

Joint Forum of Financial Market Regulators

Forum conjoint des autorités de réglementation du marché financier

May 28, 2004

Dear Stakeholder:

Re: Guidelines for Capital Accumulation Plans

We are pleased to announce that, with the approval of the Canadian Association of Pension Supervisory Authorities (CAPSA), the Canadian Council of Insurance Regulators (CCIR) and the Canadian Securities Administrators (CSA), the Joint Forum of Financial Market Regulators has released *Guidelines for Capital Accumulation Plans*.

A capital accumulation plan (CAP) is a tax-assisted investment or savings plan that permits the members of the CAP to make investment decisions among two or more options offered within the plan. A CAP may be established by an employer, trade union, association or any combination of these entities for the benefit of employees or members.

The purpose of the guidelines is to:

- Outline and clarify the rights and responsibilities of CAP sponsors, service providers and members.
- Ensure that CAP members have the information and assistance they need to make informed investment decisions in a capital accumulation plan.
- Ensure that there is a similar regulatory result for all CAP products and services regardless of the regulatory regime that applies to them.

CANADIAN ASSOCIATION OF PENSION SUPERVISORY AUTHORITIES

David Wild
Chair of the Joint Forum
Chair, Financial Services Commission, and
Superintendent of Pensions
Saskatchewan

Nancy MacNeill-Smith
Superintendent of Pensions
Nova Scotia

Dennis Gartner
Superintendent of Financial Institutions
Alberta Finance

Bryan Davies
CEO & Superintendent of Financial Services
Ontario

CANADIAN SECURITIES ADMINISTRATORS

Doug Hyndman
Chair
British Columbia Securities Commission

Stephen Murison
Vice Chair
Alberta securities Commission

Les O'Brien
Chair
Nova Scotia Securities Commission

Paul Moore
Vice Chair
Ontario Securities Commission

Jean St-Gelais
President & Chief Executive Officer
Financial Markets Authority
Québec

CANADIAN COUNCIL OF INSURANCE REGULATORS

Jim Hall
Superintendent of Insurance and Financial
Institutions
Registrar of Credit Unions
Saskatchewan

James Scalena
Superintendent of Financial Institutions
Manitoba

Janet Cameron
Superintendent of Insurance
New Brunswick

Jacques Henrichon
Director, Regulatory Policy and External Affairs
Financial Markets Authority
Québec

CANADIAN INSURANCE SERVICES REGULATORY ORGANIZATIONS

Douglas Connolly
Director of Insurance and Pensions
Department of Government Services & Land
Newfoundland & Labrador

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In April, 2003, the Joint Forum released for consultation *Proposed Guidelines for Capital Accumulation Plans*. These proposals were developed by the Joint Forum's Committee on Capital Accumulation Plans with the assistance of an industry task force. The Joint Forum is very appreciative of the comments on the proposed guidelines received from all stakeholders through written submissions and through participation in focus group sessions held across Canada with plan sponsors, members and service providers. The final guidelines incorporate changes that address issues raised and suggestions made during the consultations. We are particularly indebted to the work of the members of the industry task force whose expertise was instrumental in the success of this initiative.

During the consultations, a number of stakeholders identified issues related to the differences in investment rules for pension funds, mutual funds, segregated funds and other pooled investment funds. The Joint Forum has asked the Committee on Capital Accumulation Plans to address these issues as part of the implementation of the guidelines.

While the guidelines are being released today, a 19-month transition period has been established for plan sponsors and service providers to make any necessary revisions to the operation of their capital accumulation plans. Regulators expect the guidelines to be followed in full by December 31, 2005. It is hoped that plan sponsors and service providers will take the measures necessary to follow the guidelines as soon as practical during the transition period.

The guidelines will be implemented through the Joint Forum's constituent groups and through industry associations:

- CAPSA has adopted the guidelines for registered defined contribution pension plans.
- The CSA is issuing a request for comment on a proposed securities exemption based on the guidelines.
- The Canadian Life and Health Insurance Association (CLHIA) will initiate a process to have the guidelines adopted by December 31, 2004 and will expect its member companies to follow them by December 31, 2005.

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You can obtain a copy of the guidelines, a summary of the comments received during the consultations and responses to the comments, and the CSA's request for comment on a proposed securities exemption rule from the websites of CAPSA (www.capsa-acor.org), CCIR (www.ccir-ccrra.org), CSA (www.csa-acvm.ca) or the Joint Forum (www.jointforum.ca).

Sincerely,

David Wild
Chair
Joint Forum of Financial
Market Regulators

Nurez Jiwani
Chair
Joint Forum Committee on
Capital Accumulation Plans