



**AUTORITÉ
DES MARCHÉS
FINANCIERS**

Notes for an Address
Delivered by

Jean St-Gelais
President and Chief Executive Officer
Autorité des marchés financiers

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Check against delivery.

Mesdames, Messieurs, Ladies and Gentlemen,

Permettez-moi d'abord de remercier les organisateurs (M. Norman Steinberg et Mme Anne-Marie Hubert) pour l'aimable invitation qui m'a été faite de vous adresser la parole. C'est aussi un grand plaisir d'avoir avec nous à Montréal, aujourd'hui, M. David Wilson, président de la Commission des valeurs mobilières de l'Ontario.

It has been a privilege working with David Wilson since last November both on a professional and a personal basis. David's accomplishments are impressive and under his leadership, the capital markets of Ontario and Canada can be said to hold a bright future.

I would first like to briefly describe the Canadian Securities Administrators (CSA), which is the council of the securities regulators of Canada's provinces and territories. Secondly, I will present an overview of regulatory initiatives in Canada. David will speak more specifically about corporate governance, investment fund governance and the recent proposal to require issuers to disclose their internal control processes.

The CSA's mission is to protect investors from unfair, improper or fraudulent practices and foster fair, efficient and dynamic capital markets.

Through the CSA, regulators gather to share ideas and work on formulating policies and regulations that are consistent across the country and help ensure the effective operation of Canada's securities industry.

The members of the CSA strive to collaborate closely on two major objectives:

1. Harmonization of securities laws, regulations and policies;
2. More effective enforcement of laws and regulations.

Today I'll discuss the first of these objectives.

The harmonization of securities laws, regulations and policies has been on the CSA agenda for the past few years and continues to be a priority. A major, ongoing initiative was undertaken recently toward enhanced harmonization. The project known as the HHSL (Highly Harmonized and Streamlined Securities Legislation), in which all Canadian jurisdictions are taking part, represents a significant step in improving capital market efficiency.

Indeed, the adoption of legislative amendments by all jurisdictions will make access to the capital markets easier for issuers and enable the implementation of the principle of one law, one regulator. Let me mention a few regulatory projects that have been set up in support of the HHSL.

The registration reform project, which aims to harmonize the registration requirements across jurisdictions, will also contain important streamlining elements. When in place the new regulation will make it easier for entities to register in one province and access the entire Canadian market. This reform, which is expected to take place next year, will eliminate many irritants for registrants.

Moreover, we recently published for comment a draft regulation respecting take-over bids that harmonizes related obligations and restrictions and combines them in a single national regulation. As well, the CSA expects to issue shortly a draft regulation respecting prospectus disclosure requirements, including with respect to investment funds.

I might also mention the coming into force last December of a national instrument that permits most issuers listed on Canadian exchanges to use the short form prospectus system. Previously, this streamlined system for public offerings of securities was available to about 1,200 issuers. It is now available to more than 3,000 issuers.

In addition to these concrete achievements in terms of harmonization, the CSA remains abreast of rapid changes in the financial markets. Financial products are becoming increasingly complex and being distributed to a wider range of investors. This is presenting major challenges for regulatory authorities.

We have determined that hedge funds per se do not require their own separate regulatory regime. But we must ensure that the existing rules that apply to all pooled fund vehicles are being applied appropriately and effectively to the innovative and rapidly growing hedge fund sector.

For example, it is important to examine referral arrangements. It is also important to review the appropriateness of the prospectus exemption granted to Principal Protected Notes (PPNs). We need to take a hard look at whether this exemption is suitable for highly complex structured products targeted at the mass market of retail investors.

It is clear that the venue chosen by regulatory authorities for improving the protection of investors is through more disclosures. This is the appropriate approach. However, for many years now, regulatory authorities have also placed importance on clarity of information for the benefit of investors and, even more importantly, the relevance of such information.

The point of sale disclosure project reflects this concern. The ultimate objective is to provide investors at a financial point of sale with clear and relevant documents whose content has been determined by regulation and harmonized in all Canadian jurisdictions.

Another key issue that I would like to stress is the oversight of self-regulating organizations (or SROs). A committee has been mandated to carry out a specific project on SRO oversight for the purpose of making pragmatic improvements to the current system of reliance on self-regulation and the oversight regime. Considering the current proposal of the Investment Dealers Association of Canada (IDA) and Market Regulation Services Inc. (RS) to merge and create a new SRO, this initiative is quite timely and important in terms of market efficiency and investor protection.

À cet égard, je souhaiterais maintenant vous faire part d'un projet dont je suis particulièrement fier et qui revêt une grande

importance pour l'évolution du secteur financier au Québec, mais également dans l'ensemble du Canada.

Il s'agit du projet d'encadrement des marchés des dérivés. Le marché des dérivés est en plein essor et les sociétés et les investisseurs s'y intéressent de plus en plus. Adoptés comme outils de gestion des risques par les sociétés, les dérivés sont également utilisés à des fins de spéculation par les investisseurs ayant une tolérance au risque plus élevée ou pour diversifier des portefeuilles conventionnels.

Par conséquent, nous jugeons qu'une mise à jour du régime d'encadrement de ces marchés s'impose. À cette fin, l'Autorité des marchés financiers a publié récemment un document de consultation afin de solliciter des commentaires et de promouvoir l'élaboration d'un régime d'encadrement des dérivés.

Nous y proposons la création d'une loi fondée sur de grands principes plutôt qu'un cadre normatif reposant sur des règles

exhaustives. Nous jugeons ce projet prometteur pour le Québec et entendons travailler de concert avec les ACVM pour en faire une réussite.

En ce qui a trait à la protection des investisseurs, à l'instar de plusieurs autres territoires du Canada, le Québec entend appuyer l'Ontario dans son projet d'élaboration d'une loi qui permettrait d'instituer des recours civils sur les marchés secondaires. Ce projet consiste essentiellement à mettre en place un cadre législatif pour l'administration des recours sur les marchés secondaires. Les investisseurs pourraient ainsi réclamer des dommages en cas de publication d'information fausse ou trompeuse ou d'absence d'information. Cette initiative est le fruit des efforts constants déployés en vue d'améliorer la protection des investisseurs.

Je vous remercie de l'attention que vous m'avez accordée et cède maintenant la parole à David Wilson. M. Wilson vous parlera, comme je l'ai mentionné au début de mon allocution, des projets en matière de gouvernance.

Je tiens à souligner que l'AMF attache une très grande importance à ces projets. Un des objectifs visés dans l'élaboration d'un cadre réglementaire pour la gouvernance consiste à tenir compte de la spécificité du marché canadien. Nous portons donc une attention particulière aux règles de gouvernance s'appliquant aux sociétés contrôlées. En fait, l'AMF a placé sa participation à ce projet parmi ses priorités et elle compte y jouer un rôle aussi important que dans l'élaboration du projet de règlement sur les contrôles internes.

Sans plus tarder, je lui cède la parole.