



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

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Mr. Bob Séguin
Assistant Deputy Minister
Ministry of Economic Development and Trade (MEDT)
Hearst Block, 7th Floor, 900 Bay Street
Toronto, ON, M7A 2E1

Dear Mr. Séguin:

Re: Promoting Growth for Ontario by Advancing a Financial Sector Strategy

On behalf of the Investment Industry Association of Canada (IIAC),¹ we commend Minister Cordiano for taking the forward-looking move of initiating and co-ordinating a financial sector strategy for Ontario. This comprehensive review of the financial sector is a first for this province and reflects the government's recognition of our sector as one of the key industries in this province and country.

Policy action to stimulate growth in the investment industry promotes:

- Employment and skills growth in a high value-add sector
- Investment in new businesses and expansion in existing ones from small entrepreneurs to large corporations
- Savings for retirement, homes and other goals for Ontarians
- Taxes that fund education, health care and other services for Ontario residents.

We believe that there should be two focus areas: measures to attract new investment and related jobs to the investment industry in Ontario and measures to strengthen the existing legal, risk and business infrastructure.

- Measures to attract business to Ontario include elimination of capital taxes; development of uniform securities legislation and regulations or equivalents, such as promoting the Crawford Report recommendations and encouraging provincial regulators to build on the existing Canadian Securities Administrators proposal for a viable Passport System as a step towards national securities regulation; updates to the MEDT and financial sector

¹ On April 1, 2006, the Investment Dealers Association of Canada (IDA) legally divided into a self-regulatory organization (SRO) and IIAC – the industry association. The Association represents the position of the Canadian investment industry on regulatory and public policy issues. Its mandate is to promote efficient, fair and competitive capital markets for Canada while helping its member firms succeed in the industry.

websites; collaboration with the federal government to reduce or defer capital gains taxes to promote capital formation; lowering municipal taxes and regulations to improve the competitiveness of Toronto as a financial centre; and assessing what else needs to be done from an infrastructure or other perspective to make Toronto even more of a global financial hub.

- Measures to strengthen the business environment are aimed at reducing uncertainty and cost – the investment and financial industries can be considerably weakened by any perception of uncertainty and it takes considerably longer to restore confidence than to lose it. Examples of measures to enhance the infrastructure include business continuity improvements; business law updates; collaboration with the federal government and other provinces on certain legislative priorities; etc.

The attached tables set out what we believe to be the appropriate target time frames (short, medium and long term) and those entities that may be required to be involved in each area.

We also believe that it would be helpful to have a facilitated session, in which I would be interested in participating, on a longer-term vision about what can be done to benefit from Canada's natural advantages, that is:

- sitting between the European and Asian markets
- offering an alternative to firms concerned by U.S.-style securities regulation
- working in a multi-lingual province with good education standards
- having excellent all-round securities infrastructure, including: a depository and clearing corporation that, still relatively rare around the globe, handles virtually all debt (including government debt), equities, income trusts and other investments; the TSX, etc.

With respect to the different roundtables that were touched upon at our June 21 joint meeting, we see a number of possibilities, including ones on taxation, business law, sales/marketing, business continuity, skills development and innovation. On securities policy matters, Morag MacGougan, Vice-President, Policy at (416) 687-5470, mmacgougan@iiac.ca of our office is the appropriate contact. On sales/marketing, the contact should be Annie Côté-Kennedy, Director, Communications, (416) 687-5474, acotekennedy@iiac.ca. On taxes, it should be Jack Rando, Assistant Director, Capital Markets, (416) 687-5477, jrando@iiac.ca. Barbara Amsden, Director, Capital Markets, (416) 687-5477, bamsden@iiac.ca should be involved in any work on business continuity and overall liaison.

We look forward to real progress being made on a number of these issues and will help in any way we can.

Your sincerely,



Cc: Don Black, Deputy Minister Fax 325-6999
Janet Ecker, TFSA

PROPOSED STRATEGY DEVELOPMENT WORKING GROUPS

Additional background information can be supplied to the appropriate group on any or all of the following points and, in many cases, can be found on IIAC's website:

- Measures to attract new investment and related jobs to the investment industry in Ontario

Category	Due Date (Years)		Comments
Eliminate capital taxes and re-examine the tax environment	1-3		Capital taxes are a disincentive to the creation and maintenance of capital, doubly counterproductive in the case of the finance and investment community where capital is the basis of investor protection; moreover, while governments may like the predictability of capital tax revenue in a downturn, it is in a downturn when financial entities must be able to adjust and if capital taxes must be paid despite revenue declines, it will arguably often be at the expense of jobs; other tax measures can attract investment – in this regard, the government could consider a reduction or deferral in capital gains taxes, <i>work by MEDT and Ontario Ministry of Finance and associations</i>
Create a single national securities regulator		3-5	While the securities commissions have done much to try to simplify regulation through national instruments and other means, even the perception of dealing with up to 13 regulators is without a doubt a major disincentive; some innovative way to address this is needed; it is not clear what can be done but this is a cornerstone for attracting new issuers, new marketplayers and new business to Ontario; <i>MEDT and counterparts at the federal and provincial level may have a role to play in having this issue reviewed in a new way by the Finance Ministers</i>
Create a more user-friendly registration system, including such initiatives as the Passport System		3-5	Linked to the above, the Passport System is an interim measure to try to reduce the impacts of multi-jurisdiction regulation; <i>discussion by Ministers of MEDT and Finance</i>
<ul style="list-style-type: none"> • Update MEDT website and co-ordinate marketing/ advertising where possible • Create one-stop-shopping kiosk to direct interested businesses to the resources they need 	0-1	Ongoing	<ul style="list-style-type: none"> • <i>Work by a government-industry steering committee overseeing industry-specific working groups to update the MEDT and industry websites</i> • <i>Work for each industry association</i>
Assess how further to establish Toronto as a financial centre		0-3	A number of locations in the world have successfully established (Ireland) or retained (London) their positions as international financial centres; Toronto is already the third most prominent in North America and has an opportunity (with its link to Vancouver) to serve the 24-hour global marketplace; <i>MEDT review with TFSA and associations of Ireland and U.K. lessons; working groups looking at municipal taxes, infrastructure, and other factors</i>

- Measures to strengthen the business environment aimed at reducing uncertainty and cost

Category	Due Date (Years)	Comments
Deliver on business continuity needs – Ontario especially must see that the financial sector is designated as a priority (after emergency services, hospitals, etc.) for energy; also, key staff should be able to access restricted core areas with special passes	0-1	Underway; accelerate priority; <i>work for the industry, Ontario government, possibly in some areas in conjunction with the federal government</i>
Complete business legislation update	1-3	Ontario must implement consequential changes to the Uniform Securities Transfer Act (USTA) and to other business laws; <i>work for MEDT, Ontario government, legal community (Toronto Financial Services Alliance (TFSA) can arrange for some appropriate contacts); industry to press for other provinces (except Alberta) and the federal government to implement supporting changes as investors in Canada need to see what is or appears to be a single legislative/regulatory framework</i>
<ul style="list-style-type: none"> Arrange brief semi-annual update meetings Facilitate other communications methods 	Ongoing	<ul style="list-style-type: none"> Regular meetings with a broad range of senior government staff and industry representatives is key to promoting industry-government understanding and facilitating quicker action when required; <i>work by Ontario government and TFSA as lead</i> E-mail or ad hoc meetings; opportunities for government representatives to spend short periods in industry and vice versa; <i>MEDT to identify ways of shared knowledge of government strategies and trade tours, including debriefing following trade tours; sharing of contact information; etc.</i>
Promote training and education	Ongoing	<i>Benefit from the global expertise of entities such as the Canadian Securities Institute, Institute of Canadian Bankers, Rotman School of Business and early educational arms of the Canadian Bankers Association, etc.</i>