

FOR IMMEDIATE RELEASE

## PROPOSED FEDERAL SECURITIES COMMISSION

### **BASELESS ARGUMENTS**

**Québec, May 13, 2010** – The Minister of Finance of Québec, Raymond Bachand, deplores the comments made by some ministers and MPs from the Conservative government who are making use of arguments as weak as they are debatable to advance their proposed centralized securities commission and denigrate the existing, perfectly functional pan-Canadian system.

The Minister recalled that in Canada, securities regulation is constitutionally under the jurisdiction of the provinces and territories. The Minister emphasized: “The OECD ranks Canada second in the world for the quality of securities regulation while the World Bank ranks it fifth for the quality of investor protection, even ahead of the United States.” He added: “Judging from international organizations’ positive assessment Canada’s financial system, the case can be made that the provinces are carrying out their responsibilities within their constitutional powers very well. Québec consumers, like those of other provinces, will never be better protected than by a provincial commission, connected to their situation and working with its colleagues.”

#### **Baseless assumptions**

The Minister pointed out that in its disinformation campaign, the federal government relies on a document whose assumptions are baseless. The document falsely claims that the current Canadian system leads to higher costs for raising capital, resulting in significant financial losses in addition to negatively affecting employment in this sector. Mr. Bachand pointed out that several analyses<sup>1</sup> show that these costs in Canada are equal, or even lower than in the United States.

#### **Regrettable comments**

The Minister added: “It is also regrettable to see the federal government using the victims of the Earl Jones scandal to make political capital with its proposed centralized federal commission. Earl Jones was not registered and the authorities became aware of the nature of his activities only once his victims discovered they had been cheated and complained to the authorities. What more could a centralized securities commission, whose head office would not even have been located in Montréal, have done? I find it irresponsible to make people believe that a federal commission would have protected these unfortunate victims from the fraud committed by Earl Jones.”

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<sup>1</sup> Claus and Thomas (2001), He and Kryzanowsky (2007), Witmer and Zorn (2007)

### **Voluntary membership of the provinces**

Minister Bachand finds the so-called freedom of the provinces to join the proposed federal commission or not inconsistent at the very least. "Let's assume that many provinces and territories refuse to join the centralized federal commission, which in the present context is very likely. We will end up with several commissions dealing with each other using a passport system. But such a system already exists in Canada and Minister Flaherty accuses it of being ineffective," he said.

It should be mentioned that the Québec government has asked the Québec Court of Appeal to rule on the constitutionality of the federal proposal. The Alberta government has initiated similar proceedings.

"I appeal to the sense of responsibility of federal ministers and MPs from the Conservative government who, by their irresponsible and negative comments on this issue, are helping to create instability and damage Canada's reputation for securities oversight," the Minister concluded.

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