ONTARIO SECURITIES COMMISSION
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OSC PERSPECTIVES

Momentum for Change

David Wilson says OSC will be a catalyst for enhancing the regulatory framework

Progress is being made in developing the right regulatory structure and approach for Canada, helping retail investors get a fair deal and ensuring vigorous enforcement, said Chair David Wilson in his keynote address to 350 delegates at last year's Dialogue with the OSC on November 10.

Given the intense competition among markets, Mr. Wilson said, it's vital that Canada has a structure and approach for regulation to make it a prime location for raising and investing capital. He commended the Crawford and Allen committees for their recommendations on modernizing Canada's securities regime.

One of the OSC's priorities is to understand and continue to address the needs of retail investors. He said, the OSC is currently working to improve the complaint-handling process, enhance communications, make access to information easier, and provide clarity on existing redress mechanisms for retail investors. Furthermore, the second Investor Town Hall will be held in the fall of 2007.

Fighting economic crime is always a major priority for the OSC and cooperation is essential to effective enforcement, Mr. Wilson said. "You can have the best policies and best regulations in the world," he said, "but if you don't enforce them effectively, they don't mean a damn thing."

OSC Chair David Wilson delivered a keynote address at Dialogue with the OSC 2006. Afterwards, he moderated a plenary panel focused on fighting economic crime in Canada that included panelists Deputy Ontario Attorney General Murray Segal, then-RCMP Commissioner Giuliano Zaccardelli, Canadian Securities Administrators Chair Jean St-Gelais, U.S. Securities and Exchange Commission Deputy Director of Enforcement Walter Ricciardi and OSC Enforcement Director Michael Watson.

Dialogue with the OSC 2006 presentations are now available online at www.osc.gov.on.ca/dialogue

OSC bids farewell to two Vice-Chairs

Two distinguished members of the OSC's executive management team, Vice-Chairs Susan Wolburgh Jenah and Paul Moore, will leave the Commission in February 2007. "Susan and Paul have made tremendous contributions during their years of service to the OSC," said Chair David Wilson. "It has truly been a pleasure working with them, especially through my first year as Chair. I wish them the very best."

Ms. Wolburgh Jenah has been appointed President and CEO of the proposed regulatory organization that will emerge if the merger of the Investment Dealers Association of Canada (IDA) and Market Regulation Services Inc. (RS) is approved. Ms. Wolburgh Jenah has served the OSC for 23 years, holding down several positions including General Counsel.

After six years with the OSC, Paul Moore will retire at the end of his current appointment term. He participated in setting priorities and formulating policies and was Chair of the Commission's Adjudicative Committee.

OSC Calendar

January 30

OSC Chair David Wilson will speak at the Canadian Securities Law Update in Toronto

February 22

OSC Chair David Wilson will deliver the keynote address at the Securities Superconference in Toronto

Dialogue with the OSC 2006 Panels

OSC Vice-Chair Paul Moore led a plenary panel discussion on fostering a regulatory system to support small issuers.

OSC Executive Director Peggy Dowdall-Logie moderated a breakout panel that discussed key priorities in compliance.

OSC Vice-Chair Susan Wolburgh Jenah moderated a plenary session focused on the changing self-regulatory landscape.

Photography: Geoff George Photography

Global perspectives spark dialogue

Dialogue with the OSC 2006 featured timely and engaging plenary panel discussions on self-regulatory organizations (SROs) and the regulation of small issuers.

Moderated by OSC Vice-Chair Susan Wolburgh Jenah, panelists from Canada and the U.S. discussed the market forces behind SRO consolidation, specifically the proposed merger of Market Regulation Services Inc. (RS) and the Investment Dealers Association of Canada (IDA), and its implications for Canada's regulatory regime. "Self-regulation has played an important role in Canada as statutory regulators work closely with our recognized SROs to fulfill our mandate," said Ms. Wolburgh Jenah. "However, self-regulation of the securities industry is a work in progress." (See bottom photo to left.)

The SRO panel was followed by an interactive discussion on the regulation of small issuers led by OSC Vice-Chair Paul Moore, and featured Canadian and European perspectives. The panel exchanged ideas on the different approaches, accommodations and concerns about regulating small issuers. "There are certain core principles regulators are just not willing to compromise on," said Mr. Moore. "In carrying out the OSC's mandate, our philosophical approach is to provide regulatory accommodations for small issuers. We agree one size does not fit all." (See top photo to left.)

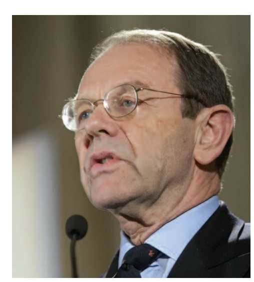
Improving regulatory efficiency and corporate governance

Dialogue featured speeches by Government Services Minister Gerry Phillips and corporate goverance expert David Beatty

Minister Phillips

Government Services Minister Gerry Phillips focused on improving economic competitiveness and enhancing capital market efficiency and effectiveness in his speech at Dialogue with the OSC. Concentrating on Ontario's support for a common securities regulator for Canada, Minister Phillips applauded the work of the Crawford Panel and its proposed model to modernize Canadian securities regulation. "We believe it is the right thing for Canada to have a common body of securities law, a single fee structure, and a common securities regulator," he said.

In a speech about the state of corporate governance in Canada, David Beatty of the Canadian Coalition for Good Governance stressed the need to "pull, push and promote" governance best practices to Canadian companies. Although governance has improved in Canada, Mr. Beatty said, more must be done. He said, "the middle way between rules-based and best practices-based is to have best practices-based at least available for those who care."



David Beatty

OSC welcomes new Commissioners

Two investment industry veterans appointed to the Commission

Margot Howard and Kevin Kelly were appointed to the Commission on December 6, 2006, both for two-year terms. Ms. Howard and Mr. Kelly bring a wealth of experience in the capital markets to the Commission.

A Chartered Financial Analyst, Ms. Howard has over 15 years of investment experience. Most recently, as a portfolio manager at AMI Partners, she focused on investing in Canadian companies. She is an active member of the CFA Institute and Women in Capital Markets, and holds an MBA from the University of Western Ontario in London.

Mr. Kelly brings more than 30 years' experience in the financial services sector in top roles at leading global companies. Most recently, he was President of Wellington West Capital. He also served as President of Fidelity Brokerage Company, President and CEO of Fidelity Investments Canada Ltd., and President of Fidelity's Institutional Services Company. Prior to these positions, Mr. Kelly was President and CEO at Bimcor Inc., the Investment Corporation of Saskatchewan and Midland Walwyn Capital Corporation. He holds a B. Comm. from Dalhousie University in Halifax.

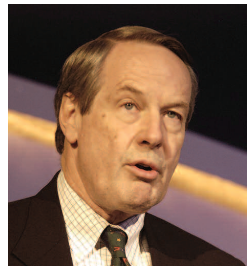
Expertise and Experience

"We are honoured to have such distinguished representatives of the financial services industry at the OSC," said Chair David Wilson. "I know my fellow Commissioners and OSC staff will benefit and learn from their extensive knowledge of the capital markets."

Ms. Howard and Mr. Kelly are two of the 10 non-executive Commissioners at the OSC.

Globalization challenges for intermediaries

OSC Chair addresses global regulatory issues affecting intermediaries



David Wilson at IOSCO's Technical Committee Conference

OSC Chair David Wilson said securities regulators and market intermediaries both face enormous challenges created by the emergence of global capital markets. Regulators are responding by fostering international cooperation and by providing best-practices guidance to market participants, said Mr. Wilson in a speech at the Technical Committee conference of the International Organization of Securities Commissions (IOSCO).

For example, he said, as the complexity of the marketplace increases, it becomes more challenging for intermediaries to meet their compliance responsibilities. IOSCO recognized that providing guidance to intermediaries about enhancing the effectiveness of their compliance function would be helpful. In 2006, IOSCO published principles meant to be flexible enough to adapt to the nature, scale and complexity of an intermediary's often global operations. One principle relates to the challenge of having an effective global compliance function in firms providing services across borders.

"All of us must adapt to the rapid changes that are shaping today's capital markets," he said. "We must bring innovation and collaboration to this effort so that we continue to provide protection to investors and foster market integrity."

Mr. Wilson's speech, given last November in London, U.K., is available on the OSC website.

Regulatory concerns about PPNs

OSC Vice-Chair Paul Moore said there are concerns with the sale of Principal Protected Notes (PPNs) to the retail market, particularly when sold through non-registrants. Many PPNs are being distributed to the retail market through banks and other institutions, as deposits or exempt securities because of a regulatory gap, said Mr. Moore in a speech at the World Hedge Funds Summit last November.

Even when PPNs are sold through registrants, he explained, securities regulators have concerns that registrants may not be properly exercising their suitability obligations. "The OSC will work with banks on the issue of market conduct," said Mr. Moore. The CSA issued an Investor Watch on PPNs last July and a notice on the regulation of hedge funds on January 12, 2007.

OSC Vice-Chair Paul Moore

OSC Online

Corporate Finance Report 2006

This report from the Corporate Finance Branch of the OSC highlights the Branch's activities and outlines issues considered by the Branch to be of interest to issuers and their advisers. The report is available under "Hot Topics" (Notice 51-706).

Capital Markets Branch, Compliance Team Report 2006

The OSC Capital Markets Branch's compliance team report provides general guidance to help improve the overall environment for Investment Counsel and Portfolio Managers (ICPMs) in complying with Ontario securities law. The report is available in the "Policy & Regulation" section under Rules, Policies & Notices (Category 3 – Notice 33-724).

Dialogue with the OSC 2006 Presentations

Audio files of the presentations from Dialogue with the OSC 2006 are available on the OSC website. Listen to the interactive discussions on enforcement, the changing SRO landscape, small issuer regulation, compliance, mergers and acquisitions and investment funds. The presentations are available in the "About the OSC" section.

www.osc.gov.on.ca

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New President for Investor Education Fund

Tom Hamza joined the Investor Education Fund in December 2006 as its new President. He is responsible for the overall strategic and organizational direction of the Fund, reporting to the Fund's Board of Directors.

Mr. Hamza brings a broad range of experience to the Fund having worked in the financial services and strategy consulting sectors where he gained experience developing strategies for global enterprises and small businesses. Most recently, he was Vice President, Financial Services and Chief Compliance Officer at KidsFutures, an operator of a loyalty rewards program to support children's post-secondary costs.

Seeking Comments in the New Year

A number of proposed amendments or rules will be published for public comment in the first quarter of 2007. The proposals will include:

- Amendments to National Instrument 21-101 *Marketplace Operation*;
- National Instrument 31-103 *Registration Requirements*; and
- Amendments to National Instrument 51-102 *Continuous Disclosure Obligations*.

On December 21, 2006, the Canadian Securities Administrators published for comment proposed National Instrument 41-101 *General Prospectus Requirements*. The comment period is open until March 31, 2007.

Ontario

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