



May 30, 2008

The Honourable Thomas A. Hockin, P.C.
Expert Panel on Securities Regulation
Ottawa, Canada
K1A 0G5

Dear Mr. Hockin:

It is with great interest that we have read your letter of April 18th, 2008.

Before we delve into our response to your specific questions, we present some background about the CAAT Pension Plan that will help put our reply in context.

Background

Name: Colleges of Applied Arts and Technology Pension Plan (CAAT Pension Plan).

Type: Defined Benefit Cost Shared Pension Plan.

Registration: Ontario.

Governance Structure: Multi- Employer
Jointly Trusteed
Bi-Cameral (Considered as Jointly Sponsored Pension Plan - JSPSP – under Ontario PBA).

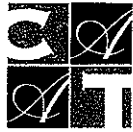
Membership: 19,000 active members
11,000 retired and deferred
30,000 total membership

Employers: All 24 Community Colleges in Ontario.

Sponsors: 1) Colleges Ontario on behalf of the 24 Community Colleges.
2) OPSEU on behalf of unionized members.
3) Ontario College Administrative Staff Association (OCASA) on behalf of management employees.

Bi-Cameral Bodies: Board of Trustees – Plan Administration.
Sponsors' Committee - represents three sponsors.

Assets: \$5.5 Billion, 100% externally managed using 18 managers.



Formal Response

Because we are 100% externally managed, our interest is as a Plan Sponsor and not as an active direct participant in the capital markets.

The CAAT Pension Plan supports all efforts to make the Canadian capital market structure more efficient, less bureaucratic and less costly. The ultimate beneficiaries of any successes that are achieved are the active and retired members of our pension plan and members of other pension plans and tax sheltered savings vehicles and all Canadians who hold market related investments in non-tax sheltered vehicles.

We have reviewed the five areas that are the mandate of the expert panel. We endorse the direction of each.

Based on our ongoing experience with pension regulation and pension regulators, we concur that a principles-based system should be as applicable to securities regulation as it is to pension regulation. While not a panacea, we feel a principles-based system is more dynamic and flexible than a rules-based system. The latter is only satisfactory at the point in time when it is implemented and generally lacks the flexibility or mechanics to adapt to changes in existing rules or develop rules for entirely new situations. With the increasing rate of changes in securities products, it would be more difficult for a rules-based system to adapt to tomorrow's challenges.

We have no objection on the surface to establishing a set of principles for business, but as we do not have sufficient familiarity or expertise in that area, we shall defer to those who can provide expert comment.

Our only comment is: go down that path only if it will result in actual improvement in the efficiency of the capital market system. A quick reading of the list leads us to conclude that they are "nice to haves" and are probably already reflected in most firms' dealings, beliefs or client contracts. If there is real value added, then set out these principles as part of the regulatory framework. If they are more of the "motherhood" type of statements, leave them out.

The main point of our submission follows. This concerns the Canadian specific issues of jurisdiction: federal or provincial.

We are firmly and resolutely convinced that there should be one regulator and regulatory regime that covers all Canadians. In a properly functioning federal state, this should be an area of exclusive federal jurisdiction. There is no logic that supports any other conclusion.

However, as you will no doubt remember from your years as a federal cabinet minister, one of the biggest obstacles to regulatory efficiency and effective policy making in our uniquely federal state is the constant jockeying with the provinces over jurisdiction. Unfortunately, Canadians and Canadian politicians who are charged with policy formulation are saddled with a



dysfunctional constitution. What was a well-intentioned document in 1867, where residual rights were designed to rest with the federal government, has been rendered, through decades of constitutional decisions by the Judicial Committee of the Privy Council in the U.K., to a constitutional document where residual rights clearly reside with the provinces. Worse still, we have this "Made in Canada" problem that while the political responsibility for most things, including securities regulation, resides with the provinces, the bulk of the taxing authority resides with the federal government. The result is a series of federal - provincial agreements.

In a global economy and an ever-expanding electronically based securities system, any logic for ten provincial securities regulators ceases to exist – even if it ever could be justified in the past.

However, the logic for transferring this item to federal jurisdiction has to subordinate itself to political reality: the last time the provinces transferred jurisdiction to Ottawa was around 1940 when unemployment insurance came under exclusive federal jurisdiction.

The constitutional environment is far different now. While Quebec has historically been the leader in asserting provincial jurisdiction, other provinces have embarked on the same direction. In no particular order, we have seen and continue to see British Columbia, Alberta, Ontario, Nova Scotia and Newfoundland and Labrador take on Ottawa on jurisdictional issues

The logical answer is that there should be one securities regulator and that it should be under federal jurisdiction. Based on the above, this will not happen because ten sets of provincial politicians and their civil service charged with securities regulation will never accept that a national good transcends local power. Even if Ottawa offered to pay the provinces for the salaries for these provincial regulators who would be displaced, provincial pride would lead to a negative response from at least Quebec, Alberta and British Columbia.

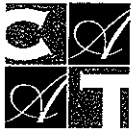
The next best solution is a "national" as opposed to a "federal" securities regulator. While this would still be difficult to achieve, it is possible. The key to success is to convince all provinces that it is a body constituted by the provinces and not Ottawa, and that it will not appear to the other provinces that it is an institution dominated by Ontario.

The next two options we present for consideration are less than ideal, but are better than what we have now. The first is to create a securities regulator along the lines of the Canada Pension Plan – a national body under provincial jurisdiction with the right for any province not to opt in. Because of principle, Quebec would not join and Alberta and British Columbia may decide not to, but might be persuaded if their rights and interests could be protected. The advantage is that we would reduce the number of jurisdictions from ten to at best two.

The second option is to create a passport system – if one is registered in one province, then that will be honoured in every other province. While this will require registration in only one jurisdiction, there will still be ten different laws and the system will breakdown if the securities laws in each province start to vary too much from a common base or standard as we have had to endure from a pension legislation perspective.

COLLEGES OF APPLIED ARTS AND TECHNOLOGY

pension plan



régime de retraite

DES COLLÈGES D'ARTS APPLIQUÉS ET DE TECHNOLOGIE

In closing, we wish you every success in an extremely challenging endeavour.

If you wish us to amplify upon our submission, please do not hesitate to contact us.

Yours very truly,

Paul Owens
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