

## 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.

### Guidelines for Use of Mobility Exemptions Under Part 5 of Multi- lateral Instrument 11-101 *Principal Regulator System*

On January 27, 2006, staff published guidance to dealers, unrestricted advisers and their individual representatives on the use of the mobility exemptions. The mobility exemptions are found in Part 5 of Multilateral Instrument 11-101 *Principal Regulator System* (MI 11-101), which came into effect everywhere but Ontario on September 19, 2005.

In limited circumstances, the mobility exemptions allow a dealer, an unrestricted adviser, a group savings plan firm or an individual representative to continue dealing with a client that moves to a different jurisdiction, and with family members of that client, without having to register in the other jurisdiction.

MI 11-101 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.

### National Instrument 24-101, Institu- tional Trade Matching and Settlement and Companion Policy

In the next few weeks, we plan to publish for comment National Instrument 24-101, *Institutional Trade Matching and Settlement* (NI 24-101) and its companion policy. NI 24-101 seeks to provide a general framework for more efficient and timely processing of institutional trades.

We also plan to publish related Notice 24-302, *Entitlement Payments to the Canadian Depository for Securities Limited*, which encourages issuers and offerors to make certain payments using the Large Value Transfer System.

## Uniform Securities Transfer Act (USTA)

This is proposed legislation affecting the holding, transfer and pledging of securities. The objective 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. We expect several provincial governments to introduce USTA-based legislation in the spring and we will assist them with its implementation. We will also assist the federal and provincial governments in dealing with related international initiatives such as the UNIDROIT project and the Hague Securities convention.

### Audit Committee Compliance Review

On January 13, 2006, staff of the securities regulatory authorities in Alberta, Saskatchewan, Manitoba, Ontario and Québec published the results of a review of compliance with the provisions of Multilateral Instrument 52-110 *Audit Committees* (MI 52-110). The review focused on issuers' compliance with the Instrument's requirements regarding audit committee composition and responsibilities. The report concluded that the level of compliance, particularly among the largest issuers, was unacceptable.

We intend to conduct additional reviews of compliance by issuers with MI 52-110 in the near future. We will actively follow up on deficiencies identified in those reviews and will pursue appropriate remedies where we consider it appropriate.

### Amendments to National Instrument 45-106 *Prospectus and Registration Exemptions*

On October 21, 2005, we published for comment proposed amendments to National Instrument 45-106 *Prospectus and Registration Exemptions* to incorporate an exemption for Capital Accumulation Plans.

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

The comment period ended on January 19, 2006.

## National Instrument 43-101 *Standards of Disclosure for Mineral Projects*

A revised National Instrument 43-101, *Standards of Disclosure for Mineral Projects* and a revised technical form came into effect on December 30, 2005.

We monitored the operation of NI 43-101 after adopting it on February 1, 2001. We identified some provisions that did not operate as intended and made amendments to fix those problems. We also made changes to reflect changes that have occurred in the mining industry, correct errors, simplify the drafting, provide exemptions in specified circumstances, and generally make the Instrument more user-friendly and practical.

## Proposed Amendments to National Instrument 31-101 – National Registration System and to National Policy 31-201 – National Registration System

On November 25, 2005, we published for comment proposed amendments to National Instrument 31-101 *National Registration System* (NI 31-101) and to National Policy 31-201 *National Registration System* (NP 31-201).

The National Registration System, which came into effect on April 4, 2005, improves the registration system by applying principles of mutual reliance to the analysis of registration applications or applications for approval or review of investment dealers, advisers and mutual fund dealers and their sponsored individuals. It reduces unnecessary duplication in the analysis of applications made in multiple jurisdictions or in subsequent jurisdictions.

The purpose of the proposed amendments is to align the criteria for selecting a firm's principal regulator with those in Multilateral Instrument 11-101 *Principal Regulator System*.

The comment period ended on March 1, 2006.

## Continuous Disclosure Review of Smaller Issuers

On December 15, 2005, we published a notice to summarize some of the deficiencies we see most frequently when we review the continuous disclosure records of smaller issuers. By alerting issuers to these problems, we hope they will avoid common disclosure deficiencies that arise primarily in financial statements and in the management discussions and analysis.

Although we focused on issuers with assets under \$5 million for purposes of our review, we believe the guidance in this notice may also be useful to larger issuers.

The notice is available on the CSA website and on several of its members' websites.

## Replacement of National Instrument 44-101 Short Form Prospectus Distributions

A revised National Instrument 44-101 *Short Form Prospectus Distributions* came into effect on December 30, 2005, replacing the previous version of the instrument that we adopted in December 2000.

The new instrument permits more reporting issuers to use the short form prospectus system by eliminating the minimum market capitalization requirement and the requirement that an issuer be a reporting issuer for a certain length of time before it can use the system. It also eliminates duplication and inconsistencies with other CSA rules, streamlines the short form prospectus system, and addresses deficiencies or ambiguities in the old NI 44-101.

## Update on Concept Paper 23-402 Best Execution and Soft Dollar Arrangements

Concept Paper 23-402 *Best Execution and Soft Dollar Arrangements* (CP 23-402) was published for comment on February 4, 2005. The purpose of the concept paper was to set out for discussion a number of issues related to best execution and soft dollar arrangements and to obtain feedback.

On December 15, 2005, we published CSA Notice 23-303 to provide an update on the comments we received and on recent developments in other jurisdictions. We plan to address the comments by grouping them under four headings: definition of best execution and current requirements; soft dollar arrangements; OTC market; and directed brokerage and commission recapture. We aim to publish proposed changes dealing with the definition of best execution and new soft dollar requirements in the Spring.

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).