



Pension Investment  
Association of Canada

Association canadienne des  
gestionnaires de caisses de retraite

September 17, 2010

Alberta Securities Commission  
British Columbia Securities Commission  
Manitoba Securities Commission  
Nova Scotia Securities Commission  
New Brunswick Securities Commission  
Saskatchewan Financial Services Commission

c/o Alberta Securities Commission  
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Calgary, AB T3B 2A6  
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**Attention: Denise Weeres**

**RE: CSA Multilateral Consultation Paper 51-403 *Tailoring Venture Issuer Regulation***

This submission is made by the Pension Investment Association of Canada (“PIAC”) in reply to the request for comments published on May 31, 2010 by the securities regulatory authorities in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia and Saskatchewan (the “Securities Authorities”) on CSA Multilateral Consultation Paper 51-403 *Tailoring Venture Issuer Regulation* (the “Proposals”).

PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$940 billion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

PIAC recognizes the resource constraints faced by smaller issuers and we are generally in favour of regulatory amendments that reduce expenses for these companies, provided that investors remain adequately protected. However, we believe that several of the changes outlined in the Proposals unduly compromise disclosure and

governance standards for the venture market, and urge the Securities Authorities not to proceed with the Proposals.

Our comments and concerns regarding the key provisions of the Proposals are set out below.

### **Financial Reporting**

We are concerned with the proposed elimination of three and nine month interim financial statements and associated management's discussion and analysis ("MD&A"). We believe that the interim reports provide useful information for investors and help to keep management teams diligent in reporting to shareholders. It is important for investors to be able to regularly review the financial position of venture companies to manage investment risk. For example, the ability to regularly monitor cash and debt balances of exploration and development stage companies, which form a large part of the venture market, is particularly significant to investors. We are of the view that such benefits of interim financial statements and MD&A outweigh the time and costs incurred by venture issuers in preparing them.

We do support the proposed introduction of an annual report combining elements currently found in an Annual Information Form, MD&A, annual audited financial statements and annual meeting information circulars, provided that current disclosure requirements are maintained.

### **Governance Standards**

The proposed tailoring of governance standards to the characteristics of the venture market concerns us given that this may result in the standards being lowered or inconsistent with other legal requirements. We believe that the inclusion of a standard of care for directors and executive officers of venture issuers under securities laws should not be lower than the standard generally required under corporate law statutes. Other provisions contained in the Proposals relating to conflicts of interest, trading policies, composition of audit committees and notice and access for proxy materials are also generally addressed in corporate or securities laws and we do not believe that the venture market will be meaningfully enhanced by duplicating these requirements.

### **Material Change Reporting**

We note that the Proposals permit issuers to temporarily delay publicly disclosing a material change if doing so would be "unduly detrimental to the legitimate interests of the venture issuer". We believe that this exemption applies too broad of a test and may result in venture issuers only disclosing positive material changes. To avoid the potential for unbalanced disclosure, we believe the existing material change reporting process should be maintained.

### **Compensation Disclosure**

We do not agree with the proposal to eliminate the compensation discussion and analysis requirement for venture issuers. Disclosure of each element of compensation and what the compensation program is designed to reward is equally important for

investors in understanding how venture issuers, in addition to senior issuers, link compensation awarded to company performance.

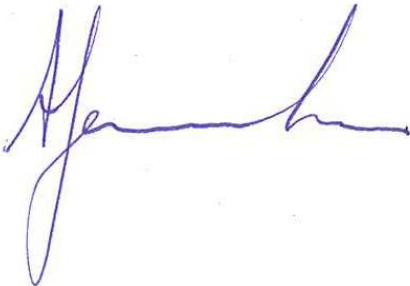
### **Corporate Governance Disclosure**

Finally, we note that the Proposals suggest eliminating for venture issuers some currently recommended governance disclosures, such as how the board facilitates independent judgment, what steps the board has taken to encourage a culture of ethical conduct and the results of any board self-assessments. We disagree with the Securities Authorities' rationale for eliminating these items on the basis that they are not typically applicable to the governance practices of venture issuers. We believe that disclosure is the first step towards improving corporate governance practices and that the typically lower level of analyst coverage of venture issuers may warrant more, and not less, disclosure by such issuers.

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We appreciate this opportunity to comment on the Proposals. Please do not hesitate to contact Stéphanie Lachance, Chair of the Corporate Governance Committee (514-925-5441; slachance@investpsp.ca) if you wish to discuss any aspect of this letter in further detail.

Yours sincerely,



Algis Janusauskas  
Chair