Ontario

ONTARIO SECURITIES COMMISSION

Volume 4, Issue 2

PERSPECTIVES

SUMMER 2001

inside...

FEATURE

OSC Proposes Further 20 Per Cent Cost Reduction For Market Participants

The Ontario Securities Commission has put forward a comprehensive proposal to reduce regulatory costs for market participants by an estimated 20 per cent as part of reforms to its fee schedule. The proposed fee schedule is also intended to be simpler to understand and allocate costs more fairly among market participants.

The proposal was developed with extensive industry cooperation, including focus groups with reporting issuers, dealers, advisers, mutual fund managers, the Investment Dealers Association of Canada and the Investment Funds Institute of Canada.

The Concept Proposal published for comment by the OSC fulfills its commitment to streamline the current fee schedule and charge fees that better reflect the services provided. It is anticipated that costs will increase for some market participants and decrease for others, but overall, costs for

(continued on page 11)

INDEX

Perspectives welcomes letters to the Editor. Letters should be sent to the Ontario Securities Commission, Perspectives, 20 Queen St.West,Toronto ON M5H 3S8

POLICY PROFILES

An overview of policy initiatives and where they stand in the policy development and implementation process.

Consultation Draft on Proposed OSC-FSCO Merger Circulated for Public Comment

Establishing a Single Financial Services Regulator: Consultation Draft is being circulated to solicit comments and responses on the legislative proposals involving the merger between the Ontario Securities Commission and the Financial Services Commission of Ontario. While the draft sets out specific proposals, it is intended as a document for both the public and the government to work from.

"The Consultation Draft would establish a new corporation to be known as the Ontario Financial Services Commission. Its purpose would be to plan and supervise the establishment of a single regulatory authority that would be responsible for the regulation of financial services in Ontario."

In dealing with these legislative proposals of significance to the regulation of the financial sector, the Government of Ontario considers it important to seek out the views of industry participants and the public at large. Interested parties were invited to make written submissions by June 29, 2001 to John R. O'Toole, M.P.P. and Parliamentary Assistant to the Minister of Finance.

Background and Consultation to Date

The 2000 Ontario Budget announced the merger of the Ontario Securities Commission (OSC) and the Financial Services Commission of Ontario (FSCO) into a single financial services regulator. That announcement reflected the government's direction to create an effective one-window regulatory process to improve consumer protection and to better serve the financial services sector and its clients.

A discussion paper, *Improving Ontario's Financial Services Regulation: Establishing a Single Financial Services Regulator*, was released for public comment in September, 2000. That paper provided the government's rationale for merging the OSC and FSCO.

Several written submissions were received from consumers, investors, pension plan members, and industry participants from the financial services sector. As well, oral submissions were made to David Young, formerly Parliamentary Assistant to the Minister of Finance.

While the majority of stakeholders endorsed the plan to merge the OSC and FSCO, many expressed a desire to see further details. The release of the Consultation Draft will allow those affected to scrutinize the draft legislation and to provide their comments and suggestions.

Summary of Proposals

The Consultation Draft would establish a new corporation to be known as the Ontario Financial Services Commission. Its purpose would be to plan and supervise the establishment of a single regulatory authority that would be responsible for the regulation of financial services in Ontario. The consultation draft also provides for the subsequent merger of this new corporation with FSCO and the OSC to form a single Commission that would keep the name of the newly established corporation.

"The Consultation Draft emphasizes the importance of having an effective financial regulator which promotes a healthy environment for business activity, financial market integrity, and consumer, investor, and pension plan member confidence and protection."

The new Commission would provide regulatory services with a view to protecting the public interest, protecting consumers of financial services and products, enhancing public confidence in the regulated sectors, and fostering a fair, efficient, and effective financial services marketplace.

The structure and powers of the new Commission are set out in the Consultation Draft

Consequently, the general provisions dealing with the structure of the Ontario Securities Commission and its powers would be repealed in the *Securities Act* and the *Commodity Futures Act*. The repealed provisions include those setting out the composition and mandate of the Securities Commission, investigation powers, and accountability.

The process for making rules and for the adoption of policies by the Ontario Securities Commission would be repealed in the *Securities Act* and the *Commodity Futures Act* as these powers would now be set out in the framework legislation to the new Commission. The heads of authority with respect to which the new Commission may make rules would continue to be as set out in the *Securities Act Commodity* and in the *Commodity Futures Act* and no changes are proposed in this regard.

The provisions setting out the process for recognizing self-regulatory organizations are being repealed as these would now be dealt with by the new Commission. However, provisions dealing with the recognition of stock exchanges and the registration of commodity futures exchanges would remain in the *Securities Act* and the *Commodity Futures Act* respectively.

Future Prospects

The financial services landscape in Canada has shifted over recent years. The pace of change is expected to continue and intensify, reflecting the needs of both consumers and business, customer demand for new products and services, and the advent of new information-based electronic technologies, as well as global competition from specialized financial institutions and capital markets. The Consultation Draft encompasses these changes. It also emphasizes the importance of having an effective financial regulator which promotes a healthy environment for business activity, financial market integrity, and consumer, investor, and pension plan member confidence and protection.

Copies of the consultation draft may be obtained from the Ontario Government Bookstore, 880 Bay Street, Toronto, Ontario, M7A 1N8. As well, the Consultation Draft is available on the Ministry of Finance Website at www.gov.on.ca/FIN.

For more information, please call **Susan Wolburgh Jenah**, General Counsel, (416) 593-8245.

New Approach to Cease Trade Orders Finalized

As part of an effort to ensure that shareholders of public companies do not experience the sudden loss of liquidity that would result from a general cease trade order on their securities, the Ontario Securities Commission finalized a new approach to imposing cease trade orders for failure to file final statements on time.

Under new OSC Policy 57-603, Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements, even if a company is in default of its obligations to file financial statements, the Commission will not always impose a general cease trade order on the company. When the company places certain alternative information on the public record, including all material information that has not been generally disclosed, cease trade orders will only be imposed on the company's directors, officers and insiders that would have access to any undisclosed material information.

The Commission will normally allow this alternative approach to continue for two months after the filing deadline. After two months, a general cease trade order will be issued.

The current 140-day filing period for annual financial statements allows ample time for any company to meet its obligations to file financial statements. However, in those rare cases where the company defaults on its obligations, the Commission's new approach will maintain shareholder liquidity for an additional two month period if all material information has been disclosed.

For more information, please call **John Hughes**, Manager, Continuous Disclosure Team, (416) 595-3695 or **Ritu Kalra**, Senior Accountant, Continuous Disclosure Team, (416) 593-8063.

OSC Bulletin, April 27, 2001, Volume 24, Issue 17, Page 2598.

Policy Reformulation Project

In 1995, the Commission embarked upon a comprehensive review of 292 local and national policy instruments to determine whether they should be reformulated, retained "as is", or eliminated. While the primary objective of reformulation has been to ensure that these policy instruments are brought into conformity with required language and form, the Commission has also been guided by the broader objective of creating a regulatory regime that is more effective, transparent and accessible.

The result has been a substantial streamlining of securities regulation in Ontario.

- One-third of the instruments reviewed during the reformulation process have been eliminated. A further reduction is anticipated as decisions are made about the fate of 23 instruments currently under consideration.
- 149 of the instruments reviewed have been reformulated into 89 new instruments.
- 62 of the 89 reformulated instruments to emerge from the project are now either in force or are expected to come into effect by the end of this year. Included among these are **Rule 45-501** General Prospectus Requirements, **NI 43-101** Standards of Disclosure for Mineral Projects, **Rule 61-501** Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions, **NI 81-101** Mutual Fund Prospectus Disclosure and **NI 81-102** Mutual Funds.

"The Commission has also been guided by the broader objective of creating a regulatory regime that is more effective, transparent and accessible."

The Policy Reformulation Project was undertaken in the wake of the 1993 Ainsley decision, the subsequent recommendations of the Ontario Task Force on Securities Regulation, and resulting amendments to the Securities Act which gave the Commission rule-making authority. A Table of Concordance for the project, which provides updated information on the status of each of the instruments reviewed during the reformulation process, is published quarterly in the Bulletin and on the website. The next update will appear in the July 6th issue of the OSC Bulletin.

For more information, please contact **Kathleen Finlay**, Manager, Project Office, (416) 593-8125.

OSC REPORTS

An inside look at Commission developments and projects that will have an impact on the investment community.

OSC Adopts 2001/2002 Statement of Priorities

The *Securities Act* requires the Ontario Securities Commission to deliver to the Minister of Finance a statement by the Chair setting out the proposed priorities for the Commission for its current financial year. The 2001/2002 Statement of Priorities articulates the business strategy and priorities the Commission has set to accomplish these goals.

The integration activities associated with the merger of the Ontario Securities Commission and the Financial Services Commission of Ontario will be a prime focus during 2001/2002. The Commission remains committed to delivering its regulatory services in a business like manner and working closely with its CSA colleagues and market participants to ensure that the regulatory system remains relevant to the changing market landscape.

During 2001/2002 fiscal year, the Commission will continue to advance its regulatory agenda by directing its resources towards achievement of the following 12 priorities:

1. The Commission will work to develop approaches to financial regulation which support market integration and innovations due to technological change. The OSC will continue to strive to develop approaches which maintain or enhance the ability of small businesses to access capital through junior and venture capital markets and which will enhance the efficiency, fairness and integrity of capital markets.

2. The Commission will increase its focus on disclosure review and strengthen SRO oversight to ensure effective and efficient regulation of the securities industry. The OSC will continue to increase its presence and effectiveness through compliance and enforcement activities.

3. The Commission will take action to strengthen the framework of requirements for timely and reliable continuous disclosure of information by reporting issuers and will actively pursue inappropriate financial reporting practices and address emerging issues either directly or through private sector standards setting bodies.

4. The Commission will focus on completing the necessary legislative, regulatory and operational changes to address the growing importance of continuous disclosure and technological change in the secondary markets.

5. In conjunction with CSA counterparts and other regulatory entities, the OSC will continue to develop national harmonized approaches to the regulation of financial products, services and SRO's in order to maintain a globally competitive regulatory framework.

6. The Commission will implement a more streamlined fee structure which aligns its revenues more closely to costs.

7. Through its support of the newly created Investor Education Fund as well as through partnerships with other organizations (e.g. CSA, SRO's)., more emphasis will be placed on investor education initiatives aimed at enabling investors to better protect themselves.

8. The Commission is committed to developing approaches to strengthen the governance of mutual funds and to making other changes necessary to improve the structure, management and distribution of mutual funds.

9. The Commission will continue to support the Minister of Finance in the development and implementation of a new merged financial services agency that will better meet the needs of investors and market participants and continue to provide a high level of protection to consumers.

10. The Commission plans to continue to participate proactively in the international regulatory community.

11. The Commission has developed and implemented accountability mechanisms to ensure that the OSC continues to effectively and efficiently meet the needs of its constituents.

12. The Commission will strive to provide a dynamic and stimulating environment in order to attract, retain and motivate employees who are capable of and committed to achieving our business goals in a performance based culture.

For more information on the OSC's Statement of Priorities, please contact **Robert Day**, Manager, Business Planning and Reporting, (416) 595-8179.

OSC Raises Public Awareness during 4th Annual Investor Education Week

The 4th annual National Investor Education Week Campaign highlighted the importance for investors to "Invest Time Before You Invest". During this year's campaign, held from April 23 to 27, 2001, securities regulators and industry organizations across Canada encouraged individual investors to practice personal "due diligence" about their advisors, their investments and reliable sources of financial information.

A wide range of educational seminars, print materials and online resources were made available at the regional, provincial and national levels to raise public awareness of investor protection issues.

OSC Chair David Brown launched Investor Education Week activities in Ontario during a breakfast meeting sponsored by the Investment Funds Institute of Canada. In his address, Mr. Brown encouraged investors to invest one of their most valuable resources - their time - to pursue a prudent and knowledge-based investment strategy.

"A wide range of educational seminars, print materials and online resources were made available at the regional, provincial and national levels to raise public awareness of investor protection issues."

The OSC launched three new consumer brochures including *A Step-by-Step Guide to Making a Complaint*, *With Whom are you Dealing for your Investment Services?* and *The Investor Guide to OSC Resources and Services*. Extensive media coverage resulted in the OSC receiving nearly 1,000 requests for Investor Education Kits in less than two weeks.

An advertorial was published in the May issue of *Reader's Digest* magazine, reaching over 400,000 subscribers in Ontario. Using a real-life case study involving a scammed retired law enforcement officer, readers learned how to protect themselves from investment fraud.

To reach young people interested in investing, the OSC harnessed the power of the Web. The Hey Kids! subdomain of the OSC's Website was launched providing information, interactive games and quizzes, video clips and a downloadable screen saver. Inserts into *Owl*, *Chirp* and *Chickadee* kids magazines directed children and their parents to Hey Kids!

Spot the Bull or Bear the Consequences, a self-diagnostic interactive quiz went live on the Investor Resources page of the OSC Website allowing participants to assess their investment knowledge and behaviour, comfort with risk taking and vulnerability to fraud.

"To reach young people interested in investing, the OSC harnessed the power of the Web."

At the national level, the Canadian Securities Administrators' Investor Education Committee released a series of French and English articles to 1,100 community newspapers across the country through the Canadian Community Newspaper Association. Topics covered included leveraging, do-it-yourself investing and offshore Internet scams. The committee also partnered with CBC's television show Street Cents to produce a segment that encourages young viewers to start thinking about investing.

Working with partners helped to broaden this year's outreach campaign. The OSC co-sponsored seminars in Niagara Falls, Sarnia, London and Toronto with the Canadian Association for the Fifty-Plus, the Association for Investment Management and Research, the Niagara Falls Public Library and the Toronto Reference Library. Employees from the various departments of the OSC also volunteered to deliver Junior Achievement's Personal Economics, Investing in Me program to 17 classrooms across the Toronto area.

The third annual Investor Forum held by the Toronto Stock Exchange gave 1,200 investors the opportunity to listen to leading financial experts and to pick up information packages from exhibitors, including the OSC. The Investor Learning Center hosted two seminars in Toronto focusing on investor protection. IFIC held an Alternative Products Seminar in addition to its Members Breakfast to Kick off Investor Education Week. Leading industry associations and professional organizations including the Canadian Bankers Association, the Canadian Investor Protection Fund, the Investment Dealers Association and the Institute of Chartered Accountants of Ontario provided promotion of Investor Education Week events on their web sites or through their own press releases.

For more information, please contact **Terri Williams**, Manager of Investor Education, (416) 593-2350.

Phoney Website Alerts Investors to Internet Hazards

A phoney Website established by the OSC demonstrates the pitfalls of making investment decisions based on unverifiable information found on the Internet.

"The lesson from this exercise is that people should not trust information on the Internet unless they have confidence in the source."

The OSC site, NoRiskWealth.ca, was launched on January 22, and promised investors unusually high returns with little or no risk. In the six weeks the site was operational, it received more than 16,000 hits with over 1,000 visitor sessions.

According to OSC Director of Enforcement, Michael Watson, a number of people were prepared to invest thousands of dollars based on unsubstantiated information found on a website, and others asked for additional information. "The lesson from this exercise is that people should not trust information on the Internet unless they have confidence in the source."

The project also tested the ability of securities regulators to monitor the Internet. Four different regulators, including OSC staff who were not aware of the project, discovered the site just days after it went live. The OSC gathered valuable information about potential traffic to other Websites. For example, about 60 percent of the website visitors came from the US, 30 percent from Canada and 10 percent from other countries.

In order to ensure the authenticity of the site, the OSC modelled the content on scams they have observed, and promoted it using the same tactics generally employed by Internet con artists. The Website was operated by an outside contractor, and configured so that the OSC does not have access to information about individuals who visited the site.

For more information, please call **Michael Watson**, Director, Enforcement Branch, (416) 593-8156 or **Colin McCann**, Investigator, Enforcement Branch, (416) 593-8285.

OSC Shares Its Expertise With Regulatory Agencies From Around The World

The OSC has earned a solid reputation amongst securities officials around the world for the breadth of its regulatory expertise. Over the past year, the OSC provided training programs to securities officials from Latin America, Eastern Europe, the Middle East and Asia.

Executives from the Securities and Exchange Commission of Brazil were extensively briefed on investor education initiatives with the assistance of the Toronto Stock Exchange, the Investor Learning Centre, the Canadian Securities Institute and the Canadian Depository for Securities Inc.

With the assistance of staff from the Canadian Depository for Securities Inc., information technology specialists from the Securities Commission of Malaysia, the Israel Securities Authority and the Financial Supervisory Service of Korea were briefed on regulatory issues and technological requirements pertaining to the electronic filing of disclosure documents.

The OSC developed a comprehensive training program on corporate governance for a joint delegation from the Federal Russian Commission on Securities and the City of Moscow's Office for Economic Development. The program was delivered with the assistance of York University's Schulich School of Business, the Law Firm Davies Ward Phillips & Vineberg LLP, the Institute of Corporate Directors, the Toronto Stock Exchange, the Export Development Corporation, the Toronto International Centre for Financial Sector Supervision and the Deposit Insurance Corporation of Ontario.

For more information, please contact **Jean-Pierre Maisonneuve**, Corporate Communications Officer, (416) 595-8913.

Investor *e*•ducation Fund

The Investor *e*•ducation Fund was created to help individuals invest responsibly and independently by learning how to make use of financial information, services and advice.

It will pursue this goal - either alone or in partnerships - by developing educational resources relevant to investors at every stage of life, industry and community partnerships, and research. The Fund also has access to the knowledge of the OSC as it works to narrow the gap between investment activity and investment knowledge.

An outstanding Board of Directors has been assembled to provide leadership to the Fund. It is comprised of women and men with diverse expertise in the financial services industry, education, and securities regulation:

Kerry D. Adams, FCA
Ms. Adams is Chair of the Board of Directors, an OSC Commissioner and President of the financial consulting firm K. Adams & Associates.

Julia Dublin
Ms. Dublin is Senior Legal Counsel in the OSC's Capital Markets Branch.

Dr. Lynette Gillis
Dr. Gillis is an educational psychologist and President of Learning Designs Online.

Robert (Robin) W. Korthals
Mr. Korthals is an OSC Commissioner and a Past President of the Toronto-Dominion Bank.

Claude R. Lamoureux
Mr. Lamoureux is President and CEO of the Ontario Teachers' Pension Plan Board.

Elaine Wyatt
Ms. Wyatt is a Senior Investor Relations Consultant with Blunn & Company Inc.

Nancy Stow
Ms. Stow is the Executive Director of the Fund.

"An outstanding Board of Directors has been assembled to provide leadership to the Fund. It is comprised of women and men with diverse expertise in the financial services industry, education, and securities regulation."

Since its incorporation in August 2000, the Fund has been active in three key areas:

Train-The-Trainer Initiatives
Expanding its partnership with the Toronto Stock Exchange to develop a new teaching tool called Taking Stock in Your Future.

Research
Launching independent research projects on financial literacy, financial information and financial education to identify future opportunities, initiatives and funding criteria for the Fund.

Implementing with York University's Schulich School of Business a public policy research program pertaining to financial services.

Promoting Ethical Practices
Promoting ethical practices through a three-year sponsorship of Carleton University's Kroeger Awards in Ethics.

Funding will come from monies collected through settlements in OSC enforcement proceedings. A process will be developed and implemented to ensure the best educational return for the funds.

For more information, please call **Nancy Stow**, Executive Director, (416) 593-8297.

Staff Changes

CAPITAL MARKETS BRANCH

Randee Pavalow was appointed Deputy Director of Capital Markets and will assist with the day-to-day administration and the planning of the Branch. Randee will continue to act as the Manager of the Market Regulation Team.

Rebecca Cowdery was appointed Manager of Investment Funds Regulatory Reform and will focus her attention on major investment funds policy projects such as the mutual fund governance project.

Paul Dempsey was appointed Manager of the Investment Funds Team.

Gina Sugden was appointed Manager of the Registrations Project Office. In that role, Gina will act as a technical expert and resource to the Team and become involved in special project work such as the mapping of processes within the Team to allow the implementation of the National Registration Database project and creating an education and training program for Registration staff.

Peggy Dowdall-Logie was appointed Manager of the Registrant Regulation Team which combines the former Registrant Legal Services and Registration Teams.

COMMUNICATIONS BRANCH

Terri Williams will be assuming the position of Manager, Investor Education. Terri joins us from a leading venture capitalist where she was Communications Director. Previously, she spent two years managing media and public relations, corporate communications and investor education programs for the Investment Funds Institute of Canada.

INVESTOR *e*•DUCATION FUND

Nancy Stow has been appointed as the Executive Director of the newly created Investor *e*•ducation Fund. Nancy was previously Manager of Investor Education.

T+1 White Paper Released For Comments

A working group formed by the Canadian Capital Markets Association (CCMA) recently released a "T+1 White Paper." By mid 2004, the Canadian and US securities industry plan to shorten the settlement period to one day after the date of trade (T+1) from the current practice of T+3.

"The Canadian Securities Administrators support the move to T+1 and applaud the CCMA's initiative in this regard. Market participants are encouraged to comment on the T+1 White Paper."

Among the various working groups formed by the CCMA board of directors to work on the T+1 project is the Institutional Trade Processing Working Committee (ITPWC). The ITPWC is seeking input for the changes that will be required to move to T+1, in particular the trade communications flow been fund managers, dealers, custodians and CDS.

The White Paper describes various options for a type of straight-through processing (STP) model for Canada, and pro-

DIALOGUE WITH THE OSC 2001 CONFERENCE

PRELIMINARY NOTICE AND EARLY REGISTRATION

Monday, November 19th & Tuesday 20th, 2001

Sheraton Centre Hotel
123 Queen Street West, Toronto

Registration Fee: $395 (*including G.S.T.*)

To register, please contact
The Ellis Riley Group
T. (416) 593-7352 (800) 360-0493 F. (416) 593-0249
info@ellisriley.on.ca

To obtain a detailed program, call
The OSC Contact Centre at
T. (416) 593-8314
or visit the OSC Website at www.osc.gov.on.ca

poses a new design for institutional trade communications in a T+1 environment. STP is the completion of pre-settlement and settlement processes based on trade data that is manually entered only once into an automated system. The paper outlines the process flows for the preferred STP design and highlights the changes that will be required by fund managers and their suppliers, dealers, custodians and CDS.

The Canadian Securities Administrators support the move to T+1 and applaud the CCMA's initiative in this regard. Market participants are encouraged to comment on the T+1 White Paper. The CSA are interested in reviewing the comments received by the CCMA on which of the STP models described in the White Paper would best achieve the efficiency and global competitiveness of Canada's capital markets.

The T+1 White Paper is available on the CCMA's Website at www.ccma-acmc.ca

For more information, please call **Maxime Paré**, Senior Legal Counsel, Market Regulation, (416) 593-3650.

OSC Bulletin, April 6, 2001, Volume 24, Issue 14, Page 2069.

CANADIAN SECURITIES ADMINISTRATORS

A summary of recent national initiatives from the Canadian Securities Administrators (CSA). The CSA is comprised of the thirteen provincial and territorial securities regulators.

CSA Draft Policy on Disclosure

The Canadian Securities Administrators (CSA) have published for comment a draft policy statement that provides guidance and best practices on corporate disclosure, and assists public companies in avoiding selective disclosure. The comment period will end July 25, 2001. Longstanding legislative provisions on tipping already prohibit selective disclosure, which occurs when an issuer discloses material nonpublic information to a few individuals or entities and not broadly to the investing public.

"Longstanding legislative provisions on tipping already prohibit selective disclosure, which occurs when an issuer discloses material nonpublic information to a few individuals or entities and not broadly to the investing public."

However, given public concerns about some industry practices (e.g., closed conference calls with analysts), regulators are providing an interpretation of the tipping provisions and practical guidance to assist public companies in complying with the law.

The draft policy recommends public companies consider implementing the following best disclosure practices:

- Establish a written disclosure policy that promotes informative, timely and broadly disseminated disclosure of material information to the market place.
- Establish a committee of company personnel (or an individual with senior rank) to monitor the effectiveness of the company's disclosure policy.
- Limit the number of people authorized to speak on behalf of the company to analysts, the media and investors.
- Adopt an "open access" policy for analyst conference calls by permitting any interested party to listen by telephone and/or through a Webcast.
- Establish a policy on commenting on draft analyst reports. Issuers should recognize that there is a serious risk of violating the tipping provisions if any direct or indirect earnings guidance is given.
- Observe a "quiet period" around the end of the quarter and prior to the release of quarterly earnings announcements.
- Adopt an insider trading policy to monitor the trading of insiders in the company's securities. The policy should include trading "blackout periods", which may mirror quiet periods.
- Ensure the company's Website is up to date and accurate and use current technology to improve investor access to corporate information.
- Do not participate in, host or link to internet chat rooms or bulletin boards.
- Adopt a "no comment" policy on market rumours that are not attributable to the company and ensure that the policy is applied consistently. If the rumours relate to information that has leaked, the CSA recommends companies disclose the information broadly and on a timely basis.

The CSA Committee believes that these recommendations will help public companies in navigating between business pressures and legislative requirements. The policy statements are not prescriptive, and should be implemented flexibly to fit the circumstances of individual companies.

For more information, please call **Susan Wolburgh Jenah**, General Counsel, (416) 593-8245.

OSC Bulletin, May 25, 2001, Volume 24, Issue 21, Page 3301.

Mining Technical Advisory and Monitoring Committee

The CSA has established a Mining Technical Advisory and Monitoring Committee (MTAMC) to provide advice to the CSA on issues relating to the application of National Instrument 43-101.

The MTAMC will be co-chaired by Deborah McCombe, Chief Mining Consultant of the OSC, and Adrianne Marskell, Senior Legal Counsel of the British Columbia Securities Commission. The Committee will also include nine individuals active in the mining and mineral exploration industry across Canada. Representatives from the Toronto Stock Exchange and the Canadian Venture Exchange will sit on the MTAMC as observers.

For more information, please call **Deborah McCombe**, Chief Mining Consultant, (416) 593-8151.

Universal Market Integrity Rules

On April 20, 2001, the Canadian Securities Administrators (CSA) published a notice requesting comment on the proposed Universal Market Integrity Rules (UMI Rules). The UMI Rules are a joint initiative of the Toronto Stock Exchange Regulation Services (RS) and the Canadian Venture Exchange Inc. (CDNX) designed to harmonize their market integrity rules.

In response to the CSA proposal on alternative trading systems (ATS), the Toronto Stock Exchange and the Investment Dealers Association of Canada (IDA) are proposing to create a stand alone market regulator. Upon recognition of the market regulator as an SRO under securities legislation, RS and CDNX propose that:

- The market regulator adopt the UMI rules; and
- The TSE and CDNX delete their existing market integrity rules.

Comment is requested on a number of key issues, including:

- Are the scope and content of the UMI rules appropriate?
- Should the market regulator require that an ATS be responsible for training its non-dealer subscribers on the applicable rules?
- Should the UMI rules replace all or part of the CSA Trading Rules published for comment at the same time as the July 2000 ATS proposal?
- To what extent are the UMI rules applicable to the debt and derivatives markets and OTC trading?

For more information, please call **Susan Greenglass**, Legal Counsel, Market Regulation, (416) 593-8140 or **Cindy Petlock**, Legal Counsel, Market Regulation, (416) 593-2351.

OSC Bulletin, April 20, 2001, Volume 24, Issue 16, Page 2555.

Upcoming Speaking Engagements by OSC Commissioners and Staff

JULY 17-19, 2001
Regulation & Compliance for Financial Institutions Conference (Toronto) Institute for International Research

Julia Dublin, Senior Legal Counsel, Corporate Finance Branch
"New Proficiency Standards for Financial Planners"
Krista Martin Gorelle, Senior Legal Counsel, General Counsel's Office
"New Developments in Securities Regulation"

JULY 25, 2001
Roundtable on Corporate Governance in Canada (Toronto) Atlas Information (Canada)

Paul Moore Q.C., Vice-Chair
"Corporate Governance in the 21st Century"
Susan Wolburgh Jenah, General Counsel
"The Interim Report of the Saucier Committee - Was It Hard-Hitting Enough?"

AUGUST 14, 2001
Canadian Corporate Counsels Association Annual General Meeting (Saskatoon)

Paul Moore Q.C., Vice-Chair
"Fair Disclosure"

AUGUST 23, 2001
Canadian Investor Relations Institute/Ivey School of Business Conference (London)

Susan Wolburgh Jenah, General Counsel
"Strategic Management of Investor Relations"

OCTOBER 2, 2001
6th Annual OSC/SEC Financial Accounting & Reporting Course Survey (Toronto) Infonex

John Hughes, Manager, Continuous Disclosure Team
"Interim Financial Reporting and Continous Disclosure"

OCTOBER 30, 2001
Securities Litigation Conference (Toronto) The Canadian Institute

Johanna Superina, Senior Legal Counsel, Enforcement Branch
"Regulatory Update: The Latest Decisions, Legislatives Changes and Expanding Vigilance - What Litigators Need to Know"

ENFORCEMENT

The following are summaries of recent enforcement proceedings and hearings before the Commission. For more information, please call the OSC at (416) 593-8314.

Proceedings Against Jack Banks and Larry Weltman
The OSC has commenced a proceeding against Jack Banks (aka Jacques Benquesus) and Larry Weltman, two directors and principals of LaserFriendly Inc. (otherwise known as Gaming Lottery Corporation, GLC Corporation and GalaxiWorld.com). Shares of the company traded on the TSE from August 1993 to July 1998.

Staff of the Commission allege that Banks and Weltman authorized the company to participate in a program whereby the company would issue share certificates, although not actually issue the underlying shares. Staff allege that Banks and Weltman knew or ought to have known that improper use might be made of these share certificates, and that they failed to ensure that sufficient controls were in place to avoid any improper use. In addition, Staff allege that Banks and Weltman pleaded guilty in the State of New York to a felony relating to fraud involving the shares of the company(although unrelated to the program described above).

OSC Bulletin, May 11, 2001, Volume 24, Issue 19, Page 2991.

Paul Gordon, Former Salesperson of CCI Capital Canada Limited
The Commission held a hearing to consider a proposed settlement agreement between Staff and Paul Gordon, former salesperson of CCI Capital Canada Limited on April 25, 2001.

Staff allege that Amber Coast Resort Corporation, a corporation organized pursuant to the laws of Turks and Caicos Islands, created two offerings for its securities which relied on separate exemptions from the prospectus and registration requirements of the Act. No prospectus for Amber Coast was ever filed with or receipted by the Commission.

Staff further allege the following: that on September 1, 1998, Gordon's sponsor, CCI, entered into an agreement to place $200,000 (U.S.) worth of units of Amber Coast by September 30, 1998 and an additional $400,000 (U.S.) worth of units by November 30, 1998 in exchange for fees and use of a luxury villa. Although CCI was never registered as a limited market dealer, CCI encouraged its sales representatives, including Gordon, to sell units of Amber Coast to their clients. Gordon sold units of Amber Coast to two of his clients. In total, those clients invested $20,000 (U.S.) in Amber Coast. CCI paid referral fees of 5% of the monies invested to Gordon by way of commission cheques. As he was in the business of trading in securities, Gordon required registration to sell limited market products in order to sell units of the Amber Coast offering. Gordon was not licensed to sell limited market Products, thus his sales to clients constituted trading without registration. The hearing on April 25 was to consider a proposed settlement agreement that:

(a) the registration of Paul Gordon be terminated or suspended or restricted for such period as the Commission may order;

(b) Gordon cease trading in securities permanently or for such period as the Commission may order;

(c) Gordon resign any positions Gordon holds as a director or officer of an issuer;

(d) prohibits Gordon from becoming or acting as a director or officer of any issuer permanently or for such period as the Commission may order;

(e) Gordon pay the costs of the Commission's investigation and this proceeding;

(f) Gordon be reprimanded; and/or

(g) to make such other order as the Commission may deem appropriate.

OSC Bulletin, April 27, 2001, Volume 24, Issue 17, Page 2600.

Derivatives Services Inc. and Malcolm Robert Bruce Kyle
The Commission held a hearing on May 28, 2001 to consider an application by Derivative Services Inc. ("DSI") and Malcolm Robert Bruce Kyle ("Kyle") for review of the decisions of the Ontario District Council of the Investment Dealers Association of Canada dated June 28, 1999, December 13, 1999, May 5, 2000, June 29, 2000 and July 18, 2000 in respect of the Applicants. The application for the hearing and review was made by DSI and Kyle under the Commodity Futures Act (the "CFA").

The Commission dismissed the application in relation to the four rulings of the District Council dated June 28, 1999, December 13, 1999, May 5, 2000 and June 29, 2000. The Commission determined that it did not have jurisdiction to hear these matters, stating that the Applicants failed to file notice requesting review of these rulings within the time requirements prescribed under the CFA. The Commission further decided that it has jurisdiction to review the fifth ruling of the District Council dated July 18, 2000, and has reserved on this matter only.

OSC Bulletin, June 1, 2001, Volume 24, Issue 22, Page 3378.

RECENT SPEECH

Remarks by David A. Brown, Q.C., Chair, Ontario Securities Commission at the Investor Education Week Kick-off Breakfast

Sponsored by the Investment Funds Institute of Canada, April 23, 2001

The growth of securities investing is leading to new challenges. Between 1990 and 1999, the volume of securities traded in Canada grew by 350 per cent, while the value grew by 750 per cent. For a few moments, I'd like to focus on the impact that has on the settlement cycle.

Across Canada, at the end of each day, the value of trades outstanding ranges between 100 and 150 billion dollars. Over the current three-day settlement cycle, how much could be sitting in limbo waiting to be cleared and settled over any given day? Anywhere between $300 billion and half a trillion dollars.

"The argument is that it would eliminate two-thirds of the settlement cycle risk, and make markets more efficient. That includes reduced collateral requirements and operational risks, and increased productivity and liquidity."

For financial intermediaries, that's a lot of risk. For investors, that's a lot of capital. The time lag is especially important in an economy that seems to change by the hour. Yogi Berra once said that he didn't like playing outfield because "it gets late early out there." In a global economy, 72 hours is a lot longer than it used to be.

In the United States, the Securities Industry Association has been leading the move to cut settlement cycles from three days to one day – from T+3 to T+1. The argument is that it would eliminate two-thirds of the settlement cycle risk, and make markets more efficient. That includes reduced collateral requirements and operational risks, and increased productivity and liquidity. The automation required would also support 24-hour trading.

Aside from the pros and cons, there is a simple reality: Any move to shift to a one-day settlement cycle in the United States would be hard for Canada to ignore. After all, about 15 per cent of companies listed on the TSE are cross-listed on a U.S. exchange. Those companies represent about 40 per cent of TSE trading volume and 60 per cent of its trading value.

If Canada were to stand still while the U.S. industry shifted, the result would be higher settlement costs on this side of the border, opening the risk that Canadian companies would move their clearing and settlement to the United States.

But the shift from T+3 to T+1 would not be without costs. In the United States, the Securities Industry Association estimates a price tag of $8 billion, the bulk of which would be invested by broker-dealers.

This is an issue we're going to be hearing more about. I want to congratulate participants in the Canadian Capital Markets Association for conducting extensive research into the costs, benefits and alternative options for the Canadian industry. And I want to urge the securities industry to support this important initiative.

(OSC Proposes Further 20 Per Cent Cost Reduction)

market participants are expected to go down by approximately 20 per cent based on current revenues – a savings of more than $15 million a year.

The OSC has already reduced fees on three separate occasions over the past four years, saving market players a total of $20 million in the past year alone. Previous fee reductions included:

- In June, 2000, a 10 per cent across-the-board fee reduction;
- In August, 1999, a 10 per cent across-the-board fee reduction;
- In September, 1997, the elimination of the Secondary Market Fee and fees for certain registration terminations and transfers, a savings of $2 million.

To meet its objectives, the OSC's new schedule proposes the introduction of participation fees and activity fees.

Participation fees reflect the benefit derived by market players from participating in Ontario's capital markets. All market players, including reporting issuers, registrants and mutual fund managers, will be required to pay an annual participation fee. The participation fee would be based on a measure of the size of the market player, which is intended to serve as a proxy for the market player's use of the capital markets.

Activity fees reflect the direct cost for activities provided by OSC staff at the request of the market player. Examples include: reviewing prospectuses and applications for discretionary relief and processing registration documents.

The Concept Proposal recommends the fee schedule be re-evaluated every three years. The OSC expects to operate within budget, but if there is a surplus after three years, fees will be reduced accordingly for the next three-year period.

"The Concept Proposal published for comment by the OSC fulfills its commitment to streamline the current fee schedule and charge fees that better reflect the services provided."

A fee estimator has been added to the OSC Website to enable market players to determine what their annual fees would have been for prior years if the Concept Proposal had been in effect. Detailed examples of fees charged to market participants in 1999 and what those participants would pay under the proposed fee schedule can be found in Appendix B of the Concept Proposal.

The period for public comment on the proposal ended May 31st, 2001. Staff are currently reviewing submissions and expect to respond this summer.

For more information, please refer to the OSC Website under the "What's New" heading or call **Marrianne Bridge**, Senior Accountant, Advisory Services, Corporate Finance Branch, (416) 595-8907.

OSC Bulletin, April 6, 2001, Volume 24, Issue 14, Page 2108.

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