PRICEWATERHOUSECOOPERS

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August 20, 2002

Five Year Review Committee
c/o Purdy Crawford, Chairman
Osler, Hoskin & Harcourt LLP
Barristers & Solicitors
Box 50, First Canadian Place
Toronto, Ontario
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Dear Mr. Crawford,

Re: Five Year Review Committee Draft Report

We are pleased to provide comments on the Draft Report. Our focus herein is on recommendations where we believe the role and experience we have in capital markets activities make our comments particularly relevant. We found the entire Draft Report to be of high quality and all the recommendations to be supported by well-reasoned analysis.

Recommendation # 1

We recommend that the provinces, territories and federal government work towards the creation of a single securities regulator with responsibility for the capital markets across Canada.

We agree. While harmonization efforts by the CSA have resulted in improvements, there continue to be shortcomings with the present system. For example, accounting staff in the major jurisdictions do not always have the same position on accounting, disclosure and filing issues. This results in uncertainty, additional costs to consider issues and, perhaps, divergent practices. More importantly, the diffusion of accounting resources contributes to the less rigorous and less effective enforcement of GAAP and disclosure requirements in Canada as compared to the United States.

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Recommendations # 3 and 4

We recommend that the Commission and the CSA permit both foreign and Canadian companies to prepare their financial statements in accordance with U.S. GAAP. Issuers who prepare their financial statements in accordance with U.S. GAAP should be required to reconcile the statements to Canadian GAAP during a transitional period. The duration of the transitional period should be determined by the regulators taking into account whether significant comparability issues will arise if no reconciliation is provided.

We encourage the move by both Canadian regulators and standard setters to International Accounting Standards and hope that Canada will continue to play a leadership role in this area.

We agree. More than 80% of our largest clients are SEC registrants and have to provide U.S. GAAP information. This percentage is increasing. In addition to cost considerations, there is simply no reason to preclude the provision of information on a U.S. GAAP basis when the use of U.S. GAAP is the norm.

We support the global harmonization of accounting standards. However, it is widely agreed that at this point in time, although there are improvements that should be made to U.S. GAAP, U.S. GAAP embodies the best and most comprehensive accounting principles in the world. Applying U.S. GAAP and the SEC's accounting and disclosure requirements results in U.S. companies generally providing more transparent and useful financial information than Canadian companies. In circumstances where Canadian GAAP is unclear or silent, we look to U.S. GAAP now. With the extent of cross-border investing and financing activity that occurs and the desirability of having comparable financial information for all North American companies, it would be illogical to preclude the use of U.S. GAAP information in Canada.

The Canadian Accounting Standards Board (AcSB) has made significant progress in harmonizing Canadian GAAP with U.S. GAAP. Similar efforts should be made to put in place in Canada the SEC's accounting and disclosure requirements. This would help to resolve the current anomaly existing because of the MJDS whereby some Canadian companies must adhere to full U.S. GAAP and SEC requirements to the benefit of Canadian users of the financial information while others do not.

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The AcSB has an objective to harmonize Canadian GAAP with U.S. GAAP and, as noted above, has made significant progress in doing so. If harmonization is likely to occur relatively soon anyway, why preclude companies from providing U.S. GAAP information now? While a transitional period may be helpful to some financial information users, it can justifiably be a short one. With the extent of harmonization that has occurred, the ongoing work in that direction, and for other reasons, a one-year transition period is sufficient.

Significant progress has been made in developing International Accounting Standards ("IAS"). However, much work remains to be done. For example, some important IAS do not even apply to the activities of resource companies (which obviously are numerous in Canada) and there is no guidance in IAS on a number of common accounting issues. A number of IAS are recent and there has not been much experience in applying them, so we do not know that they result in high quality financial information. In addition, the lack of an effective enforcement infrastructure means that divergent and perhaps questionable practices may develop internationally. We also hope that Canada can play a leadership role in this area.

Recommendation # 12

We recommend that the minimum initial comment period for rules be reduced from 90 to 60 days and that the minimum initial comment period for policies by reduced from 60 to 30 days.

We agree. The proposed time periods are sufficient for us to provide comments.

Recommendation # 35

We support the CSA proposal to create a statutory civil liability regime for continuous disclosure and urge the Government of Ontario to move forward as soon as possible to adopt such a regime by legislative amendment. We also encourage the governments of the other CSA jurisdictions to adopt the regime.

We agree.

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Recommendation # 45

We recommend that the periods for filing annual financial statements be reduced to 90 days after the fiscal year end and that the time periods for filing interim financial statements be reduced to 45 days after the end of each quarter.

We agree. Users of financial information should have it on a timely basis. We do not believe that the shortened periods for filing will place an undue burden on us or our clients. There will, though, undoubtedly be cases where it will be difficult to produce and audit reliable annual information within 90 days. These difficulties would be mitigated by having a requirement for a review of quarterly financial statements and is another reason to require such reviews. As you are aware, quarterly reviews are mandatory in the United States.

The SEC currently has a proposal outstanding to reduce the filing periods to 60 days and 45 days. Moving to such filing periods in Canada seems too much of a change at this time.

Recommendation # 46

Ontario securities legislation should be amended to require that quarterly financial statements must be reviewed by the issuer's external auditor.

We agree. Users of financial information should be assured that the information is reliable. Investment and other decisions are made on a continuous basis. It makes little sense to require an audit once a year with no auditor involvement until then. We have recently seen a number of instances where the reporting of financial and accounting improprieties has resulted in a collapse in the share prices of the companies involved. It is important that these improprieties be detected and reported as soon as possible.

The marketplace is reacting to the current absence of a requirement for auditor involvement with quarterly financial information. Some audit committees are asking for an auditor review. However, this is happening on an ad hoc basis, with varying levels of auditor involvement and confusion about what the auditor is doing. It is also not happening as often as we think it should. Establishing that a "review" is required will more quickly result in users of financial information having a reasonable understanding of the appropriate level of reliance to put on quarterly information.

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Recommendations # 50 and 51

We urge the Commission to pro-actively monitor ongoing U.S. developments relating to auditor independence and to consider what reforms are necessary to ensure that Canada does not lag behind international standards.

We recommend that the Commission adopt amendments to proxy disclosure rules to require public companies to disclose in their proxy statements their expenditures for both audit and non-audit consulting services.

We agree that the Commission should pro-actively monitor ongoing U.S. developments related to auditor independence.

As a result of the Enron failure and other events, these matters have gotten and continue to get widespread attention in the United States. It has become apparent that in some respects, the U.S. proxy rules are flawed in how they categorize audit and non-audit services. We believe the resulting misinformation being reported has caused investors to unduly question the credibility of financial information and perhaps suffer unnecessary losses as share prices decline.

When a company prepares and files a prospectus, the company's auditor is required to perform substantial work in order to be able to, among other things, file comfort and consent letters with the Commission. Only the auditor can do this work and it is difficult to see how this can be considered a "consulting" service. Nevertheless, that is how it must be categorized under the U.S. rules. We believe such reporting is misleading. Other issues also exist. We believe all these issues should be studied and resolved before the proxy rules are amended.

We have a comprehensive list of the services we provide and a possible model on how they could be split between audit and consulting. We would be pleased to share and discuss this model with the Committee and the Commission.

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If you would like us to elaborate on any of the above or would like our thoughts on other matters, please contact Robert J. Muter (416-941-8243, robert.j.muter@ca.pwcglobal.com) or James Saloman (416-941-8249, james.s.saloman@ca.pwcglobal.com).

Yours very truly,

"PricewaterhouseCoopers LLP"

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