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

September 14, 2007

Mr. Timothy C. Sargent
Director, Financial Institutions Division
Financial Sector Policy Branch, Department of Finance
140 O'Connor Street, 15th Floor, East Tower
L'Esplanade Laurier
Ottawa, Ontario K1A 0G5
Tel: (613) 992-1631
Fax: (613) 943-1334/8436
E-mail: securities-valeurs@fin.gc.ca

Dear Mr. Sargent:

Re: IIAC Supports Update to Canadian Securities Transfer and Related Laws

The Investment Industry Association of Canada (IIAC)[1] is pleased Finance Canada is consulting on Canadian securities transfer law as a long overdue and key part of the broader economic productivity/competitiveness agenda the government is pursuing. We believe that the functionally uniform provincial securities transfer acts (STAs) in effect and other changes under consideration will bring benefits to issuers, transfer agents, buyers and holders of securities, intermediaries providing securities accounts and transferring securities, lenders and other secured parties, clearing agencies and others. Most importantly, however, it will bring benefits to Canadian investors, to the Canadian capital markets and to Canada's economy that relies on raising capital to finance growth and a high standard of living for all Canadians.

We have reviewed the Department of Finance's June 21, 2007 consultation paper, "Modernizing the Legal Framework for Financial Transactions: Reforming Federal Securities Transfer Rules," including as it fits into the government's global capital markets plan. Specifically, we believe that:

- Federal, provincial and territorial securities transfer and related legislation must be updated:
  - to give the significant majority of Canadians – who hold securities electronically through an intermediary – the appropriate protections when those securities (and interests in them) are transferred, purchased, sold or pledged
  - to ensure that securities transfers in Canada meet the same legal standards adopted by the U.S. and European Union countries, thereby:
    - reducing risk, legal uncertainty and cost
    - helping preserve the competitiveness of the Canadian capital markets and industry given evidence that transactions have been moved to the U.S. or abandoned due to uncertainty.
- We are pleased that Ontario, Alberta and B.C. have functionally consistent *Securities Transfer Acts* in force; that Newfoundland and Labrador and Saskatchewan have STAs awaiting proclamation; and that Quebec and Manitoba have announced their intention to introduce such legislation to modernize, harmonize and co-ordinate commercial and private law within Canada and with different countries
- With respect to federal legislation (and consistent with the premise that securities transfers, like property transfers, are property law within provincial and territorial jurisdictions), and assuming that the provinces

11 King Street West, Suite 1600, Toronto, ON, M5H 4C7
Tel: (416) 364-2754 • Fax: (416) 364-4861 • www.iiac.ca

that have not already done so commit to implementing uniform securities legislation within a short fixed timeframe and to maintaining it uniform thereafter, we support Option 2, namely:

- that the federal government should generally remove transfer rules from federal statutes
- repeal the Depository Bills and Notes Act
- amend the Bills of Exchange Act (BEA) so that it would not apply to a bill or note that is a security as defined by the STA
- make further amendments (including removing the requirement that certificates must be made available on request) to legislation listed in the consultation document.

We also hope the provinces take this ceding of federal jurisdiction in the instance of securities transfer legislation to re-examine streamlining and reducing duplication and inconsistency among provincial securities commissions.

Attached are our more detailed views on the critical need to update and remove overlap and duplication in securities transfer laws now, with an appendix answering the specific questions posed in the consultation paper. We look forward to discussing these matters further with you if you have questions or would like us to elaborate on our comments.

Yours truly,

Note: The IIAC gives permission for this submission to be posted on the Department of Finance website. Contact information is provided on the cover page of the accompanying letter.

Cc: Cheryl Ogilvie (ogilvie.cheryl@fin.gc.ca); Rob Stewart (Stewart.Rob@fin.gc.ca)

[1] On April 1, 2006, the Investment Dealers Association of Canada (IDA) divided into a self-regulatory organization (SRO), still called the IDA, and the IIAC – the industry association, which represents member firms across the country. Fully half of the association's members are small businesses. The IIAC represents the Canadian investment industry's position on regulatory and public policy issues, and promotes efficient, fair, competitive markets for Canada while helping its member firms succeed in the industry.

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

IIAC SETS PRIORITY ON UPDATING CANADIAN SECURITIES TRANSFER LAWS TO PROTECT INVESTORS AND IMPROVE CAPITAL MARKETS' COMPETITIVENESS

Efforts to introduce uniform securities transfer acts at the provincial and territorial levels, with consequential changes at the federal level, target:

1. Reducing risk, uncertainty and cost – Canadian investors and issuers will benefit from improved legal clarity and certainty in our increasingly global securities marketplace, where transactions often involve multiple jurisdictions.
2. Ensure continued competitiveness of Canadian capital markets and Canada's securities industry – there has already been anecdotal evidence that transactions have been moved to the U.S. or abandoned as Canadian legal counsel could not give opinions with the high degree of legal certainty demanded by underwriters.

1. Problem

The reason to address the problems presented by a multi-jurisdictional patchwork of legislation governing the transfer of securities and equivalents is evident by looking at the question marks and multiple pieces of legislation in the table below covering what the typical investor would see as the unambiguous transfer of a security. *(Note: Ontario is used as an example; the table would be similar for other provinces)*

Transaction in Canadian Province (Ontario)	Pre-STA Canadian Law	Post-STA	U.S. equivalent
***Directly* held securities**			
Shares issued under the *Ontario Business Corporations Act* (OBCA)	OBCA	STA	UCC, Rev8
Shares issued under the *Canada Business Corporations Act* (CBCA)	OBCA? CBCA?	STA	UCC, Rev8
Shares issued by a foreign corporation	OBCA? Corporate law of issuing company's country?	STA	UCC, Rev8
Publicly-traded trust or partnership unit	Common law?	STA	UCC, Rev8
CBCA-issued bill or note that meets the definition of security	OBCA? *Bills of Exchange Act* (BEA)?	STA	UCC, Rev8
OBCA-issued bill or note meeting the definition of "security"	BEA	STA	UCC, Rev8
Bank Act-issued bill or note meeting the definition of "security"	*Bank Act*	STA	UCC, Rev8
***Indirectly* held securities**			
OBCA-issued shares	OBCA	STA	UCC, Rev8
CBCA-issued share	OBCA? CBCA?	STA	UCC, Rev8
Shares issued by a foreign corporation	OBCA? Corporate law of issuing company's country?	STA	UCC, Rev8
Publicly-traded trust or partnership unit	Common law?	STA	UCC, Rev8
CBCA-issued depository bill or note that meets the definition of security	OBCA? DBNA?	STA	UCC, Rev8
OBCA-issued depository bill or note that meets the definition of security	OBCA? DBNA?	STA	UCC, Rev8
Bank Act-issued depository bill or note meeting the definition of "security"	OBCA? *Bank Act*? DBNA?	STA	UCC, Rev8

Source: Abbreviated from "The Securities Transfer Act – Fitting New Concepts in Canadian Law," written by Eric Spink and to be published in a upcoming edition of the *Canadian Business Law Journal*

The current state is actually a mix of the Pre-STA Canadian Law and Post-STA columns, meaning the Post-STA columns will never be without question marks… and the Canadian marketplace will not offer global issuers and investors the certainty that the federal government withdrawing from the field of transfers would provide.

2. Need for Updated Securities Legislation in Canada

Passage of uniform securities transfer legislation in Ontario, Alberta, B.C., Newfoundland and Labrador (awaiting proclamation), and Saskatchewan (awaiting proclamation), and promises by Quebec and Manitoba to introduce identical or near-identical acts, are aimed at updating Canadian securities transfer law regarding the purchase, sale, pledge and holding of securities and interests in securities. Specific goals are to:

1. Update rules and terminology to address today's transfer of securities via electronic rather than physical/paper means setting a single framework that:
    - Operates in both direct and indirect (nominee) holding systems
    - Applies equally to all issuer types and
    - Is valid for all types of securities and security entitlements transfers to avoid questions about which law applies to the transfer of a security issued by, for example, a provincially-incorporated issuer, a publicly-traded trust or a publicly-traded partnership

2. Make the legislation more consistent across Canada and rationalize legislation by:
    (1) codifying commercial practices applicable to every type of entity while remaining essentially neutral as to the relationship between a corporation and its shareholders and
    (2) removing duplication between different laws by linking where required to:
        - property-transfer rights and duties of issuers in relation to registration of transfers
        - contract law by providing that the core duties imposed on securities intermediaries by STAs may be satisfied if the intermediary acts "as agreed on by the entitlement holder and the securities intermediary"
        - regulatory law by providing that, if the substance of a duty imposed on a securities intermediary by the STA is the subject of another statute, regulation or rule, then compliance with that other statute, regulation or rule satisfies the STA duty

3. Meet the same legal standards adopted across the country and by the U.S. and European Union countries.

3. Benefits from Implementing Uniform Securities Transfer Legislation with Consequential Amendments to Other Laws

The positives from implementing uniform securities transfer legislation across Canada are widely accepted. From the August 11, 2004 McMillan Binch submission to the Chair of the Ontario Standing Committee on Finance and Economic Affairs (and the name of other provinces or territories can easily replace Ontario in the citation below), it would:

"❖ Provide a sound legal foundation for modern securities holding and transfer practices, in particular the indirect or tiered holding system, which for publicly traded securities has largely replaced the older paper-based system on which the inadequate existing law is based […];
❖ Provide the legal framework for the increased operational efficiencies of straight-through processing […];
❖ Reduce transaction costs and legal uncertainty in multi-province transactions by achieving uniformity across Canada;

- ❖ Enable counsel to deliver clean legal opinions on transactions involving indirectly held securities, a task that is now all but impossible given the high degree of uncertainty generated by the existing patchwork of incomplete legislation and confused common law;
- ❖ Rationalize securities transfer law by making the [Uniform Securities Transfer Act (USTA)] a separate statute rather than an appendage to the *Ontario Business Corporations Act*;
- ❖ Facilitate the growing reality of cross-border transactions in securities and interests in investment property and promote Ontario as an investor-friendly jurisdiction with a familiar legal system by harmonizing Ontario law with Revised Article 8;
- ❖ Control systemic risk;
- ❖ Complement and reinforce clearing agency rules providing for finality of settlement;
- ❖ Facilitate the use of publicly traded securities as collateral by providing clear rules relating to the creation and perfection of security interests in investment property and simple and easily applied "conflicts of laws" rules that can quickly determine which jurisdiction governs such matters in multi-jurisdictional transactions; and
- ❖ Keep Ontario competitive in the world financial markets, particularly when measured against New York."

Most important, uniform securities transfer legislation will also contribute to fairness and transparency for investors and to Canadians' and Canadian businesses' ability to earn additional returns from securities lending or to pledge their securities for loans. It is also critical to the operation, liquidity, integrity and efficiency of securities markets.

4. Canadian Government Commitments

The Canadian and certain provincial governments – beyond the responsibilities they have to Canadian investors and issuers – have made explicit and implicit commitments to modernize, harmonize and co-ordinate commercial and private law between different countries through:

1. The Canadian government's involvement in the PRIMA Convention in the Hague
2. Canada's participation in UNIDROIT (Institut internationale pour l'unification du droit privé)
3. Canadian involvement in the Committee on Payments and Settlement Systems/International Organization of Securities Commissions (CPSS/IOSCO).

As well, we believe that to the extent that the federal, provincial and territorial governments regulating the securities arena support fairness to investors, transparency and efficiency, that have not already done so must meet their international obligations under the above.

5. Broad Support for Uniform Securities Transfer Legislation

Approaching two decades of time and effort by many in the financial and legal sectors within Canada have been spent to reach the stage we are at today in terms of updating securities transfer law. Despite persistence and a compelling need, it has been very difficult to establish uniform securities legislation as a priority due to the lack of any clear market failure or concrete evidence of the business that does not get done in Canada because of uncertainty. It is hard to measure what is not there.

However, with the financial and securities industries dependent on confidence and with the Internet allowing rumour and innuendo to travel rapidly, Canadian markets cannot afford to wait until questions are raised as to the applicability of current legislation in today's predominantly electronic nominee securities-holding regime. This is particularly true in light of the international community's increasing focus on legal risk in view of Basle 2, Sarbanes Oxley and the growing litigiousness of certain marketplaces. There has been and remains strong and broad-based support by the Uniform Law Conference of Canada, many individuals and organizations in the legal profession generally, as well as companies and people operating in the securities industry in Canada. There have been opportunities for the federal government to raise questions and issues and some federal involvement at different stages.

Legislation was drafted and endorsed for implementation by a wide range of stakeholders including investors, issuers, the financial industry and members of the Canadian bar. While technically complex, it has not proven politically sensitive: we are not aware of any controversy that arose when uniform legislation was introduced in Ontario, Alberta, B.C. and the other provinces that have passed legislation. As the U.S. was able to get commitment from 50 states to Revised Article 8 of the U.S. Uniform Commercial Code (UCC, Rev8), we believe that Canada's 14 federal, provincial and territorial jurisdictions can reach agreement and move forward.

6. IIAC Position

The IIAC strongly supports moves to rationalize securities-related laws and regulations in Canada in light of:

- The desire to avoid inconsistency, duplication and potentially contradictions among the legislation in jurisdictions across Canada, possibly leading to unequal treatment of investors
- The importance of transparency of securities holding, transfer and pledging rights from the perspective of investors and other stakeholders
- The overwhelming industry preference for operational simplicity through having transfers of all securities, including debt issued by the federal government, under the same legislative regime
- The frequent impossibility of clearly establishing the location of a transfer given the different parties involved and current securities market practices
- The need for certainty with respect to the capital markets
- Already negative international perceptions of the Canadian multi-jurisdictional marketplace despite Canada's strong economic and fiscal performance
- Commitments of the federal and many provincial governments to enhance the business environment.

7. How

Harmonization through the introduction of uniform legislation is progress. Legislation updated in only some jurisdictions, in part only or not consistently, is not a real step forward. The IIAC therefore is pressing, first, the remaining provinces for word-for-word consistency in the uniform securities transfer legislation introduced and, second, all jurisdictions – including the federal government – to make the consequential amendments required to other legislation.

IIAC believes that a single cross-country solution is the optimal model. This said, notwithstanding the federal government's responsibilities with respect to banking, government debt, the payments system/ systemic risk, bankruptcy and federal incorporations, a unilateral federal move in the area of securities transfers will almost certainly lead to provincial opposition. The amount of time needed to resolve this if this can be based on the time taken already to get to this stage and the period of even greater uncertainty that would ensue, leads us to reject Options 1 and 3 (see attached). Instead, we recommend that the federal government:

- Remove transfer rules from federal statutes
- Repeal the *Depository Bills and Notes Act*
- Harmonize federal law governing bills and notes with the uniform securities transfer legislation by amending the *Bills of Exchange Act*
- Make further amendments (including removing the requirement that certificates must be made available on request) to legislation listed in the consultation document.

This method is the most certain, the most easily achievable and the one that best dovetails securities transfer legislation with provincial personal property security acts. As well, the federal government set a

precedent for such a step through its elimination of duplication by withdrawing CBCA provisions that overlapped with provincial securities laws to enhance market efficiency.

Regarding next steps, IIAC will press the provinces and territories to enact identical securities transfer acts and make the necessary consequential amendments to other legislation. The IIAC will be including this issue, which we see as being of significant economic importance to our members given implications for the competitiveness of Canada's capital markets, in representations to remaining provinces. We hope that the federal government will undertake to champion the enactment and coming into force in the next six months of uniform securities transfer legislation in all remaining jurisdictions.

We also hope the federal government will use federal removal from securities transfers to encourage further the provinces to re-examine streamlining and reducing duplication and inconsistency among securities commissions.

Appendix

Answers to Consultation Paper Annex C – Detailed Questions

A – Impact of Provincial STAs

1. ***How have the existing direct holding and transfer provisions in the federal corporate statutes affected the ability of federally incorporated entities to participate in domestic and international capital markets as an issuer, investor, intermediary and/or secured lender?***

   See sections 1. and 3. above. The concerns about current direct and indirect holding and transfer provisions are substantial and growing as markets have become ever more global and the securities industry has become ever more based on electronic rather than physical transfers. With securities and other regulation focusing increasingly on risks and legal certainty, the patchwork of securities transfer legislation in Canada has become known. Moreover, Canada has made commitments with respect to conflicts-of-law under the 2001 multilateral Hague Convention. With Canada's capital markets only an estimated three per cent of the global marketplace, the absence of legal certainty can make the difference between attracting investors or not, especially if internal controls brought in to meet Sarbanes-Oxley requirements demand absolute legal certainty before sign-off on investment policies. While hard to measure what business does not get done, law firm McMillan Binch had examples and may be in a position to share them.

2. ***How have the securities-related activities of federally incorporated entities benefited from the provincial STAs in both domestic and international capital markets?***

   Implementation of STAs in key provinces are important steps forward, but given the multi-location nature of securities transactions – where trade orders can be placed in one jurisdiction, the order executed in another, back-office processing takes place in a third and so on – half done is not enough. The remaining provinces must implement their STAs; the federal government must repeal the DBNA, amend the BEA and take other required steps; and then the international community must be made aware of the substantive improvement in the Canadian legal environment for securities transfers.

3. ***Are there any outstanding gaps in the legal framework? Are these gaps transitional in nature? Is there a need for the Government to address them?***

   We believe that the issue is transitional. The federal government should be preparing draft legislation to repeal the DBNA, amend the BEA and change other legislation while the remaining provinces are pressed to introduce their STAs. The IIAC will be writing to all remaining provinces with others in the securities industry to press for movement in these areas.

B – Transfer Provisions in Federal Corporate Statutes

1. ***Is there a need to address the lack of rules for indirect holdings and transfers in the federal corporate statutes? More specifically, are there competitive disadvantages for federally incorporated entities that are situated in provinces that have not yet implemented an STA and if so, should this be addressed as set out in Option 1?***

   Our views on the consultation paper's three options are listed below:

   - ***Option 1: Comprehensive stand-alone Federal STA:*** We concur that two equally applicable sets of rules would not provide for legal certainty, which would be particularly damaging for those transactions involving foreign counterparties. For this reason, ***we reject Option 1.***

- ***Option 2: Repeal of federal securities transfer provisions:*** We recognize the timing and transitional issues presented by not all Canadian jurisdictions having implemented STAs, however, these are timing issues which can be resolved – our organization and others will be following up with those governments that have not already implemented the requisite legislation. With respect to those closely-held federally-incorporated entities that currently enjoy the convenience of dealing with only one statute for their securities transfer rules, we suspect that this may be more theoretical than practical as within the virtual world of securities transactions, provincial and territorial boundaries do not exist. We thus suspect that there would be minimal if any effect on regulatory and paperwork burden, in fact, for any firm with cross-border transactions, the change will be viewed as positive. ***We recommend Option 2 for reasons identified in our submission above.***

- ***Option 3: Update of existing securities transfer provisions:*** This combination of Options 1 and 2 still leaves duplication and does not contribute to legal certainty. ***Option 3 is a second-best alternative and only acceptable if the remaining governments do not implement the STAs; we have had no indication that the remaining provinces oppose implementation in any way.***

2. ***If the federal transfer provisions should be repealed as discussed in Option 2, when should this be done – immediately or once all provinces have STAs in place? Is there a need for transitional measures to accommodate those provincial STAs that are in place?***

   See A.3 above. Drafting should be undertaken now and be issued for comment so that the amendments can come into force once provinces have implemented the STAs.

3. ***Does the immediate repeal of the federal transfer provisions raise any concerns regarding existing security issuances, and if so, how could these be addressed?***

   We do not believe so.

4. ***Under Option 2, no interim amendments would be made to the federal transfer rules to make them consistent with the provincial STAs. Would this approach result in conflicts between the federal and provincial rules governing direct holdings and transfers?***

We do not believe so.

5. ***Should the federal transfer rules for directly held securities be retained and updated, as set out in Option 3?***

   No. See B.1 above.

6. ***Would the continued existence of federal rules for direct holdings and transfer of securities, updated to be functionally uniform with the provincial STAs, result in confusion and uncertainty, or might the impact be neutral or even have benefits for closely held federally incorporated entities?***

   We believe that there will be greater benefits to having a single approach and for the approach to be similar to the approach in the U.S. under the Uniform Commercial Code, Revised Article 8, which was adopted in 50 states, and in the European Union. We are not aware at this time that there are equivalent federal rules in the U.S. See B. 1 above.

7. ***If the federal transfer provisions are updated and retained, is there a need for transitional measures to minimize overlap between federal laws and the provincial STAs? For example, is there a need to consider measures such as providing an exemption for provinces that have STAs in force?***

See B.1 above. Should the federal government choose instead to update and retain transfer provisions, there may be a need for transitional measures to minimize overlap between federal laws and the provincial STAs and for measures such as providing an exemption for provinces that have STAs in force.

8. ***What provisions should be retained in the parts of the federal corporate statutes dealing with security certificates and transfer? What amendments, if any, would need to be made in respect of these remaining provisions?***

The consultation paper notes that the provincial STAs in force give entitlement holders the right to direct an intermediary to change a security entitlement into other holding forms that the issuer may make available, for example, a registered holding on the books of the issuer with a security certificate in the holder's name. However, the consultation paper suggests that direct registration is not always an option as some securities are issued in book-entry form only. In fact, the largest transfer agent in the country, currently responsible for over three-quarter of issuances across Canada, is implementing this fall a direct registration system (DRS or electronic name on register system) – such as exists in the U.S. and a growing number of other countries such as France, Denmark, India and others. The other transfer agents in this country (essentially the members of the Security Transfer Association of Canada) have been discussing DRSs for some time and are expected to follow suit, minimizing any potential loss of shareholder choice of direct over indirect holding.

With respect to those shareholders wanting a share certificate, the ability to get a share certificate would simply be another reason why an investor would choose to or not to buy any particular security. As noted in the consultation paper, dematerialized securities are already issued and well-accepted in Canada by investors, namely mutual fund holders and purchasers of Canada Savings Bonds on the Bank of Canada's payroll savings plan. ***We believe that dematerialized issuances should be facilitated in both a direct and indirect holding scenario but that issuers, which pay the costs of issuance, should be free to determine whether to offer share certificates, electronic holding options or both – recognizing that the ultimate choice of one or another option will have different cost implications for issuer, investor and intermediary.***

C. Interactions of the Provincial STAs on the Overall Legislative and Regulatory Framework for Federally Incorporated Entities

1. ***Do the differences between the concepts of "beneficial owner", "shareholder" and "security entitlement holder" create any difficulties in respect of the ownership tracing requirements embedded in the framework for federal financial institutions? If so, how could these be managed?***

As we represent provincially regulated entities, we have no comment on this question.

2. ***Are there any other federal statutes affected in the same manner, for example, the Investment Canada Act?***

As we represent provincially regulated entities, we have no comment on this question.

3. ***Is it desirable or necessary to amend the corporate governance provisions found in federal corporate statutes relating to shareholder rights to explicitly extend these rights to security entitlement holders? For example, in the following areas as they apply to federal financial institutions and/or corporations:***
    (a) Dividends and liquidation distributions
    (b) Notices of meetings of shareholders
    (c) Receipt of financial statements
    (d) Rights to attend meetings of shareholders
    (e) Voting and the appointment of proxy holders

(f) Dissent and appraisal rights
(g) Rights and obligations under take-over bids and going-private transactions
(h) Access to corporate records
(i) Shareholder proposals
(j) Shareholder remedies
(k) Unanimous shareholder agreements and unanimous shareholder declarations.

See C. 2.

4. ***Should the federal corporate statutes be amended to allow issuers to dematerialize their share issuances?***

   Yes. See B.8.

5. ***Are any amendments needed at the federal level to facilitate the direct holding and transfer of uncertificated securities?***

   We are not aware of any other requirements.

6. ***Are there any other interactions between the provincial STAs and the federal statutes governing bankruptcy and insolvency (BIA, WURA)?***

   In a separate letter, the IIAC has recommended changes to the *Bankruptcy and Insolvency Act* (BIA). We expect that this act will be amended, at which time the defined terms "security" and "customer name securities" in the BIA's section 253 could be clarified to ensure their application to property interests in the indirect holding system by adding reference to "claim or interest." We are not aware of other changes required.

D – The *Bills of Exchange Act* and the *Depository Bills and Notes Act*

1. ***Does the BEA need to be amended to clarify the relationship between the BEA and provincial STAs?***

   Yes, the BEA should be amended so that it would not apply to a bill or note that is a security as defined by the STA.

2. ***Should the DBNA be repealed in its entirety?***

   Yes (see also B.1). The consultation paper notes that the repeal of the DBNA could be problematic for market participants. We understand that its implementation was to address uncertainty and facilitate the transfers of depository bills and notes into the Canadian Depository for Securities Limited (CDS), between CDS participants and all subsequent transfers. It is our understanding that CDS staff have been engaged in the development of the uniform (model) STA and in promoting implementation of the STAs and will be submitting their comments on the consultation paper. ***We believe that unless there is a concern of which we are not aware, repealing the DBNA would remove uncertainty and complexity and therefore recommend the repeal (following implementation of all STAs) rather than reform of the DBNA.***

3. ***Should the DBNA be amended, and if so, in what manner? Are there any transitional issues that should be addressed?***

   See B.1, B.7 and D.2.

E – Other

The Department of Finance has sought stakeholders' views on what amendments would be desirable to enhance the effectiveness and efficiency of the legislative and regulatory regime governing the issuance of federal Crown debt. We support the important role that the Government of Canada plays in maintaining a well-functioning marketplace and the benefit that Canada has in that government securities are settled in the same way as other securities – the envy of many other countries that have government securities cleared and settled separately from other debt and equities. We also underscore the hugely important role that Canadian government debt securities play as a primary source of collateral supporting both the Canadian securities and payments settlement systems. ***We believe that the validity and enforceability of these securities will be certain under the STA-centric legislative and regulatory framework and have not heard otherwise in our dealings with Finance Canada and the Bank of Canada.***