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Saskatchewan Financial Services Commission
Manitoba Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission
Office of the Attorney General, Prince Edward Island
Financial Services Regulation Division, Consumer & Commercial Affairs Branch,
Department of Government Services, Newfoundland & Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Registrar of Securities, Labour Registries Division, Department of Justice,
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Dear Sirs/Mesdames:

Proposed Multilateral Instrument 11-101 “Principal Regulator System”

We submit this letter to the Canadian Securities Administrators, other than the Ontario Securities Commission (the “Proposing Jurisdictions”), in response to the Request For Comment published May 27, 2005 concerning proposed Multilateral Instrument 11-101 “Principal Regulator System” (the “Instrument”).

We believe that the Principal Regulator System (the “System”) proposed by the Instrument should not be adopted by the Proposing Jurisdictions. We are supportive of a streamlined and uniform, or at least harmonized, securities regulatory system in Canada; the System proposed by the Instrument is a regressive step both because not all regulators are participating in it, and because among the Proposing Jurisdictions there is not a consensus as to whether the System should be based on highly harmonized, if not uniform, requirements or should be designed to accommodate a greater range of differences in local requirements.

Further, we think that the system of enforcement which will exist if the System comes into place will be unduly complicated. If, for example, an issuer is in breach of one of the continuous disclosure requirements (for example, files false financial statements) the only regulator which can bring an enforcement proceeding based on breach of the actual law is the principal regulator since all the non-principal regulators have exempted the issuer from complying with that continuous disclosure requirement in their jurisdiction. The non-principal regulators can bring enforcement proceedings under either the public interest jurisdiction or because of a breach of another provision of the legislation, but not for breach of the actual law. This could result in various enforcement proceedings for the same breach being based on different theories of liability with different defences against which the issuer will need to be defending; it is not, therefore, an improvement on the current system of enforcement.

As a consequence, we would strongly urge the Proposing Jurisdictions not to introduce the Instrument unless and until (i) all jurisdictions participate in it; and (ii) it is agreed that the goal for securities regulation in Canada is uniformity or at least harmonization.

We support the operational efficiencies which the Instrument proposes to introduce (i.e., the proposed amendments to the MRRS rule for prospectuses and the new “mobility exemption”); to the extent they can be achieved by amendments to current Instruments we encourage all CSA members to work to implement those efficiencies.

* * *

We thank you for the opportunity to comment on the Instrument.

Yours very truly,

Osler, Hoskin & Harcourt LLP
JS:sab

c: Jean-Paul Bureaud, *Ontario Securities Commission*