

COUNCIL OF MINISTERS OF SECURITIES REGULATION

COMMUNIQUÉ

(February 8, 2010)

Provincial-Territorial Council of Ministers of Securities Regulation Remains Committed to Ongoing Reform (Founded on Passport)

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The Provincial-Territorial Council of Ministers of Securities Regulation (Council) met on February 5, 2010 in Edmonton. At the meeting, the Council noted that as of fall 2009 they had achieved several of their major objectives – the implementation of a national Passport System, the creation of highly harmonized securities legislation across the country, and the creation of a single window of access for market participants across Canada. The Council includes all provinces and territories apart from Ontario.

The Ministers reaffirmed their commitments to continue to pursue highly harmonized legislation and to regulate in the best interests of the Canadian capital markets.

The Council was established by the 2004 *Memorandum of Understanding Regarding Securities Regulation*. The MOU was signed by all provincial and territorial governments except Ontario. The Passport System and the MOU recognize that provinces and territories have the authority to regulate securities.

The Passport System demonstrates an unprecedented level of co-ordination and consensus among governments and regulators in Canada to streamline and improve securities regulation. With the completion of the final phase of the Passport System in fall 2009, issuers and registrants are both now covered. All Council Ministers reiterated their commitment to the principles-based approach of the Passport System and agree any future regulatory reforms must build on that foundation.

Ministers discussed the efforts by the Government of Canada to create a single federal regulator for securities. Many jurisdictions are participating in the transition advisory committee. All jurisdictions are waiting to see the details of the proposed federal securities legislation.

Alberta and Québec feel strongly and are making references to their Courts of Appeal seeking clarity on several key questions. The Government of Canada has also announced its intention to make a reference to the Supreme Court of Canada. All jurisdictions acknowledge that the guidance coming from those courts will be critical to the future path of securities regulation in Canada.

The Council noted that the Passport System is an effective model for free trade in securities and mutual recognition with the United States and other G-7 and G-20 countries. International discussions on free trade in securities focus on the concept of mutual recognition, the basis for the Passport System.

Independent international assessments have consistently ranked Canada's securities regulatory system as one of the best in the world. In 2006, our 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 five years (2006-2010), 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.

Consistent with those high rankings, Ministers noted that the strength of the Canadian securities regulatory system contributed to Canada weathering the international financial crisis better than most other jurisdictions.

The Council also was briefed by the Canadian Securities Administrators on key elements of their ongoing work plans, including dealing with hedge funds, derivatives, credit rating organizations, and their participation in international forums on securities regulation. The Council agreed on the importance of pursuing these priorities and to undertake legislative changes as needed.

Provincial governments will fulfill their role in controlling systemic risk in the capital markets through their legislative powers.

The Council will communicate with the federal government its offer to work cooperatively to ensure Canada is well-positioned to represent the Canadian regulatory system in international forums and to fulfill international commitments relating to securities regulation.

The Council remains committed 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.

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