th Avenue SW
Calgary, AB T2P 3C4

Mr. John Carchrae, Chief Accountant
Ontario Securities Commission
P.O. Box 55
20 Queen Street West, Suite 1903
Toronto, ON M5H 3S8

Dear Mr. Snell and Carchrae:

Proposed Multilateral Instrument 52-111 and Companion Policy 52-111CP – Reporting on Internal Control over Financial Reporting (52-111) and Proposed Replacement of Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (52-109)

As the chairman of the Audit Committee and member of the Board of Directors of Canadian Western Bank (CWB or the Bank), I appreciate the opportunity to provide comments on the proposed Multilateral Instruments 52-111 and 52-109.

Canadian Western Bank

Canadian Western Bank is the largest publicly traded (TSX – CWB), Schedule I chartered bank headquartered in Western Canada. CWB offers full service commercial and retail banking services as well as personal and corporate trust services provided through CWB's wholly owned subsidiaries, Canadian Western Trust Company and Valiant Trust Company. We also provide property and casualty insurance directly to individuals in British Columbia and Alberta through our subsidiary Canadian Direct Insurance Incorporated.

The Board of Directors of the Bank is committed to strong and effective corporate governance as we view this attribute as essential to CWB's long-term success. Our governance policies are designed to strengthen the ability of the Board to effectively oversee management activities and enhance shareholder value. The Board continually adapts CWB's governance framework to adopt best practices and meet changing needs. As such, we have been actively monitoring the developments in the marketplace concerning Reporting on Internal Controls over Financial Reporting both in the US and Canada. Although CWB shares are only listed in Canada, we monitor US experience to determine best practices and policies.

In addition, the Board and the Audit Committee, in particular, are committed to:

- Transparent financial reporting;
- Strong internal controls;
- A healthy and interactive relationship with internal and external auditors; and
- A responsive and well-respected regulatory environment.

One of the key factors in the success of CWB's business plan over the last twenty years has been our commitment to serve the needs of each individual customer – we do not believe that “one size fits all”. As we do not believe that one method of service is appropriate for all

customers, we do not believe that the same regulatory requirements are appropriate for all markets.

Observations

Capital Markets

The differences between the US and Canadian public markets have been well documented. In general, Canadian public companies are much smaller in size and larger in number than their US counterparts. We recognize that approximately 60% of the total market capitalization of Canadian public companies is represented by companies inter-listed in the US who therefore already comply with SOX 302 and 404 (with the exception of foreign filers) and are therefore not particularly concerned about the proposals in 52-109 and 52-111. We also understand that non-listed Canadian companies with market capitalization greater than \$500 million (the group required to comply with 52-109 and 52-111 first) represent an additional 30% of the Canadian marketplace. Under the proposals, by the time the first companies must comply with 52-109 and 52-111, 90% of Canada's total market capitalization will comply with either SOX 302 and 404 or 52-109 and 52-111.

SOX Experience

It is our observation that the issuance of SOX 302 and 404 requirements in the US arose as a knee-jerk reaction to well-publicized instances of corporate malfeasance. US companies have had a number of years to comply with the requirements and based on these results, observers have learned many things including:

- 1) The cost of compliance, including both internal resources committed to the project and external auditor requirements, have far exceeded the original expectations. It is reasonable to assume that these projects have diverted senior internal resources away from the business of strategic risk management and prudent operation of the business towards stringent regulatory compliance;
- 2) Although, while achieving compliance, most US-listed companies have identified enhancements that strengthen internal controls, we have not seen any studies concluding that the benefits received through strengthened controls have exceeded or even equaled the costs incurred;
- 3) Although many organizations have identified and disclosed material weaknesses in their internal controls over financial reporting, the market has not responded to this information with a consistent reduction in the organizations' market capitalization. In fact, it does not appear that the market is using this very costly information to influence investment decisions; and
- 4) The relationship between companies and their external auditors has deteriorated or become more strained as, without clear guidance, audit firms responded to the SOX requirements with insignificant materiality levels and sample selection sizes that demand fees which regularly surpass the annual financial statement audit fees. It is our understanding that the SEC originally expected that the testing required to support the external auditor's attestation would be integrated with existing work required to support the annual financial statement audit while practice has evolved into a completely separate process fraught with detailed checklists and one-size fits all frameworks.

We believe that the process adopted in the US through SOX 302 and 404 is flawed and it is inappropriate for Canadian regulators to adopt consistent requirements without considering

the important lessons that have been learned and the differences between the Canadian and US marketplaces. In addition, the opportunity for learning is not yet complete as both the SEC and PCAOB have issued new guidance relating to the implementation of SOX 404 in the last few weeks.

CWB Activities and Conclusions

CWB has monitored the progress of SOX 302 and 404 in the US and Bill 198 and 52-109 in Canada. We have implemented processes to meet the "bare" certification requirements and begun the activities required to attain "full" certification. As our market capitalization exceeds \$500 million, we are one of the first non-interlisted companies to meet the full requirements of 52-109 and 52-111 and the time remaining between when the proposed requirements are finalized (after June 30th deadline for comments) and when we would have to comply with the issuance of both management's certification of internal controls over financial reporting and the external auditor requirements as of October 31, 2006 is too short a time period. Our external auditors have advised that they would like to carry out their first round of testing at least six months before the deadline (i.e. by April 30, 2006). Assuming that the requirements are finalized during the summer of 2005, management would be left with approximately 8 months to complete their documentation, testing, remediation and retesting in advance of the commencement of the external auditor's testing.

CWB's Board is committed to strong corporate governance and we believe that management's detailed documentation and testing of internal controls over financial reporting will be of value to the Bank and its shareholders but this process must be completed judiciously rather than in a rush to meet the overly stringent timelines. We believe that the timeline for "full" certification required under 52-109 should be extended so that companies have a minimum of eighteen months after the requirements are finalized to complete "full" certification. In addition, we suggest that 52-109 be expanded to require disclosure of any material weaknesses identified through management's testing to both the Audit Committee and the external auditors.

Based on our research, through readings and attendance at forums, it is our understanding that "the jury is still out" on the benefits of both the external auditor attestation and fraud testing requirements of 52-111. Both of these requirements have consumed significant resources of SEC registrants and, as the requirements are not clearly identified or articulated, compliance is both difficult and costly. This conclusion is reinforced by the recent publications by both the SEC and PCAOB offering further SOX 404 implementation guidance. In addition, leading authorities in auditing and fraud prevention have long held that internal controls are not effective in detecting and preventing fraud. As an Audit Committee, we are not yet convinced that the fraud requirements and external auditor attestation over management's review will provide any additional value to the Bank. Given that US experience has been mixed and enough time has not passed to fully understand the benefits and best practices, we recommend that the fraud and external auditor attestation requirements be deferred at present. We would also suggest that the external auditor requirements of 52-111, if deemed necessary, be deferred for at least one year after the requirement for "full" certification under 52-109.

As SEC foreign filers have been given a further extension for compliance (since the proposed 52-109 and 52-111 were issued for comment), larger Canadian filers must now compete with

SEC foreign filers for both internal and external resources. In addition, as most large Canadian non-interlisted companies will be captured with the first tier of compliance with 52-109 and 52-111, the competition for resources will not be alleviated until companies representing the vast majority of the total Canadian market capitalization are required to comply. For comparison, it is interesting to note that small public companies in the US are defined as those with revenues less than \$5 billion while 52-111 defines large companies (those that must comply first) as those with market capitalization exceeding \$500 million. In order to ensure that all Canadian companies can obtain resources on a value-added basis, we recommend that the market capitalization thresholds for the timing of compliance with 52-111 be revisited.

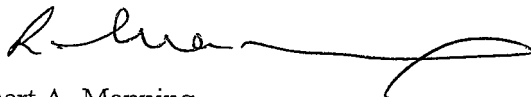
Summary and Recommendations

In summary, as the Audit Committee of Canadian Western Bank, we are not convinced that the proposed requirements of 52-109 and 52-111 are in the best interests of either the Bank or our shareholders at this time nor that the requirements would have prevented the incidents of corporate malfeasance that led to their creation. As a result, we strongly urge the Canadian securities commissions to revisit the requirements and their timing. We suggest the following changes to ensure that the Canadian solution is appropriate for the Canadian marketplace:

- 1) Delay the implementation of the "full" certification requirements in 52-109 so that companies have at least 18 months from the finalization of the requirements to comply;
- 2) Add to 52-109 the requirement for management to disclose any material weaknesses to the Audit Committee and external auditors;
- 3) Reconsider the requirements for external auditor attestation and fraud disclosure in 52-111 until such a time as all SEC filers have met the requirements and more time has passed to allow best practices to be identified and implemented. If the external auditor attestation requirement is implemented, at least twelve months should be provided between management's first "full" certification and the external auditor attestation requirement; and
- 4) Revisit the thresholds and timeline requirements to better spread the compliance requirements of both Canadian companies and their external auditors.

We appreciate the opportunity to provide our comments. Feel free to contact me if you require further information.

Yours truly,
CANADIAN WESTERN BANK



Robert A. Manning
Chairman, Audit Committee