



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

Opening of the IIAC Annual Conference

**Remarks by
Remarks by Bill Hatanaka
Past Chair, Investment Industry Association of Canada, Board of Directors**

**to the
IIAC Annual Conference
La Malbaie, Québec**

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Thank you Fil. Thank you Monsieur Houde for extending warm greetings from the province. I echo your comments: this is truly a beautiful setting and we are very pleased to host the Investment Industry Association annual conference at La Malbaie, one of Canada's most picturesque regions.

I am also very pleased to welcome each and every one of you to the 91st annual conference of the investment industry—and the second conference hosted by our new trade association. The establishment of the Investment Industry Association of Canada as an entity separate from the IDA in 2006 has resulted in enhanced and focused advocacy – a clear and unconstrained voice for our industry.

They say that the greatest leap is “a leap of faith” and I would like to take a moment to acknowledge and thank Ian Russell for his decision to lead our new Association, and for his ensuring that the IIAC got off to a flying start in its first year of inception – ‘Thank you Ian’.

I'd also like to thank the Association's inaugural Board members and staff for building the foundational cornerstones of an effective and sustainable national organization. Your thoughtful stewardship will help ensure that the position of Canada's Investment Industry will be well represented in the coming years.

As an Association, we are dedicated to advancing the interests of the Canadian Investment Industry. It is our intent to provide all of our members with a voice whether National or Regional, Independent or Bank owned, Online, advice based, Institutional or Corporate. It is an honour to renew that commitment with all of you here today.

As an Association, we believe that it is time to take an innovative approach to advocacy, one that is intended to help us find a meaningful presence in the context of a global economy, where capital flows without borders to the best opportunities on a risk adjusted basis.

That is why we have chosen to focus this year's Agenda on the theme “Investors Without Borders – Perspectives on the Global Economy”.

This theme will be explored from different vantage points. The first will examine several ways in which Canada can seize opportunities in the global economy while increasing our understanding of geopolitical issues that are impacting the industry around the world.

The second perspective will examine several ways that we as a Canadian Investment Industry can play a role in removing domestic barriers and obstacles that stand in the way of our emergence as a meaningful player in the global economy. Time and speed are of the essence as our Canadian clients, both Retail and Wholesale, are increasingly looking to global solutions to address their ongoing challenges, and multi-national businesses are making long term decisions about how and where to deploy their capital internationally.

Indeed, we must work to transcend any and all self imposed limitations that are serving as obstacles to Canada's ability to compete in the global economy.

To this end, as the newest industry association, I believe that we must work to understand the unique perspectives of the multiple stakeholders, who, like us, will benefit from efficient and effective Capital Markets in Canada.

In conversation, we must constantly be aware of the strength of purity of voice vs. the weakness of grinding the industry axe exclusively.

To use one specific example, the IIAC must focus on strengthening and maintaining a harmonious relationship with self-regulatory organizations. It must be understood throughout our industry that advocacy and self-regulation are complementary pursuits.

Regulatory organizations and advocacy organizations must continue to work well together to facilitate a framework of excellence in pursuit of a global capability.

Secondly, because we exist to serve our clients, it is important that the evolving needs of those clients continue to be front of mind for us as an industry association particularly as we establish our initial priorities.

Initiatives that facilitate greater transparency, or provide a more precise definition of suitability, and that reinforce the absolute accountability which we, as an industry have to our clients, will all be viewed positively by our clients.

One obstacle that the IIAC is committed to overcoming, in particular, is the nature and structure of Canadian Securities Regulation.

As Canadians, we bear the burden of heavy costs stemming from a fragmented system of securities regulation. Our national economy is parceled into 13 distinct provincial and territorial regulatory jurisdictions, each of which levies fees and charges. These costs, which total nearly \$100 million a year, serve as barriers to capital and as roadblocks to investment. Further injury is added by the hidden financial burden that the private sector must bear in complying with a 13 separate securities rulebooks.

We must strive to resolve a fundamental contradiction: We have a national market – in fact, we are part of a global market. But we still have provincial and territorial regulation.

And we are at a unique disadvantage. Of the 103 countries represented in the International Organization of Securities Commissions, only two lack a national or supra-national securities regulator: Canada and Bosnia-Herzegovina. Twenty of these countries have federal political structures, while maintaining a common securities regulator. Canada can do it too.

We represent only a small portion of this inter-related global economy. And yet, we are dividing our market thirteen times. Without a common regulator we have no national mindset, no national objectives, and no national strategy to attract capital to Canada.

I would be remiss not to mention the good work of the Canadian Securities Administrators, the CSA. Its policies, systems and programs play an important role in ensuring consistency, efficiency and fairness in the development and enforcement of securities -regulation across Canada. Make no mistake: the CSA provides a tremendous contribution to the national debate surrounding regulatory issues. We will hear more from the CSA in a panel discussion slated for later today.

The CSA, however, is not a viable system for a single national regulator. The CSA has made our system more effective and more efficient, but it is unrealistic to expect that the operation of multiple regulators within the CSA can match the efficiency that a common securities regulator would provide.

So what could a common securities regulator look like?

The IIAC has come up with a solid policy in response to that question.

Firstly, the Council of Ministers as defined by the Crawford Report should be accepted, but with the caveat that jurisdictions be given a proportionate voting weight.

Secondly, the IIAC believes that a common regulator should feature a structure that permits regional decision-making.

Finally, a single common regulator ought to be accompanied by a transition toward more principle-based regulation. The current detailed rules and formal guidance are rendering us too rigid and inflexible for the demands of the complex global marketplace. We must argue for striking the right balance by identifying key rules backed by good business practice and sound principles.

On a personal basis, I would go one step further by advocating a swift transition to a single National Securities Regulation.

A recent IIAC letter correctly states that, “The ability of market participants to rely on one uniform set of more principles based regulations is critical in creating an efficient system that can be easily navigated by domestic and foreign market participants.”

I would also advocate the existence of regional offices to tap into the dispersed capabilities that exist throughout Canada that have the potential to make Canadian Capital Markets strong and unique.

It is becoming clearer that all other models should be seen as transitional in nature, not sustainable in context of competition for global resources.

Finally, I think that further delays in taking this final step may mean that we give up the right to control the decision making process as others may want to supersede in the interests of national productivity and prosperity.

Our Canada is an exceptional place. We have the water, the minerals, the oil and gas, a stable political system, an educated and hard working population.

Wouldn't it be wonderful to add to this list of advantages, a vibrant and growing capital market that is attractive to investors on a global basis.

It has been a pleasure and an honour working with the Board, the staff and the members of the IIAC. Even though I will no longer be serving as Chairman of the Board, I intend to continue working with all of you to achieve our common goals as an industry. There is still much to be done and we are fortunate to have such a large pool of talent on the Board and amongst the membership of the IIAC. I am excited to see the results we will achieve together in the coming years.

Also, thank you to the sponsors of the annual meeting, I invite all of you to visit the exhibitors' area tomorrow morning before breakfast in the east lobby. We are very grateful for their generous support of the Conference.

Thank you very much – and enjoy the Conference.