



**CPP  
INVESTMENT  
BOARD**

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David F. Denison  
President and  
Chief Executive Officer

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

Dear Mr. Hockin:

Thank you for inviting the Canada Pension Plan (CPP) Investment Board to participate in the Expert Panel on Securities Regulation's consultation process. We have focussed our submission on the key issue of reforming Canada's securities regulatory structure rather than presenting a detailed analysis and proposal on a comprehensive range of issues.

The CPP Investment Board is a Crown corporation created by an Act of Parliament in December 1997. Its long-term goal is to contribute to the financial strength of the CPP and help sustain the pensions of 17 million CPP contributors and beneficiaries by investing the CPP assets and maximizing returns without undue risk of loss. As at March 31, 2008, the CPP Fund totaled \$122.7 billion, which is invested in a broadly diversified portfolio by asset class and geography. The Chief Actuary of Canada has projected that CPP assets will grow to approximately \$250 billion by 2016 and that the CPP, as constituted, is sustainable through the 75-year period of his report.

The structure of securities regulation in Canada has been the subject of debate and research for many years, with numerous distinguished panels, committees, task forces, and organizations offering suggestions and models for change. Although there are differences among the proposals, there is consensus that our current system is in need of fundamental reform.

Canada's current system of 13 provincial and territorial regulators is inefficient and costly and has resulted in inadequate and inconsistent enforcement and very slow policy development. Canada is the only major industrialized country that does not have a national regulator. As a small part of highly competitive global capital markets, it is imperative that Canada speak with one voice internationally and find its niche in a marketplace currently dominated in regulatory terms by other regulatory bodies.

Our organization is strongly of the view that Canada needs a single set of laws administered by a single regulator. We care about this issue because we believe that effective and efficient capital markets are a necessary precondition to Canada's ability to attract the foreign capital inflows and direct investment that are necessary if Canada is to continue to prosper. We are significant direct investors in the Canadian economy – with investments in 700 publicly traded Canadian companies – and benefit directly by its success. The CPP also benefits from wage growth which flows from Canada's economic vibrancy. We also believe that our country's reputation in international capital markets, and therefore indirectly our reputation as an international investor, is adversely affected by the antiquated and cumbersome securities regulatory system we have in place.

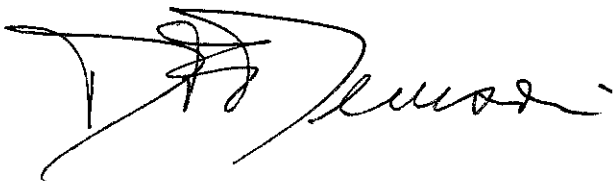
Provincial and territorial regulators are to be commended for their efforts in harmonizing regulations through national and multilateral instruments and in implementing the first phases of the passport system. These initiatives have helped to improve Canada's system of securities regulation. In our view, however, the passport system is not the best securities regulatory structure for Canada.

As noted by the Wise Persons' Committee and the Crawford Panel, the passport system does not address the structural roots of the four principal weaknesses of Canada's current system of 13 provincial and territorial regulators: (i) inadequate and inconsistent investor protection and enforcement; (ii) policy development that is marked by compromise and delay; (iii) inefficient multi-jurisdictional compliance costs and (iv) the inability of Canada to speak with one voice internationally.

To date the federal and provincial governments have not been able to create a single securities regulator. As others have noted, the CPP Investment Board provides an example of a governance and accountability model for how federal and provincial governments can come together and successfully craft solutions that operate in the best interests of all Canadians. As an offshoot of that cooperation, our organization could serve as a useful precedent for reforming Canada's system of securities regulation. Our carefully crafted governance structure combines elements of independence, accountability and transparency and is underpinned by a government appointed board of qualified directors designed to represent the various regions of Canada but mandated to serve in the best interests of our 17 million contributors and beneficiaries. Our governing legislation and related regulations were agreed upon by the federal and provincial governments at our inception and can only be changed if a rigorous amending formula is adhered to. In our view, the model has been extremely successful and, when necessary, federal and provincial governments have cooperated to make enhancements to it.

Further to your request, I would be pleased to meet with you to discuss our views in greater detail. You may ask an appropriate member of your staff to contact Babak Abbaszadeh, Director, Stakeholder Relations to arrange a mutually suitable time. He can be reached at (416) 868-6612 or Babak@cppib.ca.

Very truly yours,

A handwritten signature in black ink, appearing to read 'David F. Denison', with a stylized flourish at the end.

David F. Denison