

COUNCIL OF MINISTERS COMMUNIQUÉ

October 22, 2008

Council of Ministers continues to implement Passport System

The Provincial-Territorial Council of Ministers of Securities Regulation (Council of Ministers) reaffirmed their commitment to fully implement the Passport System at their meeting on September 18, 2008 in Québec City. The Council of Ministers was established by the 2004 [*Provincial-Territorial Memorandum of Understanding Regarding Securities Regulation \(MOU\)*](#). The MOU was signed by all provincial and territorial jurisdictions except Ontario. The Passport System and the MOU recognize that securities regulation in Canada is a matter of provincial jurisdiction.

The Passport System provides a single window of access for market participants across Canada. Participants have been able to clear a prospectus or obtain a discretionary exemption since March 17, 2008 and, in spring 2009, will be able to register as a dealer or adviser, by obtaining a decision from the securities regulator in their home province or territory and have that decision automatically apply in all other passport jurisdictions. The Passport System also ensures that public companies are subject to only one set of harmonized continuous disclosure requirements in passport jurisdictions.

There has been an unprecedented level of co-ordination and consensus among governments and regulators in Canada to streamline and improve securities regulation through the Passport System. It is built upon highly harmonized legislation passed by the MOU jurisdictions and complementary national rules developed by the Canadian Securities Administrators (CSA).

The Council of Ministers confirmed that all MOU jurisdictions will have harmonized registration-related legislation in place to support the implementation of the new national registration rule but expressed disappointment that the Ontario government may not pass legislation in time to meet the spring 2009 target for implementing the national registration rule. Stakeholders' concerns that the proposed Ontario legislation is not harmonized with the legislation in MOU jurisdictions are shared by the Council of Ministers.

The Council of Ministers strongly encouraged the Ontario Minister of Finance who attended the meeting to harmonize Ontario legislation and join the Passport System in order to maximize the benefits for all market participants. The Council of Ministers believes that the Passport System continues to be the easiest, fastest and cheapest way to significantly reform securities regulation in Canada.

The Council of Ministers noted that the Passport System is a natural model for free trade in securities and mutual recognition with the United States and other G-7 countries. All ministers noted that discussions between the Canadian Securities Administrators and the United States Securities and Exchange Commission are well advanced.

The Council of Ministers also noted, and agreed with, the comments made by the seven Western Premiers at the 2008 Annual Western Premiers Conference:

“Western Premiers emphasized that securities regulation is an area of provincial and territorial jurisdiction and noted that calls by the federal government for a single securities regulator are an obstacle to progress. Western Premiers called on the federal government to recognize the significant improvements realized through the passport system to facilitate stronger international engagement of Canadian capital markets.”

The Council of Ministers also discussed the current asset-backed commercial papers (ABCP) crisis, Québec’s recently-enacted derivatives legislation, fees and Canada’s role in international forums on securities regulation. Ministers noted that the CSA paper and consultations on the ABCP will lead to more positive reforms and enhanced consumer protection. The CSA was asked to review existing derivatives legislation in Canada and to return with recommendations for legislative change that will lead to harmonized legislation.

“We remain committed to ensuring that the highest standards of investor protection are effectively and consistently applied and to ongoing improvements to Canada’s securities regulatory system to support competitiveness, innovation and growth through efficient, streamlined and cost-effective securities regulation that is highly harmonized and simple to use for investors and other market participants,” said Manitoba Finance Minister Greg Selinger, Chair of the Council of Ministers.

The Council of Ministers noted that independent international assessments have consistently ranked Canada’s securities regulatory system as one of the best in the world. In 2006, Canada’s securities regulatory system was ranked 2nd in the world by the Organization for Economic Co-operation and Development, behind New Zealand and ahead of the United States, United Kingdom and 25 other countries. For the last four years (2006, 2007, 2008 and 2009), the World Bank’s *Doing Business* reports have consistently ranked Canada as one of the top five countries for protecting investors, tied with United States and ahead of the United Kingdom.

A summary of regulatory events thus far in 2008 is attached, and additional information is available at <http://www.securitiescanada.org> or www.valeursmobilieres.org.

ATTACHMENT

Major Securities Regulation Events to the end of August 2008

- **Passport Interfaces:** On January 25, 2008, the CSA published a notice introducing a new rule and review policies that outline how the next phase of the Passport System will work in participating passport jurisdictions and how market participants will interface with Ontario.
- **Take-Over and Issuer Bids:** On February 1, 2008, passport jurisdictions adopted a rule harmonizing and consolidating take-over and issuer bid regimes in all provinces and territories, other than Ontario.
- **Passport Phase Two Operational:** On March 17, 2008, Passport Phase Two came into effect in passport jurisdictions for prospectuses, exemptive relief, continuous disclosure, take-over and issuer bids.
- **Republication of Registration Rule:** On February 29, 2008, the CSA published a revised version of the national registration rule for a second comment period, which expired May 29, 2008. The CSA received over 300 comment letters. The CSA anticipate finalizing the national registration rule by the end of 2008 and implementing it by mid-2009.
- **Publication of draft Ontario registration proposals:** Ontario concurrently published draft registration-related legislative proposals for comment – the comment period also expired on May 29, 2008. As Ontario intends to retain detailed registration requirements in its statute, this will result in a number of Ontario-only carve-outs in the national registration rule.
- **On May 29, 2008, the Chair of the U.S. Securities and Exchange Commission and the CSA announced a schedule for completion of the U.S.-Canadian Mutual Recognition Process Agreement.**
- **CSA Publishes Registration Policy and Passport System Amendments:** On July 18, 2008, the CSA published proposed amendments to MI 11-102 that would establish a Passport System for registration of dealers and advisors and a National Policy outlining the process for registration in multiple jurisdictions and how market participants would gain access to the Ontario market. The CSA anticipates implementing these initiatives at the same time as the national registration rule.
- **Harmonized Securities Transfer Legislation:** In June 2008, both Manitoba and Québec passed highly harmonized securities transfer acts (STAs). Seven provinces have now enacted STAs.