



TASK FORCE
to Modernize Securities Legislation in Canada
GROUPE DE TRAVAIL
pour la modernisation de la réglementation
des valeurs mobilières au Canada

News Release

For immediate release

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TRANSFORM “MADE IN CANADA DISCOUNT” INTO “MADE IN CANADA *PREMIUM*” - REPORT

Recommendations to empower investors, spark paperless revolution and ensure fair, effective enforcement Canada-wide

October 4, 2006 (TORONTO) – The Task Force to Modernize Securities Legislation concluded its intensive 16-month study today with a comprehensive set of recommendations to bolster the international competitiveness of Canada’s capital markets.

The report, entitled *Canada Steps Up*, presents 65 recommended Canada-wide reforms that focus on:

- Creating more empowered, more informed, more financially literate investors;
- Improving the speed and simplicity with which issuers can go to market; and
- Enhancing both the effectiveness and fairness of enforcement on a Canada-wide basis.

“*Canada Steps Up* is all about catapulting Canada’s capital markets - for investors, issuers and regulators – into a position of international leadership in the 21st Century,” said Task Force chairman Tom Allen. “Currently, our capital markets are operating under a burden of cumbersome compliance requirements, uncoordinated, uneven enforcement, and, frankly, too many investors who are not adequately informed. According to the extensive research we commissioned, these factors create what we’ve called a ‘Made in Canada Discount’ by which shares of Canadian issuers trade at a discount from the price attracted by comparable issuers in the US.”

“What we propose is a new vision – with a new generation of savvy, informed, empowered investors; a paperless revolution in disclosure that harnesses the power of technology to help remove the barriers between issuers and their market; and a firm, fair and transparent regulatory and enforcement regime,” said Mr. Allen. “The cumulative

effect would be the transformation of the current ‘Made in Canada Discount’ into a ‘Made in Canada Premium’.”

“The title of the report, *Canada Steps Up*, really says it all”, said Task Force member Jacques Ménard. “The confidence, stability and suppleness that the report’s recommendations would bring to Canada’s capital markets is the best investment we could possibly make in the dynamism and international competitiveness of this vital sector.”

Among the key recommendations in *Canada Steps Up*:

- That investor education and financial literacy be made a national priority, with the creation of a National Coordinator of existing public and private sector investor education programs.
- A paperless revolution in compliance. Once initial, IPO disclosure documents were issued, companies would no longer be required to produce hard copy annual reports, proxy circulars and other continuous disclosure documents for investors – instead, disclosure would be accomplished by electronic filings on SEDAR and the issuer's website. Regulatory reforms in recent years have drastically increased the amount that companies are required to publicly disclose. However, the sheer mass of information disclosed in itself often acts as an obstacle for ordinary investors. The Task Force sees the next challenge as transforming that disclosed data into accessible, understandable, useful information for investors, with Canada fully adopting the "access equals delivery" model for disclosure.
- The creation of an innovative, world-leading system for disclosure. The Task Force has funded a prototype, entitled MERIT (Model for Effective Regulatory Information Transfer). MERIT would be the next-generation, e-world disclosure system - an interactive, easy-to-use, standardized system of corporate disclosure that would also integrate audio and video elements - essentially transforming disclosure into information.
- Requiring insiders to give two business days advance notice before selling securities – to ensure greater transparency and fairness.
- A regulatory framework for hedge funds stressing comprehensive disclosure and transparency of all management and administration arrangements and fees, with full registration, including the registration of hedge fund managers.
- The creation of a new category of well-known seasoned issuers (C-WKSI), with market caps of \$350 million or more, with a more streamlined and rapid system for offerings.
- The elimination of hold periods for privately placed securities of reporting issuers.

- A coordinated, Canada-wide approach to enforcement to ensure the effective use of resources, the development and deployment of experts with strong commercial knowledge and backgrounds across the country, and the independence and accountability of the enforcement process.
- The creation of a new position, called Senior Independent Review Officer, in each RCMP IMET locale in Canada, to ensure quality control and good judgment in capital markets investigations, and to make the final call on prosecutions.
- The establishment of a separate, national Capital Markets Court with jurisdiction over both securities offenses, and civil liability cases related to securities violations.
- The adoption of a policy ensuring that successful defendants in securities cases have their legal costs reimbursed, and more frequent court applications for restitution, damages or compensation for aggrieved parties.

Canada Steps Up is the culmination of research conducted on a national and international scale unprecedented in a Canadian study of capital markets. More than 3,000 pages of research in five volumes of supporting documents was prepared by more than 40 researchers from Australia, the United States, Great Britain – as well as from across Canada, all providing substantive, research-based data underpinning to support the Task Force’s comprehensive recommendations.

The Task Force to Modernize Securities Legislation was established by the Investment Dealers Association of Canada (IDA) in June of 2005. An independent, blue ribbon panel, with national representation, it was mandated by the IDA to make recommendations with two goals in mind: to modernize securities regulation in Canada, and to enhance or maintain the competitiveness of Canada’s capital markets