

## Canadian Securities Administrators Report on the Progress of their Initiatives

At their last quarterly meeting held in Vancouver, British Columbia, securities regulators discussed the progress of important initiatives for the Canadian marketplace. The CSA endeavours to provide harmonized regulation and streamlined processes while responding effectively to current and emerging market issues. These are the major initiatives recently published or scheduled for publication in the next few months and their status.

### Disclosure of Corporate Governance Practices (National Instrument 58-101/National Policy 58-201)

We have developed a national instrument and national policy requiring reporting issuers to provide more disclosure about their corporate governance practices. On January 21, we published a notice explaining that the disclosure requirements would apply to information circulars or annual information forms for financial years ending on or after June 30, 2005. We expect to publish the final instrument and policy in April.

### Reporting on Internal Control over Financial Reporting (Multilateral Instrument 52-111)

On February 4, most of the CSA members published for comment a rule setting out proposed internal control measures for TSX listed issuers and modifying certification requirements for all publicly traded issuers. The initiative includes concurrent amendments to the certification of disclosure in issuer's financial annual and interim filings, Multilateral Instrument 52-109. The comment period ends on June 6, 2005.

On the same day, the British Columbia Securities Commission published a notice explaining why it does not propose to adopt the rule and seeking comment on the rule and several alternatives.

### Amendments to the Requirements Respecting Audit Committees (Multilateral Instrument 52-110)

In 2004, most of the CSA members adopted a rule intended to encourage reporting issuers to establish and maintain strong, effective and independent audit committees. They published proposed amendments last October to clarify the definition of independence and to harmonize it with American requirements for director independence.

We are evaluating the comments received and intend to publish the amendments in April 2005.

The British Columbia Securities Commission did not adopt MI 52-110 but published a local audit committee rule for comment. On February 4, 2005, the BCSC announced that it intends to adopt its local rule effective July 1, 2005.

### National Registration System Project (National Instrument 31-101)

With the publication of this instrument on January 7, we propose to establish a harmonized system for registration of securities firms and representatives. Investment dealers, mutual fund dealers, unrestricted advisors and the individuals associated with these organizations will be able to register in more than one jurisdiction by meeting the requirements of their home provinces. The system will be implemented on April 4, 2005.

This initiative is part of the ongoing harmonization efforts of the CSA and is consistent with the passport system described in the Memorandum of Understanding agreed to by some of the provincial and territorial Ministers on September 30.

### Changes to Insider Reporting Requirements (National Instrument 55-101)

On February 11, we published the final version of amendments to NI 55-101, which add some new exemptions from the requirements for insiders' reporting. We believe that these changes will improve the effectiveness of the insider reporting system by better focusing the insider reporting requirement on meaningful information that is important to the market.

### Concept Paper on Best Execution and Soft-dollar Arrangements

This discussion paper, published on February 4, sets out some concerns with the definition of best execution and with soft-dollar arrangements. We propose a description of "best execution" based on specific parameters. Soft dollar arrangements (i.e., where advisers use commission dollars to pay for trading-related goods or services) is one area that raises issues about whether best execution is obtained. Also, there are a number of potential conflicts associated with soft dollar arrangements that are unrelated to best execution. We are seeking comment on all aspects of the concept paper, and we also raise specific questions for comment.

## Discussion Paper on Straight-Through Processing (CSA Notice 24-301)

On February 4, we published a notice providing an update on industry and regulatory STP developments and a summary of the comments received on the STP Release. The Notice also discusses the CSA process going forward. The CSA remains committed to supporting an institutional trade-matching rule in force by January 1, 2006, but intends to pursue this objective through a co-operative approach with the self-regulatory organizations that also have an interest in establishing institutional trade-matching requirements. Our objective is to have the appropriate rule or rules finalized by December 31, 2005.

## Investment Fund Continuous Disclosure (National Instrument 81-106)

This instrument consolidates and harmonizes all of the continuous disclosure requirements for investment funds. It also updates the financial statement and other disclosure requirements for mutual funds so that the prospectus and the continuous disclosure reports work together to provide useful and timely information to investors. CSA originally published the rule for comment in October 2002 and, after making material changes to the proposal, published it again in May 2004. We plan to publish the final instrument in April for an effective date of June 1, 2005.

## Registration and Prospectus Exemption for Capital Accumulation Plans (CSA Notice 81-405)

This proposed exemption will implement certain parts of the Guidelines for Capital Accumulation Plans developed by the Joint Forum of Financial Market Regulators. The guidelines apply to tax assisted capital accumulation plans, such as defined contribution pension plans where plan members make investment choices, and group registered retirement savings plans.

The guidelines address many of the regulatory concerns about how plan members can get adequate information and have access to tools to help them make informed investment decisions. We will provide a dealer registration and prospectus exemption for trades in mutual funds that occur in capital accumulation plans that comply with key elements of the guidelines.

We expect to implement the exemption by blanket order in each jurisdiction, except Ontario, in April. The OSC will consider applications for discretionary relief on the same basis as the blanket relief granted in the other jurisdictions until we can include the exemption in the proposed national exemption rule (NI 45-106). To

achieve that objective on a timely basis, we also plan to publish the exemption for comment as a rule in April.

## Prospectus and Registration Exemptions (National Instrument 45-106)

On December 17, 2004, we published for comment a rule to harmonize prospectus and registration exemptions. The comment period ends on March 17 and we expect to implement the rule by September. This initiative is part of the ongoing harmonization efforts of the CSA and is consistent with the passport system described in the Memorandum of Understanding agreed to by some of the provincial and territorial Ministers on September 30, 2004.

## Streamlined Offering Requirements (National Instrument 44-101)

On January 7, we published for comment improvements to the short form prospectus system. The amendments seek to eliminate duplication and inconsistencies with the continuous disclosure rules adopted last year and to make the short form prospectus system available to most reporting issuers. The proposed changes more fully integrate the disclosure regimes for the primary and secondary markets, address ambiguities in the current regime and significantly broaden the eligibility requirements for the short-form prospectus system. The comment period ends on April 8.

## MFDA Investor Protection Corporation

On February 25, some members of the CSA published for comment a revised application for approval of the Mutual Fund Dealers Association ("MFDA") and the MFDA Investor Protection Corporation. The MFDA seeks approval to set up a compensation fund for customers of mutual fund dealers. The Commissions have identified seven criteria and other terms and conditions they expect the fund to meet. The comment period on the application expires on March 28.

*The CSA is the council of the securities regulators of Canada's provinces and territories. It coordinates and harmonizes regulation for the Canadian capital markets in order to protect investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets.*

More information on the CSA is available at [www.csa-acvm.ca](http://www.csa-acvm.ca).