

EXTERNAL COMPENSATION COMMITTEE

CONSTITUTION AND TERMS OF REFERENCE

The External Compensation Committee (the “Committee”), jointly constituted pursuant to By-Law No. 1 of the by-laws of the Ontario Securities Commission (the “Commission”) by the Minister responsible for the administration of the *Securities Act* (Ontario) (the “Minister”) and the Chair of the Commission, shall, subject to the provisions of the by-laws of the Commission and to the applicable provisions of the *Securities Act* (Ontario) and any other applicable legislation, have the constitution, function and responsibilities herein set forth.

OBJECTIVES

The primary objective of the Committee is to consider, from time to time, matters pertaining to the compensation of the members of the Commission, and to recommend, for purposes of section 3.8 of Commission By-Law No. 1, the maximum level of remuneration and benefits for members of the Commission.

CONSTITUTION

1. The Committee shall consist of three members, one of whom shall be the Chair of the Compensation Committee established by resolution of the Board of Directors of the Commission on September 8, 1998 (the “Compensation Committee”), and two of whom shall be individuals that are at arm’s length to the Commission and jointly appointed by the Minister and the Chair of the Commission.
2. The Chair of the Committee shall be the member appointed as Chair of the Compensation Committee in accordance with paragraph 2 of the Compensation Committee’s Constitution and Terms of Reference. No member of the Committee, including the Chair of the Committee, shall serve on the Committee for a period of more than four consecutive years.
3. A quorum of the Committee shall be a majority of its members and no business shall be transacted by the Committee except at a meeting at which a quorum of the Committee is present. Notwithstanding the foregoing, the Chair of the Committee may determine that any business to be transacted by the Committee may be so transacted by resolution in writing in lieu of a meeting of the members of the Committee, provided that: (i) no member of the Committee objects; and (ii) such resolution in writing, to be effective, shall be evidenced by the signatures of all of the members of the Committee.
4. The Secretary to the Commission shall be the Secretary of the Committee. The Secretary shall record and maintain minutes of all proceedings of the Committee.
5. The Committee shall meet at such time and in such place as the Chair of the Committee shall determine and the procedure in all things at such meetings shall be determined by the Committee. Additional meetings may be held from time to time as requested by the Chair of the Committee or a member of the Committee, and the time and place of such meeting shall be determined by the Chair of the Committee.

FUNCTION AND RESPONSIBILITIES

6. The Committee shall be responsible for reviewing and recommending the maximum level of remuneration and benefits for members of the Commission for purposes of section 3.8 of Commission By-Law No. 1.
7. The Committee shall review any compensation that is recommended by the Compensation Committee, including any performance bonuses, allocated to the members of the Commission and, where appropriate, provide comments to the Compensation Committee.

Approved and adopted by the Minister and the Commission
on the seventeenth day of May, 2005

"G. Phillips"

Minister

"D. A. Brown"

Chair, Ontario Securities Commission