

LEGAL ADVISORY COMMITTEE
AUTORITÉ DES MARCHÉS FINANCIERS

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Mrs. Anne-Marie Beaudoin
Directrice du secrétariat
AUTORITÉ DES MARCHÉS FINANCIERS
800 Square Victoria
Montreal, Québec
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Re : Draft Regulation 55-101 on Insider Reporting Exemptions

Ladies, Gentlemen,

The Legal Advisory Committee to the *Autorité des marchés financiers* (the "Committee") has had the opportunity to review Draft Regulation 55-101 on Insider Reporting Exemptions (« 55-101 ») and is pleased to provide the Canadian Securities Administrators with its observations and comments thereon.

Generally, the Committee is satisfied with the proposed amendments to 55-101 and believes that the changes to the definition of "major subsidiary" will alleviate considerably reporting requirements of a number of officers and directors who would not normally receive or have access to information as to material facts or material changes respecting the reporting issuer before the material facts or material changes are generally disclosed to the public. Similarly, the decision not to require the maintenance of insiders lists will be a welcome relief for many

reporting issuers, although we are not sure how the recommendation of a best practice approach of maintaining the lists of knowledgeable insiders will result in the regulatory relief that many reporting issuers were looking for.

The request for comments with respect to 55-101 also sought our observations on three specific additional amending proposals that the Canadian Securities Administrators were considering for 55-101, which we would address as follows:

- 1. Should the reporting exemption of acquisitions under automatic securities purchase plans be extended to include persons exercising control over more than 10% of the voting securities of the reporting issuer?**

We believe that such an amendment would not create any specific issues from a public policy perspective, although we are not aware that such reporting exemption has been sought by the relevant insiders. Should the CSA propose such exemption extension, what would be its impact, if any, on the insider obligations under National Instrument 62-103 with respect to the Early Warning System and Related Take-Over Bid and Insider Reporting Issues. To the extent that such insiders would be bound to report under the early warning system, the CSA might consider limiting the exemption according to the same thresholds as those found under the early warning system.

- 2. Extending the reporting exemption under automatic securities purchase plans to include stock option grants and other similar securities grants**

As to the requirement to publish a press release that would be filed on SEDAR or requiring the reporting issuer to file a notice on SEDI, we do not think it makes much difference. What we believe is important is for the information to reach the public marketplace rapidly and, in that respect, it is our belief that disclosure of the information in the financial press is the best method to ensure prompt and timely public disclosure, which does not prevent however the requirement of the filing of a notice on either SEDAR or SEDI or both.

3. Disclosure of grants of options and issuer derivatives to executive officers and directors

As mentioned in our response to question 2, it is extremely important for that information to reach the marketplace promptly. We believe that a press release by the issuer of such grants to its executive officers and directors is likely to ensure the prompt and timely public disclosure of such grants. We believe also that, in addition to its “signaling” function, such disclosure should have a “deterrence” value in the context of ensuring true dating of grants.

We remain at your disposal to discuss with you the foregoing submissions.

Yours truly,



Marc Rochefort
Chair, Legal Advisory Committee
to the *Autorité des marchés financiers*

Members of the Legal Advisory Committee to the *Autorité des marchés financiers*:

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- ⇒ Jean Marc Huot, *Stikeman Elliott*
- ⇒ Christiane Jodoin, *Osler, Hosin & Harcourt*
- ⇒ Gilles Leclerc, *Fasken Martineau DuMoulin*
- ⇒ Francis R. Legault, *Ogilvy Renault*
- ⇒ Marc Rochefort, *Desjardin Ducharme*
- ⇒ Leonard Serafini, *Gowling Lafleur Henderson*
- ⇒ Charles R. Spector, *Fraser Milner Casgrain*