

Canadian Securities Administrators Report on the Progress of their Initiatives

At their last quarterly meeting held in Charlottetown, Prince Edward Island, 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.

Principal Regulator System (Multilateral Instrument 11-101) and consequential amendments

Members of the CSA, other than the Ontario Securities Commission, have implemented the 'principal regulator system' effective September 19, 2005. All CSA members, including the OSC, have also implemented some related rule and policy changes, including changes to streamline the mutual reliance review system for prospectuses and exemptive relief applications.

The instrument provides specified exemptions from prospectus form and content, continuous disclosure and registration requirements. In these areas, the principal regulator system gives a market participant access to the capital markets in multiple jurisdictions by dealing with the regulator and the law of its principal jurisdiction. A market participant's principal jurisdiction will typically be the jurisdiction in which the market participant's head office is located.

Ontario-based market participants will not be able to rely on the exemptions provided in MI 11-101 because the OSC did not adopt the instrument. These market participants are, however, able to benefit from the changes made to streamline the mutual reliance review system. A market participant's principal jurisdiction is generally the same under the principal regulator system and the mutual reliance review system.

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 all the provincial and territorial Ministers other than Ontario on September 30, 2004.

Prospectus and Registration Exemptions (National Instrument 45-106)

Effective September 14, 2005, we implemented a rule that harmonizes and consolidates exemptions from the prospectus and registration requirements contained in provincial statutes, and national, multilateral and local instruments. The rule is designed to be more

straightforward and user-friendly and to provide more efficient access to capital markets without diminishing investor protection.

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 all the provincial and territorial Ministers other than Ontario on September 30, 2004.

Launch of Registration Reform Project Website

On August 6, we launched the website of the Registration Reform Project (RRP), an initiative to harmonize, streamline and modernize the registration regime for firms and individuals across Canada. The website (at www.rrp-info.ca) provides information on the RRP, including a news and events section. It also includes information about the National Registration System, including the rule and policy, the forms and Frequently Asked Questions.

The principal objective of the RRP is to create a flexible and effective registration regime leading to administrative efficiencies and a reduced regulatory burden.

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 intend to amend NI 45-106 *Prospectus and Registration Exemptions* to 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 intend to publish the proposal for comment in mid-October.

Reporting of Internal Control over Financial Reporting: Timing of Proposed Multilateral Instrument 52-111 (Staff Notice 52-310)

On February 4, 2005, members of the CSA, other than the British Columbia Securities Commission, published for comment a proposed instrument regarding reporting

on internal control over financial reporting. The comment period expired on June 30.

No decision has been made as to whether, or in what form, such an instrument will be implemented.

On July 29, we extended the timeline for this initiative to allow us sufficient time to assess the potential impact of the developments in the U.S., consider the many submissions from commenters, and respond to concerns from issuers regarding our original timeline. As a result, we proposed that the earliest an internal control reporting instrument would apply would be for financial years ending on or after June 30, 2007. We will continue to update market participants on project developments and our timeline.

Market Structure Developments and Trade-through Obligations (Discussion Paper 23-403)

On July 22, we published a paper discussing market developments and their implications for our market, in particular on the obligation to avoid trade-throughs. We requested comment on issues and questions related to market structure and more specifically the role of the trade-through obligation. The comment period ends on October 20, 2005.

Income Trusts: Prospectus Disclosure of Distributable Cash (Staff Notice 41-304)

On August 26, we published a notice providing guidance on staff's expectations about the nature and extent of disclosure necessary to ensure transparency when an income trust issuer presents information about distributable cash in a prospectus. This notice expands on guidance given in CSA Staff Notice 52-306 *Non-GAAP Financial Measures* (Staff Notice 52-306) and National Policy 41-201 *Income Trusts and Other Indirect Offerings*.

Take-over Bids and Issuer Bids: Conditions on Financing Arrangements (Staff Notice 62-304)

On September 2, we published a notice setting out the position of staff regarding the acceptability of conditions in financing arrangements for take-over bids and issuer bids. CSA staff consider that an offeror has complied with the bid financing requirement if the offeror reasonably believes the possibility is remote that it will not be able to pay for tendered securities because of a financing condition not being satisfied.

The OSC published a proposed rule that would confirm that financing arrangements may have a limited degree of conditionality. The proposed rule is consistent with

staff's interpretation of financing requirements set out in the notice.

Prospectus System Changes (National Instruments 44-101, 44-102 and 44-103)

We are moving forward with previously-published changes to the short-form, shelf and PREP prospectus systems. Among other things, these changes would: broaden eligibility to use these alternative prospectus systems; integrate the recently-implemented continuous disclosure requirements of National Instrument 51-102 *Continuous Disclosure Obligations*; and address frequently-asked questions and regulatory developments since the rules came into force in 2000.

Subject to requisite approvals being obtained, we anticipate that the changes will be published in October 2005 and take effect by year-end..

Standards of Disclosure for Mineral Projects and Related Instruments (National Instrument 43-101)

In the fall of 2004, the CSA published for comment amendments to National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, which governs how issuers disclose scientific and technical information about mineral projects to the public. After considering the numerous comments received on the amendments, we made some revisions, which we intend to publish within the next few weeks. The amendments will reflect changes that have occurred in the mining industry since the implementation of the Instrument, provide exemptions in specified circumstances and make the Instrument more user-friendly and practical. As the changes made are not material, we are not republishing the amendments to the Instrument or the Policy for a further comment period.

Provided all necessary ministerial approvals are obtained, we anticipate that the amendments to the Instrument will take effect by year-end.

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.