



SUMMARY

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MESSAGE FROM THE PRESIDENT AND CEO

COMMERCIAL PRACTICES IN THE DAMAGE INSURANCE BROKERAGE SECTOR

MOST BROKERS NOT INDEPENDENT



JEAN ST-GELAIS
PRESIDENT AND
CHIEF EXECUTIVE OFFICER
AUTORITÉ DES MARCHÉS FINANCIERS

On April 14th in Montréal, we released our report on the analysis of commercial practices in the damage insurance brokerage sector.

In the report we draw a general portrait of this industry sector and make the following findings:

1. A large majority of the Québec brokerage network is not independent of insurers. Brokers concentrate their business on one or two principal insurers;

2. Certain commercial practices in Québec (loans to firms, ownership ties, block transfers of business and contingent commissions) are not in the best interests of consumers;

3. The types of issues identified in the U.S. are not present in Québec.

In October 2004, the New York State Attorney General uncovered unacceptable insurance practices in the U.S. The impact of his investigations spread to Canada. Following his revelations, we decided to clarify the situation in Québec.

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>>> In November 2004, we therefore conducted extensive off-site inspections by sending questionnaires to insurers for the purpose of assessing commercial practices as part of a country-wide data collection by the Canadian Council of Insurance Regulators (CCIR). To obtain a consistent image of the industry, we took the initiative to question damage insurance brokers.



PUBLIC CONSULTATION ON NEW REGULATORY MEASURES

We will soon undertake a public consultation process regarding the regulatory measures we intend to put forward.

Three avenues are being considered for guiding the development of these regulatory measures

- Regulate with a view to banning certain practices in the insurance industry.
- Impose the disclosure of relevant information to consumers.
- Introduce the concept of "independent broker" for firms.

MAJOR INVESTIGATIONS IN BROKERAGE FIRMS

We have also launched three major investigations in the insurance industry targeting over 70 businesses – insurers, related companies and firms. They focus on:

- transparency and the disclosure to consumers of business ties, as well as on the appearance of conflicts of interest;
- ownership ties between insurers and brokers, whether directly or indirectly through other corporations;
- the effect of commercial practices in the insurance industry on the advisory relationship between representatives and their clients.

**AMF STRESSES IMPORTANCE OF CONSUMER PROTECTION
A WELL-INFORMED CONSUMER IS ABLE TO MAKE SOUND CHOICES.
THE AMF WILL BE TAKING CONCRETE MEASURES TO ENSURE
THAT CONSUMERS ARE ADEQUATELY INFORMED ABOUT
THE PURCHASE OF INSURANCE PRODUCTS.**

REPORT AVAILABLE ON OUR WEBSITE

We encourage you to read our report. It presents a general overview of the damage insurance industry and gives the results of the AMF's analysis of four commercial practices of insurers and firms: loans to firms, ownership ties, block transfers of business and contingent commissions. Finally, the document states what action the AMF will

take under the powers it has to ensure the protection of consumers of financial products. The methodology of the data collection and the questionnaires sent to clients are attached.

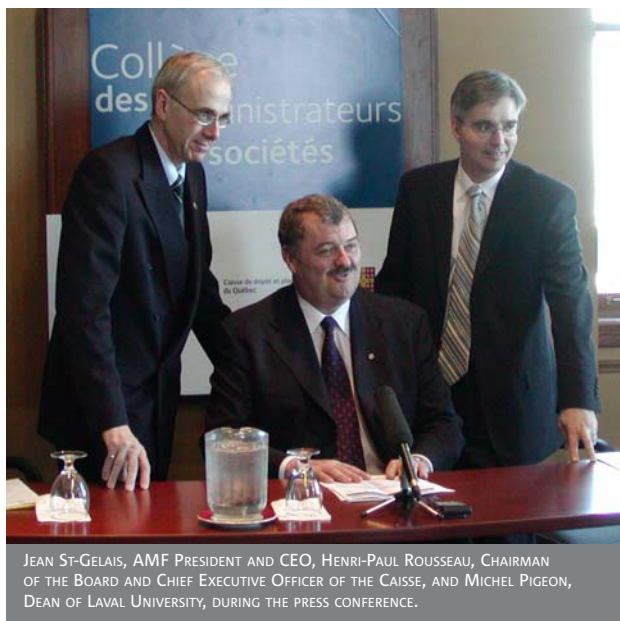
You may visit our website in French or English at www.lautorite.qc.ca.

AMF NEWS

COLLÈGE DES ADMINISTRATEURS DE SOCIÉTÉS OPENS ITS DOORS

The Collège des administrateurs de sociétés, which will open its doors in June in Québec City, will help board members of private and public firms and organizations as well as retirement funds to enhance their knowledge of good management and corporate governance practices.

The Collège des administrateurs de sociétés, which will open its doors in June in Québec City, will help board members of private and public firms and organizations as well as retirement funds to enhance their knowledge of good management and corporate governance practices.



JEAN ST-GELAIS, AMF PRESIDENT AND CEO, HENRI-PAUL ROUSSEAU, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF THE CAISSE, AND MICHEL PIGEON, DEAN OF LAVAL UNIVERSITY, DURING THE PRESS CONFERENCE.

This project is an initiative of the *Caisse de dépôt et placement du Québec*, the AMF, Laval University's Faculty of Administrative Science and the Québec government's *Conseil exécutif*. The Caisse will cover almost half the cost of setting up the Collège. The AMF will contribute \$600,000 over three years from its Fund for Investor Education and the Promotion of Good Governance.

Courses will focus on the duties and responsibilities of directors, risk management, compensation methods, auditing and ethics. Students will be assigned the title of "certified director" after successfully completing this program, which will consist of five three-day weekends.

The courses will begin in mid-June at the head office of the Caisse de dépôt et placement, in the Price Building (65 Sainte-Anne St., Québec City). Anyone interested in taking these courses should contact Jacques Vézina, professor at Laval University, at (418) 656-2630. You may also visit the *Collège des administrateurs de sociétés* website at www.cas.ulaval.ca for more information.

FIVE PROJECTS SELECTED BY FUND FOR INVESTOR EDUCATION AND THE PROMOTION OF GOOD GOVERNANCE

**THE AMF'S FUND FOR INVESTOR EDUCATION
AND THE PROMOTION OF GOOD GOVERNANCE
HAS SELECTED FIVE PROJECTS OUT OF 14 SUBMISSIONS.**

The selection was made by a committee made up of independent evaluators from outside the AMF as well as AMF specialists who conducted an in-depth evaluation of each project and made recommendations to the President and CEO. The Fund consists of a reserve of the AMF made up of various fees collected by the AMF and administrative penalties imposed on parties who fail to comply with a requirement prescribed by law or regulation.

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>>> The following is a brief overview of the five projects selected:

COLLÈGE DES ADMINISTRATEURS DE SOCIÉTÉS

Grant: \$600,000 (over three years)
As mentioned above, the AMF is participating in the creation of the *Collège des administrateurs de sociétés* in co-operation with the *Caisse de dépôt et placement du Québec*, the Québec government's *Conseil exécutif* and Laval University's Faculty of Administrative Science.

PERFORMANCE OF BOARDS OF DIRECTORS AND DIRECTOR TRAINING AND INFORMATION

Grant: \$24,336
The purpose of this project, carried out by Marie-Josée Roy, associate professor at Laval University, is to analyze the types of training and information provided to directors by companies, in order to determine whether boards of directors carry out their duties properly.

TRANSPARENCY OF COMMUNICATIONS RELATED TO ORGANIZATIONAL PERFORMANCE

Grant: \$50,000
Presented by Denis Cormier, professor at the University of Québec at Montréal, this research project focuses on the transparency

of communications and its impact on the quality of an organization's financial statements.

CONDITIONS SURROUNDING THE SURVIVAL OF CORPORATIONS THAT CONDUCT IPOs

Grant: \$79,621
The aim of this study, directed by Cécile Carpentier, associate professor at Laval University, is to determine the likelihood of failure or success when companies conduct an initial public offering.

CORPORATE GOVERNANCE REFORM OF PUBLIC COMPANIES

Grant: \$80,000
Submitted by Guy Lefebvre, assistant dean for development and planning, and director of the *Centre de droit des affaires et du commerce international* (CDACI), the goal of this project is to evaluate the legal and institutional framework of the governance of public companies.

The Fund for Investor Education and the Promotion of Good Governance calls for projects twice a year, on November 30th and April 30th.

NEWS

IMPLEMENTATION OF NEW COMPLAINT REPORTING SYSTEM

Further to the disclosure of the new legal provisions involving complaint examination, the AMF is planning meetings with the main groups in the financial products and services industry (insurers, securities dealers, etc.). The purpose of these meetings, which will take place beginning in mid-May in Québec City and Montréal, is to inform industry participants of developments in the new complaint reporting system.

Implementation of this new electronic system will help harmonize the collection of data on complaints and facilitate reporting to authorities. In accordance with the new requirements defined by the system, insurance companies will be required to begin collecting data on complaints as of July 1, 2005.

The task force responsible for creating the future Canadian system for reporting complaint data is made up of the AMF, the Financial Services Commission of Ontario (FSCO) as well as members of the Insurance Bureau of Canada (IBC), the Canadian Life and Health Insurance Association (CLHIA) and certain insurance companies.

Subscribe to the AMF's *Email-Info* for further information.

2004-2005 ANNUAL REPORT ON AUTOMOBILE INSURANCE RATES **AUTO INSURANCE INDUSTRY CONTINUES TO POST PROFITS IN QUÉBEC IN 2004**



The 2004-2005 annual report on automobile insurance rates, tabled on April 14, 2005 in the National Assembly by the Minister of Finance, Michel Audet, shows that insurers as a group earned substantial operating income in 2004. This increase over the previous year is due to the fact that losses grew at a slower pace than did earned premiums.

With rates declining further in 2004, the rates for automobile insurance in Québec appear to be adequate. In addition, high operating income generated over the past few years, combined with growth in demand, is expected to intensify competition with respect to rates in the future.

An examination of the Québec automobile insurance market shows that it is concentrated yet competitive and that this competition varies from one segment to another. Lastly, the report notes that insurers established in Québec dominate the Québec auto insurance market. Consumers should take full advantage of the competition by comparing proposed prices and the services offered by the various insurers.

EXTERNAL AFFAIRS

JEAN ST-GELAIS APPOINTED CHAIR OF CSA

**AMF PRESIDENT AND CEO JEAN ST-GELAIS WAS APPOINTED
CHAIR OF THE CANADIAN SECURITIES ADMINISTRATORS (CSA),
COMMENCING APRIL 1, 2005, FOR A TWO-YEAR TERM.**

“I consider this appointment an honour and wish to thank my CSA colleagues for the confidence they've expressed in me,” said Mr. St-Gelais. “I look forward to working with my colleagues across Canada to continue to harmonize and improve the regulation of our capital markets,” he added.

Mr. St-Gelais succeeds Stephen Sibold, the Alberta Securities Commission Chair, who has served as head of the CSA since April 2003. Mr. St-Gelais noted the excellent work accomplished by Mr. Sibold, mentioning in particular the establishment of a permanent secretariat in 2004, which has helped achieve greater synergy at the CSA.



Don Murray, Chair of the Manitoba Securities Commission, was named CSA Vice-Chair, succeeding Donne Smith, Chair of the New Brunswick Securities Commission.

The spring meeting of the CSA, which was held from April 20 to 22, 2005 in Toronto, was chaired for the first time by Mr. St-Gelais. Several items were on the agenda, such as the ministers' passport system, the CSA's annual report, the proposed oversight of self-regulatory organizations (SRO), the Uniform Securities Transfer Act (USTA), the CSA registration project, as well as the role and status of the CSA Secretariat.

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>>> During the same occasion, the Joint Forum of Financial Market Regulators – made up of several representatives as a mechanism to co-ordinate, harmonize and streamline the regulation of financial products and services in Canada – and the Canadian Council of Insurance Regulators (CCIR) met at the same location. Nancy Chamberland, Executive Director, Distribution, represented the AMF on the CCIR at the meeting.

IOSCO IMPLEMENTS ACTION PLAN TO STRENGTHEN CAPITAL MARKETS AGAINST FINANCIAL FRAUD

Following an in-depth review aimed at identifying possible weaknesses in the international financial system, the Technical Committee of the International Organization of Securities Commissions (IOSCO) has developed an action plan to prevent the occurrence of financial scandals.

The Task Force, as instructed by the Committee, identified seven factors that are at the heart of the financial scandals examined: corporate governance and its impact on investor protection, auditors and audit standards, issuer disclosure requirements, bond market regulation and transparency, the role and obligations of market intermediaries, the use of complex corporate structures and special purpose entities as well as the integrity and independence of financial analysts.

The actions that the Committee recommends include:

- enhance its monitoring of audit trends to uncover potential fraud;
- review the role played by market intermediaries in recent financial scandals;
- develop policies and procedures to better regulate any transactions by market intermediaries.



As indicated in its report, entitled *Report on Strengthening Capital Markets against Financial Fraud*, the IOSCO Committee favours three types of intervention to control fraud on international markets. Firstly, the organization seeks to promote the urgent implementation of existing international standards and principles and strengthen cooperation among the various IOSCO members. To do so, the IOSCO *Multilateral Memorandum of Understanding concerning Consultation and Cooperation* and the Exchange of Information is viewed as the standard. The IOSCO also wants to focus on under-regulated jurisdictions that threaten the worldwide financial system by refusing to cooperate.

The AMF President and CEO, Jean St-Gelais, and the Director, External Affairs, Jean Lorrain, attended the 30th annual meeting of the IOSCO in Sri Lanka, from April 4 to 7, 2005, where this action plan to fight fraud, among other issues, was discussed.

CALENDAR OF ACTIVITIES

DATE	EVENT	PLACE	PARTICIPANT(S)
April 21 to 22, 2005	Canadian Council of Insurance Regulators biannual meeting(CCIRA/CCIR)	Toronto	Nancy Chamberland, Executive Director, Distribution
April 20 to 22, 2005	Canadian Securities Administrators (CSA) spring meeting	Toronto	Jean St-Gelais, President and CEO
April 29, 2005	Compliance Section of Canadian Life and Health Insurance Association Inc. (CLHIA) Annual Conference	Halifax	Jean St-Gelais, President and CEO
May 2 to 4, 2005	North American Securities Administrators Associations (NASAA) spring conference	Washington	Daniel Laurion, Executive Director, Securities Markets
May 4 to 6, 2005	Canadian Securities Administrators (CSA) Conference	Kingbridge, Ontario	Jean St-Gelais, President and CEO
May 12, 2005	Meeting of the Sections Committee of the <i>Chambre de la sécurité financière</i> (CSF) concerning the new complaint reporting procedure	Montréal	Anne-Marie Poitras, Executive Director, Consumer Assistance and Compensation
May 17, 2005	Meeting with insurance industry concerning the new complaint reporting procedure	Montréal	Anne-Marie Poitras, Executive Director, Consumer Assistance and Compensation
May 18, 2005	<i>Association de planification fiscale et financière</i> (APFF) Conference – Report on AMF's first year of activity	Trois-Rivières	Nancy Chamberland, Executive Director, Distribution
May 26, 2005	Meeting with insurance industry concerning the new complaint reporting procedure	Québec City	Anne-Marie Poitras, Executive Director, Consumer Assistance and Compensation
May 26-27, 2005	Canadian Insurance Self Regulatory Organization (CISRO) biannual meeting	Vancouver	Nancy Chamberland, Executive Director, Distribution
June 12 to 15, 2005	<i>Institut francophone de la régulation financière</i> (IFREFI) meeting of members	Brussels	
June 13 and 14, 2005	Meeting of the Credit Union / Caisse Populaire Stabilization Funds of Canada and Credit Union / Trust and Loan Companies Regulators	Québec City	Jean-Pierre April, Executive Director, Solvency Martine Bouillé, Director, Deposit Institutions
June 23 to 24, 2005	Canadian Securities Administrators (CSA) summer meeting	Calgary	Jean St-Gelais, President and CEO
June 25 to 29, 2005	2005 Conference of the Investment Dealers Association of Canada (IDA)	Banff	

PROCEEDINGS AND ORDERS

The AMF recently launched several proceedings and various actions for offences under the *Securities Act*. The *Bureau de décision et de révision en valeurs mobilières (BDRVM)* also issued several decisions. The following is a summary of the proceedings and decisions.

DATE	INDIVIDUALS INVOLVED	LEGAL BODY AND NUMBER OF COUNTS	REASONS FOR PROCEEDINGS	SANCTIONS PRESCRIBED OR DECISIONS RENDERED
March 23, 2005	Nine individuals of the private club Maximom Ltd. Micheline Beaulieu Joseph Gilles P. Bernard Jean-Marc Delorme Pierrette Demers Diane Desmarais Denis Fortin Michel Girard Lucien Martin Michel Raymond	Court of Québec, district of Montréal 9 counts	Failing to appear to testify or refusing to testify when duly summoned during an investigation	\$1,000 fine each
March 22, 2005	Michel Maheux and the Coopérative de producteurs de bois précieux Québec Forestales	Superior Court, district of Richelieu Accused of contempt of court	Refusing to shut down the company's website, in violation of the order rendered on August 10, 2004	Ten days in prison and a \$4,500 fine against Michel Maheux \$250 fine against the Coopérative
March 16, 2005	Victor Darac	Court of Québec, district of Beauce 17 counts	Acting as a life insurance representative without holding a certificate authorizing him to do so	Found guilty of the 17 counts against him; \$8,500 fine
March 16, 2005	Groupe Capital Kaufmann inc.	AMF request to the BDRVM	<ul style="list-style-type: none"> Late payment of required registration fees, leading to the suspension of the company's right to practice on February 1, 2005 Not possessing the amount of working capital required Failing to register with the National Registration Database at least on January 15, 2005 	Request to cancel registration and impose a \$250 per day administrative penalty as of January 15, 2005
March 15, 2005	Sylvain Tessier, President and principal shareholder of Millenium Concepts Export inc. and 9009-0002 Québec inc.	Penal proceedings launched by the AMF in the Court of Québec, district of Chicoutimi <ul style="list-style-type: none"> 11 counts against Mr. Tessier 3 counts against Millenium Concepts Export 2 counts against 9009-0002 Québec inc. 	<p>Sylvain Tessier</p> <ul style="list-style-type: none"> Making a distribution of securities, on at least five occasions, without being registered as an adviser Making a misrepresentation in respect of a securities transaction, on at least five occasions Failing to furnish the information and documents required by the AMF as part of an investigation <p>Millenium Concepts Export</p> <ul style="list-style-type: none"> Making a distribution of securities, on three occasions, without preparing a prospectus <p>9009-0002 Québec inc.</p> <ul style="list-style-type: none"> Making a distribution of securities, on two occasions, without preparing a prospectus 	<ul style="list-style-type: none"> Sylvain Tessier faces fines totalling \$59,000 Millenium Concepts Export inc. faces fines totalling \$30,000 9009-0002 Québec inc. faces fines totalling \$10,000

DATE	INDIVIDUALS INVOLVED	LEGAL BODY AND NUMBER OF COUNTS	REASONS FOR PROCEEDINGS	SANCTIONS PRESCRIBED OR DECISIONS RENDERED
March 15, 2005	Robert Jones	Penal proceedings launched by the AMF in the Court of Québec, district of Laval 7 counts	Failing to report, within 10 days of the event, the changes in his control over the securities of reporting issuer Rolland Virtual Business Systems Ltd. in respect of which he is an insider	\$2,000 fine per count requested if found guilty
March 15, 2005	Alain Vézina	Penal proceedings launched by the AMF in the Court of Québec, district of Montreal	Failing to report, within 10 days of the event, the changes in his control over the securities of reporting issuer Ressources Minières Normabec Ltée in respect of which he is an insider	\$2,000 fine per count if found guilty
February 24, 2005	Penal proceedings launched by the AMF against Zurich Insurance Company	Court of Québec, district of Montréal 34 counts	Failing as an authorized insurer to provide the Groupement des assureurs automobiles with the statistical data and information concerning its automobile insurance experience for each month from March 2002 to December 2004	Possibility of imposing a fine in excess of the minimum (\$23,800) provided for in the Act, namely a total fine of \$222,000
February 14, 2005	Enviromondial	Court of Québec, district of Montréal	Enviromondial contested the legality of the freeze order rendered on December 9, 2003 and extended by the BDRVM until May 6, 2005	Confirmation of the legality of the freeze order placed on amount of \$69,500

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Montréal
Stock Exchange Tower
800 Square Victoria, 22nd Floor
Montréal (Québec) H4Z 1G3

We welcome your comments, suggestions for articles and questions by e-mail or regular mail.

Québec
Place de la Cité, tour Cominar
2640, Laurier Boulevard, 4th Floor
Sainte-Foy (Québec) G1V 5C1

To learn more about our activities, please consult the AMF's Web site at: www.lautorite.qc.ca

Industry:
Montréal tel.: (514) 395-2263
Québec City tel.: (418) 525-2263
Toll-free number: 1 877 395-2263

E-mail:
info@lautorite.qc.ca

Consumers:
Montréal tel.: (514) 395-0311
Québec City tel.: (418) 525-0311
Toll-free number: 1 866 526-0311

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