

14th August, 2002.

Purdy Crawford, Q.C.
Chair, Five Year Review Committee,
Osler, Hoskin & Harcourt LLP,
P.O. Box 50, 1 First Canadian Place,
Toronto, Ontario. M5X 1B8

Dear Mr. Crawford,

In response to your letter dated May 29, 2002, we are pleased to enclose comments on your draft report.

SIPA was founded in 1998 and has attracted over 400 members from all walks of life in nine of Canada's provinces. The feedback from members and the public indicates to us that there are major problems that need to be addressed not only for the benefit of small investors but for the health of the investment industry.

These problems are not new, but the public is now being empowered with improvements in communication and tools including the Internet. It is time that these problems are addressed.

Recent events as reported in the press have highlighted some of the problems that are impacted not only the investment industry but our economy. In order to try to restore investor confidence, regulations must be enforced and appropriate mechanisms must be put in place to process complaints. The present system of regulators without power to order restitution and court processes that are long and costly are not satisfactory.

Our Vice President, Edward R. Nelles, has reviewed the Draft Report, and his comments are appended.

Yours truly,

Stan Buell,
President,
Small Investor Protection Association

13th August, 2002.

Purdy Crawford, Q.C.
Chair, Five Year Review Committee,
Osler, Hoskin & Harcourt LLP,
P.O. Box 50, 1 First Canadian Place,
Toronto, Ontario. M5X 1B8

Dear Mr. Crawford,

Thank you very much for giving The Small Investor Protection Association an opportunity to respond to the Committee's Draft Report dated 29th May, 2002.

We wish to say at the outset that the Report constitutes an excellent framework for industry development. The Committee is to be congratulated on the hard work that has resulted in such a comprehensive regulatory review.

While many of the Committee's recommendations are worthy of comment we will limit our response to those most particularly affecting the small investor.

Recommendation 25, Page 61

Subject: Registration

We believe that it would be beneficial for the investing public were there to be full, true, and plain disclosure as to the individual registrant's background and experience at the time the investor opens an account with him or her. This disclosure principal has become an industry standard for new issues in the capital markets and we believe the relationship of fiduciary trust into which the prospective client is about to enter demands no less.

Such disclosure would include length of experience in the industry, with the current employer, and notation of his previous employers if any. It should certainly disclose any proceedings whereby the registrant was disciplined. It would also be possible to indicate the derivation of the registrant's business as from bonds, stocks, mutual funds, &c. so as to ensure that a bond investor, say, does not enter into a relationship with a professional whose interest lies in stock trading. Also there should be an indication as to the registrant's activity level to ensure that a long term investor is not put in the hands of a day trading account executive.

Just as a copy of the prospectus for a new issue must be mailed to anyone who invests in it, so a copy of this statement must be received and reviewed by the prospective client prior to the account being opened.

Recommendation 66, Page 128

Subject: Restitution

We cannot say too strongly that the *status quo* is an injustice to the small investor. When a registrant is found guilty of unprofessional conduct by the O.S.C. there should be no need for the victim to undertake a separate, long, and

expensive legal process to prove the same thing. As you observe elsewhere in The Report such legal proceedings are usually much more financially onerous on the client than on the firm.

We note the recommendations pertaining to the F.S.A. in the United Kingdom and to applications under section 128 of the Act. However constructive these initiatives might be, they fall short of what is needed by small investors now. We urge the Committee to recommend a change in legislation to allow restitution now.

Recommendations 67-70, Pages 131-132

Subject: A national complaint handling system

This is an excellent idea. However we believe that the system must include, rather than precede, the arbitration procedure. In this regard the Ombudsman's role should be that of a mediator who refers the case to the system's arbitration procedure should his or her efforts at mediation prove fruitless.

Great care must be taken to assure the arbitration structure does not allow for activities that would in effect frustrate the system's objective. To adequately protect the individual investor, the procedure must operate in a framework that does not allow the defence of delay or the defence of expense to discourage participation. Such a framework must be one of efficient standard procedure that assures participants of a decision within a stated period from the advice of the complaint at the system level.

We respectfully suggest that the ultimate objective in creating a national complaints system is to encourage the investment dealer and its client to resolve their differences without reference to the system. But should this not prove possible, there must be a defined period of time in which to resolve the complaint at the dealer level. At the end of that period the dealer advises the system and a new clock starts ticking.

We trust the foregoing will merit further thought and we would be happy to meet with the Committee to discuss our response.

Respectfully submitted,

Edward R. Nelles
Vice President,
Small Investor Protection Association