



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

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Mr. Robert Hamilton
Senior Assistant Deputy Minister, Tax Policy Branch
Department of Finance
140 O'Connor Street
Ottawa, ON K1A 0G5
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Dear Bob:

Re: Request for Amendment to *Income Tax Regulations* Related to Mark-to-Market Rules

On behalf of Investment Industry Association of Canada (IIAC) members, I am following up on comfort letters dated December 23, 1999; August 21, 2000; March 21, 2001; July 29, 2002; August 14, 2002 and September 14, 2002 wherein the Department of Finance agreed to recommend to the Minister of Finance that *Income Tax Regulations* be amended to ensure that the mark-to-market rules do not apply in the case of investment dealers owning the capital stock of certain securities exchanges – specifically, that the shares be considered prescribed properties for purposes of the definition of mark-to-market property in subsection 142.2(1) of the *Income Tax Act*. The exchanges, which demutualized consistent with changes in global capital markets and were referenced in one or more of the comfort letters, were the then Canadian Venture Exchange Inc., the Toronto Stock Exchange Inc. and the Montreal Stock Exchange Inc. The letters said certain restrictions would apply to prevent circumvention of the mark-to-market rules.

We appreciated Brian Ernewein's confirmation, on February 1, 2007, that the department intends to introduce the necessary changes, noting that recent technical amendments have only addressed modifications up through 2001. We thought it might be useful to put our support in writing to help the legislation move ahead as quickly as possible and avoid extra work and cost for the CRA and our members – Canada Revenue Agency audits of the relevant period are currently reaching their conclusion and a number of our members advise that they have received proposals for re-assessment under the current *Income Tax Regulations*.

Please let us know if there is anything we can do to assist you and your team in this process.

Sincerely,

Cc: Brian Ernewein, Gerry Lalonde, Rob Stewart