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Mr. Tom Allen
Chair
Task Force to Modernize Securities Legislation in Canada
Investment Dealers Associations
121 King Street West, Suite 1600
Toronto, Ontario
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Dear Mr. Allen,

The Canadian Coalition for Good Governance (CCGG) suggested to members to put forward problems in Canadian investor laws and enforcement.

1) The Commission should look into items that create conflicts of interest:

-Members of the IDA do business with corporations (underwritings, mergers, acquisitions, trading) many of which lead to large fees. This leads to many real and potential conflicts of interest.

. Selling slow inventory with higher commission fees to clients.

. Looking at regulations and laws which favour some shareholders over others (no-pre-emptive rights; block trades to selective customers). Alimentation Couche Tard case, etc, - allowing people who become favoured insiders to profit from sweetheart issues. Sending in proxies for fees which allow mergers, which otherwise may fail. Giving "Fair value" opinions which frequently are highly contested by buy-side analysts, etc.

2) The "oppression" remedy in the CBCA is itself oppressive. Shareholders must use their own money to prosecute while the corporation uses their money also. In some cases it takes years and years at huge legal expense to remedy oppression. These cases should be dealt with through arbitration within 6

months to one year. All arbitration fees should be paid by the corporation. The dissenting shareholders should name one arbitrator and the Board another. These two should agree on a Chairman. Any outside research should also be paid by company as determined by the arbitrators. The verdict should be binding.

3) Sections of the Law (such as the 90% squeeze-out rule) should not be allowed to be circumvented as presently was done in the Domco and Dupont of Canada cases where a subsidiary was created to hold a company's holding which shares then could be voted with 67% carrying the day - negating in fact the 90% rule and permitting oppression. Equally, only real shareholders should vote. Or in writing appoint custodians to vote specifically on major issues such as mergers and acquisitions, etc. NO payment for proxies should be allowed. Blind proxies should NOT be voted. Custodians should know their clients and clients not willing to be identified should not be allowed to vote.

4) There should be better rules for insider trading, better compliance and higher penalties. Insiders should possibly make intentions public in advance if they involve large blocks, etc.

5) The audited financial statement should be a document investors can rely on when making investment decisions, not merely confirm that auditing conventions were followed. The latter statement is worthless and needs not be addressed to the Board of Directors. Shareholders must be able to trust that auditing money is spent to protect the integrity of statements.

6) Prospectuses should be far shorter and far less expensive. Today they are a feast for lawyers and accountants - NO one has the time to read them and few people have the knowledge to understand them. I do not believe that people read the prospectus before selling or buying. As such they are quite useless. Even directors do not have the time or desire to read them in total. They are a waste of time and an even far greater waste of corporation funds. There should be better methods to bring forward the salient facts on which to base a decision. (The above applies to all prospectuses - mergers, acquisitions, mutual funds, new issues, etc). Full disclosure means little if not readable and is beyond the understanding of investors, executives and directors.

7) In cases such as Hollinger, Enron and WorldCom legal actions are directed against the corporations, when the crooks are typically executives or majority shareholders and their accomplices, the Boards of Directors indirectly, as they did not do their job. Yet it is the innocent shareholder who pays the tab, not normally the guilty party. It seems doubly unfair as the shareholder already is the loser.

A further major problem is the fact that we have 13 "do-nothing" commissions and also the division between civil (provincial) and criminal (federal). For the Provinces not to recognize other commissions and demanding registration everywhere is puzzling. Aren't they working for investors rather than politicians? Enforcement exists to make laws meaningful. It is questionable in law whether registering with one commission is not legal trans-Canada – this should be explored.

These are some of the areas that would seem to warrant attention.

Very truly yours,

Stephen A. Jarislowsky