ONTARIO SECURITIES COMMISSION

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OSC PERSPECTIVES

Perspectives on Corporate Governance

OSC Chair David Wilson discusses how to improve corporate governance while considering the needs of the Canadian market

Ontario Securities Commission Chair David Wilson says securities regulators are working to develop the right approach to internal controls over financial reporting for Canada's capital markets.

The OSC has worked closely with other members of the Canadian Securities Administrators (CSA) on developing an approach on internal controls, while being sensitive to the fact that their decision will have a major impact on companies that represent a significant portion of the economy of this country. Regulators have consulted extensively with market participants on the topic of internal controls.

(From left) B.C. Securities Commission Chair Doug Hyndman, OSC Chair David Wilson, CSA Chair Jean St-Gelais of the AMF in Quebec, and Alberta Securities Commission Chair Bill Rice at the Securities Superconference in Toronto in February.

On March 10, the CSA announced proposals (CSA Notice 52-313) that would require all publicly-traded companies in Canada to report on the effectiveness of their internal controls over financial reporting, for fiscal years ending on or after December 31, 2007. The CSA decided not to proceed with an earlier proposal that would have required companies to obtain from their external auditors an audit opinion in respect of management's assessment of the effectiveness of internal controls over financial reporting.

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(From left) Bank of Canada Governor David Dodge, Investment Dealers Association of Canada President Joe Oliver, OSC Chair David Wilson and Ontario Minister of Government Services Gerry Phillips attended the IDA's quarterly dinner in Toronto on January 17, 2006. Mr. Wilson was the guest speaker at the event.

OSC Calendar

On May 29, OSC Chair David Wilson is scheduled to address a luncheon hosted by the Canadian Club of Montreal. Jean St-Gelais, President and CEO of the Autorité des marchés financiers and Chair of the Canadian Securities Administrators (CSA), will also speak at the event. For details, go to: www.canadianclub-montreal.ca/en/

Eric Kirzner chairs inaugural meeting of the Investor Advisory Committee on Jan. 31, 2006.

OSC Chair David Wilson greets Pamela J. Reeve, a member of the Investor Advisory Committee, at the IAC's first meeting at the OSC.

The inaugural meeting of the OSC's new Investor Advisory Committee. The IAC was established in November 2005 to offer advice and guidance on aspects of the OSC that have an impact on investors.

Photography: Geoff George Photography

Perspectives on Corporate Governance (continued)

"All members of the CSA have agreed on an effective way to improve the quality, reliability and transparency of financial reporting for investors by requiring disclosure of the effectiveness of the internal controls that support the integrity of financial statements," said Jean St-Gelais, CSA Chair and President and CEO of the Autorité des marchés financiers in Quebec.

The CSA have proposed to expand Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* to include additional provisions in respect of internal controls. The proposal would require a CEO and Chief Financial Officer of a reporting issuer, or persons performing similar functions, to certify in their annual certificates that they have evaluated the effectiveness of the issuer's internal controls over financial reporting as of the end of the financial year. In addition, the issuer's annual MD&A will include disclosure regarding the effectiveness of internal controls over financial reporting.

The proposed harmonized requirements would apply in all Canadian jurisdictions to all companies listed on the TSX and TSX Venture exchanges. The CSA, which intend to seek public comment on their proposals, believe the additional disclosure would increase management's focus on, and accountability for, the quality of internal controls over financial reporting.

Controlled companies

On another corporate governance matter, Mr. Wilson said the CSA have heard concerns about the definition of an "independent director", in regards to closely-controlled companies, contained in the CSA's governance guidelines. Indeed, one stated purpose of the guidelines (National Policy 58-201) was to be sensitive to the realities of the greater numbers of controlled companies in Canada.

"When we issued the corporate governance guidelines last April, we committed to reviewing them within a year to assess their impact on closely-controlled companies," Mr. Wilson said in a speech to some 150 people at the Securities Superconference on February 23 in Toronto.

"Starting in April, we will be seeking input from interested parties. We will hear all points of view to ensure that we have a policy framework that provides a regulatory approach that is tailored to the characteristics of our market" he said.

An Investment in Education

Investor Education Month, held in October 2005, saw strong public demand for information from the OSC:

- Almost 25,000 investor education resources were distributed.
- Record 54,000 visits to Investor Education Fund website (www.investorED.ca) for Investor Education Month – up from almost 25,000 in 2004.

- Approximately 6,000 people had contacts with OSC staff at tradeshows and presentations across Ontario.

The OSC participated in the eighth annual national campaign as part of the Council for Investor Education, a forum of industry organizations and securities regulators.

OSC States its Priorities

The OSC has articulated five major organizational goals in its draft 2006/07 Statement of Priorities, which has been released for public comment.

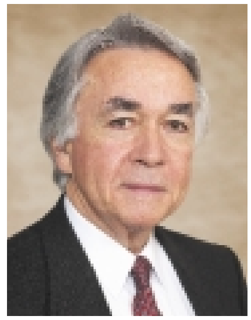
The document, which outlines the OSC's proposed objectives for the coming fiscal year, sets out the key priorities to fulfill the OSC's mandate and the major projects to be undertaken in the coming fiscal year. The OSC's organizational goals are:

1. Provide fair, vigorous and timely enforcement;
2. Take actions to better understand and address the needs of the retail investor;
3. Promote a harmonized, simplified and strengthened securities regulatory framework for Canada;
4. Work to achieve appropriate regulatory integration of North American and global capital markets; and
5. Support and promote a more flexible, efficient and accountable organization.

Ontario's *Securities Act* requires the Commission to deliver to the Minister and publish in its *Bulletin* by June 30 of each year a statement setting out the Commission's priorities for its current financial year.

To read the draft Statement of Priorities, look under 'Accountability' in the Governance and Accountability section of www.osc.gov.on.ca. The 60-day comment period ends May 23, 2006.

New OSC Commissioner Appointed



Patrick LeSage

Former Justice Patrick LeSage joins the Commission

The OSC's newest Commissioner, the Hon. Patrick J. LeSage, Q.C., joins the Commission after a distinguished 28-year career on the bench.

Mr. LeSage began his legal career as an Assistant Crown Attorney in the Ontario Ministry of the Attorney General. In 1972 he became the Director of Crown Attorneys for Ontario. He was appointed to the County and District Court in 1975.

In 1994, Mr. LeSage became Associate Chief Justice of the Superior Court of Ontario and in 1996 was appointed Chief Justice of that Court. He held this position until September 2002, when he became a Senior Resident at Massey College, University of Toronto. He is now retired from the Court.

"Our Vice-Chairs and Commissioners welcome this appointment and look forward to benefiting from Commissioner LeSage's experience in complex legal and policy matters," said OSC Chair David Wilson.

The appointment is for three years. Mr. LeSage, who also sits on the Commission's Adjudicative Committee, is one of 10 independent Commissioners.

Mr. LeSage joined Gowling Lafleur Henderson in Toronto as counsel in February 2004 where he continues to provide advice on a broad range of issues.

WWW For information about the professional background of each Commissioner, see the 'Governance and Accountability' section of the OSC website (www.osc.gov.on.ca).

Jeffrey Lucy (second from left), Chairman of the Australian Securities & Investments Commission (ASIC), meets with OSC Vice-Chair Susan Wolburgh Jenah (third from left) and other delegates during ASIC's Summer School conference, held in February 2006 in Sydney, Australia. Ms. Wolburgh Jenah was a presenter at the conference. She spoke about the important role of the system of self-regulation in the securities industry in Canada.

OSC Online

Internal Controls

To read the CSA announcement of proposals for harmonized internal control requirements, go to: http://www.osc.gov.on.ca/About/NewsReleases/2006/nr_20060310_csa-harmonize-ic-rr.jsp

Institutional Trade Matching

The CSA's revised rule and policy to accelerate institutional trade matching processes: http://www.osc.gov.on.ca/About/NewsReleases/2006/nr_20060303_csa-institutional-trade.jsp

CD Review of Small Issuers

A CSA Staff Notice titled "Continuous Disclosure Review of Smaller Issuers" summarizes some of the deficiencies seen most frequently when regulators review the continuous disclosure record of smaller issuers. (Search for CSA Staff Notice 51-316)

Dialogue with the OSC Audio

In the 'Dialogue with the OSC' section, we posted audio files of several sessions from the conference, held on Nov. 17, 2005. The audio files include the keynote speech by OSC Chair David Wilson and plenary sessions on internal controls and hedge funds: http://www.osc.gov.on.ca/About/Dialogue/dwo_index.jsp

www.osc.gov.on.ca

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Continuous Advice

Members of the OSC's Continuous Disclosure Advisory Committee provide valuable advice and feedback to staff.

Communicating effectively with stakeholders is an essential part of the regulatory process. So OSC staff consult regularly with committees of market participants and other parties to gather insights and feedback on various regulatory issues, such as continuous disclosure, fund governance and registration. The work of committee volunteers helps the OSC provide protection to investors and foster capital markets with integrity.

In its advisory role, the Continuous Disclosure Advisory Committee (CDAC) specifically assists OSC staff in raising awareness of continuous disclosure issues and effecting greater discipline in the marketplace with respect to continuous disclosure obligations and requirements. During their two-year terms, CDAC members serve as a source of balanced and timely advice and commentary in areas like the review of filings made by reporting issuers and on related policy issues. For example, certain elements of National Instrument 51-102 *Continuous Disclosure Obligations* were either developed with the assistance of the CDAC or were significantly influenced by its input.

Currently, there are 15 CDAC members who meet five times a year. One objective of the CDAC is to have the members reflect both a variety of industry sectors and the range of users involved in continuous disclosure activities. Such users include investor relations officers, institutional investors, financial reporting personnel and individual investors.

The terms of a number of CDAC members will end this summer. If you are interested in being considered for the CDAC, please contact John Hughes, Manager, Corporate Finance, at 416-593-3695 (jhughes@osc.gov.on.ca).

Ontario

As the regulatory body responsible for overseeing the securities industry in Ontario, the Ontario Securities Commission administers and enforces the provincial *Securities Act* and administers the provincial *Commodity Futures Act* and certain provisions of the *Business Corporations Act*. The OSC is a self-funded Crown Corporation accountable to the Ontario Legislature through the Minister responsible for securities regulation.