Mr. John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West
Toronto, ON
M5H 3S8

June 5, 2007

Dear Mr. Stevenson,

I would like to take this opportunity to respond to your request for comment on the seven topics that you identified in Chapter 6 of the proposed repeal and replacement of Multilateral Instrument 52-109.

Before I critique this document I would like to compliment the Ontario Securities Commission (OSC) for a job well-done on the proposed National Instrument 52-109, the Companion Policy 52-109CP and the proposed forms. This cannot have been an easy undertaking for such a complicated topic and no doubt these requirements will continue to evolve.

Question #1

I thought that the definition of "reportable deficiency" was too restrictive as it is confined to either reporting the matter in the company's management discussion and analysis (MD&A) or not at all. For example, there is no reference to instances where management should report items to the Board of Directors and/or their Audit Committee and/ or their external auditors. As a practitioner I have come across instances of internal control weaknesses that, while mitigated via a compensating control (generally management's review of the financial results), were serious enough to warrant remediation.

I recommend that the OSC consider an additional classification of weaknesses that should be reported to an appropriate level of board committee or external auditor to ensure that:

- Management's assessment of such weaknesses undergoes an "independent" analysis and confirmation by parties familiar with the operations of the company.

- Management's compensating controls over these weaknesses are sufficient in order to prevent or detect material financial statement misstatements.

- Management considers a remediation plan to address such weaknesses or justifies to their constituents why they did not intend to remediate the weaknesses.

Question #2

As a general rule I am not in favour of exceptions to the rules such as the internal controls over financial reporting (ICFR) design accommodation for venture issuers. By permitting exceptions additional effort is required to define when these exceptions are permitted with the risk that some parties may not comply with the spirit of the guidance. Why not require a venture issuer to follow the guidelines as outlined in paragraph 5.2 and report ICFR design deficiencies?

Question #3

Again, and similar to my response in Question #2 above, I am not in favour of exceptions to the rules. Why not require management to justify in their MD&A scope limitations?

Question #4

I believe that a 90 day grace period, following an acquisition of a business, is too short a period. I believe that 180 or even 360 days is more reasonable. I would imagine that management has pressing operational issues to address in the first 90 days of an acquisition which generally supersede reporting/ compliance requirements.

Question #5

Similar to my response in Question #4 I believe that more time should be provided to new reporting issuers or reverse take over transactions.

Question #6

I thought that Parts 6, 7 and 8 were useful but perhaps too much information. It appears to me that the OSC is attempting to define a compliance methodology for management which may be beyond the scope of this requirement. However, if indeed this is the purpose of this section, I recommend more detail on the following topics:

- Information Technology (IT). Other than a reference to selecting an appropriate IT methodology framework there is limited guidance on IT risks and controls. As a practitioner I have observed that most remediation is as a result of IT weaknesses. I would suggest, in the following order, that an IT methodology should address:
  a) Corporate Governance. Executive and board activities which are the final control.

b) Management and Administrative Controls. Management and administrative oversight of planning, executing and monitoring IT activities.
c) Accounting Controls. These would be accounting controls across the IT environment.
d) General Computer Controls. According to the five COBIT pillars: 1) Access to programs and data 2) Program Change 3) Program Development 4) Computer Operations and 5) Back up of data and applications
e) Application Controls. Manual and automated controls within the applications.
f) Data Controls. Regarding data stored in the applications.

- Although there is reference to a top down risk based approach there is little mention of identifying entity levels controls as an effective and efficient means of address both ICFR and Disclosure Controls and Procedures (DC&P).

- I did not observe sufficient guidance addressing DC&P. This is an ambiguous topic; for example it is difficult to distinguish between design and operational effectiveness testing. At the very least I would suggest some guidance on continuous reporting versus timely reporting as required by the regulatory and exchange bodies.

- I did not see materiality defined as an important component of the planning phase. This can direct management in the determination of significant accounts.

Question #7.

I have an additional, minor comment. I found it confusing to read from form to form when the numbering of the requirements changes. Could the OSC consider a master form (e.g., the Full Annual Certificate 52-109 F1) that assigns a number to each requirement and then delete numbers/ requirements not required in subsequent forms?

If any of my comments require clarification please do not hesitate to contact me.

Regards,

Philip Maguire
Principal
Caledon Mills
www.caledonmills.ca
pmaguire@caledonmills.ca
647-400-6455