

1. Single Authority with Modern Regulations

We believe that a single Canadian securities authority, which would apply, interpret and enforce a single securities act and set of regulations, would enhance market efficiencies and Canada's economic competitiveness. Although the passport and, before, the mutual reliance review systems have increased the harmonization between the myriad rules and regulations enacted by the legislatures and governments of the 13 Canadian provinces and territories, further improvements are still necessary in our view. Indeed, due to the ever-increasing complexity of transactions and financial instruments, we firmly believe that the creation of a single national securities regulator would have numerous advantages, including increased efficiencies and economies of scale, in uniting forces and fostering specialisation.

In terms of policy-making, we believe that a single authority should put forward modern regulations and embrace rules that are principles rather than rules-based, formulated in plain language, in order to make the system more accessible to the general investing public, market and industry participants and public companies.

Small and medium-sized enterprises ("SMEs") would require special attention by the securities regulatory authority, in order to reduce compliance costs and help them access capital efficiently. A single regulator would need to keep in touch with the needs of SME's, which constitute the vast majority of Canadian businesses.

2. Decentralized Structure

We believe that a new national securities authority should be decentralised, in order to fully benefit from the expertise developed by each of the provincial and territorial securities commissions and be capable of identifying and promoting solutions tailored to regional needs and differences.

Many scholars have described the benefits of a healthy competition between jurisdictions in order to improve rules and best practices. We believe that such benefits will only be realized by tapping into existing expertise, through a decentralised model. It must be reminded that in recent years, without the vigilance of different provincial securities regulators, the harmonization with U.S. rules could have been very costly to Canadian businesses, and especially for SMEs.

In order to be responsive to all Canadians, we also believe that the new organization should be bilingual. In a decentralized model, we would recommend that the head office of the new regulator be located in the Ottawa area, with business offices in each of the main Canadian business centers.

3. Effective Enforcement Mechanism

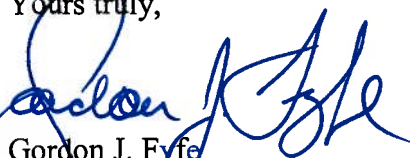
A single securities authority should aim at maintaining and improving Canada's reputation as a fair, open and accountable market, in which both domestic and foreign investors may invest with confidence. The new organization would need to include and/or oversee a credible enforcement agency.

The effectiveness of enforcement impacts cost of capital and competitiveness, as well as investor confidence. In order to improve Canada's record in that field, there is a need to reassess the interaction of Canada's criminal and securities laws and the enforcement thereof. Different models can be contemplated, but we would recommend a joint enforcement agency, which would investigate and prosecute regulatory, criminal and quasi-criminal offences. The federal government should be fully involved in the creation of the new agency. A Canadian Securities Tribunal should also be created. It would operate separately from the Canadian securities authority, with its own offices, administrative staff and budget.

To summarize, a single national securities regulatory authority, structured in a decentralised manner, applying and interpreting a single modern securities act and related regulations and prioritizing efficient and effective enforcement would, in our opinion, be a major improvement for the Canadian economy.

I would be pleased to meet with you at a time and place convenient for you to discuss our views in further detail.

Yours truly,



Gordon J. Fyfe
President & Chief Executive Officer