ONTARIO SECURITIES COMMISSION

Fall 2007 Volume 10 Issue 4

OSC PERSPECTIVES

Registration proposals prompt numerous comments

Investors and financial industry representatives submitted more than 260 letters to the Canadian Securities Administrators (CSA) during the comment period for proposed National Instrument 31-103 *Registration Requirements*.

Published for a 130-day comment period in February 2007, the proposed rule aims to strengthen the registration regime by harmonizing and streamlining registration requirements across all CSA jurisdictions. Another objective of the proposal is to significantly reduce the number of registration categories for firms and individuals.

"We've received a tremendous volume of positive comments, particularly due to the stakeholder meetings we held in Vancouver, Calgary, Toronto and Montreal," said Marsha Gerhart, Assistant Manager, Registrant Regulation in the OSC's Compliance and Registrant Regulation Branch. "A thorough understanding of the proposed rule was imperative to generating sufficient stakeholder feedback."

The CSA is preparing responses to the comments, in addition to revising portions of the proposed rule to reflect some of these comments. The proposed rule will be re-issued later this year, along with consequential amendments, for an additional 90-day comment period.

The CSA intends to finalize the rule in early 2008 for implementation by mid-2008. What registration reform means for registrants will be the topic of a breakout session at Dialogue with the OSC on November 27.

CSA to issue paper on IFRS convergence

The Canadian Securities Administrators (CSA) plans to release a concept paper on possible changes to National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* and related instruments. The paper will be released in light of the proposed adoption of International Financial Reporting Standards (IFRS) in Canada by 2011.

The paper will discuss issues such as the timing for acceptance of IFRS financial statements from Canadian issuers, whether issuers should be required to state compliance with IFRS rather than continuing to refer to Canadian GAAP, and the extent to which use of U.S. GAAP should continue to be accepted in Canadian markets.

... continued on page 2

From left to right: Bill Rice, Chair, Alberta Securities Commission; Joanne De Laurentiis, President & CEO, The Investment Funds Institute of Canada; Doug Hyndman, Chair, British Columbia Securities Commission; Robert Frances, Chair, The Investment Funds Institute of Canada; and David Wilson, Chair, OSC.

OSC Chair David Wilson spoke on a panel session with fellow regulators Mr. Rice and Mr. Hyndman at the Investment Funds Institute of Canada's annual conference on October 2 in Toronto. The panel session featured key regulatory issues impacting the mutual fund industry, such as passport, the registration reform project and point of sale disclosure.

Upcoming OSC Speaking Engagements:

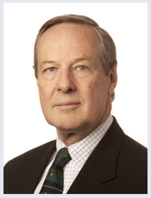
October 31

OSC Chair David Wilson will speak at the British Columbia Securities Commission's Capital Ideas conference in Vancouver, BC.

November 8

OSC Chair David Wilson will moderate a panel at the International Organization of Securities Commissions (IOSCO) conference being held in Tokyo, Japan.

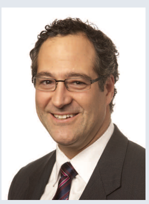
Dialogue with the OSC 2007



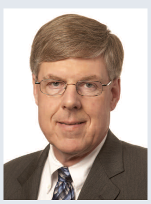
David Wilson, OSC Chair, will open the conference as the keynote speaker.

Arthur Levitt, former Chairman, U.S. Securities and Exchange Commission, will speak about the importance of independence and accountability in the capital markets.

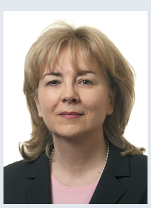
Linda Chatman Thomsen, Enforcement Director, U.S. Securities and Exchange Commission, will participate in the enforcement plenary panel discussion.



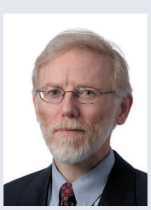
Larry Ritchie, OSC Vice-Chair, will moderate the plenary panel discussion on enforcement.



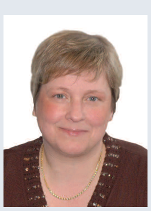
Jim Turner, OSC Vice-Chair, will moderate the plenary panel discussion on disclosure in today's capital markets.



Peggy Dowdall-Logie, OSC Executive Director, will lead a discussion focused on how Passport will work for Ontario market participants.



John Carchrae, OSC Chief Accountant, will moderate a session on global standards of financial reporting.



Marsha Gerhart, OSC Assistant Manager, Registrant Regulation, will moderate a panel discussion about what registration reform means for registrants.

To Register: visit the OSC website at www.osc.gov.on.ca/dialogue.

Investor Forum to offer educational sessions

Ontario investors will have the opportunity to learn about important investment-related issues in the educational sessions being offered at the Investor Forum on October 24, 2007.

The event features breakout sessions on the client-adviser relationship, getting help with the complaints process, and understanding investment products and risks.

Investors will also have the opportunity to participate in a plenary session with David Wilson, Chair, OSC; Susan Wolburgh Jenah, President and CEO, Investment Dealers Association of Canada (IDA); Larry Waite, President and CEO, Mutual Fund Dealers Association of Canada (MFDA); and David Agnew, Ombudsman, Ombudsman for Banking Services and Investments (OBSI).

The OSC's Scott Boyle, Assistant Manager, Investigations and Joanna Fallone, Team Manager, Case Assessment, will be among those participating in the breakout sessions.

The event, jointly hosted by the OSC, IDA, MFDA and OBSI, takes place from 6:00 p.m. to 8:30 p.m. at the Metro Toronto Convention Centre. Admission is free.

Regulatory initiatives address PPN concerns

The Canadian Securities Administrators (CSA) says it anticipates that proposed regulatory initiatives concerning principal protected notes (PPNs) will substantially address its key concerns about the products.

An integral initiative in addressing these concerns is the federal government's 2007 budget announcement that it will release for comment principles-based regulations for banks that issue PPNs. The CSA consulted with the federal government on developing these PPN regulations to address investor-protection concerns. The federal regulations would apply to the majority of PPNs and address concerns such as disclosure. The CSA said it will fully review the federal government's final form of the proposed regulations, which is set to be published this year.

The CSA also identified other ongoing initiatives such as the proposal for changes to be made to the Mutual Fund Dealers Association's rules to ensure Know Your Client and suitability requirements. The CSA recently provided an update on regulatory initiatives involving PPNs in CSA Notice 46-304 *Update on Principal Protected Notes*.

CSA to issue paper on IFRS convergence

(continued from page 1)

The paper will also consider the experiences of other countries in changing to IFRS, as well as implications of the U.S. Securities and Exchange Commission's proposal to waive its U.S. GAAP reconciliation requirement for financial statements of foreign registrants prepared in accordance with IFRS.

The CSA plans to release the concept paper by the end of 2007. The adoption of IFRS in Canada will also be discussed in a breakout session at Dialogue with the OSC on November 27.

Enhancing the culture of corporate governance

"A regulatory environment based on public disclosure enhances a culture of corporate governance," said OSC Vice-Chair Larry Ritchie in a speech to a conference organized by the Law Society of Upper Canada on September 12 in Toronto.

Corporate governance will remain a critical issue for the capital markets and for public policy, said Mr. Ritchie, and market participants are looking for clarity and consistency from regulators. In response, he said the OSC will strive to clearly articulate principles and standards that help market participants understand what behaviour is expected.

OSC Vice-Chair Larry Ritchie spoke at a conference organized by the Law Society of Upper Canada about the regulator's perspective on corporate governance.

"In doing so, regulators can help corporations govern themselves; this includes encouraging a governance regime that enables them to effectively deal with issues that arise and take appropriate action that meets the expected standards," he told the conference on corporate governance.

For example, the OSC can do this by defining standards for better record-keeping, greater internal accountability and enhanced disclosure about how these efforts are being pursued. He emphasized that the OSC's goal is to strike a regulatory balance between improving the system of corporate governance without adding any undue burden on market participants.

"Disclosure is the critical underpinning of our market," said Mr. Ritchie. "It strengthens compliance and encourages a culture of good corporate governance."

OSC reports on compliance activities

Report highlights reviews of ICPMs, fund managers and limited market dealers

The Compliance Team of the OSC's Compliance and Registrant Regulation Branch has issued a report on its reviews of investment counsel and portfolio managers (ICPMs), fund managers and limited market dealers. Staff Notice 33-728 *2007 Annual Report – Compliance Team* summarizes the results of the reviews conducted from April 1, 2006 to March 31, 2007.

Here are some of the highlights from the reviews:

- The top three most common deficiencies of fund managers involve the maintenance of books and records, fairness policies, and Know Your Client (KYC) and suitability information.
- Field reviews of ICPMs resulted in an average of 17 deficiencies per review. An average of 35% of these deficiencies were identified as significant. The top three significant deficiencies were marketing, KYC and suitability information and capital calculations.
- During reviews of fund managers, staff found deficiencies primarily in marketing, oversight of service providers and written policies and procedures.
- A summary covering new and proposed rules was published by the OSC.

The notice also explains that OSC staff plan to publish an industry report that summarizes the findings of marketing practices reviews of a sample of ICPMs. OSC staff also plan to conduct reviews on a sample of newly registered ICPMs, as well as sweeps on fund managers and ICPMs.

OSC appoints Director for new Branch

Susan Silma

Susan Silma was appointed Director of Compliance and Registrant Regulation, a newly created OSC Branch.

The Branch is responsible for initial registration and ongoing requirements for market participants, conducting compliance reviews to ensure market participants are complying with securities laws, providing guidance to market participants on their obligations, and developing policy solutions to enhance regulatory oversight.

Formerly the Director of the OSC's Investment Funds Branch, Ms. Silma brings considerable experience and industry knowledge to her new position. Leslie Byberg, Manager of Investment Funds, is serving as Interim Director of the Investment Funds Branch.

"Compliance and registration issues are important to market participants," said Ms. Silma. "I'm looking forward to working with the street on these issues."

OSC Executive Director Peggy Dowdall-Logie is serving as interim Director of the newly formed Market Regulation Branch. The Compliance and Registrant Regulation Branch and Market Regulation Branch were created out of the former Capital Markets Branch.

OSC Online

Investor Forum – October 24, 2007

The Investor Forum will be held on October 24, 2007 from 6:00 p.m. to 8:30 p.m. at the Metro Toronto Convention Centre (South Building). The event will offer three breakout sessions, as well as a plenary panel consisting of the heads of the OSC, Investment Dealers Association of Canada, Mutual Fund Dealers Association of Canada and the Ombudsman for Banking Services and Investments.

Admission is free. Registration and agenda information are available in the "For the Consumer" section under 2007 Investor Forum.

Website Updates

Commission page: The OSC's Commission page now includes the Commission Charter of Governance Roles and Responsibilities. The Commission page is available in the "About the OSC" section under Governance & Accountability.

Fast Answers (FAQ) page: The Fast Answers page on the OSC website reflects the most recent frequently asked questions. In addition, a number of new documents have been added to assist users of the System of Electronic Disclosure by Insiders (SEDI). The Fast Answers page is available under "What's New".

PERSPECTIVES is published by the Communications & Public Affairs Branch of the Ontario Securities Commission. For a free subscription, or to send feedback, please e-mail us at perspectives@osc.gov.on.ca. *Perspectives* is posted on www.osc.gov.on.ca under 'Online Publications'.

Regulatory Policy Overview

Below are the notices and policies issued recently by the Canadian Securities Administrators (CSA):

- CSA National Policy 12-202 *Revocation of a Compliance-related Cease Trade Order* – harmonizes and streamlines the process to revoke or vary a cease trade order.
- CSA Staff Notice 46-304 *Update on Principal Protected Notes* – provides an update on PPN regulatory initiatives such as the pending federal PPN regulations announced in the March 2007 federal Budget Plan.
- CSA Staff Notice 44-304 *Linked Notes Distributed Under Shelf Prospectus System* – provides guidance to issuers intending to qualify linked notes for distribution by way of a shelf prospectus.

Policies currently out for comment:

- Proposed National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions* – proposes prospectus filing processes for issuers in multiple jurisdictions.
- National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* – proposes processes for market participants to obtain exemptive relief in multiple jurisdictions.
- *Proposed Framework for Point of Sale Disclosure for Mutual Funds and Segregated Funds* – outlines elements of a proposed disclosure and information system for mutual and segregated funds. Comment period ends October 15.

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.