

joining forces

A MONTHLY UPDATE ON THE CANADIAN CAPITAL MARKET RESTRUCTURING, SEPTEMBER 1999

Canadian Venture Exchange: A reflection of heritage and opportunity

From early explorers to prospectors, the quest for riches began in Canada hundreds of years ago by individuals who possessed the courage to tackle new ventures. Many determined explorers, who were able to raise funds, voyaged to this country in hopes of finding economic wealth through resource discoveries.

Their early findings spawned the base industries that fuelled settlements, growth and development across the country. In the early 1900s, many traders hung up their furs to prospect for gold. The Klondike gold rush along with the Turner Valley oil boom brought prospectors west to settle in British Columbia and Alberta. With each new discovery, the requirement for equity financing increased. Out of that need came the Vancouver Stock Exchange, founded in 1907, and the Alberta Stock Exchange, established six years later in 1913.

Created as places where hard working prospectors could raise risk capital, the VSE and ASE remain closely linked

to their early values. With nearly a century of experience in financing mining and oil and gas ventures, the ASE and VSE have leveraged that expertise into other innovative industries including telecommunications, technology and bio-technology.

The upcoming merger of the ASE and VSE preserves the core strengths of the exchanges and will offer this expertise across Canada.

The new exchange will have regional service centres located in cities throughout Canada, so it is important that the name exhibit its Canada-wide scope while describing its niche expertise.

With that in mind, the ASE and VSE have selected a new name:

CANADIAN VENTURE EXCHANGE

The new name signifies the Canadian Venture Exchange's (CDNX) mandate to provide venture companies with effective access to capital.

CDNX is part of the overall Cana-

dian capital market restructuring first announced on March 15, 1999, by the Alberta, Montreal, Toronto and Vancouver stock exchanges. The four exchanges agreed to restructure the markets along the lines of market specialization. The Canadian Venture Exchange will also include consolidation of the Canadian Dealing Network, junior companies currently listed on the ME and potentially the WSE.

CDNX, as part of the Canadian capital market restructuring, will provide significant benefits.

- ♦ Venture companies will have improved access to capital through regional representation provided by all exchanges and harmonization of regulation undertaken in coordination with the Canadian Securities Administrators (CSA). Listed companies will also benefit from improved service levels, broader investor following and elimination of overlapping fees.

(continued on page 2)

- ◆ Investors will benefit from a well-regulated, fair and accessible market with enhanced protection through uniform regulatory standards, consistent enforcement and improved market information.
- ◆ Member firms will benefit from common technology platforms between the exchanges, which will enable greater efficiencies and reduced costs within their own operations. There will also be opportunities for collaborative marketing programs to expand business in fields of niche expertise such as junior mining, oil & gas, telecommunications and technology within Canada and worldwide.

The same spirit that brought explorers and traders to Canada centuries ago is embodied in today's entrepreneurs and innovators. In fact, venture companies represent the strongest job creation sector of the Canadian economy. Through its members, CDNX will develop opportunities for today's entrepreneurs to build their businesses to become the leading senior companies of tomorrow.

For more information on the soon-to-be launched Canadian Venture Exchange, or to view the logo in full colour, please visit the CDNX website at www.cdnx.ca.

Boards approve new exchange policies

Proposed corporate finance policies, trading rules and compliance rules were approved April 19 by the ASE and VSE boards of governors, bringing a harmonized operating environment closer to reality for the new Canadian Venture Exchange.

With Board approvals in hand, policies and rules from each area will be forwarded to the Alberta and British Columbia securities commissions in September for review during the fall.

Corporate Finance

The objective of the proposed corporate finance policies for CDNX is to provide maximum harmonization of listing standards and products across the country, using a best-of-class approach. For example, subject to regulatory approval, CDNX proposes to offer a fully harmonized capital pool program based upon the ASE's successful experience with this product since 1986. Combining the best features of the current ASE and VSE capital pool programs, the new harmonized product is designed to attract increased interest from issuers and investors alike. A similar approach is being taken in proposals for all other corporate finance policies.

Trading

The boards also passed trading rules as presented and as outlined in August's *Joining Forces*. In addition, approval was given to revise member trading identification numbers. The TSE numbering system will be adopted in consideration of the many ASE and VSE members with existing TSE identities.

Compliance

Using VSE compliance rules as a template for comparison, the compliance working group was charged with determining whether an existing VSE rule would be retained, replaced with the comparable ASE rule or modified to accommodate the differences. No policy issues needed resolution and no new rules were drafted, as those for both exchanges were found to be substantially similar. In general, the recommendation was to adopt the best practice.

For more information, please contact Gerry Romanzin, executive vice president, at (403) 974-7400.

Cross training: A meeting of the minds

From the VSE's surveillance technology to the Canadian Dealing Network's broker-dealers to the ASE's Horizon trader workstations, employees from each market have been meeting face-to-face to compare notes through a new cross training program.

The program, which began in May, focuses primarily on corporate finance, compliance, trading and marketing functions. Three VSE surveillance officers kicked off the program with a trip to Toronto, where they spent a week learning about the Canadian Dealing Network's operations.

"In addition to observing the Canadian Dealing Network's surveillance practices, we were able to get acquainted with some of the various market participants, in particular broker-dealers, which are unique to that market," explains Mike Pesunti of the VSE.

The compliance orientation was reciprocated in August when Canadian Dealing Network surveillance officers travelled to Vancouver to observe the VSE's core functions and learn about its sophisticated surveillance tools.

The program will continue in September when three ASE compliance



officers cross train on VSE trading and surveillance operations. Training for employees from corporate finance and marketing will follow.

"Not only does the cross training program help us understand exchange specific operations, it also helps us put some faces to names," Heather Dalcourt, vice president of human resources notes. "In many cases, these are employees who have corresponded over the phone and electronically on almost a daily/weekly basis since the market restructuring was announced."

For more information on the employee cross training program, please contact Heather Dalcourt at (604) 689-3334.



▲ *CDN's Rob Sanchioni gets the VSE grand tour from Fiona Taillon.*

◀ *Mike Pesunti shows Sleuth to Sandra Davies of CDN.*

trader training on VCT begins

Exchange employees are not the only ones participating in fall training programs. Traders from the ASE, who require VCT certification, will begin training later this month. The training schedule includes:

Sept 7 - 24: ASE market control staff train on VCT in Vancouver. ASE control staff also participate in weekend testing to provide hands on practice on VCT trading.

Sept 15: Trader Training materials sent to ASE traders (user manuals, VCT bulletins, new exchange trading rules & policies, instruction sheets, and VCT trader workstation keyboards).

Sept 20 - Oct 1: Though the user manuals, traders begin the self-study program and train on the VCT test application, which is installed on the ASE's Horizon terminals. Training is followed by a VCT exam (exam dates will be included with the materials).

Oct 9: Simulated market test — a full VCT market session — open to all traders to provide practice trading on VCT with one another. VCT control staff will be on site.

Oct 12: ASE trading goes live on VCT.

For more information, please contact Dale Boyd, manager of VCT, at (604) 689-3334.

Member regulation in motion to move to IDA

The boards of the Alberta and Vancouver stock exchanges have approved the transfer of member regulation from the ASE and VSE to the Investment Dealers Association (IDA), effective — upon approval — late 1999.

Member registration, examinations and conduct (or non-market related) investigations will move to the IDA, while the responsibility for surveillance and market investigation will remain with the exchange.

“Conduct investigations, such as discretionary trading or suitability issues, will be within the domain of the IDA,” explains Mary Beck, vice president of compliance. “Any investigations related to securities trading on the new exchange will be handled by the new exchange,” she adds.

The new compliance model will be consistent with the Toronto Stock Exchange's member regulation, which was transferred from the TSE to the IDA in 1997.

Over the next few months, the exchanges will work with the IDA to obtain the necessary approvals from the BC and Alberta securities commissions.

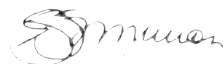
A special membership meeting to approve the transfer is anticipated for October.

For more information, please contact Mary Beck at (604) 689-3334.

Joining Forces: A monthly update

Joining Forces is a monthly newsletter published by the Merger Steering Committee. The newsletter is designed to update industry participants on the Canadian capital market restructuring.

For more information, please contact the Committee Co-Chairs Chris Lay or Jim Sorenson at (604) 687-2699 or (403) 265-4000, respectively, or visit the Canadian Venture Exchange's website at www.cdnx.ca.



Jim Sorenson



Chris Lay