

**This Volume contains a number of research papers commissioned by the
Task Force to Modernize Securities Legislation in Canada.
We are grateful to each of the authors for the extensive work involved
and the quality of the work presented.**

**The recommendations by the authors are their own
and do not necessarily reflect the views of the Task Force.
The recommendations of the Task Force will be found in
its Final Report, *Canada Steps Up***

FOREWORD

Strengthening Market Credibility and Integrity

The Task Force to Modernize Securities Legislation in Canada was established with the two fold mandate of recommending ways to modernize securities legislation and to ensure the future competitiveness of Canada's capital markets. Once a set of critical capital market issues was identified, the Task Force commissioned leading academics and industry practitioners to investigate these key areas. The resulting research reinforces a serious commitment to understand the Canadian market in a global context and to prepare effective recommendations.

Canada Steps Up, the final report of the Task Force, and the recommendations contained within are based on input and consultation with leaders in government, industry, the regulatory community and academia. The foundation of *Canada Steps Up* is based on thirty research studies prepared by individuals recognized for their expertise in law, finance, accounting, statistics, actuarial science, economics and business located at leading institutions across Canada, the United States, Australia and the United Kingdom.

The thirty research studies are published in five separate volumes demarcated by the following broad categories: (i) Evolving Investor Protection; (ii) Maintaining a Competitive Capital Market in Canada; and (iii) Strengthening Market Credibility and Integrity. This measure of work represents a commitment to capital markets research unprecedented in Canadian history.

Cross-jurisdictional empirical evidence demonstrates that enforcement of securities laws reduces cost of capital, enhances liquidity of capital markets and is a key contributor to investor confidence. The effectiveness of enforcement in Canada should be a high priority for all Canadian capital markets stakeholders and was a common theme throughout the submissions and presentations made to the Task Force. The research studies included in Volume 6, *Strengthening Market Credibility and Integrity – Research Studies* look at the critical issues in enforcement relating to Canadian capital markets, the challenges and offer some solutions.

The Task Force appointed the Capital Markets Institute (CMI) at the Rotman School of Management, University of Toronto to act as Research Director for this initiative, responsible for overseeing the academic research. The CMI is recognized for its independent, multidisciplinary/multidimensional approach to policy-related research. Under CMI's direction, the research studies for *Canada Steps Up* benefited from a consultation process that included input on issues from market participants including regulators and government officials.

While the research studies inform the Task Force’s final report, the research also is intended to be thought provoking. We hope it will ignite ongoing debate and discussion on issues facing Canadian capital markets. To the best of the authors’, CMI’s and the Task Force’s knowledge, the studies are factually correct. The recommendations contained within remain those of the authors. If dialogue continues, and our country steps up to embrace some or all of the recommendations flowing from this research, Canadian capital markets and those who use them, will be the beneficiaries.

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