

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

At their last quarterly meeting held in Montreal, Quebec, 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.

### Joint CSA/SRO Notice 23-304, Status of the Transaction Reporting and Audit Trail System (TREATS)

On March 17, we published a notice concerning the status of the TREATS project. The electronic audit trail initiative is a project initiated and managed by CSA with the participation of Market Regulation Services Inc., the Bourse de Montréal Inc., the Investment Dealers Association of Canada and the Mutual Fund Dealers Association. With this project, we aim to investigate, design and implement a solution to facilitate compliance with the securities audit trail requirements set out in National Instrument 23-101 *Trading Rules*.

The notice explains the background to the initiative, the objective and nature of the TREATS facility and the project's timeline, including information on the request for proposal process. It also describes how the regulators will communicate with industry through the TREATS electronic discussion forum. Readers can find the discussion forum at <http://treats.zeroforum.com>.

### Status of Proposed MI 52-111, Reporting on Internal Control over Financial Reporting

On March 10, we updated market participants on the status of our deliberations on proposed internal control reporting requirements in the CSA Notice 52-313.

After extensive review and consultation and in view of the delays and the debate underway in the US over the rules implementing section 404 of the Sarbanes-Oxley Act of 2002, we have determined not to proceed with proposed Multilateral Instrument 52-111, *Reporting on Internal Control over Financial Reporting*. As more fully discussed in the notice, we propose instead to publish for comment amendments to other instruments, notably to require express management certification concerning internal control over financial reporting under Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* and to require related disclosure in MD&A.

## CSA Staff Notice 11-309, Withdrawal of CSA Notices

We have determined that a number of our notices are no longer required. Consequently, we withdrew these notices in all CSA jurisdictions on March 3, 2006.

### CSA Staff Notice 51-317 regarding NI 51-101, Standards of Disclosure for Oil and Gas Activities

National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities mandates adherence to the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") for matters such as reserve and resource classification and terminology and reserves evaluation practices. The Society of Petroleum Evaluation Engineers (Calgary Chapter) and The Petroleum Society of the Canadian Institute of Mining, Metallurgy and Petroleum have published COGE Handbook, Volume 2 which elaborates and provides guidance on applying the principles enunciated in Volume 1.

We urged reporting issuers with oil and gas activities, and their management, directors, and advisers, to become familiar with the discussion and guidance provided in Volume 2 of the COGE Handbook and to ensure that they apply that information to their reserves evaluation and disclosure practices.

### CSA Staff Notice 47-302, Pre-Marketing of Underwriters' Options on Bought Deals

On April 21, we published a notice on our approach to a practice that has developed on bought deal offerings. The practice grants underwriters an option, exercisable prior to closing, to purchase securities in addition to the securities the underwriters agreed to purchase under the underwriting agreement. The notice explains that in our view, the exemption in Paragraph 7.1(a) of National Instrument 44-101 *Short Form Prospectus Distributions*, does not extend to pre-marketing of these optioned securities because they are not the subject of an enforceable agreement with an underwriter who has agreed to purchase the securities.

The notice indicated CSA members' willingness to consider relief to permit premarketing of certain over-allotment or "greenshoe" options. A number of CSA members have now granted blanket relief or given more detail as to the terms on which such relief may be granted case by case.

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).