

Minister of Finance



Ministre des Finances

Ottawa, Canada K1A 0G5

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Mr. Robert Kyle
Executive Director
InvestorVoice.ca
2501-60 Pleasant Boulevard
Toronto, ON M4T 1K1

Dear Mr. Kyle:

Thank you for your correspondence of December 14, 2007 regarding securities regulations and enforcement against capital markets fraud in Canada. Please excuse the delay in replying.

I appreciate your support for the Government of Canada's efforts to establish a common securities regulatory structure for Canada. I also noted your concerns expressed at the October 12, 2007 Peer-to-Peer Roundtable on a National Securities Regulator, with respect to the protection of retail investors.

The Government of Canada is committed to securing a competitive advantage in global capital markets. In March 2007, the Government of Canada published *Creating a Canadian Advantage in Global Capital Markets*, which established a Capital Markets Plan for Canada based on four building blocks:

- Enhancing regulatory efficiency;
- Strengthening market integrity;
- Creating greater opportunity for businesses and investors; and,
- Improving investor information.

Canada

As stated in Budget 2008, the Government of Canada has made progress in a number of areas and will continue to advance its Capital Markets Plan in focused areas. On the issue of securities regulation, the Government of Canada is committed to working with the provinces and territories to move forward toward a common securities regulator that will deliver proportionate, more principles-based regulation with stronger enforcement.

The Government of Canada recently announced the establishment of the Expert Panel on Securities Regulation to advise on ways to enhance the effectiveness, content and structure of securities regulation. The panel will deliver a final report and a model common securities act to me and to provincial and territorial ministers responsible for securities regulation by the end of the year. The Government of Canada will ensure that it is in a position to act promptly on the report's recommendations and to engage with market participants and provincial and territorial partners on next steps.

Given your concerns about securities regulation and investor protection, I have forwarded a copy of your correspondence to the Chair of the Expert Panel, the Honourable Tom Hockin, for his consideration.

The fight against capital market fraud is a priority for the Government of Canada. Continued challenges with securities fraud enforcement in Canada underscore that further effort is needed to secure the integrity of our capital markets.

In 2003, the Government of Canada adopted a coordinated national approach to strengthen the investigation and prosecution of capital market fraud by creating the Integrated Market Enforcement Teams (IMET), led by the Royal Canadian Mounted Police (RCMP). The IMET approach brings together police, legal advisors, forensic accountants and market experts in integrated investigative teams.

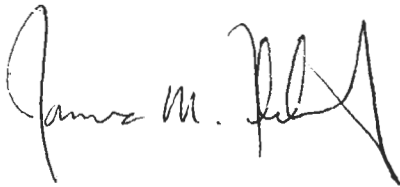
The Government of Canada has committed to further enhance this program by implementing the recommendations of a senior expert advisor to the RCMP appointed to help develop and guide an implementation plan to improve the effectiveness of the IMET program. The report, by former Superintendent of Financial Institutions, Mr. Nick Le Pan, was submitted to the RCMP Commissioner in October 2007 and made public in December 2007. As the recommended improvements are made, we are prepared to substantially supplement the resources of the IMET to achieve more effective and timely investigations.

In addition, the Government of Canada is working with provincial and territorial authorities to strengthen enforcement through an approach that encompasses all aspects of this issue, both regulatory and criminal. As announced in Budget 2008, federal and

provincial-territorial experts will be examining a number of measures to enhance enforcement, including the power to compel third-party witnesses to testify in respect of capital markets criminal offences. Recommendations will be presented to federal and provincial-territorial ministers responsible for Justice for consideration later this year.

Thank you for communicating your concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "James M. Flaherty". The signature is written in a cursive style with a large initial "J" and a stylized "M".

James M. Flaherty

c. The Honourable Tom Hockin, P.C.