

Why the Cooperative Securities Regulator is Better

| | Problem with existing regime | Advantage of cooperative regulator |
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| Priorities and Accountability | <ul style="list-style-type: none"> 13 separate agencies acting under 13 different statutes (partially harmonized), accountable to 13 different governments with different political priorities Limited resources inefficiently “pooled” to support the CSA only on matters all jurisdictions agree are worthwhile initiatives and activities Provincial regulators accountable for actions only in their local markets CSA only accountable, on an informal and non-transparent basis, for the impact of national policies and instruments in the national marketplace | <ul style="list-style-type: none"> Priorities set on a national basis based on a single executive team, organized throughout the country, and accountable to an expert Board of Directors Achieves more effective, efficient use of limited resources Cooperative regulator accountable for rule-making and compliance responsibilities in national markets to an expert Board of Directors acting in the interests of investors and market participants of all regions in the country, and to a Council of Provincial and Federal Ministers |
| Prospectus Filings and Exemption Applications | <ul style="list-style-type: none"> Laws in different jurisdictions are partially harmonized and Passport system allows an issuer to deal with a principal regulator on prospectus filings and applications for exemptive relief from prospectus or continuous disclosure rules However, significant back-channel consultations with non-principal regulators occur behind the scenes, particularly for matters considered “novel” Regulators in each jurisdiction may have different views or interpretations of the rules; this can result in delays in clearing comments on a prospectus or obtaining exemptive relief Ontario retains the discretion to opt in or out of the Passport system on any given filing, and Passport jurisdictions retain the ability to reject “principal jurisdiction” views, subject to certain procedural rights Significant differences in prospectus exemption requirements across jurisdictions | <ul style="list-style-type: none"> Single filing of prospectus or exemptive relief application with review conducted by the local office of the cooperative regulator National standards are applied for which the decision maker is held accountable More transparent approach to decision making, with clarity of accountability |
| Registration Matters | <ul style="list-style-type: none"> Registration requirements generally similar across jurisdictions, and Passport system allows a registrant or applicant to deal with a principal regulator on a registration-related application Regulators in each jurisdiction may have different views or interpretations of the rules; this can result in delays in clearing comments on an application and obtaining registration Ontario retains the discretion to opt in or out of the Passport system on any given filing, and Passport jurisdictions retain the ability to reject “principal jurisdiction” views, subject to certain procedural rights | <ul style="list-style-type: none"> Registration application filed with and reviewed by one local office of the cooperative regulator Registration sufficient to operate nationally (i.e. within participating jurisdictions) and subject to a coherent and consistent interpretation of the rules and other requirements by the cooperative regulator |
| Oversight of SROs and Exchanges | <ul style="list-style-type: none"> Listing standards, operating procedure and trading requirements on the TSX approved by the OSC Other regulators have limited influence on regulations and policies of the TSX | <ul style="list-style-type: none"> Listing standards, operating procedures and trading requirements approved by Board of Directors of the cooperative regulator Board reflecting views and perspectives of all participating provinces have say on TSX rules and procedures |

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| OTC Derivatives | <ul style="list-style-type: none"> Regulations for OTC derivatives markets differ across provincial jurisdictions Increased compliance costs for market participants, and fragments capital markets | <ul style="list-style-type: none"> One rulebook for trading and clearing of OTC derivatives in the national marketplace |
| Private Placements | <ul style="list-style-type: none"> Regulators have deviated from harmonized approach, with different exempt trade reporting requirements, and different rules for foreign issuers extending sales into Canada by way of private placement if those issuers traded in foreign OTC markets Because of rule changes, foreign issuers raising capital in home markets choose either not to allow sales to Canadian purchasers on a private placement basis or limit sales only in select provinces (typically Ontario and Quebec) | <ul style="list-style-type: none"> One set of requirements for private placement matters, and a coherent and consistent exercise of discretion on the part of the relevant office of cooperative regulator for access to Canadian exempt market |
| Enforcement | <ul style="list-style-type: none"> Diffused priority-setting, with a lack of efficient allocation of resources Investigations and enforcement of securities violations reflect difficulties coordinating investigative efforts across jurisdictions, as many contraventions involve inter-provincial securities distributions Staff of provincial regulators does not prosecute white-collar crime, and face “turf” disputes with other agencies, such as the RCMP and local police agencies, further limiting expertise and lowering the prospect for success | <ul style="list-style-type: none"> National priority-setting and execution, allocating limited resources and expertise effectively and efficiently throughout the country Cooperative regulator can engage more effectively in investigations in different parts of the country and across the administrative and criminal arenas, where appropriate Regulator will have specialized permanent team to investigate and assist in the prosecution of white-collar crime, and have strengthened evidence-gathering powers |
| International Involvement and Influence | <ul style="list-style-type: none"> Domestic rule-making heavily influenced by actions of regulators in foreign jurisdictions Input from provincial regulators participating in international forums like IOSCO is diffused, and, as a result, Canada has limited influence over international policy-making | <ul style="list-style-type: none"> Cooperative regulator speaks for Canadian investors, market participants and the country. As a more unified voice, it has a greater influence in international discussions with FSB, BCBS and IOSCO, on proposed rules, and improve cross-border access to foreign markets |
| Pace of Rule-making and Amendments | <ul style="list-style-type: none"> Rule amendments to enable efficient and integrated markets, and fill gaps in investor protection, sometimes slow-moving, given complexities of rule structure and need for consensus among provincial regulators Some unintended consequences include prolonged excessive equity market data and execution costs from order protection rules, and unrestricted activities of unregistered foreign dealers | <ul style="list-style-type: none"> Cooperative regulator will reach agreement on appropriate rule changes more efficiently, given the streamlined organization structure, single regulatory framework and common culture, and the guidance of an expert Board of Directors |
| Cost of Regulation | <ul style="list-style-type: none"> Unjustifiably high compliance costs reflecting requirement to comply with local rules and allow specific carve-outs from national rules Each province has separate fee model, giving rise to duplicative fees across the country | <ul style="list-style-type: none"> Lower overall regulatory costs Savings from rationalizing corporate services and more rationalized compliance costs Fees established to fund the regulatory system, not raise general revenue for participating governments |