



March 7, 2006

British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission -- Securities Division  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
New Brunswick Securities Commission  
Registrar of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Newfoundland and Labrador Securities Commission  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Yukon Territory  
Registrar of Securities, Nunavut

Attention:

Rosann Youck, Chair of the Continuous Disclosure Harmonization Committee  
British Columbia Securities Commission  
PO Box 10142, Pacific Centre  
701 West Georgia Street  
Vancouver, British Columbia  
V7Y 1L2

Anne-Marie Beaudoin, Secretary  
Autorité des marchés financiers  
Stock Exchange Tower  
800 Victoria Square  
P.O. Box 246, 22nd Floor  
Montréal, Québec  
H4Z 1G3

RE: Canadian Securities Administrators Request for comments – Venture issuers and debt-only issuers

The Desjardins Group welcomes the opportunity to comment on the proposed amendments to National Instrument 51-102 Continuous Disclosure Obligations (“NI 51-102”), and more particularly on the accommodations to be made for issuers that issue only non-convertible debt to the public. As stated hereunder, the Desjardins Group is of the view that debt-issuers should benefit, at the very least, from the same accommodations as those currently available to venture issuers under 51-102.

The present letter will first briefly describe the Desjardins Group, it will then explain (i) why financial services cooperatives such as, inter alia, the caisses and La Caisse centrale Desjardins du Québec are (and in the latter case should be) considered as “venture issuer” under the Applicable Instruments (as defined under the caption “Capital Desjardins”) and then (ii) why debt-only issuers should benefit from accommodations at least as broad as those offered to other venture issuers under the current regime.

### The Desjardins Group and the “venture issuer” definition

#### The Desjardins Group

Founded 105 years ago, the Desjardins Group is the largest cooperative financial group in Canada providing its 5.5 million members with a full range of financial products and services. The Desjardins Group is not a corporation or legal entity in itself. It is rather a network of financial services cooperatives regrouping cooperatives and other distinct legal entities, many of which are “reporting issuers” under securities laws and subject to the Applicable Instruments.

As at December 31, 2005, the Desjardins Group was made up of 568 caisses located primarily in Quebec (financial services cooperatives grouped together as members of the Fédération des caisses Desjardins du Québec (the “Federation”)), the Desjardins Security Fund, Capital Desjardins Inc. (Capital Desjardins), La Caisse centrale Desjardins du Québec (Caisse centrale) and various corporations engaged in activities such as securities, asset management and insurance.

It may be useful to provide a brief description of the legal structure of the Desjardins Group to illustrate the interrelation enshrined in the Act Respecting Financial Services Cooperatives (Québec) (the “Cooperatives Act”) between the caisses, the Federation, Capital Desjardins and Caisse centrale.

The caisses, the Federation and Caisse centrale are autonomous legal entities organized as financial services cooperatives pursuant to the provisions of the Cooperatives Act. A financial services cooperative is defined in the Act as a legal person in which persons having economic and social needs in common unite to form a deposit and financial services institution.

- The caisses

The caisses operate in a manner similar to a credit union. A caisse is a legal person consisting of members who associate to form a deposit and financial services institution whose mission is to receive deposits from its members and to provide them with credit and other financial products and services. A person must be member of a caisse to access the caisse's services. The activities of a caisse are exercised mainly with and for its members. To become a member, a person must purchase the number of qualifying "shares" (parts du capital social) determined in the caisse's by-law (usually one). Shares of the caisses' capital stock are refundable upon termination of membership and do not carry any voting rights. Their holders are not entitled to participate in the distribution of the caisse's remaining assets in the event of the caisse's winding-up or dissolution. A member is only entitled to one vote regardless of the number of shares held. Proxy vote is not allowed.

The Federation and Caisse centrale operate according to the same rules of cooperative action as for the caisses except that their members are specifically determined by law. The Cooperatives Act provides that the caisses are the members of the Federation. Under the Caisse centrale's constituent legislation, the caisses and the Federation are members of Caisse centrale.

- The Federation

The Federation promotes the development and efficiency of the caisses by providing them with various technical and financial services. It also acts as the coordinating organization for all the entities of the Desjardins Group. All caisses are required by law to be members of the Federation by purchasing the number of qualifying "shares" (parts du capital social) prescribed by the Federation's bylaws. Again, as prescribed by the Cooperatives Act, shares of the Federation's capital stock do not carry any voting rights. In accordance with the cooperative principles laid down in the Cooperatives Act, the caisses vote through delegates who are entitled to only one vote each, regardless of the number of shares held by their respective caisse.

- Caisse centrale

Caisse centrale is responsible for servicing the banking and financial services needs of the caisses, including by providing them institutional funding and by acting as their financial agent on international financial markets, notably by supplying inter-bank exchange services, including clearing house settlements and liquidity management services. Caisse centrale also offers them deposit, financing and other financial services, such as derivatives and treasury products. In that regard, Caisse centrale can be viewed as acting like a central credit union for the benefit of its member caisses.

Under Caisse centrale's constituent legislation, the Federation and its member caisses are ex officio members of Caisse centrale. Shares of the capital stock of Caisse centrale are essentially held by the Federation on behalf of the caisses (the other holders being the three federations of caisses populaires of Ontario, Manitoba and New Brunswick as auxiliary members). In accordance with the cooperative principles which also apply to Caisse

centrale, voting rights are attributable to membership, not shares. Vote is expressed through caisses' representatives or delegates and not by proxies representing the number of shares held. Shares of capital stock can be issued to Caisse centrale's members only, are transferable among its members only and cannot be subscribed by or issued to the public.

- Capital Desjardins

Capital Desjardins is a single purpose entity. Capital Desjardins was established as a wholly-owned subsidiary of the Federation in accordance with the specific provisions of the Cooperatives Act. Capital Desjardins was created exclusively for the purpose of offering its securities in the financial markets and investing the proceeds thereof in securities issued by the caisses, thus increasing their capital base.

Among the members of the Desjardins Group, those that are currently reporting issuers, in Québec or in other territories of Canada, are the following:

- (a) the majority of the caisses operating in Québec only;
- (b) Capital Desjardins; and
- (c) Caisse centrale;

The “venture issuer” definition

The distinction between venture issuers and issuers that are not venture issuers for disclosure requirements is found in NI 51-102, Multilateral Instrument 52-110 Audit Committees (“MI 52-110”) and National Instrument 58-101 Disclosure of Corporate Governance Practices (“NI 58-101”) (together, the “Applicable Instruments”).

The definition of venture issuer refers to “a reporting issuer that, as at the applicable time, did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, a U.S. marketplace or a marketplace outside of Canada or the United States of America [...]”. The word “marketplace” is defined in NI 51-102 to mean:

- (a) an exchange,
- (b) a quotation and trade reporting system,
- (c) a person or company not included in paragraph (a) or (b) that
  - (i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities;
  - (ii) brings together the orders for securities of multiple buyers and sellers; and
  - (iii) uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of the trade, or
- (d) a dealer that executes a trade of an exchange-traded security outside of a marketplace, but does not include an inter-dealer bond broker.

The caisses and Capital Desjardins are considered as venture issuers under the Applicable Instruments. Both Capital Desjardins and Caisse centrale issue debt securities in

Canada. Caisse centrale, however, might not be considered as a venture issuer. The only reason why Caisse centrale might not be considered as a venture issuer is because it also has securities listed on a foreign market. Indeed, under a strict interpretation of the definition of “venture issuer” contained in new Canadian securities regulations, Caisse centrale would be the only entity of the Desjardins Group to be denied the venture issuer exemption described in the Applicable Instruments because it issues debt securities in Europe.

The very legal nature of the caisses and of Caisse centrale as financial services governed by the Cooperatives Act preclude them from having their equity securities listed or quoted on a stock exchange or marketplace. Under the provisions of the Cooperatives Act, shares of financial services cooperatives can be issued only to their members. The Cooperatives Act also restrict the ownership of the capital stock of Capital Desjardins to the Federation.

#### Why debt-only issuers should benefit from accommodations under the Applicable Instruments?

The Applicable Instruments generally apply to corporations with equity securities quoted on stock exchanges. They allow stockholders to receive accurate and complete information, in order to develop an informed judgment on the value of the securities that are offered by such corporations.

Because stockholders participate in the increase in value of the corporation’s equity and assume a risk of any decrease in value, appropriate information regarding the prospects of a corporation will help them assess the value of their investment at any given time and the stockholders will expect the corporation to regularly update any information which would no longer be accurate or complete. Information on the operations of the corporation, systems of corporate governance, or adequacy of reporting controls and procedures, will help investors in their assessment of the risks related to a particular investment.

The needs and expectations of debt holders are satisfied, however, by other means. Debt holders will generally focus mainly on the solvency of the corporation and will rely greatly on trustees and rating agencies. The main preoccupation of debt holders is the ability of the issuer to pay the underlying interests and capital at maturity and the compliance of the issuer with the covenants contained in the instruments that have created the debt securities. Just like any credit-related investment, the requirements regarding the continuous disclosure obligations of the issuer toward its creditors should be primarily described in the applicable indenture and not necessarily in securities rules that are primarily designed to provide information to stockholders. Incidentally trust indentures or similar instruments already include covenants that have been negotiated in function of the credit risk associated with such securities. Compliance with such covenants is generally monitored by a trustee or custodian, under the debt indenture, or by investors directly.

Another major difference between debt securities and equity securities is the role of rating agencies with respect to the risk assessment. In practice, debt-only issuers must be assessed by rating agencies in order for their securities to be admissible for investment by

many institutional investors. National Instrument 44-101 Short Form Prospectus Distributions (“NI 44-101”), recognises the importance of rating agencies and their application of objective criteria in evaluating what should be considered as an “approved rating”, which allows an issuer to qualify to issue its securities under NI 44-101.

The reputation and credibility of those rating agencies allow investors to base their risk assessment on the rankings developed by these agencies, which rankings are updated regularly. In the context of the investigations of rating agencies, debt-only issuers disclose a lot of information to these agencies (i.e. financial statements, business plans, information on opportunities and threats, management systems, internal efficiency ratios, etc.). Much of this information is disclosed confidentially. Securities regulations specifically allow rating agencies to have access to very confidential information about issuers, without the latter committing a selective disclosure offence. Such privileged access to confidential and relevant information allows rating agencies to develop and maintain an independent and informed judgement on issuers.

Because of the reliance of debt security holders on the protection mechanisms contained in trust indentures and because of the important role played by rating agencies, it is submitted that many of the requirements of the Applicable Instruments should not be applied to debt-only issuers.

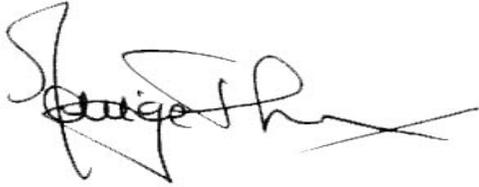
One may argue that investors would benefit from the extra protection provided by the Applicable Instruments. However, when balancing the costs against the benefits of imposing such requirements on debt-only issuers, one must also take into account the fact that investors who own debt securities are already protected by the fact that their claim ranks prior to equity and the value of their claim is less likely to fluctuate.

We believe that the Applicable Instruments should be amended to clearly allow debt-only issuers to benefit from the same accommodations as those applicable to venture issuers. In fact, based on the expectations of debt holders and on the special protection granted to them, the scope of the accommodations for debt-only issuers should arguably be broader than what applies to venture issuers in general.

Alternatively, should there exist a concern by the Regulatory Authorities with respect to a difference between debt issuers that benefit from an “approved rating” from rating agencies and other debt issuers, as is presently the case under the current national Instrument 44-101 Short Form Prospectus Distributions which enables an issuer whose securities satisfy that requirement to qualify under certain regimes, the Regulatory Authorities could decide to grant to these same issuers whose debt securities have obtained an “approved rating” a regime similar to that of the venture issuers.

For the same reasons as described in a letter of comments filed by Caisse centrale, we believe that the listing of debt on a foreign exchange should not have any impact on the scope of such accommodations and that the Applicable Instruments should be amended accordingly.

Thanks again for allowing us to comment on NI 51-102. Should you have any questions or comments with respect to our submission, please do not hesitate to contact the undersigned.

A handwritten signature in black ink, appearing to read 'Monique F. Leroux', with a long horizontal flourish extending to the right.

Monique F. Leroux, FCA  
Senior Executive Vice-President  
and Chief Financial Officer  
of Desjardins Group  
1, complexe Desjardins  
Tour du Sud, 40e étage  
C.P. 10500, succursale Desjardins  
Montréal (Québec) H5B 1J1  
(514) 281-7838 (FAX)  
(514) 281-7039 (TEL)