



To Stakeholders in Canada's Capital Markets:

The welfare of the capital markets is a matter of vital interest to all Canadians. Providing a sound market experience to individual investors has never been more important. The shift in the pension structure of millions of Canadians from defined benefit plans to defined contribution plans exacerbates the need for investors – now in charge of their financial retirement – to have a degree of financial market literacy, to be attracted to read information made available to them, and to have available to them the services of advisors whose qualifications they understand and who are superbly qualified, who know their clients *and* the financial products they are selling.

This critical shift in financial responsibility to the “do-it-yourself” model places all these issues, and more, in glaring relief and is central in all we have considered.

Changes to capital market regulation in Canada do not happen at a lightening pace. Often delay is warranted for due consideration – in fact, as you will read, we recommend careful cost benefit analyses accompany any significant regulatory change. However I must point out the speed with which imaginative regulatory changes are occurring elsewhere. Policy makers in Canada need to move with deliberate speed not to be left behind on crucial issues, let alone if they would like to lead.

There is, as our title suggests, an opportunity for Canada to *step up* to the challenge and present imaginative regulation to Canada's capital markets; regulation which is not only effective but builds upon the technology which characterizes this century.

We *can* do better in improving financial literacy. We *can* do better in presenting disclosure in a way which invites a reader to become informed rather than repels all but the most dedicated readers. And we *can* do better to distinguish Canadian markets in a positive way to eliminate the current “made in Canada” discount.

Finally, we *can* do better in building upon the very valuable progress already being made by provincial regulators to minimize the negatives associated with fragmented regulation, particularly in the enforcement of regulations which have inter-provincial or international application.

It is time to *step up* to that challenge.

I want to express my personal gratitude to a number of people and organizations:

To my colleagues on the Task Force each of whom read voluminous material, questioned presenters, debated ideas thoroughly and shared their varied and extensive capital markets backgrounds.

To the Capital Markets Institute, who guided us superbly in the choice of researchers and the development of their research protocols and papers and who made the administration of this important aspect of our work look deceptively easy.

To Taylor NGL Limited Partnership and Quest Capital Corp. for their willingness to offer their historical corporate disclosure to demonstrate the capabilities of the new “e-disclosure” model we recommend in Chapter 4.

To Dianna Dobbin, our executive assistant, who anticipated our needs repeatedly, met them invariably, delivered excellent organization and questioned my logic, often with much justification.

To our counsel, Lachlan Burn and Craig Brod, for carefully instructing us on developments in securities regulation in the United Kingdom and the United States, respectively; William Braithwaite and Jeffrey Elliott, for wise counsel on matters of Canadian law, and with regard to issues we wished to debate – and with particular gratitude to Jeffrey who patiently and capably reflected our views.

Finally, we are all grateful to the Investment Dealers Association of Canada for having decided that this was a time for thoughtful review of capital markets issues. It was a privilege for us all to serve on the Task Force.

Sincerely,



Thomas I.A. Allen, Q.C.
Chairman