CANADIAN BANKERS ASSOCIATION

Box 348, Commerce Court West
199 Bay Street, 30th Floor
Toronto, Ontario, Canada M5L 1G2
www.cba.ca

Daniel Iggers
Legal Counsel
Tel: (416) 362-6093 Ext. 291
Fax: (416) 362-7708
diggers@cba.ca

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British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission

c/o Ms Denise Duifhuis
British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2
e-mail: dduifhuis@bcsc.bc.ca

and

Ms Madame Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal, Québec
H4Z 1G3
e-mail: consultation-en-cours@lautorite.qc.ca

Dear Sirs and Madames:

Re: NI 55-101, Insider Reporting Exemptions and related instruments

The Canadian Bankers Association ("CBA") appreciates this opportunity to provide comments on proposed amendments to National Instrument 55-101 -- Insider Reporting Exemptions (NI 55-101) and Companion Policy 55-101CP (55-101CP) and the issues raised in the accompanying Notice of Request for Comments.

We strongly support the current proposed amendments and the continued work toward narrowing the scope of insider reporting requirements, which we believe will reduce the burden of compliance and provide more transparent information to investors.

Focus reporting obligation on a smaller group of insiders

Currently, the requirements in Canada have placed a much broader group than necessary within the group of reporting insiders, and have placed costly compliance burdens on Canadian issuers.

We have not seen any evidence to support the proposition that reporting requirements which cast a wide net deter insider trading. We note that our member organizations all have internal policies, procedures and internal controls that are intended to safeguard inside information and prevent improper buying, selling or informing by their directors, senior officers and employees, including those who do not routinely have access to undisclosed material information. With respect to the "signalling value" of insider reporting, we feel these aims can be best achieved by concentrating the insider reporting requirements with those most able to influence the financial condition and results of operations of an issuer. We believe a wider reporting net merely has the effect of reducing the transparency of potentially valuable information.

We believe that the appropriate next step for the CSA would be to adopt a narrower definition of insider for the purposes of insider reporting requirements along the lines of 10% holders, directors (i.e., members of the board of directors) and "executive officers" (as defined in NI 51-102).

We submit that such an approach would impose an appropriate reporting obligation on "true" insiders, and would ensure that the market is informed of their trades. Reducing the number of individuals who are required to report would result in more meaningful information than at present.

Any contemplated acceleration of the reporting time frame is not viable unless the numbers of reporting insiders are significantly reduced.

Comments on Proposed Amendments

Delete Record Keeping Requirement

We strongly support the proposed amendments that would repeal the record-keeping requirements related to insider notices of intent and lists (of those relying and not relying on the reporting exemption) from Part 4 of NI 55-101 and would support instead including record-keeping in relation to those insiders who have the reporting obligation as an example of a best practice in 55-101CP, without reference to notices of intention or other lists.

Change Definition of Major Subsidiary

We strongly support the proposal to change the definition of "major subsidiary" in section 1.1 of NI 55-101 to increase the relevant percentages from 10% to 20%.

ASPP Exemption in Part 5 of NI 55-101

We support the existing exemption in Part 5 of NI 55-101 to allow insiders to defer reporting acquisitions, grants and specified dispositions of securities under an automatic securities purchase plan ("ASPP").

Some concerns are raised by the proposed limitation set out in proposed section 5.2(3), limiting the use of the exemption in section 5.1 by executive officers and directors. In particular, the wording "or similar securities" is not appropriate in that it is vague and causes significant lack of clarity as to whether the existing exemption in section 5.1 would be available in any circumstances.

Significant limitations are already embedded in the requirements of meeting the definition of ASPP.

It must be clear that there continues to be no limitations on use of the exemption by executive officers and directors in connection with participation in plans such as shareholder dividend reinvestment plans, employee or director share ownership plans (payroll or fees deduction purchase plans, respectively). The ASPP exemption acknowledges the frequency of automatic transactions in numbers not immediately known to the participant or the issuer, pending periodic statements, issued by often independent plan trustees.

In respect of stock options, and other compensation plans, significant disclosure is required in the information circular of a reporting issuer with respect to the plan and granting practices of an issuer. In respect of "other similar securities" we are concerned that this provision should not be used to expand the definition of reportable securities.

Specific Requests for Comments

ASPP exemption extended to insiders with ownership/control of more than 10% voting?

We support this extension of the ASPP exemption to "10% insiders". It is reasonable for deferred reporting of ASPPs such as dividend reinvestment plans. Disclosure requirements of the early warning regime will provide disclosure at significant thresholds.

Reliance on ASPP exemption in s. 5.1 of NI 55-101 for options: SEDAR instead of press release? Future alternative: enhanced reporting on SEDI?

We have concerns about developing new issuer obligations with respect to insiders' reporting.

However, we have the following comments on the issuer disclosure proposals. An issuer press release is not an appropriate disclosure tool in connection with issuer plan grants such as stock options to executive officers or directors in connection with reliance on the ASPP exemption in section 5.1 of NI 55-101. While preferable, we also do not favour a SEDAR notice filing and would seek clarification that any such release or notice filing should provide information in more general terms, not detailed with respect to "each insider".

Among the proposals brought forward, our preference would be to allow reporting issuers to disclose grants of stock options and, to the extent required to be reported, issuer derivatives like deferred share units, restricted share awards and long term incentive plan units in a general report of the issuer on SEDI (rather than by SEDAR'd press release or SEDAR notice) in connection with ASPP deferred reporting.

We would urge the CSA to take this opportunity to support the exemptions provided in MI 55-103 ("Insider Reporting For Certain Derivative Transactions (Equity Monetization)" for compensation arrangements that are publicly disclosed or do not involve a discrete investment decision by the insider.

Signalling or deterrence value of disclosure of grants of options and derivatives to executive officers and directors?

We consider it to be unlikely that option grants provide a signalling function. Most companies grant options at the same time each year such that the signalling value (and consequently deterrence value) would be more likely from not granting options than granting them. The message in such circumstances could be that there is potentially material undisclosed information. However, disclosure of securities transactions of executive officers and directors have more significance in general than disclosure of similar grants and trades of a wide category of other insiders.

We have appreciated the opportunity to express our views regarding the proposed amendments to National Instrument 55-101. We would be pleased to answer any questions that you may have about our comments.

Yours truly,

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