

Corporate Securities

NOVEMBER 21, 2002

A Unified Canadian Securities Regulator?

Harold MacKay, Chairman of an earlier Task Force examining Canadian Financial Institutions, was asked in October, 2002 by John Manley, Deputy Prime Minister and Minister of Finance to recommend the process to determine the best securities regulatory system for Canada.

Mr. MacKay has responded promptly and provided some hope to those who have consistently despaired of Canada's regionally disparate and functionally separate Provincial regulatory regimes.

Mr. MacKay concludes succinctly that Canada's securities regulatory system must be improved significantly, and in a prompt fashion.

He notes that there are over 40 financial regulators, including self-regulatory organizations, in Canada while in Australia there are now two and in United Kingdom one.

Advocating that Canada needs to approach the problem anew because the current system, as presently operated, is inadequate to meet the challenges of today and tomorrow, Mr. MacKay leaves no doubt that the system is "broke" and needs fixing.

Mr. MacKay recognizes that the Canadian capital market has shrunk to the point that Canadian equity markets account for about 2.5% of global market capitalization and an even smaller portion of trading activity while the United States accounts for about half of global equity market capitalization.

Mr. MacKay's recommendation for the process of considering securities regulation is clear. The Minister is advised to establish a "Wise Persons' Committee" which, more particularly, is urged to consider either a "passport" model which builds upon the existing mutual reliance system to achieve an unified result or a single commission model in which governments electing to participate would pool their authorities in a single regulator administering one set of rules.

In addressing the issues in a direct and forceful manner, Mr. MacKay has provided the Minister with sound and effective advice. It is profoundly to be hoped that the advice will be heeded and that the result will be a regulatory system in Canada which can be explained to the international community in one sentence. The Minister has reacted positively to Mr. MacKay's report, and confirmed the need for prompt action.

Please contact any member of the Goodmans securities team to discuss the report and its implications.

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