



British Columbia Securities Commission

September 12, 2005

By email and mail

Gerry Halischuk
Vice President, Market Regulation
Western Region
Market Regulation Services Inc.
Suite 2600, P.O. Box 11580
650 West Georgia Street
Vancouver, BC V6B 4N8

Dear Mr. Halischuk:

Audit of Market Regulation Services Inc. Western Region

Thank you for your response to the Alberta and British Columbia Securities Commission's 2004 audit of Market Regulation Services Inc.'s (RS) Western Region. The following summarizes the BCSC's recommendations and expectations as a result of the audit:

1. Now that RS is fully staffed (as of mid-May of this year), we expect more enforcement results over the next fiscal year. We acknowledge that since January 2005 RS Western Region has completed four related settlements involving one firm and three employees. We expect to see this trend continue. Going forward, our oversight activities will continue to focus on enforcement activity and the operational issues that have the potential to negatively impact them.
2. RS should ensure that investigation reports are completed within the parameters set by RS's applicable performance measures.
3. We would like to see a written report attention, the Director of Capital Markets Regulation, any time a management position in the Western Region remains vacant for more than 60 days.
4. We request a written human resources plan to address staff turnover. The plan should include an implementation strategy.



Gerry Halischuk
Page 2
September 12, 2005

5. RS should ensure that the policies and procedures and performance measures for the Trade Review and Analysis (TRA) group reflect actual practice. As well, please provide us with a copy of the written policies and procedures that comprise the regulatory program changes for the TRA Group discussed in your audit response letter.
6. Please provide us with a copy of the revised portions of the Investigation Procedures Manual that incorporate the revisions regarding (a) procedures for files closed out of Investigations and opened in Prosecutions (b) follow up requirements for recipients of red flag letters and (c) documentation of management input on file direction.

Please provide the documents requested in paragraphs 4, 5 and 6 to the Director of Capital Markets Regulation by October 31, 2005. This concludes the 2004 Audit. I would like to thank your staff and yourself for the cooperation provided during the audit.

Yours truly,

Mark Wang
Manager, Self-Regulatory Organization Oversight
Capital Markets Regulation Division

cc: John Petch, Director of Enforcement, Alberta Securities Commission
L.E. Evans, Director, Capital Markets Regulation, BCSC
Lynda Smyth, Senior Analyst, Self-Regulatory Oversight Branch, BCSC
David Miller, Senior Analyst, Self-Regulatory Oversight Branch, BCSC