

National Securities Regulator Debate

**Notes for
Address to
Fraser Institute
Founders Circle Dinner**

**Bill Rice, Chair
Alberta Securities Commission**

Fairmont Palliser Hotel, Oval Room

April 16, 2009

Calgary, Alberta

A. Misstatements of Fact Made by Proponents of National Securities Regulator

- 1) Participants must deal with 13 different regulators and 13 sets of laws
 - not so
 - Mutual Reliance Review System (MRRS) in place for decade
 - national harmonization of laws substantially complete
 - Canadian Securities Administrators (CSA) cooperate, coordinate and communicate
 - Passport System a perfect Canadian solution
 - only deficiency is Ontario refusal to participate

- 2) Canada suffers from a negative international reputation
 - not so
 - Canada regarded with highest level of respect among international regulators
 - two full members (Ontario and Quebec) and two associate members (Alberta and B.C.) of IOSCO
 - highest in international rankings
 - Canada only country party to Multi-Jurisdictional Disclosure System (MJDS) with U.S.

- CSA capable of representation of Canada internationally
- 3) Effective enforcement requires single body
- not so
 - opposite is true
 - better done locally
 - complaints directed at police/prosecutors/courts
 - IMET/RCMP under federal jurisdiction
 - merging of administrative and criminal processes causes problems for both
- 4) Regulatory system makes cost of capital raising higher in Canada
- not so
 - irrelevant to real issues of liquidity and market efficiency
 - study shows costs of \$293 per \$ million market cap in Australia; \$145 in Canada; \$142 in U.S., but before states; \$150 million per year in Texas (alone equal to budgets of all Canadian securities regulators)

- 5) Latest – Need national regulator to address systemic risk
- securities regulators do not regulate mortgages or banks
 - do not regulate flow of capital
 - regulate issuer disclosure, exchanges and intermediaries
 - federal government and Bank of Canada control fiscal and monetary policy
 - Bank of Canada oversees the financial system
 - CSA representatives do currently consult and communicate with other regulators (Joint Forum and Heads of Agencies)
 - national securities regulator will not prevent next asset bubble

B. Alberta Capital Markets and Investors will be significantly less well served under National Securities Regulator (Alberta is resident to 28% of Canada's market capitalization compared to Ontario - 43%, Quebec - 12.5% and B.C. - 7%)

- 1) Participants will lose access to decision makers within Alberta regulatory authority.

- 2) Alberta enforcement coverage will be reduced and priorities redirected to other regions of the country.
- 3) Alberta will lose all leverage in the national policy making process with the loss of its ability to publish a contrary opinion or opt out.
- 4) Alberta securities regulators will have a far less effective connection to the federal government than with the Alberta provincial government.
- 5) The current structure will suffer the loss of innovation, often developed within individual provincial agencies.