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When last I spoke in Vancouver, uncertainties seemed to be such simple things.

The uncertainties then most on my mind involved the pending decisions on merging the Toronto Stock Exchange and the Canadian Venture Exchange.

We needed both the agreement of the owners of the CDNX and provincial regulators both here and in Alberta.

That achieved, we could get down to the business of deepening and broadening both exchanges on a national basis and linking the two through our new trading technology.

And the merger was achieved and approved and we are well and truly embarked on keeping the promises we made to build these two exchanges as two separate but linked national institutions.

And, of course, there was another uncertainty – who would form the government in this province, although even then the question marks about the result were downright tiny.

And the election of the new Liberal government was duly achieved as well.

And then came September 11.

How simple the uncertainties we faced back then seem now.

The darker side of globalization is darker than anything we could have imagined.

The terrorists' attacks went to the very heart of a global industry, the financial industry, on September 11.

As a result there are few who were not touched directly by that day of terror. Some by the loss of friends, colleagues or family. All by the uncertainty.

It has become the dominant cliche of our time that everything changed that day. And much did.
But September 11 didn't replace one set of challenges with a second, different set.

Rather, the events of that day and since – and no doubt to come – dropped a whole new set of challenges on top of what we already had.

That's what I'd like to talk about today.

The new burdens have added immensely greater complexity to the old unmet challenges, not least because they are pulling us violently in different directions.

Thus, we have on the one side evidence that the imperatives of national and personal security are driving a stake through the heart of the borderless world.

Such a world, of course, was the golden vision that drove equity prices to such giddy heights only so recently.

But the lines of trucks and cars at the Peace Arch border crossing – and every other crossing from here to St. Stephen, New Brunswick – do not speak of a borderless world. Nor does the massive drop in air travel.

Nor does the talk of national or continental security perimeters which hark back to an earlier, colder kind of war in a world broken into blocs.

But on the other side, the same imperatives of personal and national security are driving us to even greater integration in other ways.

The need to find and keep track of terrorists and their activities is leading to considerably greater global sharing of intelligence, personal files and other information.

It is inconceivable that the financial industry would not be among the global institutions most profoundly affected by the hunger for such intelligence on terrorism.

That is because terrorism on a global scale costs money and investments, legitimate or laundered, have been the source of at least part of the money that financed September 11.

In the days since, every financial institution – including the TSE – has put its resources at the disposal of authorities seeking to track down terrorists and freeze the profits of terror.

In this short-term response we can see the shape of the longer-term future.

Simply put, it is now an imperative that every financial institution help in starving terrorism of its financial lifeblood.

And clearly doing this will be no “one-shot affair”. It will have to become a long-term, systemic priority.

If one cannot see all the details of how that’s to be done, the broad outlines of what’s to come are abundantly clear.

They are the outlines of a global financial system already being driven to integrate – and now being given added force in that direction by the need to fight global terrorism.

This, of course, is contrary to the compartmentalized world implied by those line-ups at airline check-in counters.

Thus, we can see a future in which there’s a growing gap between the increasingly integrated cyber world of global finance and the physical world where real people confront real barriers at real borders.

But in the aftermath of September 11, other reasons have also appeared for speeding up the integration of securities markets.

Consider the Big Board – the trading floor – of the New York Stock Exchange, for example. The TSE abandoned its own trading floor in 1997 when we went fully electronic. The Vancouver and Alberta exchanges were also fully electronic before they merged into the CDNX.

The trading floor of the New York Stock Exchange, of course, was not damaged in the terrorists' destruction of the nearby World Trade Centre towers.

But the terror exposed its vulnerability.

Because it is a single, physical place, it is far more open to physical disruption – and even destruction – than all-electronic exchanges like the TSE and the CDNX which, by their very nature, exist in no one place.

And as part of their post-September 11 rethink, they're looking, among other things, at "agreements to move trading in Big Board stocks to exchanges in Toronto or Chicago" to provide backup in emergencies.

Now, it's clearly early days for ideas such as these. I expect it will be some time before the New York Stock Exchange can explore them with us and other exchanges in depth and detail.

But, equally clearly, the interests of every exchange are served by anything that enhances the capacity to maintain trading and orderly markets in emergencies.

Everyone is served by collaborative arrangements based on the very old principle that if you cover my back, I'll cover yours.

But it pushes us even further, I suggest.

It pushes us toward much more cross-border trading among exchanges and that leads us to the possibility of building deeper, more liquid markets – which is exactly what we have been seeking in any case.

We need such markets to compete not just to protect ourselves in emergencies. We also need them to maintain and grow our share of world capital markets, in competition with other exchanges and with new trading platforms such as the so-called ATSs or Alternative Trading Systems – not to mention the internet.

Other countries are already heading in this direction.

Australia and Singapore, for example, have an agreement on cross-border trading that puts Australian stocks on Singapore screens and vice versa.

American stocks already appear on screens in the European Union. Europeans are pushing to get their stocks on U.S. screens to level the playing field on securities.

Which brings me back to the set of challenges we faced prior to September 11.

Foremost among these is our Canadian capacity to join in shaping the needs of a rapidly changing global securities industry with a single, strong voice.

Canada's securities industry has many strengths, not least the technical and organizational infrastructure that is equal to the best anywhere in the world.

That has been strengthened by the merger of the TSE and the CDNX with a clear mandate for each to operate on a national scale and add to the depth and liquidity of both.

For example, our corporate finance teams are already working to simplify the graduation of CDNX shares to the TSE. We plan to launch a new S&P CDNX index in December to raise the profile of the CDNX.

We have established business development professionals from both exchanges that are dedicated to the B.C. market. Aside from our new trading technology, we'll be making other technological changes aimed at simplifying the procedures of both exchanges and enhancing joint TSE/CDNX services.

Among the other changes you'll see is a Canadian version of what Australia and Singapore are doing, and what Europeans want to happen in the American market.

We'll be putting CDNX shares on the same screens as the third party vendors used by the TSE – essentially, one screen, two markets, in other words. This will provide venture shares with much greater visibility throughout the Canadian market.

These are the kind of possibilities that have opened up because we are now in a position to harmonize our technology, our back-shop activities and our programs for companies and investors alike.

But while there is much to do, increasingly we are running up against what is essentially a $19^{th}$ century regulatory system.

That system is based on the idea that equities are purely a matter of property and civil rights, a provincial responsibility under our Constitution.

This view of the world was, in fact, a fairly realistic reflection of reality at least until the late 70s.

Until then, Canada's stock exchanges could operate pretty much as independent fiefdoms, protected in watertight compartments from the broader world and each other.

Indeed, it often seemed more important that they be protected from each other than from the world.

The clubby mutual ownership structure of exchanges provided decision making at a pace suited for a statelier time – and lot's of "Jolly Good Shows" over bottles of Boodles.

In such a world, the stability of tradition was far more important than timeliness – much less a reasonable consistency of regulatory processes among provinces.

No longer.

As information began to move more quickly in the 80s – and faster still in the 1990s – as the internet empowered investors and manipulators alike, as electronics overcame time and distance, exchanges could no longer get away with the structures and systems of that earlier age.

Indeed, what were once purely local matters more and more became inter-provincial and international.

We at the TSE and the CDNX changed. We demutualized. We prepared the ground for the public share issue to come.

We decimalized. We went all-electronic. We led the restructuring of Canadian exchanges.

We have merged, integrated, upgraded.

But the same has not happened to the regulatory framework within which we operate.

Others, on other continents – in Europe and Australia for example – have taken a similar course to consolidating markets fragmented by too many exchanges.

But they have also recognized that regulatory reform has to keep pace. Europe, for example, is embarked upon reform to reduce the number of regulators, and at the same time the number of exchanges is likely to drop.

Asia is doing the same. The U.K. is well ahead of the pack with a single super-regulator, the Financial Services Authority, supervising not just securities but banking, insurance and trust services as well.

Australia, with a constitutional structure similar to our own, has new national securities legislation based on having a national regulator. It's taking effect this week, in fact.

But not in Canada.

Thus, as the pressures upon us grow to make trans-border alliances and linkages, we don't present a single face to the world.

This presents real difficulties in terms of our ability to act quickly and decisively when opportunities arise.

In the end, such fragmentation can only compromise our ability to maintain deep and liquid markets essential to national financial health.

Even leaving aside the international dimension, we have serious problems to address.

Among those problems are the costs and time involved for companies that want to list in every part of the country so as to take full advantage of all that the Canadian capital market can offer.

The costs of meeting the regulatory requirements in 10 provinces and three territories are considerable.

Last year, fee revenue to 10 provincial commissions totalled approximately $200 million.

But these aren't simply the costs involved in paying the fees and filling out the forms.

They also involve the time needed to sift through the arcane detail of not just 13 different sets of laws, rules and regulations but also the different interpretations, published and unpublished, that judges, regulators and their staff have given to those rules and regs.

Too many companies simply choose to skip the hassle of listing throughout Canada and head for the biggest market of all, right next door, where there is one-stop shopping for initial offerings.

Others choose to list only in one, two or a few provinces, creating a problem not for companies but investors.

If you live in a province where a company has a public offering, you have the opportunity to get in on the ground floor.

If you don't, then you'll have to trade in the secondary market, often at a much higher price after the biggest gains in value have already been made.

These are pretty serious competitive disadvantages to inflict on ourselves in a world being pushed toward greater integration.

They are compounded by another disadvantage – we have no way to take a unified position with the world on behalf of all Canadian market participants.

Rather, we present 13 faces.

That weakens our ability to negotiate in any meaningful way as a unified market or country.

I think this matters.

For example, the bilateral trading deal between the Singapore and the Australian stock exchanges is underpinned by a government-to-government agreement on cross-border trading and settlement systems.

Without that agreement, putting such a cross-border arrangement in place would have been far more difficult.

And such arrangements are difficult enough when there's only one party on each side.

Consider New Zealand. It has an efficient, low-cost securities market.

Through the 1990s, its major companies outgrew New Zealand's capital markets and turned increasingly to Australia.

New Zealand's market capitalization declined in those years by a third.

Last year, it entered merger talks with the Australian Stock Exchange, itself a product of the merger of six independent exchanges in the Australian states.

But this year, the Australian exchange called off the talks.

The CEO of the Australian exchange, Richard Humphry, explained the end of the romance this way:

"We found that questions such as whose currency is to predominate, and whose regulator is in charge and what they are in charge of were too difficult to resolve, because they raised fundamental and emotional questions of sovereignty."

Isn't this just too familiar for words?

The talks between the Aussies and the Kiwis failed even though they involved only two exchanges.

We would have to approach such talks represented by 13 Canadian provincial and territorial governments and their regulatory arms.

If it is difficult enough with one negotiator on each side, what would our odds be with 13? They would be very long, I suggest.

Yet, if we're to seize the opportunities to be offered up by the rapid evolution of international markets we need to be able to speak to the world with a single voice, not as 13 voices of 13 smaller markets.

I do not wish to overstate the dangers of our continuing on this fragmented course too much longer.

But I do not wish to understate the dangers, either.

New Zealand's decline, both absolutely and relative to its nearest neighbour, has come about even though it's actually very close to the Australian market in size – a little under half in terms of market capitalization.

Now consider our situation.

We sit with roughly 2 per cent of the world's market cap immediately next door to a market with 52 per cent of the world's capitalization.

But in terms of the face we present to the world, we're not even one market of two percent. We're 13 fragments of two per cent.

As an exchange, the TSE is significantly lower cost and more efficient than both the NYSE and the NASDAQ.

We can execute a stock trade in half a second, up to 40 times faster than the average trade on the NYSE. We can do it for $1,300 less on the $100,000 trade.

When CDNX stocks are traded on our new trading technology in December, the CDNX will have a similar speed advantage.

But the reality of global securities markets – with New Zealand's case standing as only one of many object lessons – is that scale matters.

Other countries and groups of countries realize this.

As the Chairman and CEO of the Bolsa de Madrid, Antonio Zoido, put this recently: "The U.S. has access to five times as much venture capital as Europe. Much of the competitive advantage enjoyed by US equity markets comes from sheer size."

He went on to say: "The creation of a single market in financial services is one of Europe's great projects that will enable Europe to catch up with the U.S. economy."

Well, maybe it will. Maybe it won't.

But however much success Europe may have, any success at all will make it more competitive not just relative to the U.S. market but relative to ours as well.

Europe clearly understands that it must reduce the fragmentation of its markets to achieve the scale necessary to compete effectively in a world dominated by U.S. equity markets.

I think Canada's provincial regulators understand this as well.

The difference is that Europe is moving itself into a position where it can speak to global markets with a single voice, and we're not.

This has to end. We cannot afford to sing to the world from 13 different hymn books.

There are too many opportunities to be lost.

There are too many unnecessary risks to be borne in our continuing to confront a world of behemoths from a fragmented base.

We have to come together as a country so we can address that world with a single voice, so that we can negotiate on the basis of everyone's interests, commit on everyone's behalf and share equally in the benefits we gain.

If we're to do that, we must first come together in our view of the problem and how serious it is.

We must come to share an understanding that solving it is not just important to stock exchanges and regulators but is a matter of our securing the very anchors of national progress and prosperity.

To push that process along, you're no doubt aware that as part of its Investor Education Program the TSE is sponsoring a series of symposia in conjunction with Canada's universities.

We are approaching it as an educational issue because the reality is that exchanges by themselves cannot solve the problem of a fragmented national regulatory system.

But perhaps we can assist with the education of Canada's governments – all our governments – with respect to the urgency of their accumulating the political will to solve the problem.

Our goal is not to impose any specific regulatory system – in this country, you may have noticed, that's quite impossible in any case.

Rather, our goal is to put those who *can* solve the problem together with those who've thought most deeply about *how* to solve it.

That way, we hope, those with the authority will be able to accumulate a clear sense of the damage our regulatory fragmentation is doing and come to a clear resolve to end it.

There are risks in doing this, of course.

No matter what the effort, the best minds in the country may not be able to agree on what to do or how to do it.

They may fail to find solutions.

But the greater risk is to fail to make the attempt.

So we're committed to this process and to doing everything we can to ensure its success.

I am encouraged by the strong and positive response we have so far received from key players in the industry and governments across the country.

I am particularly encouraged by the discussions I've had with this province's new government.

Finance Minister Gary Collins and Minister of Competition, Science and Enterprise Rick Thorpe have expressed their determination to take a leadership role in this area.

I can tell you that the government can count on any help we can provide as it sets out to provide that leadership.

The future, not just of stock exchanges, but the role of capital markets in bolstering the prosperity of this province and every other region depends on it.

Thank you for your attention.

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