CANADA

JOBS GROWTH AND LONG-TERM PROSPERITY

ECONOMIC **ACTION PLAN** 2013

Tabled in the House of Commons
By the Honourable
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Minister of Finance

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CANADA'S ECONOMIC
ACTION
PLAN
#eap13

Strengthening the Regulation of Capital Markets

> *The Government's preferred approach to improving the regulation of Canada's capital markets is through a common securities regulator established cooperatively with provinces and territories. If a timely agreement cannot be reached on a common regulator, the Government will propose legislation to carry out its regulatory responsibilities consistent with the decision rendered by the Supreme Court of Canada.*

In the *Reference re Securities Act* of December 2011, the Supreme Court of Canada found that Parliament has a role in securities regulation regarding matters of genuine national importance and scope, including maintaining the integrity and stability of the financial system, preserving fair, efficient and competitive national capital markets, and preventing and responding to systemic risks, such as those posed by over-the-counter derivatives.

In its decision, the Supreme Court indicated that "each level of government has jurisdiction over some aspects of the regulation of securities and each can work in collaboration with the other to carry out its responsibilities." Since the Reference, the Government has consulted with provinces and territories on establishing a common securities regulator on a cooperative basis as outlined by the Court.

The Government would be prepared to delegate the administration of its own securities legislation to a common securities regulator if a critical mass of provinces and territories were willing to do the same. The Government would support an agreement with willing provinces and territories to establish a common regulator with the following elements:

- The common regulator should administer a single set of rules.
- It should be operationally independent and self-funded through a single, simplified set of fees.
- It should be directed by a professional board of directors with broad capital markets-related expertise.
- A common regulator would also preserve the elements of the current system that work well, such as maintaining regulatory offices in each participating jurisdiction, with the capacity and resources to serve market participants locally.

Canada is the only industrialized country without a national securities regulator. By pooling provincial, territorial and federal jurisdiction and expertise, Canada could have a world-leading securities regulatory regime that contributes to a stronger national economy and allows Canada to better compete in global capital markets. Canadian businesses would be able to raise funds throughout Canada more quickly and at lower cost, which would stimulate investment. Businesses would also benefit from more expedited regulatory decisions.

The Government's preferred approach is to improve the regulation of Canada's capital markets through a cooperatively established common securities regulator. If a timely agreement cannot be reached, the Government will propose legislation to ensure that it can carry out its regulatory responsibilities for capital markets consistent with the decision of the Supreme Court of Canada. This will include the capacity to monitor, prevent and respond to systemic risks emerging from capital markets. A federal capital markets regulatory framework would be applied consistently on a national basis and would not displace provincial securities commissions, which would still manage the day-to-day regulation of securities activities.

The Government proposes to extend the mandate of the Canadian Securities Transition Office to ensure that its resources remain available as work continues to strengthen the regulation of Canada's capital markets.

Furthering Over-the-Counter Derivatives Reform

> *The Government will continue to review federal legislation and, where appropriate, introduce further changes to support the over-the-counter derivatives reform agenda.*

The Government has taken a number of actions to support the stability of the Canadian financial system and has been an early implementer of the G-20 financial reform agenda. In Economic Action Plan 2012, the Government brought forward measures to support central clearing of standardized over-the-counter derivatives transactions—a key G-20 commitment—and to reinforce Canada's financial stability framework. On January 1, 2013, Canada implemented Basel III capital requirements, among the first jurisdictions to do so. The Government will continue to review federal legislation and, where appropriate, introduce further changes to support the over-the-counter derivatives reform agenda.