

Canadian Securities Administrators Report on the Progress of their Initiatives

At their last quarterly meeting held in Toronto, Ontario, 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.

Election of CSA Chair and Vice-Chair

Mr. Jean St-Gelais, President and CEO of the Autorité des marchés financiers and Mr. Donald Murray, Chair of the Manitoba Securities Commission, were named CSA Chair and Vice-Chair, respectively, for two year terms starting on April 1st. They have replaced Mr. Stephen P. Sibold, former Chair of the Alberta Securities Commission, and Mr. Donne W. Smith, Chair of the New Brunswick Securities Commission, whose two year terms expired.

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

This instrument and policy have been approved and were published in final form on April 15, to take effect on June 30, 2005. The national instrument requires reporting issuers to provide disclosure about their corporate governance practices, while the policy provides guidance for issuers to consider in developing their corporate governance practices. We will study further the regulatory issues surrounding the treatment of controlled companies.

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

The amendments to this instrument and policy have been approved and were published in final form on April 15, to take effect on June 30, 2005. The rule is intended to encourage reporting issuers to establish and maintain strong, effective and independent audit committees. The CSA published proposed amendments last October to clarify the definition of independence and to harmonize it with American requirements for director independence.

The British Columbia Securities Commission (BCSC) did not adopt MI 52-110 but published a local audit committee rule for comment. The BCSC has now adopted its local rule, BCI 52-509, effective July 1, 2005.

National Registration System Project (National Instrument 31-101)

On April 4, we established a harmonized system for registration of securities firms and representatives. As a result, investment dealers, mutual fund dealers, unrestricted advisors and the individuals associated with these organizations are now able to register in more than one jurisdiction by meeting the requirements of their home provinces or territories.

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.

Independent Review Committee for Investment Funds (National Instrument 81-107)

We plan to change the scope of the proposed instrument for fund governance that we published in January 2004. To reflect the fact that we now propose to make it apply to all publicly offered investment funds (not just conventional mutual funds), we will call it *Independent Review Committee for Investment Funds*. It would require all publicly-offered investment funds to establish an independent committee to review and make recommendations on potential conflicts of interest. We will publish a revised version of the proposed instrument and commentary on May 27. Several CSA members will consult directly with affected market participants to gain further insight into concerns they may have about the proposal.

The BCSC supports some of the objectives of the proposed instrument. However, the BCSC has received feedback from industry that it will be too expensive, particularly for smaller funds. Therefore the BCSC is considering whether there are alternatives to adopting the proposed instrument that might sufficiently address its policy objectives in a more cost effective manner. The BCSC will be asking additional questions about this and other issues in the local notice it will publish with the revised proposed instrument.

Investment Fund Continuous Disclo- sure (National Instrument 81-106)

This instrument and policy have been approved and were published in final form on March 11, to take effect on June 1 2005. 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.

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 May. 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).

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 ended 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.

Canadian Uniform Securities Transfer Act

The proposed Act would modernize the holding, transfer and pledging of securities. The proposal is to develop and implement a uniform provincial *Securities Transfer Act* modelled on Revised Article 8 of the Uniform Commercial Code in the U.S. It has received very strong public support and we are working with provincial governments towards its implementation.

Point of Sale Disclosure for Segregated Funds and Mutual Funds

This project aims to simplify and improve the information received by investors when they purchase segregated funds and mutual funds. The committee is consulting extensively with consumers of financial products and the industry to address consumers' needs for the most relevant and useful information on these products.

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.