Québec City, July 31, 2008

President of the National Assembly
Parliament Building
Québec City, Québec

Dear Sir:

I am pleased to provide you with the Annual Report of the Autorité des marchés financiers for the period from April 1, 2007 to March 31, 2008.

Yours truly,

Monique Jérôme-Forget
Minister of Finance
Québec City, July 31, 2008

Ms. Monique Jérôme-Forget
Minister of Finance
Parliament Building
Québec City, Québec

Dear Madam:

I am pleased to submit the Annual Report of the Autorité des marchés financiers (the “AMF”) for the period from April 1, 2007 to March 31, 2008.

In accordance with section 42 of the Act respecting the Autorité des marchés financiers, this report presents the AMF’s financial statements and discusses its principal activities during the most recently completed fiscal year. The report also outlines the AMF’s activities in connection with the administration of the following statutes: the Deposit Insurance Act, the Securities Act and the Act respecting the distribution of financial products and services. However, the reports referred to in the Act respecting insurance, the Act respecting financial services cooperatives, the Act respecting trust companies and savings companies as well as the Automobile Insurance Act are set out in separate documents.

Pursuant to section 58 of the AMF’s constituting Act, the report also includes the activity report of the Conseil consultatif de régie administrative.

Yours very truly,

Jean St-Gelais
President and Chief Executive Officer

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## TABLE OF CONTENTS

Message from the President and Chief Executive Officer 7
Presentation of the AMF 9
Profile of clienteles overseen by the AMF 17
Highlights for 2007-2008 21
Other information 41
Appendix – Report on regulatory activities relating to the Securities Act, as required under section 335.1 45
Financial statements 67
*Conseil consultatif de r é gie administrative* Annual Report 101
Our fourth year of activities has been a pivotal one for us. It marked the full and complete recognition of the Autorité des marchés financiers (AMF) as the integrated regulatory and oversight body for Québec’s financial sector.

The period of restructuring and consolidating activities, the implementation of an efficient organizational structure and the clear identification of our organization within the financial sector and with consumers are now part of our brief history.

The scope of the various issues in which we have had to intervene has helped us refine our work methods, develop a proactive attitude toward oversight and regulation, and enhance the efficient organization of our tasks.

The primary motivation of an agency such as ours, other than fulfilling our mission to supervise the financial sector and protect consumers, is without question taking action in the public interest. This underpins all the decisions and measures carried out by the AMF.

We have implemented most of the recommendations set out in the interim report of the Committee on Public Finance in relation to the protection of investors, in particular with respect to various investor protection measures and improvements to the AMF’s powers.

Moreover, our efforts pertaining to surveillance activities have allowed us to bolster their effectiveness. We have thus been able to significantly increase the number of investigations, inspections and legal proceedings, and decrease the processing time required for these activities.

We also pursued our consumer education campaigns this year. Through co-operation with target groups, investment and fraud prevention initiatives and the publication of information materials, we have played an active role in this regard.

The AMF’s organizational maturity stems from its entire team, whose skills and professionalism are laying the groundwork for the future.

I would also like to thank the members of the Conseil consultatif de régie administrative (the “Advisory Board”), including Bernard Motulsky, its Chair, for their valuable support throughout the year.

Jean St-Gelais
PRESENTATION
of the Autorité des marchés financiers
The Autorité des marchés financiers (the “AMF”), which was established pursuant to the Act respecting the Autorité des marchés financiers (R.S.Q. c. A-33.2) on February 1, 2004, is the body mandated to regulate and oversee Québec’s financial sector and protect consumers of financial products and services.

The AMF is a legal person and a mandatary of the State, and it is headed by a President and Chief Executive Officer appointed by the Government.

The duties and fees paid by the individuals and enterprises governed by the laws administered by the AMF ensure its financial autonomy.

MISSION

The mission of the AMF is to administer the legislation governing the financial sector, including insurance, securities, deposit institutions – other than banks – and the distribution of financial products and services.

IN PARTICULAR, THE AMF MUST:

- provide assistance to consumers of financial products and services;
- ensure that financial institutions and other regulated entities of the financial sector comply with the solvency standards applicable to them as well as with the obligations imposed on them by law;
- supervise the activities connected with the distribution of financial products and services;
- supervise stock market and clearing house activities and monitor the securities market;
- see to the implementation of protection and compensation programs for consumers of financial products and services and administer the compensation funds set up by law.

VISION

To be recognized as a team that is dedicated to serving Quebecers and the financial markets.

ORGANIZATIONAL VALUES

- Active listening to stakeholders
- Mobilization of individuals
- Delivery of quality services
- Enforcement of regulations in a thorough and equitable manner
GOVERNANCE PRINCIPLES

- Openness
- Focus
- Consistency
- Accountability
- Team spirit

PRINCIPAL STATUTES ADMINISTERED BY THE AUTORITÉ DES MARCHÉS FINANCIERS

In addition to exercising the functions and powers conferred on it by its constituting Act, the AMF administers the following:

- Automobile Insurance Act (Title VII) (R.S.Q. c. A-25)
- Deposit Insurance Act (R.S.Q. c. A-26)
- An Act respecting insurance (R.S.Q. c. A-32)
- An Act respecting financial services cooperatives (R.S.Q. c. C-67.3)
- An Act respecting the distribution of financial products and services (R.S.Q. c. D-9.2)
- An Act respecting the disclosure of the compensation received by the executive officers of certain legal persons (R.S.Q. c. I-8.01)
- An Act respecting the Mouvement Desjardins (S.Q. 2000, c. 77)
- An Act respecting trust companies and savings companies (R.S.Q. c. S-29.01)
- Securities Act (R.S.Q. c. V-1.1)

These statutes, as well as the regulations and policy statements made thereunder, are available on the AMF website at www.lautorite.qc.ca.
DELEGATION OF FUNCTIONS AND POWERS TO SELF-REGULATORY ORGANIZATIONS

The AMF may, on the conditions it determines, delegate to a recognized organization the exercise of all or part of the functions and powers conferred on it by law.

SELF-REGULATORY ORGANIZATIONS RECOGNIZED BY THE AMF AS OF MARCH 31, 2008

- The Investment Dealers Association of Canada (IDA) regulates the activities of securities dealers with an unrestricted practice and their representatives as regards capital adequacy requirements and conduct of business;
- The Montréal Exchange operates derivatives markets and is in charge of overseeing its markets;
- The Canadian Depository for Securities Limited (CDS) acts as a clearing house for cash instruments and central depository for securities in Canada;
- The Chambre de la sécurité financière (CSF) oversees the discipline, training and professional conduct of representatives in insurance of persons and group insurance, financial planners and representatives in group savings plan brokerage and scholarship plan brokerage;
- The Chambre de l’assurance de dommages (ChAD) is in charge of the professional development, supervision and discipline of damage insurance agents and brokers as well as claims adjusters;
- The Canadian Derivatives Clearing Corporation (CDCC) acts as a clearing house for derivatives;
- NASDAQ operates equities markets;
- Market Regulation Services Inc. (RS) acts as a provider of market regulation services.

ORGANIZATIONAL STRUCTURE OF THE AMF

To fulfill his mandate, the President and Chief Executive Officer of the AMF relies on an Executive Vice-President, three Executive Directors and four Superintendents. The AMF’s internal auditor and the Conseil consultatif de régie administrative (Advisory Board) assist the AMF in the application of its governance rules.

In all, the AMF has 592 regular and budgeted staff members in Québec City, where its head office is located, and in Montréal. A complete organizational chart can be found at the end of this report.
OFFICE OF THE EXECUTIVE VICE-PRESIDENT

The Office of the Executive Vice-President handles the development and implementation of advisory and support services within the AMF. It manages projects pertaining to registration reform and the proposed derivatives legislation. In addition, it monitors the self-regulatory organizations (SROs) to which the AMF has delegated certain powers. It also supports the agency’s representatives in national and international events as well as in relations with its various clienteles, and participates in activities related to them.

The Office of the Executive Vice-President includes two branches, three sections and one department: the Direction générale de l’administration (Administration), the Direction générale aux mandats spéciaux (Special Projects), the Direction de la supervision des organismes d’autoréglementation (SRO Oversight), the Direction des communications (Communications), the Direction des relations extérieures (External Affairs) and the Service de la traduction (Translation).

ADMINISTRATION

It is through Administration in particular that the Office of the Executive Vice-President fulfills its mandate to advise and support the AMF team. This branch is made up of the Direction des ressources humaines (Human Resources), the Direction des ressources matérielles (Material Resources), the Direction des technologies de l’information (Information Technologies) and the Direction des Finances (Finance).

SPECIAL PROJECTS

Special Projects co-ordinates major undertakings such as registration reform and derivatives framework proposals.

ENFORCEMENT AND LEGAL AFFAIRS

The primary mandate of the Direction générale du contrôle des marchés et des affaires juridiques (Enforcement and Legal Affairs) is to detect, investigate and ensure the application of penalties for violations of the laws under the purview of the AMF. It conducts all of the AMF’s legal proceedings. It co-ordinates the development and adoption of the legal and regulatory framework and ensures its validity, and it interprets financial sector legislation. It also ensures that decisions issued by the President and Chief Executive Officer and the Superintendents are legally valid.

This branch also develops and manages the AMF’s governance framework. In that regard, it sees to the proper functioning of the AMF’s decision-making bodies, oversees the application of the code of ethics and professional conduct and manages the rules pertaining to access to information. It also acts as the secretariat for the Advisory Board.

It is made up of the Secrétariat (Secretariat), the Direction des affaires juridiques (Legal Affairs), the Direction du contentieux (Litigation) and the Direction de l’inspection et des enquêtes (Inspection and Investigations).
CLIENT SERVICES AND COMPENSATION

The Direction de l’assistance à la clientèle et de l’indemnisation (Client Services and Compensation) provides information services to all of the AMF’s clienteles. It also provides assistance and dispute settlement and compensation services to consumers of financial products and services. Moreover, it administers a financial services compensation fund, a deposit insurance fund and the Fund for Investor Education and the Promotion of Good Governance.

Client Services and Compensation is made up of the Direction du Centre de renseignements (Information Centre), the Direction de l’assistance aux consommateurs (Consumer Assistance) and the Direction de l’indemnisation (Compensation).

SECURITIES MARKETS

The Direction de l’encadrement des marchés de valeurs (Securities Markets) oversees, among other things, the application of rules relating to public offerings, take-over and issuer bids, continuous disclosure and corporate governance. To do so, it analyzes disclosure documents related to securities offerings and take-over and issuer bids, and ensures that reporting issuers provide security holders and the market with financial statements and other required continuous disclosure documents. It also drafts and implements strategic orientations and regulations involving securities matters and participates actively in the various regulatory and harmonization projects and initiatives of the Canadian Securities Administrators, which has been chaired by the AMF President and Chief Executive Officer since April of 2005.

Securities Markets is made up of the Direction des marchés des capitaux (Financial Markets), the Bureau du chef comptable (Office of the Chief Accountant) and the Service de la réglementation (Regulation).

SOLVENCY

The Direction de l’encadrement de la solvabilité (Solvency) oversees and monitors deposit institutions – other than banks – and insurance companies operating in Québec for the purpose of protecting the interests of consumers of financial products and services. It ensures that these institutions and companies hold all the authorizations needed to carry on their activities in Québec, and that they satisfy statutory and regulatory requirements. Solvency also assesses their financial condition and the quality of their management in order to avoid potential profitability and solvency problems, and drafts and implements guidelines and standards related to its area of operations.

Solvency is made up of the Direction du contrôle du droit d’exercice (Right to Practice Control), the Direction des normes et de la vigie (Standards Development and Institutional Oversight) and the Direction de la surveillance (Supervision).
DISTRIBUTION

The Direction de l’encadrement de la distribution (Distribution) applies the rules regarding eligibility and the right to practice related to representatives, firms, advisers and brokers in all financial market sectors. It provides front-line services for registration, maintenance, certification and renewal of the permits and certificates issued under the Securities Act and the Act respecting the distribution of financial products and services. It also drafts and implements the orientations and regulations related to its functions.

Distribution is made up of the Direction des pratiques de distribution (Distribution Practices) and the Direction générale adjointe des services aux entreprises (Industry Services). Industry Services is made up of the Direction de la formation et de la qualification (Training and Qualification) as well as the Direction de la certification et de l’inscription (Certification and Registration).
PROFILE
of Clientele Overseen by the AMF
The AMF oversees Québec’s financial sector, including the areas of insurance, securities, deposit institutions – other than banks – and the distribution of financial products and services.

### Table 1: Profile of Clienteles Overseen by the AMF

<table>
<thead>
<tr>
<th>CLIENTELE1</th>
<th>NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit institutions</td>
<td></td>
</tr>
<tr>
<td>Financial services cooperatives</td>
<td>579</td>
</tr>
<tr>
<td>Trust companies and savings companies</td>
<td>45</td>
</tr>
<tr>
<td>Insurance of persons (individual and group)</td>
<td></td>
</tr>
<tr>
<td>Insurers</td>
<td></td>
</tr>
<tr>
<td>Firms, independent partnerships and independent representatives</td>
<td>130</td>
</tr>
<tr>
<td>Representatives</td>
<td>17,773</td>
</tr>
<tr>
<td>Damage insurance</td>
<td></td>
</tr>
<tr>
<td>Insurers</td>
<td></td>
</tr>
<tr>
<td>Firms, independent partnerships and independent representatives</td>
<td>1,258</td>
</tr>
<tr>
<td>Representatives</td>
<td>9,312</td>
</tr>
<tr>
<td>Claims adjustment</td>
<td></td>
</tr>
<tr>
<td>Firms, independent partnerships and independent representatives</td>
<td>238</td>
</tr>
<tr>
<td>Representatives</td>
<td>2,310</td>
</tr>
<tr>
<td>Financial planning</td>
<td></td>
</tr>
<tr>
<td>Firms, independent partnerships and independent representatives</td>
<td>996</td>
</tr>
<tr>
<td>Representatives</td>
<td>5,792</td>
</tr>
<tr>
<td>Securities</td>
<td></td>
</tr>
<tr>
<td>Reporting issuers</td>
<td></td>
</tr>
<tr>
<td>Unrestricted practice brokerage</td>
<td>5,4382</td>
</tr>
<tr>
<td>Dealers</td>
<td>126</td>
</tr>
<tr>
<td>Representatives</td>
<td>5,391</td>
</tr>
<tr>
<td>Restricted practice brokerage</td>
<td></td>
</tr>
<tr>
<td>Dealers</td>
<td>34</td>
</tr>
<tr>
<td>Representatives</td>
<td>133</td>
</tr>
<tr>
<td>Group savings plan brokerage</td>
<td></td>
</tr>
<tr>
<td>Firms</td>
<td>98</td>
</tr>
<tr>
<td>Representatives</td>
<td>21,123</td>
</tr>
<tr>
<td>Investment contract brokerage</td>
<td></td>
</tr>
<tr>
<td>Firms</td>
<td>11</td>
</tr>
<tr>
<td>Representatives</td>
<td>61</td>
</tr>
<tr>
<td>Scholarship plan brokerage</td>
<td></td>
</tr>
<tr>
<td>Firms</td>
<td>18</td>
</tr>
<tr>
<td>Representatives</td>
<td>975</td>
</tr>
<tr>
<td>Securities advisers</td>
<td></td>
</tr>
<tr>
<td>Advisers</td>
<td>176</td>
</tr>
<tr>
<td>Representatives</td>
<td>697</td>
</tr>
</tbody>
</table>

1. Persons (legal or natural) governed by the Act respecting the distribution of financial products and services may operate in more than one sector. They may therefore have been counted more than once.
3. Active reporting issuers.
R: The transition from a semi-automatic count to a fully computerized count resulted in changes to some of the data.
HIGHLIGHTS
for 2007-2008
The highlights for the period from April 1, 2007 to March 31, 2008 are presented on the basis of the issues and orientations defined in the 2005-2008 Strategic Plan.

**ISSUE 1 REGULATE THE FINANCIAL MARKETS**

Regulatory oversight is crucial for the vitality of our financial markets, and maintaining consumer confidence in this area of activity requires effective action on the part of regulators. Sharp competition in the international marketplace also requires that regulatory intervention not adversely affect the competitiveness of Québec’s financial services industry.

The AMF has therefore adopted two strategic orientations:

- enhance monitoring in order to better protect the public;
- harmonize the regulatory system and reduce administrative formalities in order to foster the development of the financial sector.

**ORIENTATION 1 Enhance monitoring in order to better protect the public**

**AREAS OF INTERVENTION**

- Compliance
- Inspections
- Investigations

**MONITORING**

The AMF has powers of inspection over the entities governed by the statutes it administers, such as securities firms, dealers and advisers, firms operating in the distribution of financial products and services, mutual funds as well as persons acting as custodians, trustees or managers of a mutual fund.

In order to deter economic crime, the AMF has the power to investigate specific situations and to institute penal, administrative or civil proceedings.

The staff assigned to all oversight activities now numbers 93. For these activities to be carried out efficiently, the AMF has set up the Service des enquêtes en manipulations des marchés et délits d’initiés (Investigations, Market Manipulation and Insider Trading) within Inspection and Investigations. This department will foster the development of leading-edge expertise and investigation techniques specific to the stock market.

The time required to process investigation files has been reduced. The average time for processing a file has dropped from 4 years to 12 months over the past few years.
Furthermore, the AMF’s team of attorneys is taking on more legal actions, as the number of pending files doubled this year. It has also achieved excellent results in court proceedings. Whether in terms of penal, civil or administrative proceedings, the AMF was successful in 95% of the actions it launched on average.

Firm and dissuasive decisions were rendered in a number of files, confirming the seriousness of economic crime and the AMF’s ability to intervene. The AMF is also co-operating with police forces and Crown prosecutors to increase the effectiveness of crime-related interventions.

### Table 2: Inspection Files

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspections in accordance with Act respecting the distribution of financial products and services</td>
<td>Opened: 11</td>
<td>40</td>
<td>28</td>
<td>37</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>Completed: 12</td>
<td>49</td>
<td>18</td>
<td>24</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>Pending: 19</td>
<td>11</td>
<td>21</td>
<td>34</td>
<td>37</td>
</tr>
<tr>
<td>Inspections in accordance with the Securities Act</td>
<td>Opened: 7</td>
<td>77</td>
<td>22</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Completed: 2</td>
<td>99</td>
<td>31</td>
<td>22</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Pending: 59</td>
<td>34</td>
<td>25</td>
<td>10*</td>
<td>3</td>
</tr>
</tbody>
</table>

R: Corrected data

### Table 3: Investigation Files

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Case assessments¹</td>
<td>Opened: 30</td>
<td>149</td>
<td>165</td>
<td>298</td>
<td>271</td>
</tr>
<tr>
<td></td>
<td>Completed: 22</td>
<td>86</td>
<td>127</td>
<td>371</td>
<td>287</td>
</tr>
<tr>
<td></td>
<td>Pending: 71</td>
<td>134</td>
<td>172</td>
<td>88*</td>
<td>72</td>
</tr>
<tr>
<td>Investigations²</td>
<td>Opened: 8</td>
<td>39</td>
<td>37</td>
<td>135</td>
<td>119</td>
</tr>
<tr>
<td></td>
<td>Completed: 5</td>
<td>25</td>
<td>21</td>
<td>127</td>
<td>131</td>
</tr>
<tr>
<td></td>
<td>Pending: 112</td>
<td>126</td>
<td>142</td>
<td>90*</td>
<td>78</td>
</tr>
<tr>
<td>Market surveillance³</td>
<td>Opened: 24</td>
<td>106</td>
<td>63</td>
<td>69</td>
<td>121</td>
</tr>
<tr>
<td></td>
<td>Completed: 28</td>
<td>95</td>
<td>43</td>
<td>94</td>
<td>116</td>
</tr>
<tr>
<td></td>
<td>Pending: 25</td>
<td>36</td>
<td>56</td>
<td>31</td>
<td>36</td>
</tr>
</tbody>
</table>

R: Corrected data

1. Case assessment: examination of a complaint or an alleged violation of legislation administered by the AMF in order to determine whether an investigation is necessary.
2. Investigation: collection of relevant information and documents. Use of special powers to access reliable information in a timely manner, thereby enabling the AMF to take conservatory measures to ensure the protection of investors.
3. Market surveillance: search for tip-offs, particularly through the use of software designed to monitor the markets and detect unusual trading activity in real time. This enables investigators to immediately identify participants in a trade as well as the market’s ability to absorb such trades, and to collect other information.

R: Corrected data
ON-LINE POSTING OF BUSINESS CONTINUITY PLAN IN THE EVENT OF AN INFLUENZA PANDEMIC

In September 2007, as part of its awareness campaign for financial sector participants on the risk of an influenza pandemic, the AMF published its business continuity plan on its website. The BCP enables the AMF to ensure its organizational effectiveness by limiting the risks incurred and ensuring that it has the necessary resources to cope with a pandemic.

CONTINUOUS DISCLOSURE REVIEW PROGRAM (CDR PROGRAM)

In September 2007, the AMF also released its report on the Continuous Disclosure Review Program (CDR Program) for the period from April 1, 2006 to March 31, 2007 covering a sampling of companies whose head office is situated in Québec. This report sets out over 1,000 recommendations issued following a review of 137 companies. A new section on investment funds has been added.

The report indicates that companies should:

- devote more effort and resources to preparing their MD&A in order to communicate useful information to the markets;
- thoroughly comply with the obligations respecting the audit committee and information involving governance practices;
- provide complete and transparent qualitative information regarding executive compensation;
- aim for a higher level of compliance with Generally Accepted Accounting Principles (GAAP).
LATE INSIDER TRADING REPORTS

The AMF has noted positive results following the implementation in January 2006 of new administrative monetary penalties for late insider trading reports. These reports fell 61%, from 8.6% in 2005 to 3.3% in 2007.

Furthermore, following a review of the process for handing down administrative sanctions, the AMF changed its procedures to integrate the production of notices and the processing of observations received.

RESTRUCTURING OF SOLVENCY

Solvency has consolidated its activities in accordance with the three functions specific to it – supervision, control of the right to practice as well as standards development and institutional oversight.

The new structure will allow the Solvency team to continue, with ongoing efficiency, to oversee financial institutions operating in Québec, as part of the AMF’s mission.

ORIENTATION

Harmonize the regulatory system and reduce administrative formalities in order to foster the development of the financial sector

AREAS OF INTERVENTION

- Regulations
- Administrative processes

REGULATORY AND LEGISLATIVE ACTIVITIES

The AMF has supported various legislative and regulatory initiatives to further harmonize the entire financial sector framework with the other jurisdictions.

The AMF actively participated in the work of the Canadian Securities Administrators (CSA) which led to the coming into force, on March 17, 2008, of Regulation 11-102 respecting Passport System (Regulation 11-102). This regulation allows the implementation of a system related in particular to prospectuses, discretionary exemptions and continuous disclosure, through which market participants can gain access to the capital markets of several jurisdictions while dealing only with their principal regulator and complying with the provisions of one set of harmonized laws.
This work also helped further the proposed reform of the registration system. In February 2008, the consultation stage affecting Draft Regulation 31-103 respecting Registration Requirements was launched. The purpose of that draft legislation is to generate administrative efficiencies and reduce the regulatory burden for registrants.

Information about ongoing consultations and the entire legislative and regulatory framework is available on the AMF’s website.

REGULATORY AMENDMENTS

More specifically, a report on the regulation activities conducted under the Securities Act must be submitted as required under section 335.1 of the Act. The appendix beginning on page 45 of this report fulfills this requirement. It contains a detailed description of each of the nine regulations that came into force this year as well as an analysis of their impact on the market and on investors, and it discusses the principal draft regulations aimed at bolstering the securities regulatory system.

Several draft regulations and guidelines were also formulated to improve the regulation of the distribution of financial products and services, solvency requirements and oversight of securities exchanges, clearing houses and self-regulatory organizations.

In particular, the following regulations related to the distribution of financial products and services came into force:

- the Regulation to amend the Regulation respecting Information to be Provided to Consumers dealing with the disclosure of business relationships, August 30, 2007;
- the Regulation to amend the Regulation respecting Titles Similar to the Title of Financial Planner, August 30, 2007, prohibiting the title “private wealth advisor” and its abbreviation “PWA”;
- the Regulation respecting the Compulsory Professional Development of Financial Planners on November 29, 2007;
- the Regulation to amend the Regulation respecting the Dues, Contributions and Fees Payable, amending the dues charged by the compensation fund, January 1, 2008.

The AMF also updated the capital adequacy guideline applicable to financial services cooperatives which are members of a federation. The purpose of the update was to integrate the provisions of Basel Accord II. This guideline was issued in December 2007 for the purpose of parallel calculations. The AMF also published three approval frameworks outlining the requirements and main stages leading to approval for the adoption of advanced approaches and internal models by financial services cooperatives.
With respect to trading rules and the obligations of market participants, work carried out by the CSA respecting the use of brokerage commissions as payment for trading or research services led to a draft regulation intended to harmonize CSA instruments respecting the use of brokerage commissions by securities advisers and take into account regulatory developments on the matter.

Lastly, the AMF issued several staff notices and guidance to help interested parties better understand the regulatory framework.

Market participants and investors can learn more about the AMF’s regulatory activities in its weekly Bulletin. The Bulletin contains the latest information as required for publication by law, in particular notices and requests for comment as well as decisions.

LEGISLATIVE AMENDMENTS

In November 2007, certain amendments to the Securities Act were passed by the National Assembly to set up a special civil action for the secondary securities market whereby an investor may launch proceedings for damages where an issuer makes misrepresentations or does not disclose a material change.

Amendments to the Deposit Insurance Act were also introduced to increase the maximum guarantee to $100,000. As well, changes were made to the Act respecting the distribution of financial products and services in order to allow the AMF to suspend the certificate of a representative who does not comply with professional development requirements.

In addition, the Act respecting insurance and the Act respecting trust companies and savings companies were amended to allow Québec insurers as well as Québec trust companies and savings companies to purchase debt secured by hypothecs and to grant hypothecary loans of up to 80% of the value of a building.

In December 2007, the AMF’s work led to the presentation of draft legislation to amend the Act respecting the Autorité des marchés financiers and other legislative provisions (Bill 64). The purpose of this Bill is to harmonize the various control measures that may be used by the AMF, and in particular by consolidating the provisions concerning receivership under its constituting Act. This Bill also introduces new investigation powers and allows the communication of information by auditors. In addition, it harmonizes the sanction system, in particular with respect to fines, administrative penalties and prescription periods. It also amends the Act respecting insurance so that the AMF may exempt a foreign insurer from provisions of that Act if the insurer is not governed by any other insurance legislation in Canada and is issued a licence to act exclusively in surety insurance in Québec. The Bill is also designed to ensure the sustainability of the Fund for Investor Education and the Promotion of Good Governance. Other than its new name (the Education and Good Governance Fund), its mandate will be broadened to all fields related to the AMF’s mission, with authorization of new cash inflows and support for more projects.
**ASSESSMENT OF THE SOLVENCY OF INSURANCE COMPANIES IN CANADA**

In June 2007 and January 2008, the AMF published updates relating to the work of the Solvency Advisory Committee made up of representatives from regulatory organizations and the Canadian insurance of persons (life and health) industry.

The mandate of the Advisory Committee, to which the AMF actively contributes, consists of developing advanced risk measurement techniques which could be integrated into the current capital adequacy formula.

**CONSULTATION ON A PROPOSED DERIVATIVES FRAMEWORK IN QUÉBEC**

In November 2007, the AMF completed a consultation regarding its proposed derivatives framework in Québec.

This followed the publication in May 2006 of a discussion paper on the regulation of derivatives markets which set out the AMF’s broad regulatory orientations on the matter.

With the goal of setting up a modern and efficient framework for the derivatives markets in Québec, the AMF will continue its work, taking account of the comments received, and will prepare recommendations for the Minister of Finance.

**CENTRE OF EXCELLENCE FOR DERIVATIVES**

In June 2007, the AMF set up the Centre of Excellence for Derivatives. Through this initiative, the AMF is seeking to intensify its actions and efforts regarding derivatives. The mission of the Centre is to co-ordinate the derivatives-related activities of various AMF units in order to increase the efficiency and consistency of interventions and ensure the development and implementation of a modern regulatory framework for the Québec derivatives markets that takes into account the reality of Canadian and North American markets.

**COMBINATION OF EXCHANGES**

As part of the proposed combination of Montréal Exchange Inc. and TSX Group Inc., the AMF held a public consultation in Montréal on March 26 and 27, 2008 following the filing by the Montréal Exchange of an application to amend its recognition as a self-regulatory organization and authorization to carry on business as an exchange. This consultation led to the submission of 19 comments or briefs. Some individuals and organizations were able to give presentations. Taking the feedback and guidelines into account in making its decision, the AMF approved the application at the beginning of fiscal 2008-2009.
In this regard, the AMF is well suited to offer consumer assistance and disseminate relevant and objective information in plain language regarding financial products and services in Québec.

The AMF also assists consumers by providing them with the tools and services they need to protect themselves from potential losses or to exercise recourses, when necessary.

As such, the AMF has adopted the following two strategic orientations:

- raise awareness of the AMF and its role;
- improve the delivery of services to consumers.

### Orientation 3

#### Raise awareness of the AMF and its role

#### Area of Intervention

- Relations with the various types of clientele

#### National and International Cooperation

In addition to co-operating with the Canadian Securities Administrators and the Canadian Council of Insurance Regulators, the AMF maintains extensive and proactive relations on behalf of Québec with international agencies, such as the International Organization of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS), the International Association of Deposit Insurers (IADI), the Council of Securities Regulators of the Americas (COSRA), the Institut francophone de la régulation financière (IFREFI) and the North American Securities Administrators Association (NASAA).

The President and Chief Executive Office as well as various managers and professionals represented the AMF at approximately one hundred major events attended by financial sector officials.
RENDEZ-VOUS WITH THE AMF

At Rendez-vous with the AMF on October 15, 2007, almost 500 financial sector participants had the opportunity to attend various workshops on governance, bank-insurance and the regulatory framework for securities.

FORUM ON QUÉBEC SMES

On September 25 and 26, 2007, the AMF organized two forums on the financing of SMEs. The first one covered the financing of Québec SMEs and was attended by entrepreneurs, researchers, industry professionals and representatives of finance companies who discussed the challenges facing Québec SMEs. The second forum, held under the auspices of COSRA, focused on the financing of SMEs in a context of globalization and international issues.

AMF TO HOST IOSCO’S 35TH ANNUAL CONFERENCE

In April 2007, the AMF was awarded the 35th annual conference of the International Organization of Securities Commissions (IOSCO), which will take place in Montréal in 2010. This large-scale international conference, which will attract high-ranking delegates from more than 100 countries, will focus on issues related to financial market oversight and further efforts to improve regulatory standards around the world.

INTERNATIONAL ECONOMIC FORUM OF THE AMERICAS

The AMF sponsored the 13th International Economic Forum of the Americas by organizing a day devoted to finance, the economy and governance issues. The event took place on June 18, 2007 in Montréal.

MEDIA RELATIONS

During the past fiscal year, almost 2,000 requests for information from journalists from Québec, Canada and abroad were processed and more than one hundred press releases were issued. Two press conferences were held in connection with the Norbourg matter.

Other than interviews with the AMF spokesperson, approximately one hundred interviews were granted by senior management.
ORIENTATION 4

Improve the delivery of services to consumers

AREAS OF INTERVENTION
- Complaints and claims
- Information and education

INFORMATION AND COMPLAINTS

In 2007-2008, the Information Centre received a total of 84,866 calls – down 16% from the previous year. More specifically, calls from consumers declined 25%, due in part to fewer calls related to high-profile issues and the introduction of a new telephone menu which reduced the number of calls not intended for the Information Centre by 6,800 for the year.

In addition, information officers welcomed over 2,107 persons at the AMF’s Montréal office and 1,288 at its head office in Québec City. They also handled over 2,639 e-mails from financial sector participants and 1,124 e-mails from consumers, representing a 19% increase in e-mails sent to the Information Centre compared with 2006-2007.

Calls from consumers dealt mainly with services provided by insurers, the refusal to pay benefits and consumers’ rights when purchasing damage insurance policies.

In 35% of cases, financial sector participants asked questions about certification, and more particularly the issuance and renewal of certificates. The process for undertaking a career, including questions regarding examinations, was the subject of 31% of calls.

Table 5

REQUESTS FOR INFORMATION AND COMPLAINTS RECEIVED AT THE INFORMATION CENTRE

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<tbody>
<tr>
<td>Number of telephone requests for information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>From consumers</td>
<td>5,068</td>
<td>27,043</td>
<td>32,836</td>
<td>27,767</td>
<td>20,762</td>
</tr>
<tr>
<td>From financial sector participants</td>
<td>22,890</td>
<td>87,110</td>
<td>84,059</td>
<td>73,385</td>
<td>64,104</td>
</tr>
<tr>
<td>Number of complaints received</td>
<td>103</td>
<td>856</td>
<td>1,056</td>
<td>1,986</td>
<td>1,115</td>
</tr>
</tbody>
</table>
In all, 1,115 complaints were received by the AMF. Approximately 50% of the complaints involved a breach of the regulations, such as illegal practice or illegal investments. The other half of these complaints were eligible for mediation or conciliation, given the nature of the complaint, such as an insurance of persons or damage insurance claim which was dismissed or a product which did not correspond to a client’s needs.

As a complement to mediation, conciliation is designed to provide more personalized assistance to consumers when a complaint is examined. Attempts at conciliation represented 40% of the files eligible for dispute settlement, and the responses were positive in 74% of cases.

### TABLE 6

| NUMBER OF COMPLAINTS REFERRED TO AN AMF UNIT OR TO A SELF-REGULATORY ORGANIZATION |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                                 | APRIL 2004 TO MARCH 2005        | APRIL 2005 TO MARCH 2006        | APRIL 2006 TO MARCH 2007        | APRIL 2007 TO MARCH 2008        |
| AMF units                       |                                 |                                 |                                 |                                 |
| Inspection                      | 66                              | 113                             | 33                              | 1                               |
| Case Assessments                | 186                             | 485                             | 560                             | 474                             |
| Compensation                    | 126                             | 144                             | 512                             | 701                             |
| Other                           | 5                               | 15                              | 21                              | 34                              |
| Self-regulatory organizations   |                                 |                                 |                                 |                                 |
| Investment Dealers Association of Canada | 14                         | 68                              | 51                              | 47                              |
| Chambre de l’assurance de dommages | 47                         | 63                              | 69                              | 70                              |
| Chambre de la sécurité financière | 261                             | 375                             | 413                             | 399                             |

* A complaint may be referred to more than one unit or organization.

### COMPLAINT REPORTING

The AMF has continued to monitor compliance by firms with their complaint reporting obligations.

Since 2005, the Web-based Complaint Reporting System (CRS) has facilitated the transmission of complaint reports to the AMF.

This system has helped harmonize the collection of data pertaining to complaints.
DOCUMENTATION AND ACTIVITIES FOR CONSUMERS

In conjunction with Question Retraite, the AMF published the brochure *Investing to optimize retirement income* to help consumers become more aware of the advantages of investing in an RRSP and choose suitable investment vehicles.

Also as part of its education efforts, the AMF published the brochure *Québec Travel Insurance* intended to help travellers purchase travel insurance. It has formed a partnership with CAA Québec and Services Québec, which distribute the brochure in their establishments.

Four new flyers have also been posted on the AMF website relating to reverse mortgages, principal protected notes (PPN), investment seminars and discount brokerage.

Lastly, several warnings were issued through AMF press releases urging consumers to be careful, especially with respect to investment opportunities advertised in the media, investment seminars and companies proposing financial products without being registered with the AMF.

To provide leadership with respect to the economics and financial education of young Quebeckers, the AMF has developed a program designed for this target audience. “Tesaffaires.com” was set up for youngsters aged 15 to 21 to provide a dynamic website which will help them become more familiar with savings and investments.

The AMF has also established strong relationships with the main senior citizens’ associations in Québec, in particular through its participation at the *Conférence des tables régionales de concertation des aînés*, at the invitation of the *Conseil des aînés*. The AMF also participated in various trade shows devoted to issues of interest to baby boomers.

RRSP CAMPAIGN

In January 2008, the AMF launched its second RRSP awareness campaign to provide consumers with advice and practical tools. Under the theme “*Have fun learning more about RRSPs,*” its website offered two easy-to-use calculators, crossword puzzles made up of financial vocabulary as well as a game-questionnaire about retirement.

FRAUD PREVENTION MONTH

For the first time this year, the AMF participated in *Fraud Prevention Month*, which took place in March 2008. In addition to a section devoted to this theme on the website, an advertising campaign was conducted in Québec’s main newspapers targeting classified ads, which are sources of financial fraud, as they pertain to retirement savings funds (RRSP, LIRA, RRIF, etc.). Messages were also posted in the Montréal subway system and the public was able to gather information through AMF kiosks located at two major shopping centres – the Centre Laurier in Québec City and Complexe Desjardins in Montréal. A series of thematic press releases were also issued throughout the month of March, and several media interviews supported these educational activities.
AMF MOBILE TEAM

In the spring of 2007, the AMF set up a mobile team to meet groups of consumers and investors across Québec. The team is tasked with presenting the AMF, talking about the importance of sound savings decisions and providing effective ways to detect fraud. During its first year, the Mobile Team held 19 seminars in eight municipalities and was thereby able to raise awareness among almost 1,000 consumers and investors.

BOURSTAD

Once again this year, Jean St-Gelais chaired the 20th edition of the Bourstad, a stock market simulation competition which offers the general public and students the opportunity to participate in simulated securities trading via the Internet.

COMPENSATION, PROTECTION AND EDUCATION FUNDS

As regards the protection of consumers of financial products and services, the AMF administers three funds: a financial services compensation fund, a deposit insurance fund and the Fund for Investor Education and the Promotion of Good Governance.

FINANCIAL SERVICES COMPENSATION FUND

The AMF pays compensation to victims of fraud, fraudulent tactics or embezzlement perpetrated by a person or firm authorized to carry on business under the Act respecting the distribution of financial products and services. A claim must be received within one year of knowledge of the fraud and the maximum compensation per claim is $200,000.

Several major files drew the AMF’s attention in connection with the administration of this fund during fiscal 2007-2008. One example is the Norbourg case, for which the AMF rendered decisions awarding $31,666,983 in compensation to 885 claimants. The AMF compensation decisions for this case gave rise to three challenges, including one suit instituted by one hundred or so claimants.

Also, over one thousand claims related to the Mount Real case were analyzed and considered ineligible, based on the applicable compensation coverage.

In light of these two files, AMF Compensation experienced an exceptional level of claims and compensation payments. As announced, the regulation determining the amount of annual dues levied on firms, independent partnerships and independent representatives on behalf of the compensation fund was therefore amended. The new dues came into effect on January 1, 2008 and will cover the compensation fund deficit over the next four years.
In 2007-2008, other than the files mentioned above:

- 20 claims were allowed, resulting in a total compensation payment of $146,616;
- four claims were dismissed based on applicable compensation rules and 64 applications were considered ineligible at the case assessment stage;
- five civil actions were instituted against fraudulent representatives pursuant to subrogatory recourses launched by the AMF; eight judgments or settlements were issued in favour of the AMF.

In addition, a judgment was rendered by the Court of Appeal in favour of the AMF in a prior lawsuit, confirming that the compensation decisions handled down in 2003 and 2004 were well founded.

Lastly, on March 31, 2008, 150 applications for compensation were still outstanding, 98 of which had passed the initial case assessment stage.

**DEPOSIT INSURANCE FUND**

The AMF guarantees to every person making a deposit in a registered institution that the deposit will be reimbursed in the event of the institution’s insolvency. The maximum deposit insurance coverage is $100,000 per person and per institution.

Guaranteed deposits primarily include deposits held in chequing or savings accounts, term deposits and guaranteed investment certificates. To be guaranteed, deposits must carry a term of five years or less (or be redeemable upon demand five years after the date of deposit), be held in Québec and be payable in Canadian currency.

To fulfill the guarantee, the AMF administers a deposit insurance fund financed through the premiums paid by registered institutions. The balance of the fund totalled approximately $405 million as at March 31, 2008.

As at April 30, 2007, 554 institutions were registered with the AMF under the Deposit Insurance Act and held $71.3 billion in deposits guaranteed by the AMF.
Following a call for projects in November 2007, seven projects were selected by the evaluation committee of the Fund for Investor Education and the Promotion of Good Governance. These projects will share nearly $500,000 to carry out training, education and academic research.

The mandate of the Fund is to support training and research initiatives in three areas of intervention: investor protection, investor education and the promotion of good governance.

Since its inception in May 2004, the Fund has distributed nearly $5 million among 44 projects. A complete list of projects, including their description, is available on the AMF website.

### Table 7

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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial services cooperatives</td>
<td>579</td>
<td>551</td>
<td>533</td>
<td>517</td>
<td>70,349</td>
<td>73,889</td>
<td>77,685</td>
<td>85,038</td>
<td>44,164</td>
<td>52,289</td>
<td>54,385</td>
<td>57,329</td>
</tr>
<tr>
<td>Trust companies and saving companies</td>
<td>39</td>
<td>36</td>
<td>38</td>
<td>37</td>
<td>18,040</td>
<td>17,355</td>
<td>20,385</td>
<td>19,833</td>
<td>13,266</td>
<td>14,137</td>
<td>14,116</td>
<td>13,928</td>
</tr>
<tr>
<td>Total</td>
<td>618</td>
<td>587</td>
<td>571</td>
<td>554</td>
<td>88,389</td>
<td>91,244</td>
<td>98,070</td>
<td>104,871</td>
<td>57,430</td>
<td>66,426</td>
<td>68,501</td>
<td>71,257</td>
</tr>
</tbody>
</table>

1. Based on data available to the AMF as at March 31, 2008.

**FUND FOR INVESTOR EDUCATION AND THE PROMOTION OF GOOD GOVERNANCE**

Following a call for projects in November 2007, seven projects were selected by the evaluation committee of the Fund for Investor Education and the Promotion of Good Governance. These projects will share nearly $500,000 to carry out training, education and academic research.

The mandate of the Fund is to support training and research initiatives in three areas of intervention: investor protection, investor education and the promotion of good governance.

Since its inception in May 2004, the Fund has distributed nearly $5 million among 44 projects. A complete list of projects, including their description, is available on the AMF website.

**Issue 3**

**Mobilize staff**

The scope of the AMF’s mission requires coordination among multidisciplinary teams, particularly in the highly specialized fields of finance, actuarial services, accounting and law.

As such, the AMF seeks to recruit, retain and train staff who are able to deliver quality services. It must therefore offer fair compensation, foster the development of skills and knowledge, and recognize and reward effort and performance.
Recruit, retain and ensure the ongoing professional development of staff in order to deliver quality services

**AREAS OF INTERVENTION**

- Mobilization
- Client service
- Skills management
- Recognition

» Assist managers in preparing and carrying out their sector-based mobilization plans. Groups made up of employees from each sector were invited to discuss how to address issues identified using the first organizational survey conducted in 2006.

» Training of managers in the planning of objectives and performance monitoring. Review of key skills of employees and managers.

» Preparation of an inventory of training and development needs for 2007-2008 and optimization of the process of identifying and analyzing training needs.

**ISSUE 4  OPTIMIZE PERFORMANCE**

In view of its functions as a mandatary of the State, the AMF must establish procedures and adopt tools to ensure that its activities and accountability reporting are carried out in a thorough manner.

In order to ensure the sound management of its activities, the AMF has adopted principles and practices under a corporate governance framework which are updated as necessary. It must also ensure that staff fully understand the scope of these principles and practices.
Manage the governance framework

AREAS OF INTERVENTION

• Active listening to stakeholders and ensuring their satisfaction
• Governance and management

▶ Identification of the AMF’s strategic risks, design of methods, tools and risk management process, and establishment of a related management team.

▶ Definition of the corporate architecture and framework relating to the governance of technology, and development of a supply strategy in order to deliver the best business solution.

▶ Development of a technological infrastructure adapted to the AMF’s needs.

▶ Implementation of activity-based costing for the purpose of allocating administrative expenses and invoicing.

▶ Adoption of a policy pertaining to the preventive management of conflicts of interest.
HUMAN RESOURCES

As at March 31, 2008, the AMF had 592 regular and budgeted staff positions, 563 of which were filled. During the period from April 1, 2007 to March 31, 2008, 81 regular employees were hired.

CODES OF ETHICS AND PROFESSIONAL CONDUCT FOR THE PRESIDENT AND CHIEF EXECUTIVE OFFICER AND OTHER PUBLIC OFFICE HOLDERS

During the period from April 1, 2007 to March 31, 2008, the AMF did not deal with any case involving the breach by its public office holders of the codes of ethics and professional conduct.

In 2004-2005, the AMF adopted two codes of ethics and professional conduct. One applies to the President and Chief Executive Officer and the other to all staff, including members who are public office holders. It should be noted that, within the AMF, the President and Chief Executive Officer, the Executive Vice-President, the Superintendents, the Corporate Secretary and the Executive Directors are considered to be public office holders.

The Code of ethics and professional conduct for the President and Chief Executive Officer of the Autorité des marchés financiers and the Code of ethics and professional conduct for staff members of the Autorité des marchés financiers are available on the AMF website (www.lautorite.qc.ca). Copies are also available by contacting the Information Centre.

LANGUAGE POLICY

The AMF applies a francization program approved by the Office québécois de la langue française. The members of its language committee provide feedback and advice to staff members with a view to its consistent application.

ACCESS TO INFORMATION

As at March 31, 2008, the AMF had processed 224 requests for access to information under the Act respecting access to documents held by public bodies and the protection of personal information.

1. Under paragraphs 3 and 4 of section 3.0.2 of the Act respecting the Ministère du Conseil exécutif, a government agency or corporation must ensure public access to its code of ethics and publish it in its annual report. It must also state the number of cases dealt with and the follow-up thereon and set out any breaches determined during the year by the disciplinary authorities, their decisions, any penalties imposed by them and the names of any public office holders revoked or suspended during the year.
PROTECTION OF PERSONAL INFORMATION OF CLIENTS

Under the Act respecting the distribution of financial products and services, registered representatives and firms must protect the personal information they hold regarding clients. Inspections carried out by the AMF enable it to confirm compliance with this obligation, and in particular whether:

- files containing personal information are kept under lock and key;
- the methods for disposing of files and for entering and storing data electronically are appropriate;
- insurance files are maintained separately from other files;
- client data at multidisciplinary firms are used solely for the purposes for which they were collected;
- representatives are able to meet clients in a location where confidentiality is assured.
APPENDIX

Report on regulatory activities relating to the Securities Act, required under section 335.1 for the period ended March 31, 2008
REGULATIONS BROUGHT INTO FORCE IN 2007-2008

REGULATION 11-102 RESPECTING PASSPORT SYSTEM

DESCRIPTION
Regulation 11-102 respecting Passport System (Regulation 11-102) constitutes the second phase of the proposed passport system promoted by the provincial and territorial governments, excluding the government of Ontario, which signed the Provincial-Territorial Memorandum of Understanding Regarding Securities Regulation in September of 2004.

It is intended to implement a system in the principal areas of securities regulation (prospectuses, discretionary exemptions and continuous disclosure) through which market participants can gain access to the capital markets of several jurisdictions while dealing only with their principal regulator and complying with the provisions of one set of harmonized laws.

Regulation 11-102 will be amended to integrate registration when draft Regulation 31-103 respecting Registration Requirements is implemented, which is expected to take place in 2009.

IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
Regulation 11-102 further simplifies the securities regulatory system for issuers whose securities trade in various Canadian jurisdictions, by providing them with a single window of access to the Canadian markets. It also eliminates the professional costs related to the involvement of several regulators and the need to comply with different regulatory provisions. Also, the implementation of Policy Statement 11-202 respecting Process for Prospectus Reviews in Multiple Jurisdictions and Policy Statement 11-203 respecting Process for Exemptive Relief Applications in Multiple Jurisdictions, which provide means of interacting with Ontario, make securities regulation more effective and as efficient as possible under the circumstances for all market participants who seek to access the financial markets in jurisdictions under the passport system as well as in Ontario.

CONCORDANT REGULATIONS
- Regulation to amend Regulation 11-101 respecting Principal Regulator System;
- Regulation to amend National Instrument 14-101, Definitions;
- Regulation to amend Regulation 58-101 respecting Disclosure of Corporate Governance Practices;
- Regulation to amend Regulation 81-104 respecting Commodity Pools.

DATE OF COMING INTO FORCE
March 17, 2008

DATE OF PUBLICATION IN THE AMF BULLETIN
March 14, 2008
REGULATION 31-102 RESPECTING NATIONAL REGISTRATION DATABASE AND REGULATION 33-109 RESPECTING REGISTRATION INFORMATION

DESCRIPTION
The purpose of Regulation 31-102 respecting National Registration Database is to set out the obligations respecting the presentation of information for electronic registration using the National Registration Database. Regulation 33-109 respecting Registration Information is intended to revise and harmonize the rules for presenting and updating information concerning registration.

These regulations, which are harmonized across Canada, replace the following two regulations which were in force in Québec since January 1, 2005:

> Regulation 31-102Q respecting the National Registration Database (approved by Ministerial Order No. 2004-05 dated December 2, 2004);

In the harmonization process, certain amendments were made:

> the expression “non-registered individual” was replaced by the expression “permitted individual” to clarify the position of these persons with respect to the AMF by indicating that they must be permitted;
> the deadlines for registrants to submit the following were altered:
  - filing of the form for permitted individuals;
  - notice with respect to the change in auditor or financial year-end;
  - change of employment information;
  - change of personal information and proficiency.

IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
The amendments are minor and are intended for administrative purposes only.

CONCORDANT REGULATIONS
None

DATE OF COMING INTO FORCE
July 11, 2007

DATE OF PUBLICATION IN THE AMF BULLETIN
July 13, 2007
**REGULATION 41-101 RESPECTING GENERAL PROSPECTUS REQUIREMENTS**

**DESCRIPTION**
*Regulation 41-101 respecting General Prospectus Requirements* (Regulation 41-101) is a Canada-wide reform of the general prospectus requirements.

**IMPACT ON THE SECURITIES MARKET AND ON INVESTORS**
Regulation 41-101 and the consequential amendments represent an additional step toward harmonization of prospectus and disclosure requirements across Canada. The amendments primarily pertain to issuers, including investment funds, that use a prospectus in the regular form to distribute securities, as well as investors who purchase those securities. Thanks to harmonization across Canada and the reform of the general prospectus requirements, the transaction costs for issuers that distribute securities in more than one jurisdiction will decline.

**CONCORDANT REGULATIONS**
- Regulation to amend National Instrument 14-101, Definitions;
- Regulation to amend Regulation 44-101 respecting Short Form Prospectus Distributions;
- Regulation to amend Regulation 44-102 respecting Shelf Distributions;
- Regulation to amend Regulation 44-103 respecting Post-Receipt Pricing;
- Regulation to amend Regulation 45-101 respecting Rights Offerings;
- Regulation to amend Regulation 51-102 respecting Continuous Disclosure Obligations;
- Regulation to amend Regulation 81-101 respecting Mutual Fund Prospectus Disclosure;
- Regulation to amend Regulation 81-102 respecting Mutual Funds;
- Regulation to amend Regulation 81-104 respecting Commodity Pools;
- Regulation to repeal Regulation Q-28 respecting General Prospectus Requirements;
- Regulation to repeal Regulation No. 14 respecting Acceptability of Currencies in Material Filed with Securities Regulatory Authority;
- Regulation to repeal National Policy No. 21 National Advertising – Warnings;
- Regulation to amend the Securities Regulation;
- Regulation to amend Regulation 14-501Q on Definitions;
- Regulation to repeal Regulation Q-2 respecting Real Estate Financings;
- Regulation to repeal Regulation Q-3 respecting Options;
- Regulation to amend Regulation Q-17 respecting Restricted Shares;
- Regulation to repeal Regulation Q-18 respecting Additional Information for Disclosure in Prospectus of Deposit-Taking Issuers;
- Regulation to repeal Regulation Q-25 respecting Real Estate Mutual Funds.
DATE OF COMING INTO FORCE
March 17, 2008

DATE OF PUBLICATION IN THE AMF BULLETIN
March 14, 2008

REGULATION TO AMEND REGULATION 51-101 RESPECTING STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

DESCRIPTION
The Regulation to amend Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities is an initiative of the CSA. Its purpose is to update Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities in force since September 2003 in the other Canadian jurisdictions and in Québec since August 2005.

Several amendments require more complete information when an issuer governed by the Securities Act refers to its resources or reserves. Several irritants encountered by CSA staff since the regulation was implemented have been eliminated to improve management of the regulation.

IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
The Regulation to amend Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities gives investors more complete information while eliminating certain filing requirements considered to be burdensome for issuers and of little use to security holders.

CONCORDANT REGULATIONS
None

DATE OF COMING INTO FORCE
December 28, 2007

DATE OF PUBLICATION IN THE AMF BULLETIN
January 11, 2008

REGULATION TO AMEND REGULATION 51-102 RESPECTING CONTINUOUS DISCLOSURE OBLIGATIONS

DESCRIPTION
Regulation 51-102 respecting Continuous Disclosure Obligations (Regulation 51-102) defines the obligations of reporting issuers other than investment funds with respect to financial statements, the MD&A, the annual information form, disclosure of material changes, information circulars, disclosure regarding restricted securities and other continuous disclosure matters.

IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
The amendments to Regulation 51-102 are intended to:

- simplify the obligation imposed on directors, executive officers and major shareholders to report cease trade and other similar orders issued against the other companies with which they have had relationships in order to improve the quality of disclosure;

- update requirements respecting future-oriented financial information.
CONCORDANT REGULATIONS

- Regulation to amend Regulation Q-28 respecting General Prospectus Requirements;
- Regulation to amend Regulation 52-110 respecting Audit Committees;
- Regulation to amend Regulation 58-101 respecting Disclosure of Corporate Governance Practices;
- Regulation to amend Regulation 52-107 respecting Acceptable Accounting Principles, Auditing Standards and Reporting Currency;
- Regulation to amend Regulation 52-109 respecting Certification of Disclosure in Issuers’ Annual and Interim Filings;
- Regulation to amend Regulation 71-102 respecting Continuous Disclosure and Other Exemptions Relating to Foreign Issuers;
- Regulation to amend Regulation 44-101 respecting Short Form Prospectus Distributions;
- Regulation to amend Regulation 45-101 respecting Rights Offerings;
- Regulation to amend Regulation 45-106 respecting Prospectus and Registration Exemptions;
- Regulation to repeal Regulation Q-11 respecting Future-Oriented Financial Information;
- Regulation to repeal National Policy No. 48, Future-Oriented Financial Information;
- Regulation to amend the Securities Regulation;
- Amendment of National Policy 51-201, Disclosure Standards;
- Amendment of Policy Statement 41-201 Respecting Income Trusts and Other Indirect Offerings.

DATE OF COMING INTO FORCE
December 31, 2007

DATE OF PUBLICATION IN THE AMF BULLETIN
January 11, 2008

REGULATION TO AMEND REGULATION 55-101 RESPECTING INSIDER REPORTING EXEMPTIONS

DESCRIPTION
Regulation 55-101 respecting Insider Reporting Exemptions (Regulation 55-101) and the companion policy statement provide insider reporting exemptions from the requirement prescribed by Canadian securities legislation, where the requirement is not normally justified.
IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
The Regulation to amend Regulation 55-101 is intended primarily to clarify certain provisions of Regulation 55-101 and to simplify the requirements under the Regulation.

CONCORDANT REGULATIONS
None

DATE OF COMING INTO FORCE
September 10, 2007

DATE OF PUBLICATION IN THE AMF BULLETIN
September 7, 2007

REGULATION 62-104 RESPECTING TAKE-OVER BIDS AND ISSUER BIDS
AND REGULATION 61-101 RESPECTING PROTECTION OF MINORITY SECURITY HOLDERS IN SPECIAL TRANSACTIONS

DESCRIPTION
Regulation 62-104 respecting Take-Over Bids and Issuer Bids (Regulation 62-104) is intended to harmonize the provisions related to take-over bids and issuer bids as well as those related to the early warning system in Canada, including the adoption of such provisions by jurisdictions that do not regulate such bids.

Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions (Regulation 61-101) is intended primarily to harmonize and consolidate in a single text Québec and Ontario rules applicable to take-over bids made by insiders, issuer bids, business combinations and related party transactions.

IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
Offerors seeking to make a take-over or issuer bid concurrently in several jurisdictions must be familiar with the rules of each jurisdiction where security holders of the target issuer are located, and must therefore consult the multitude of laws and regulations in force. With Regulation 62-104, offerors and other market participants generally have to comply with only one set of take-over and issuer bid requirements and restrictions in Canada.

Regulation 61-101 creates a single, harmonized text that will apply to the transactions concerned both in Québec and Ontario.

CONCORDANT REGULATIONS
- Regulation to amend Regulation 62-103 respecting the Early Warning System and Related Take-Over Bid and Insider Reporting Issues;
- Regulation to repeal Regulation Q-27 respecting Protection of Minority Securityholders in the Course of Certain Transactions;
- Regulation to amend the Securities Regulation.
DATE OF COMING INTO FORCE
February 1, 2008

DATE OF PUBLICATION IN THE AMF BULLETIN
February 1, 2008

IMPORTANT DRAFT REGULATIONS

DRAFT REGULATION TO AMEND REGULATION 11-102 RESPECTING PASSPORT SYSTEM

DESCRIPTION
The draft Regulation to amend Regulation 11-102 respecting Passport System (Regulation to amend 11-102) will incorporate the registration segment to the passport system, in effect since March 17, 2008 with respect to prospectuses, discretionary exemptions and continuous disclosure.

IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
The Regulation to amend 11-102 will further simplify the securities regulatory system by giving registrants access to clients in multiple jurisdictions by dealing only with their principal regulator and meeting the requirements of one set of harmonized laws. It will also eliminate the professional costs related to the involvement of several securities authorities and compliance with different regulatory provisions. In addition, the implementation of Policy Statement 11-204 respecting Process for Registration in Multiple Jurisdictions, which will provide for interfaces with Ontario, will make the regulatory system as effective and efficient as possible in the circumstances for all market participants who want to register in the passport jurisdictions and Ontario.

CONCORDANT REGULATIONS
Draft Regulation to repeal Regulation 31-101 respecting National Registration System.

DATE OF PUBLICATION IN THE AMF BULLETIN (FOR COMMENT)
July 18, 2008

END OF COMMENT PERIOD
September 18, 2008
DESCRIPTION
Given the introduction of new markets on which the same securities are traded, a proposal for orientation and specific regulatory measures was made in order to foster price formation, liquidity, competition, innovation, market integrity and fairness.

To do so, the CSA proposal, including amendments to Regulation 21-101 respecting Marketplace Operation and draft Regulation 23-101 respecting Trading Rules, pertains to the trade-through obligations, best execution and market access.

IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
In a context of market proliferation, there are discrepancies in the application of the current rules to market participants. For example, the current Universal Market Integrity Rule (UMIR) pertaining to trade-through obligations (the requirement to fill an order at the best price) only applies to dealers. As certain new markets provide direct access to subscribers who are not dealers, some participants are not currently subject to any trade-through obligations.

The proposal sets out the orientation under consideration at this time, although the issue is not yet fully resolved. There are various points of view and, before publishing draft rules or specific regulations, the regulatory authorities wish to solicit comments about the proposed orientation. The basic principle is that the requirement to avoid trade-throughs is a duty of all market participants toward the market in general. As a result, the proposed framework is designed to protect all visible, immediately accessible, better priced limit orders on all markets. To this end, the markets would be required to set up, maintain and enforce policies and procedures which would be reasonably designed to prevent the execution of trades at a price lower than that of a visible order on any market.

With respect to best execution, innovations and new facts have changed how markets compete. Competition no longer takes place only with respect to price, but also in terms of speed, trade certainty and the overall cost of the trade, for example, and obligations must therefore be updated to take the current context into account. The proposal sets out a new definition of best execution and the resulting obligation, as well as its application to dealers and advisers. It also proposes new reporting on trade execution and quality, in order to increase the transparency of certain information and facilitate the assessment of execution quality and compliance.

Lastly, direct market access is no longer limited to dealers. Participants who are not dealers are subject to different systems depending on the method used to access a market. The proposal is designed to even out existing differences. It is also important to clarify the obligations of all parties: markets, dealers (whether as members of an exchange or subscribers of an alternative trading system) and participants sponsored by a Canadian or foreign dealer. As well, under the proposal, certain training obligations apply to participants sponsored by a dealer.
The CSA expect to publish the final amendments to these regulations with respect to the best trade execution requirement for dealers and advisers in June 2008. Subsequently, probably in the fall of 2008, a draft regulation pertaining to trade-through obligations will be published for comment. The regulation of sponsored access to the markets will also be the subject of a consultation.

CONCORDANT REGULATIONS
None

DATE OF PUBLICATION IN THE AMF BULLETIN (FOR COMMENT)
April 20, 2007

END OF COMMENT PERIOD
July 19, 2007

DRAFT REGULATION 23-102 RESPECTING USE OF CLIENT BROKERAGE COMMISSIONS AS PAYMENT FOR ORDER EXECUTION SERVICES OR RESEARCH SERVICES

DESCRIPTION
The draft regulation governing the use of brokerage commissions by securities advisers sets out the general characteristics of the products and services which may be paid for through brokerage commissions and defines the disclosure obligations of securities advisers with respect to the use of brokerage commissions.

IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
The draft regulation has four objectives:

- Ensure that investors have more information on their securities adviser’s practices with respect to indirect payments through brokerage commissions;
- Harmonize the CSA rules governing goods and services payable using commissions and take account of the evolution of foreign rules;
- Clarify the goods and services that advisers can pay for through commissions, in order to assess the actual management fees;
- Foster understanding that brokerage commissions actually benefit those who pay the commissions.

Achieving these objectives should lessen problems and the frequency of problems associated with indirect payments using commissions in compliance reviews, reduce the number of requests for information from market participants about authorized goods and services, and improve investor information.

There is currently a policy statement in Ontario and a regulation in Québec which set out guidelines for agreements on indirect payments using commissions and the information to be provided about them. It is believed that the current guidelines are not clear enough for market participants and do not sufficiently protect investors against the conflicts of interest inherent in such agreements.
CONCORDANT REGULATIONS

Draft Regulation to repeal Policy Statement Q-20: Use by Dealers of Brokerage Commissions as Payment for Goods or Services Other Than Order Execution Services (“Soft Dollar” Deals)

DATE OF PUBLICATION IN THE AMF BULLETIN (FOR COMMENT)

January 11, 2008

END OF COMMENT PERIOD

April 10, 2008

DRAFT REGULATION 31-103 RESPECTING REGISTRATION REQUIREMENTS

DESCRIPTION

Draft Regulation 31-103 respecting Registration Requirements (Regulation 31-103) gives effect to the proposed registration reform in respect of dealers and advisers, an initiative which began in 2005. The second draft Regulation 31-103 was published for comment by the CSA until May 29, 2008, following the first consultation from February 20, 2007 to June 30, 2007.

The principal provisions of the draft Regulation submitted for comment are:

- A new registration system for investment fund managers, an anticipated portion of the oversight framework for the mutual fund sector;
- New registration categories for firms;
- New registration categories for representatives;
- New harmonized rules regarding fit and proper requirements, namely, the proficiency of representatives and the solvency of firms (new obligations with respect to regulatory capital and insurance);
- New harmonized rules of conduct dealing with several elements pertaining to the internal governance of firms in all categories (except for managers); the respective roles of the ultimate designated person and the chief compliance officer are specified; all conflict of interest rules are consolidated and modernized; the complaint examination rules are based on the Québec system;
- Simplified rules for the suspension of firms and representatives, based on the Québec model;
- Consolidation of most of the registration exemptions in a single regulatory text.

Regulation 31-103 will be the principal regulatory text governing registration. However, the regulations related to the National Registration Database (NRD) also apply to registrants. Those regulations are the following:

- Regulation 31-102 respecting National Registration Database;
- Regulation 33-109 respecting Registration Information.
These regulations were fully harmonized across Canada on July 11, 2007. Draft amendments to these two regulations, as a complement to Regulation 31-103, were also published for comment on February 29, 2008. The new regulations on the NRD are expected to come into force at the same time as Regulation 31-103.

**IMPACT ON THE SECURITIES MARKET AND ON INVESTORS**

In Québec, registration reform will have major impacts on the legislative and regulatory framework governing mutual fund (group savings) firms and representatives, because it is part of efforts toward harmonization. Currently, the group savings plan brokerage sector, the scholarship plan brokerage sector and the investment contract brokerage sector are governed by the Act respecting the distribution of financial products and services (Distribution Act).

Under that statute, firms are required to contribute to the Fonds d'indemnisation des services financiers (financial services compensation fund) and representatives are required to be members of the Chambre de la sécurité financière (CSF). The Distribution Act gives the status of a self-regulatory organization (SRO) to the CSF, which oversees the discipline, training and ethical conduct in respect of representatives. Outside Québec, mutual fund dealers must be members of the Mutual Fund Dealers Association of Canada (MFDA), which is a group savings SRO.

In February and September 2007, the AMF conducted an extensive consultation of mutual fund dealers and other interested parties in Québec regarding the recognition of a mutual fund SRO in this province and the most effective means for harmonizing the rules. The AMF met with several stakeholders in this sector, including the various organizations concerned, in order to properly identify the issues and impacts related to this reform on the regulatory framework in Québec. Following this consultation, the new regulatory framework for mutual fund dealers in Québec would be the following:

- Mutual fund firms and their representatives, which are now governed by the Distribution Act, would henceforth be governed by the Québec Securities Act and become mutual fund dealers;
- mutual fund dealers registered in Québec would not be required to be members of the MFDA and would remain under the direct supervision of the AMF;
- they would have to take out liability insurance, as is currently the case;
- the representatives of mutual fund dealers and scholarship fund dealers would still be required to be members of the CSF;
- no change would be made to the obligation to contribute to the financial services compensation fund for dealers in mutual fund and scholarship plans.

The AMF is also proposing a regulation for adopting the MFDA rules which are not incompatible with the requirements related to liability insurance, CSF membership and compensation fund contributions. This regulation is expected to apply on the second anniversary of the coming into force of Regulation 31-103.

**CONCORDANT REGULATIONS**

- Draft Regulation to amend the Securities Regulation, Title V;
- Draft Regulation to repeal Regulation 11-101 respecting Principal Regulator System;
- Draft Regulation to amend Regulation 14-101 respecting Definitions;
Draft Regulation to repeal National Instrument 33-102: Regulation of Certain Registrant Activities;

Draft Regulation to amend Regulation 33-105 respecting Underwriting Conflicts;

Draft Regulation to amend Regulation 81-102 respecting Mutual Funds;

Draft Regulation to amend Regulation 81-107 respecting Independent Review Committee for Investment Funds;

Draft Regulation to repeal Policy Statement Q-9: Dealers, Advisers and Representatives;

Draft Regulation to amend Regulation Q-17 respecting Restricted Shares;

Regulation respecting the Issuance and Renewal of Representatives’ Certificates (will be amended by the draft legislation related to registration);

Regulation respecting the Pursuit of Activities as a Representative (will be amended by the draft legislation related to registration);

Regulation respecting Information to Be Provided to Consumers (will be amended by the draft legislation related to registration);

Regulation respecting the Registration of Firms, Representatives and Independent Partnerships (will be amended by the draft legislation related to registration);

Regulation respecting Firms, Independent Representatives and Independent Partnerships (will be amended by the draft legislation related to registration);

Regulation respecting the Keeping and Preservation of Books and Registers (will be amended by the draft legislation related to registration);

Regulation respecting Brokerage Activities in Connection with Loans Secured by Immovable Hypothec (will be amended by the draft legislation related to registration);

Regulation on Securities Certification and Certain Securities Practices (will be repealed by the draft legislation related to registration);

Regulation respecting Practice in the Securities Field (will be repealed by the draft legislation related to registration);

Regulation respecting the Trust Accounts and Financial Resources of Securities Firms (will be repealed by the draft legislation related to registration);

Regulation respecting the Rules of Ethics in the Securities Sector (will be repealed by the draft legislation related to registration).

DATE OF PUBLICATION IN THE AMF BULLETIN (FOR COMMENT)
February 29, 2008

END OF COMMENT PERIOD
May 29, 2008
DRAFT REGULATION TO AMEND REGULATION 45-102 RESPECTING RESALE OF SECURITIES

DESCRIPTION
Regulation 45-102 respecting Resale of Securities sets out conditions for the resale of securities purchased under a prospectus exemption.

IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
The draft regulation amends the obligations respecting the information to be included, in order to improve efficiency where a purchaser does not receive a certificate. Proposed amendments also state that a person participating in a control position (or any other person required to file the notice prepared in accordance with Form 45-102F1) cannot have concurrent notices covering the same securities.

CONCORDANT REGULATIONS
None

DATE OF PUBLICATION IN THE AMF BULLETIN (FOR COMMENT)
February 29, 2008

END OF COMMENT PERIOD
May 30, 2008

PROPOSED REPLACEMENT OF REGULATION 45-106 RESPECTING PROSPECTUS AND REGISTRATION EXEMPTIONS

DESCRIPTION
Regulation 45-106 respecting Prospectus and Registration Exemptions (Regulation 45-106) sets out several harmonized prospectus and registration exemptions available throughout Canada. It harmonized and consolidated several exemptions from prospectus and registration requirements previously included in various securities regulations.

It is proposed that the current regulation be replaced in order to clarify and simplify certain provisions and codify the discretionary exemptions granted.

In order to implement Regulation 31-103 respecting Registration Requirements (Regulation 31-103), it is proposed to restructure the current Regulation 45-106 in order to make the prospectus exemptions set out in Part 2 independent of the dealer registration exemptions, also set out in Part 2. Also proposed is the addition of a provision to the new Regulation 45-106 for the purpose of making null and void the registration exemptions available in most jurisdictions and a provision maintaining those registration exemptions in certain cases in British Columbia and Manitoba following the coming into force of Regulation 31-103.

IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
The new Regulation 45-106 is expected to be easier to apply and will be linked to the future Regulation 31-103. Certain proposed amendments will also be better adapted.
CONCORDANT REGULATIONS

Draft Regulation to amend Regulation 51-102 respecting Continuous Disclosure Obligations

DATE OF PUBLICATION IN THE AMF BULLETIN (FOR COMMENT)
February 29, 2008

END OF COMMENT PERIOD
May 29, 2008

DRAFT REGULATION TO AMEND REGULATION 51-102 RESPECTING CONTINUOUS DISCLOSURE OBLIGATIONS

DESCRIPTION
The proposed executive compensation form will replace existing Form 51-102F6, Statement of Executive Compensation.

IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
The purpose of the texts related to executive compensation is to improve the quality and transparency of executive compensation disclosure. Greater transparency will enable users to assess the process by which corporate compensation decisions are made. It will also provide insight into a key aspect of a company’s management and governance.

CONCORDANT REGULATIONS
None

DATE OF PUBLICATION IN THE AMF BULLETIN (FOR COMMENT)
February 22, 2008

END OF COMMENT PERIOD
April 22, 2008

DRAFT REPEAL AND REPLACEMENT OF REGULATION 52-109 RESPECTING CERTIFICATION OF DISCLOSURE IN ISSUERS’ ANNUAL AND INTERIM FILINGS

DESCRIPTION
Regulation 52-109 respecting Certification of Disclosure in Issuers’ Annual and Interim Filings (Regulation 52-109) has been in force since June 30, 2005.

An initial draft repeal and replacement of Regulation 52-109 was published for comment in February 2005, as a corollary to draft Regulation 52-111 respecting Reporting on Internal Control over Financial Reporting.
Following this consultation, the CSA decided not to bring Regulation 52-111 into force but, instead, to add requirements regarding the internal control over financial reporting of issuers in a second draft Repeal and Replacement of Regulation 52-109, which was published for comment on March 30, 2007.

The following are the new requirements, as proposed in 2007:

- The chief executive officer and the chief financial officer (certifying officers) will be required to certify that they have evaluated the effectiveness of the issuer’s internal control over financial reporting (ICFR) at the financial year-end. They will also be required to cause the issuer to disclose in its annual MD&A their conclusions about the effectiveness of ICFR, including a description of the ICFR evaluation process used, a description of any reportable deficiency relating to the operation of ICFR existing at the financial year-end, as well as the issuer’s plans, if any, to remediate any such reportable deficiency;

- For any reportable deficiency relating to design of ICFR that existed at the end of the period to which the certificate relates, the issuer will be required to disclose in its MD&A a description of the reportable deficiency, a description of the remediation plan to address the reportable deficiency and the completion date or expected completion date of the remediation plan;

- Certifying officers will be required to certify that they have disclosed to the issuer’s auditors, board of directors and audit committee any fraud that involves management or other employees which was uncovered during their most recent ICFR evaluation.

Following comments received during the consultation on the second draft, the CSA made major changes to the texts published in March 2007. The draft Repeal and Replacement of Regulation 52-109 was therefore published for comment for the third time on April 18, 2008.

The main changes are the following:

- There is a new form of certificate for venture issuers called a “venture issuer basic certificate”; it does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and ICFR (accordingly, venture issuers are no longer required to periodically evaluate their controls or include representations relating thereto in their MD&A);

- The threshold for reporting a weakness in ICFR is a “material weakness” rather than the previous concept of “reportable deficiency” (the definition of “material weakness” is the same as the corresponding U.S. definition);

- Issuers will no longer be required to remediate a material weakness in design, but they will have to disclose any plan to remediate a material weakness.

The new requirements proposed in this third draft Regulation to repeal and replace Regulation 52-109 would apply for periods ended on or after December 15, 2008.
IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
This third draft Regulation to repeal and replace Regulation 52-109 will help maintain and strengthen investor confidence in the financial markets by introducing more transparent requirements with respect to the evaluation of the effectiveness of the internal control of reporting issuers other than investment funds while maintaining an acceptable cost/benefit relationship for issuers.

On November 23, 2007, the AMF published Decision No. 2007-PDG-0203 allowing venture issuers to file “venture issuer basic certificates” (as proposed in the new draft Regulation), rather than “full” certificates (as required under the current Regulation 52-109), for accounting periods ending on or after December 31, 2007.

CONCORDANT REGULATIONS

Draft Regulation to amend Regulation 51-102 respecting Continuous Disclosure Obligations

DATE OF PUBLICATION IN THE AMF BULLETIN (FOR COMMENT)
April 18, 2008

END OF COMMENT PERIOD
June 17, 2008

DRAFT REGULATION 55-104 RESPECTING INSIDER REPORTING REQUIREMENTS AND EXEMPTIONS

DESCRIPTION
Draft Regulation 55-104 respecting Insider Reporting Requirements and Exemptions (Regulation 55-104) will define the obligations of insiders with respect to insider reporting requirements and set out applicable exemptions. It will combine and amend the obligations currently contained in Regulation 55-101 respecting Insider Reporting Exemptions and Regulation 55-103 respecting Insider Reporting for Certain Derivative Transactions (Equity Monetization). These two regulations will be repealed when Regulation 55-104 comes into force.

IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
Regulation 55-104 is intended to combine and simplify insider reporting requirements. It will also include requirements related to equity monetization. It will clarify certain provisions and codify certain discretionary exemptions which the CSA, including the AMF, may have granted.

CONCORDANT REGULATIONS

Draft Regulation to repeal Regulation 55-101 respecting Insider Reporting Exemptions;

Draft Regulation to repeal Regulation 55-103 respecting Insider Reporting for Certain Derivative Transactions (Equity Monetization).

DATE OF PUBLICATION IN THE AMF BULLETIN (FOR COMMENT)
The date of publication has not yet been determined.

END OF COMMENT PERIOD
The comment period has not yet been determined.
DRAFT REGULATION TO AMEND REGULATION 81-106 RESPECTING INVESTMENT FUND CONTINUOUS DISCLOSURE

DESCRIPTION
Regulation 81-106 respecting Investment Fund Continuous Disclosure (Regulation 81-106) defines the obligations of investment funds which are reporting issuers and mutual funds with respect to financial statements, financial disclosure requirements, management reports of fund performance, delivery and presentation of financial statements and management reports of fund performance, quarterly portfolio disclosure, independent evaluations respecting labour or venture capital funds, information circulars, proxy voting disclosures with respect to portfolio securities, material change reporting, proxies and proxy solicitation, change of auditor disclosure as well as the calculation of net asset value and management expense ratio.

IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
The purpose of the draft Regulation to amend Regulation 81-106 is to change the obligations relating to the calculation of net asset value following the introduction of CICA Handbook section 3855, Financial Instruments – Recognition and Measurement, and to clarify or correct certain provisions and codify certain discretionary exemptions which the CSA, including the AMF, may have granted.

CONCORDANT REGULATIONS
- Draft Regulation to amend Regulation 81-101 respecting Mutual Fund Prospectus Disclosure;
- Draft Regulation to amend Regulation 81-102 respecting Mutual Funds;
- Draft Regulation to amend Regulation 41-101 respecting General Prospectus Requirements.

DATE OF PUBLICATION IN THE AMF BULLETIN (FOR COMMENT)
June 1, 2007

END OF COMMENT PERIOD
August 31, 2007
PROPOSED FRAMEWORK 81-406, POINT OF SALE DISCLOSURE FOR MUTUAL FUNDS AND SEGREGATED FUNDS

The Joint Forum of Financial Market Regulators (Joint Forum) has recommended the harmonization of the rules related to mutual funds with those related to individual variable insurance contracts (IVICs) or segregated funds.

Among the recommendations, the Joint Forum believes it is necessary to regulate the early disclosure of information. These intentions are reflected in a document entitled “Proposed Framework 81-406, Point of Sale Disclosure for Mutual Funds and Segregated Funds” (Proposed Framework) published on June 15, 2007.

The objectives of the Joint Forum were to develop a plain language document which would contain point of sale disclosure for mutual funds and IVICs when that information is the most useful for investors before or at the time of sale. The Joint Forum also wanted to ensure that the rights of mutual fund and IVIC investors were harmonized.

The comment period ended on October 15, 2007 and the Joint Forum received over 87 responses to the request for comment. A joint subcommittee representing the CSA and the Canadian Council of Insurance Regulators (CCIR) is examining the comments and will propose a revised publication of the Proposed Framework in the fall of 2008.

IMPACT ON THE SECURITIES MARKET AND ON INVESTORS

The goal is to give investors a plain language document before or at the time the transaction takes place. Investors will have before them a document containing the most relevant information (costs, returns and risk) in order to make an informed decision. Currently, mutual funds are required to deliver the document within two days following the purchase. The mutual fund industry will therefore have to adapt the current distribution process.

When this proposal is adopted by the CSA and the CCIR, regulatory and/or legislative amendments will be required. In the case of mutual funds, Regulation 81-101 respecting Mutual Fund Prospectus Disclosure will have to be revised and, in the case of IVICs, the guidelines of the Canadian Life and Health Insurance Association (CLHIA) and/or the Regulation respecting the application of the Act respecting insurance will have to be revised to take into account the decisions of the regulatory authorities.

DATE OF PUBLICATION IN THE AMF BULLETIN (FOR COMMENT)

June 15, 2007

END OF COMMENT PERIOD

August 15, 2007
DRAFT REGULATION RESPECTING DEVELOPMENT CAPITAL INVESTMENT FUND CONTINUOUS DISCLOSURE

DESCRIPTION
The draft Regulation respecting Development Capital Investment Fund Continuous Disclosure (Draft Regulation) is intended to modernize the continuous disclosure requirements of the Fonds de solidarité des travailleurs du Québec (FTQ), Fondaction, the Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi and Capital régional et coopératif Desjardins (collectively the “Development Capital Investment Funds”). While furthering the mission of the three Development Capital Investment Funds, the Draft Regulation proposes uniform requirements which are more in line with those set out in Regulation 81-106 respecting Investment Fund Continuous Disclosure (Regulation 81-106) from which the Funds are currently excluded and which have been applied to other investment funds since June 1, 2005.

The Draft Regulation sets out the continuous disclosure obligations of the Development Capital Investment Funds in respect of financial statements, the auditor’s report, the MD&A (Form F1, Content of Management Discussion and Analysis), the statement of development capital investments, the statement of other investments, the index of investments made by the specialized funds, the valuation of development capital investments (Form F2, Certification respecting Valuation of Development Capital Investments), the material change reports, the annual information form (Form F3, Content of Annual Information Form), the delivery of the financial statements and the MD&A, the sending of proxies, and other matters regarding continuous disclosure by the development capital investment funds.

The requirement to set up an independent valuation committee to ensure compliance with the development capital investment valuation procedure and report to the board of directors is undoubtedly the most important new aspect of the proposal.

IMPACT ON THE SECURITIES MARKET AND ON INVESTORS
The draft Regulation allows investors in the Development Capital Investment Funds to receive more complete financial information in order to better monitor their investment. The draft Regulation creates a uniform regulatory framework with respect to financial disclosure for the three funds.

CONCORDANT REGULATIONS
» Draft Regulation to amend the Securities Regulation

DATE OF PUBLICATION IN THE AMF BULLETIN (FOR COMMENT)
March 21, 2008

END OF COMMENT PERIOD
April 21, 2008
FINANCIAL STATEMENTS

Year ended March 31, 2008
<table>
<thead>
<tr>
<th>TABLE OF CONTENTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Management’s report</td>
<td>71</td>
</tr>
<tr>
<td>Auditor’s Report</td>
<td>73</td>
</tr>
<tr>
<td>FINANCIAL STATEMENTS</td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>75</td>
</tr>
<tr>
<td>Accumulated Surplus</td>
<td>76</td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>77</td>
</tr>
<tr>
<td>Cash Flows</td>
<td>78</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>79</td>
</tr>
</tbody>
</table>
The financial statements of the Autorité des marchés financiers (AMF) and the Fonds d’indemnisation des services financiers were drawn up by management, which is responsible for their preparation, presentation and the significant judgments and estimates included therein. This responsibility involves the selection of appropriate accounting policies that comply with Canadian generally accepted accounting principles. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfill its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded on a timely basis and in a manner suitable for preparing reliable financial statements. Management carried out periodic checks to ensure that internal controls are properly, consistently and uniformly applied by the AMF.

The AMF recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it. In this regard, the AMF continues to work in order to determine the management and rate mechanisms in connection with the situation presented in Note 4 to the financial statements.

The Auditor General of Québec has audited the financial statements of the AMF and the Fonds d’indemnisation des services financiers in accordance with Canadian generally accepted auditing standards. His report states the nature and scope of his audit and expresses his opinion. The Auditor General may, without restriction, meet with management to discuss any matter related to the audit.

Jean St-Gelais
President and Chief Executive Officer
Québec City, June 4, 2008

Linda Levasseur
Executive Director, Administration
AUDITOR’S report

To the National Assembly

I have audited the balance sheets of the Autorité des marchés financiers (AMF) and the Fonds d’indemnisation des services financiers as at March 31, 2008 and the statements of income, accumulated surplus and cash flows of the AMF and the statements of income and fund balances of the Fonds d’indemnisation des services financiers for the year ended March 31, 2008. These financial statements are the responsibility of the AMF’s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the AMF and the Fonds d’indemnisation des services financiers as at March 31, 2008 and the results of operations and cash flows of the AMF and the Fonds d’indemnisation des services financiers for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Auditor General Act (R.S.Q. c. V-5.01), I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Renaud Lachance, CA
Auditor General of Québec
Québec City, June 4, 2008
INCOME
For the year ended March 31, 2008

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CURRENT OPERATIONS $</td>
<td>DEPOSIT INSURANCE FUND $</td>
</tr>
<tr>
<td><strong>REVENCES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees, contributions and premiums</td>
<td>72,323,589</td>
<td>12,090,722</td>
</tr>
<tr>
<td>Interest</td>
<td>2,707,228</td>
<td>18,575,815</td>
</tr>
<tr>
<td>Other</td>
<td>1,267,980</td>
<td></td>
</tr>
<tr>
<td>Government of Québec contribution to the fight against tax evasion</td>
<td>825,000</td>
<td></td>
</tr>
<tr>
<td>Settlements and fines</td>
<td>1,231,674</td>
<td></td>
</tr>
<tr>
<td></td>
<td>78,355,471</td>
<td>30,666,087</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>51,074,229</td>
<td>437,253</td>
</tr>
<tr>
<td>Occupancy expenses</td>
<td>4,809,060</td>
<td></td>
</tr>
<tr>
<td>Professional services</td>
<td>9,803,505</td>
<td></td>
</tr>
<tr>
<td>Supplies, documentation and maintenance</td>
<td>1,465,493</td>
<td></td>
</tr>
<tr>
<td>Business expense and reception</td>
<td>1,761,738</td>
<td>5,533</td>
</tr>
<tr>
<td>Communications, information</td>
<td>802,090</td>
<td>279,046</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>460,469</td>
<td></td>
</tr>
<tr>
<td>Contribution to the Bureau de décision et de révision en valeurs mobilières</td>
<td>2,100,000</td>
<td></td>
</tr>
<tr>
<td>Fees related to legislation</td>
<td>950,000</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>2,023,874</td>
<td>11,406</td>
</tr>
<tr>
<td>Amortization of fixed assets</td>
<td>1,994,474</td>
<td></td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>838,556</td>
<td></td>
</tr>
<tr>
<td>Amortization of start-up costs</td>
<td>1,163,126</td>
<td></td>
</tr>
<tr>
<td>Administrative expenses attributed to the Funds (Note 5)</td>
<td>(1,328,652)</td>
<td>418,533</td>
</tr>
<tr>
<td></td>
<td>77,917,962</td>
<td>1,151,771</td>
</tr>
<tr>
<td>Surplus for the year before the following (Note 4)</td>
<td>437,509</td>
<td>29,514,316</td>
</tr>
<tr>
<td>Use of designated fund (Note 7)</td>
<td>(888,843)</td>
<td></td>
</tr>
<tr>
<td>Surplus (deficit) for the year</td>
<td>(451,334)</td>
<td>29,514,316</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
### ACCUMULATED SURPLUS

**For the year ended March 31, 2008**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SURPLUS  $</td>
<td>CONTINGENCY RESERVE  $</td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>22,197,148</td>
<td>33,529,869</td>
</tr>
<tr>
<td>Surplus (deficit) for the year</td>
<td>(451,334)</td>
<td>(451,334)</td>
</tr>
<tr>
<td>Use of designated fund (Note 7)</td>
<td>888,843</td>
<td>(888,843)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>22,634,657</td>
<td>33,529,869</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
### BALANCE SHEET

<table>
<thead>
<tr>
<th></th>
<th>CURRENT OPERATIONS</th>
<th>DEPOSIT INSURANCE FUND</th>
<th>TOTAL</th>
<th>CURRENT OPERATIONS</th>
<th>DEPOSIT INSURANCE FUND</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>7,306,775</td>
<td>2,311</td>
<td>7,309,086</td>
<td>1,720,624</td>
<td>1,743</td>
<td>1,722,367</td>
</tr>
<tr>
<td>Investments (Note 9)</td>
<td>61,636,989</td>
<td>404,518,291</td>
<td>466,155,280</td>
<td>65,832,157</td>
<td>373,999,631</td>
<td>439,831,788</td>
</tr>
<tr>
<td>Accounts receivable (Note 10)</td>
<td>13,394,874</td>
<td>405</td>
<td>13,395,279</td>
<td>15,966,868</td>
<td>1,909,050</td>
<td>17,875,918</td>
</tr>
<tr>
<td>Receivable - Current operations</td>
<td>51,713</td>
<td></td>
<td>51,713</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest receivable</td>
<td>499,135</td>
<td>900,267</td>
<td>1,399,402</td>
<td>1,244,274</td>
<td>1,909,050</td>
<td>3,153,324</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>809,632</td>
<td>1,809</td>
<td>811,441</td>
<td>924,131</td>
<td>922</td>
<td>925,053</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td>83,647,405</td>
<td>405,474,796</td>
<td>489,070,488</td>
<td>85,688,054</td>
<td>375,947,914</td>
<td>461,599,400</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td>7,977,204</td>
<td>13,394,874</td>
<td>21,372,078</td>
<td>10,593,761</td>
<td>10,594,243</td>
<td>21,188,005</td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td>1,495,579</td>
<td>246,000</td>
<td>1,741,579</td>
<td>1,248,276</td>
<td>1,248,276</td>
<td>2,496,852</td>
</tr>
<tr>
<td><strong>Start-up costs</strong></td>
<td>963,446</td>
<td></td>
<td>963,446</td>
<td>2,126,572</td>
<td>2,126,572</td>
<td>4,253,044</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td>100,814,503</td>
<td>405,474,796</td>
<td>506,237,586</td>
<td>97,902,324</td>
<td>375,947,914</td>
<td>473,813,670</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>12,293,684</td>
<td>4,077</td>
<td>12,297,761</td>
<td>10,593,761</td>
<td>482</td>
<td>10,594,243</td>
</tr>
<tr>
<td>Payable – deposit insurance fund</td>
<td>51,713</td>
<td></td>
<td>51,713</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refundable fees and contributions</td>
<td>340,822</td>
<td></td>
<td>340,822</td>
<td>301,835</td>
<td></td>
<td>301,835</td>
</tr>
<tr>
<td>Allowance for vacation time, sick leave and severance benefits (Note 15)</td>
<td>5,014,169</td>
<td></td>
<td>5,014,169</td>
<td>4,516,880</td>
<td></td>
<td>4,516,880</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>7,961,344</td>
<td>1,008,262</td>
<td>8,969,606</td>
<td>7,654,065</td>
<td>999,291</td>
<td>8,653,356</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td>25,661,732</td>
<td>1,012,339</td>
<td>26,622,358</td>
<td>23,103,109</td>
<td>999,773</td>
<td>24,066,314</td>
</tr>
<tr>
<td><strong>Debt</strong></td>
<td></td>
<td></td>
<td>10,593,761</td>
<td>10,594,243</td>
<td>10,594,243</td>
<td>10,594,243</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td>1,244,274</td>
<td>1,909,050</td>
<td>3,153,324</td>
</tr>
<tr>
<td><strong>Long-term portion of allowance for vacation time, sick leave and severance benefits</strong> (Note 15)</td>
<td>7,412,674</td>
<td></td>
<td>7,412,674</td>
<td>6,923,571</td>
<td></td>
<td>6,923,571</td>
</tr>
<tr>
<td><strong>Supplementary pension plan obligation</strong> (Note 15)</td>
<td>315,787</td>
<td></td>
<td>315,787</td>
<td>315,787</td>
<td></td>
<td>315,787</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td>33,390,193</td>
<td>1,012,339</td>
<td>34,350,819</td>
<td>30,026,680</td>
<td>999,773</td>
<td>30,026,680</td>
</tr>
<tr>
<td><strong>NET EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government of Québec contribution</td>
<td>1,000,000</td>
<td></td>
<td>1,000,000</td>
<td>1,000,000</td>
<td></td>
<td>1,000,000</td>
</tr>
<tr>
<td>Accumulated surplus</td>
<td>22,634,657</td>
<td>403,462,457</td>
<td>426,097,114</td>
<td>22,197,148</td>
<td>373,948,141</td>
<td>396,145,289</td>
</tr>
<tr>
<td>Contingency reserve (Note 16)</td>
<td>33,529,869</td>
<td></td>
<td>33,529,869</td>
<td>33,529,869</td>
<td></td>
<td>33,529,869</td>
</tr>
<tr>
<td>Designated fund (Note 7)</td>
<td>11,259,784</td>
<td></td>
<td>11,259,784</td>
<td>12,148,627</td>
<td></td>
<td>12,148,627</td>
</tr>
<tr>
<td><strong>NET EQUITY</strong></td>
<td>67,424,310</td>
<td>403,462,457</td>
<td>470,886,767</td>
<td>67,875,644</td>
<td>373,948,141</td>
<td>441,823,785</td>
</tr>
<tr>
<td><strong>NET EQUITY</strong></td>
<td>67,424,310</td>
<td>404,462,457</td>
<td>471,886,767</td>
<td>67,875,644</td>
<td>374,948,141</td>
<td>442,823,785</td>
</tr>
<tr>
<td><strong>NET EQUITY</strong></td>
<td>100,814,503</td>
<td>404,474,796</td>
<td>506,237,586</td>
<td>97,902,324</td>
<td>375,947,914</td>
<td>473,813,670</td>
</tr>
<tr>
<td><strong>COMMITMENTS AND CONTINGENCIES</strong> (Notes 18 and 19)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.

Jean St-Gelais  
President and Chief Executive Officer  
Autorité des marchés financiers

Linda Levasseur  
Executive Director, Administration  
Autorité des marchés financiers
## Cash Flows

**For the year ended March 31, 2008**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus (deficit) for the year</td>
<td>(451,334)</td>
<td>29,514,316</td>
<td>29,062,982</td>
<td>5,970,796</td>
</tr>
<tr>
<td>Items not affecting cash flows</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of fixed assets</td>
<td>1,994,747</td>
<td>1,994,747</td>
<td>1,883,838</td>
<td>1,883,838</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>838,556</td>
<td>838,556</td>
<td>956,517</td>
<td>956,517</td>
</tr>
<tr>
<td>Amortization of start-up costs</td>
<td>1,163,126</td>
<td>1,163,126</td>
<td>1,159,948</td>
<td>1,159,948</td>
</tr>
<tr>
<td>Loss (gain) on disposal of fixed assets</td>
<td>1,399</td>
<td>1,399</td>
<td>(2,495)</td>
<td>(2,495)</td>
</tr>
<tr>
<td><strong>cash flows related to operating activities</strong></td>
<td>3,546,221</td>
<td>29,514,316</td>
<td>33,060,537</td>
<td>9,968,604</td>
</tr>
</tbody>
</table>

| Change in non-cash operating items |      |      |      |      |
| Accounts receivable | (4,475,860) | (405) | (4,476,265) | (1,051,732) | 335 | (1,051,397) |
| Receivable – deposit insurance fund |      |      |      |      |
| Receivable – current operations |      | (15,145) |      |      | (36,568) |      |
| Interest receivable | 745,139 | 1,008,783 | 1,753,922 | (564,913) | (399,071) | (963,984) |
| Prepaid expenses | 114,499 | (887) | 113,612 | (420,982) | 521 | (420,461) |
| Accounts payable and accrued liabilities | 1,990,405 | 3,595 | 1,994,000 | (205,953) | (187,427) | (393,380) |
| Payable – deposit insurance fund | 15,145 |      |      |      | 36,568 |      |
| Payable – deposit insurance fund |      |      |      |      | (525,180) |      |
| Allowance for vacation time, sick leave and severance benefits | 986,392 |      | 986,392 | 382,076 |      | 382,076 |
| Supplementary pension plan obligation | 315,787 |      | 315,787 |      |      |      |
| Deferred revenue | 307,279 | 8,971 | 316,250 | 556,539 | (568,533) | (11,994) |
| **cash flows related to investing activities** | (8,422,843) | (30,590,379) | (39,013,222) | 363,653 | (28,479,012) | (28,115,359) |

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of investments</td>
<td>(76,311,662)</td>
<td>(30,590,379)</td>
<td>(106,922,041)</td>
<td>(49,156,461)</td>
</tr>
<tr>
<td>Proceeds from disposal of investments</td>
<td>70,101,830</td>
<td>70,101,830</td>
<td>51,714,952</td>
<td>51,714,952</td>
</tr>
<tr>
<td>Additions to fixed assets (Note 20)</td>
<td>(1,070,661)</td>
<td>(1,070,661)</td>
<td>(1,855,570)</td>
<td>(1,855,570)</td>
</tr>
<tr>
<td>Proceeds from disposal of fixed assets</td>
<td></td>
<td></td>
<td>2,495</td>
<td>2,495</td>
</tr>
<tr>
<td>Additions to intangible assets (Note 20)</td>
<td>(1,122,350)</td>
<td>(1,122,350)</td>
<td>(341,763)</td>
<td>(341,763)</td>
</tr>
<tr>
<td><strong>cash flows related to investing activities</strong></td>
<td>(8,422,843)</td>
<td>(30,590,379)</td>
<td>(39,013,222)</td>
<td>363,653</td>
</tr>
</tbody>
</table>

| Net change in cash and cash equivalents | (4,838,849) | (71,151) | (4,910,000) | 8,640,580 | (159,793) | 8,480,787 |
| Cash and cash equivalents, beginning of year | 12,145,624 | 98,486 | 12,244,110 | 3,505,044 | 258,279 | 3,763,323 |
| Cash and cash equivalents, end of year | 7,306,775 | 27,335 | 7,334,110 | 12,145,624 | 98,486 | 12,244,110 |

| Cash and cash equivalents, end of year include: |      |      |      |      |
| Cash | 7,306,775 | 2,311 | 7,309,086 | 1,720,624 | 1,743 | 1,722,367 |
| Investments maturing within three months | 25,024 | 25,024 | 10,425,000 | 96,743 | 10,521,743 |

| 7,306,775 | 27,335 | 7,334,110 | 12,145,624 | 98,486 | 12,244,110 |

The accompanying notes are an integral part of the financial statements.
NOTES TO FINANCIAL STATEMENTS
As at March 31, 2008

1 – INCORPORATION AND MISSION

The Autorité des marchés financiers (the “AMF”) is a legal person and a mandatory of the State, created under the Act respecting the Autorité des marchés financiers (R.S.Q. c. A-33.2), which came into effect on February 1, 2004. Reporting to the Minister of Finance, the AMF is funded by various financial sector stakeholders.

The AMF is the body that administers the regulatory framework governing Québec’s financial sector. On February 1, 2004, it replaced the Bureau des services financiers, the Commission des valeurs mobilières du Québec, the Fonds d’indemnisation des services financiers, the Inspector General of Financial Institutions (financial services only) and the Régie de l’assurance-dépôts du Québec. At that time, it acquired the rights and assumed the obligations of these entities.

The mission of the AMF is to:

- Provide assistance to consumers of financial products and services, in particular by setting up consumer-oriented educational programs on financial products and services, processing complaints filed by consumers and giving consumers access to dispute-resolution services;
- Ensure that the financial institutions and other regulated entities of the financial sector comply with the solvency standards applicable to them as well as with the obligations imposed on them by law with a view to protecting the interests of consumers of financial products and services, and take any measure provided by law for those purposes;
- Supervise the activities connected with the distribution of financial products and services, administer the rules governing eligibility for and the carrying on of those activities and take any measure provided by law for those purposes;
- Supervise stock market and clearing house activities and monitor the securities market, in particular, by administering the controls provided by law as regards access to the public capital market, ensuring that the issuers and other practitioners involved in the financial sector comply with the obligations imposed on them by law and taking any measure provided by law for those purposes;
- See to the implementation of protection and compensation programs for consumers of financial products and services and administer the compensation funds set up by law.
1 – INCORPORATION AND MISSION (cont.)

The AMF administers a deposit insurance fund. Under section 52.2 of the Deposit Insurance Act, any net income accumulated in the deposit insurance fund must be entered as a separate item in any of the AMF’s statements of assets and liabilities and must be listed as being added to or subtracted from the deposit insurance fund. In order to supply complete financial information, the AMF also presents the operations and other asset and liability items of the deposit insurance fund separately. The purpose of this fund, set up under the Deposit Insurance Act (R.S.Q. c. A-26), is to:

- Govern the soliciting and receiving of deposits of money from the public;
- Guarantee to every person who makes a deposit of money with a registered institution the payment, on their respective maturity dates, of the principal and interest on such deposit, up to $100,000;
- Manage a deposit insurance fund;
- Administer a permit system.

Under this Act:

- The deposit insurance fund must be maintained to execute the guarantee obligation and to exercise certain powers. The premiums collected by the fund are paid into it together with any sums the Minister of Finance may, with the authorization of the Government and on such conditions as the latter may determine, pay into it from time to time;
- When the resources of the deposit insurance fund are insufficient for the payment of its obligations or the exercise of its powers, the Minister of Finance, with the authorization of the Government and on such conditions as it determines, may make advances to the fund or guarantee the payment of any of the fund’s commitments. The total unpaid balance of these advances and guaranteed commitments may not exceed $700,000,000.

The AMF also administers a financial services compensation fund called the Fonds d’indemnisation des services financiers, created under section 258 of the Act respecting the distribution of financial products and services, as amended by section 424 of the Act respecting the Autorité des marchés financiers. This fund is assigned to the payment of indemnities payable to victims of fraud, fraudulent tactics or embezzlement for which a firm, an independent representative or an independent partnership is responsible. Under section 274 of the Act respecting the distribution of financial products and services, the AMF must keep separate records and the assets of the fund are not part of the assets of the AMF. The financial statements of the Fonds d’indemnisation des services financiers are presented in Note 23.

Chambre de la sécurité financière and Chambre de l’assurance de dommages

In administering the Act respecting the distribution of financial products and services and to facilitate the dues collection process of the Chambre de la sécurité financière and the Chambre de l’assurance de dommages, the AMF has, under various agreements, taken charge of collecting membership dues for these entities. During the year, the AMF collected dues totalling $7,897,762 ($7,598,913 in 2007) on behalf of and remitted $7,899,019 ($7,589,712 in 2007) to the Chambre de la sécurité financière; the AMF collected dues totalling $3,767,610 ($3,422,664 in 2007) on behalf of and remitted $3,817,663 ($3,743,658 in 2007) to the Chambre de l’assurance de dommages.
2 – ACCOUNTING POLICIES

The preparation of the AMF’s financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments are recorded at cost less any permanent decline in value.

Fixed assets

Fixed assets are recorded at cost and amortized on a straight-line basis over the following useful lives:

- Computer equipment: 3 years
- Office furniture and equipment and leasehold improvements – equipment: 5 years
- Leasehold improvements – layout: Remaining lease term plus renewal option period or period ending September 30, 2013

The AMF periodically reviews the carrying amount of its fixed assets by comparing it to future undiscounted cash flows that such assets are expected to generate. Any excess of the carrying amount over fair value is charged to income in the period in which the impairment is determined. The estimated future cash flows and the determination of fair value require the application of professional judgment and may vary over time.

Intangible assets

Intangible assets are recorded at cost and amortized on a straight-line basis over a three-year useful life. They are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Any excess of the carrying amount over fair value is charged to income in the period in which the impairment is determined.

Start-up costs

Start-up costs were incurred by the Bureau de transition de l’encadrement du secteur financier, which was mandated to set up the AMF. These costs represent primarily remuneration, professional fees and rent for Bureau de transition operations, and are amortized on a straight-line basis over a five-year period ending February 1, 2009.
Revenue recognition

Revenues from contributions and premiums

Revenues from contributions and premiums are recorded in keeping with the period covered by these revenues. Amounts invoiced for a period exceeding the fiscal year-end are accounted for as deferred revenue.

Revenues from administrative penalties

Revenues from administrative penalties are recognized when the penalty is payable and when collection is reasonably assured.

Revenues other than contributions, premiums and administrative penalties

Revenues other than contributions, premiums and administrative penalties are recorded when the supply is delivered or the service is rendered.

Provision for deposit insurance fund losses

The provision for losses on claims related to repayment of guaranteed deposits results from the subrogation of depositors’ rights and interests. The provision for losses is established through a case-by-case analysis and recorded as soon as the losses can reasonably be determined. The annual change in this provision is reported in the statement of income.

Pension plans

Defined contribution plan accounting is applied to government multi-employer defined benefit plans given that the AMF lacks sufficient information to follow defined benefit plan accounting.

The AMF has also set up a supplementary pension plan for the purpose of paying pension benefits to certain AMF executives, in addition to basic pension plan benefits. The cost of pension benefits accrued by such AMF executives is actuarially determined using the projected benefit method prorated on services and management’s best estimate assumptions of the expected return on plan investments, salary escalation and retirement age.

Cash and cash equivalents

The AMF’s policy consists in presenting, under cash and cash equivalents, bank balances, unappropriated demand deposits and other short-term investments maturing within three months of their acquisition date.
3 – FUTURE CHANGES IN ACCOUNTING POLICIES

In the forthcoming fiscal year, the AMF will apply the new recommendations of the Canadian Institute of Chartered Accountants (CICA) with respect to the following new Handbook sections: Section 3855 - Financial Instruments – Recognition and Measurement, Section 3862 - Financial Instruments – Disclosures, and Section 3863 - Financial Instruments – Presentation. Sections 3862 and 3863 are intended to inform readers to enable them to evaluate the significance of financial instruments for an entity’s financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and how the entity manages those risks. Sections 3862 and 3863 replace Handbook Section 3861 - Financial Instruments – Disclosure and Presentation. These sections modify and expand required disclosure, but carry forward presentation requirements. Section 3855 establishes standards for recognizing and measuring financial assets and liabilities and non-financial derivatives.

The CICA also published Section 3064 - Goodwill and Intangible Assets, replacing Section 3062 - Goodwill and Other Intangible Assets, and Section 3450 - Research and Development Costs. This new Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. This Section will apply to financial statements relating to fiscal years beginning on or after October 1, 2008.

Since Sections 3862 and 3863 specifically apply to disclosure, there will be no impact on AMF income. With respect to Sections 3064 and 3855, the AMF must examine the impact on its financial statements of the application of the amendments to these standards.

4 – INCOME UNDER EACH ACT

Under section 248 of the Act respecting the distribution of financial products and services and section 330.1 of the Securities Act, all amounts payable to the AMF under each of these Acts must be applied to the payment of expenses incurred for the purposes of the administration of these Acts. In order to comply with the requirement to publish such income, the AMF developed a method for breaking down revenues and expenses under each Act. Given that the creation of the AMF led to the consolidation and integration of various functions previously carried out by predecessor bodies for the purpose of providing a one-stop service outlet for consumers and market participants, income under each Act presented in this note involves certain estimates. Nonetheless, they are based on the best information available to the AMF.

It should be noted that over 70% of the revenue generated under the Securities Act is heavily influenced by the level of economic activity in the financial markets. In order to address this volatility, the Act provides for the creation of a contingency reserve, as explained in Note 16. The contingency reserve, composed of surpluses generated under the Securities Act, may be used to compensate for the effects of an economic slowdown as well as provide self-insurance coverage.
It should also be noted that various initiatives currently under way, including different legislative and rate amendments, will modify income under each Act as compared with the current situation.

### 2008

<table>
<thead>
<tr>
<th></th>
<th>Securities ACT</th>
<th>Act Respecting the Distribution of Financial Products and Services</th>
<th>Deposit Insurance ACT</th>
<th>Other Acts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated surplus (deficit), beginning of year</td>
<td>52,355,025</td>
<td>18,983,313</td>
<td>373,948,141</td>
<td>(11,174,564)</td>
<td>396,145,289</td>
</tr>
<tr>
<td>Revenue</td>
<td>50,933,246</td>
<td>13,182,044</td>
<td>30,666,087</td>
<td>14,240,181</td>
<td>109,021,558</td>
</tr>
<tr>
<td>Expenses</td>
<td>35,102,310</td>
<td>24,222,313</td>
<td>1,151,771</td>
<td>18,593,339</td>
<td>79,069,733</td>
</tr>
<tr>
<td>Accumulated surplus (deficit), end of year</td>
<td>68,185,961</td>
<td>(30,023,582)</td>
<td>403,462,457</td>
<td>(15,527,722)</td>
<td>426,097,114</td>
</tr>
</tbody>
</table>

### 2007

<table>
<thead>
<tr>
<th></th>
<th>Securities ACT</th>
<th>Act Respecting the Distribution of Financial Products and Services</th>
<th>Deposit Insurance ACT</th>
<th>Other Acts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated surplus (deficit), beginning of year</td>
<td>32,363,697</td>
<td>(9,259,359)</td>
<td>344,336,279</td>
<td>(7,934,340)</td>
<td>359,506,277</td>
</tr>
<tr>
<td>Revenue</td>
<td>51,415,797</td>
<td>12,367,612</td>
<td>30,772,527</td>
<td>12,533,356</td>
<td>107,089,292</td>
</tr>
<tr>
<td>Expenses</td>
<td>31,424,469</td>
<td>22,091,566</td>
<td>1,160,665</td>
<td>15,773,580</td>
<td>70,450,280</td>
</tr>
<tr>
<td>Accumulated surplus (deficit), end of year</td>
<td>19,991,328</td>
<td>(9,723,954)</td>
<td>29,611,862</td>
<td>(3,240,224)</td>
<td>36,639,012</td>
</tr>
</tbody>
</table>

### 5 – Administrative Expenses Attributed to the Funds

The AMF made human resources, fixed assets and office space available to the deposit insurance fund and the Fonds d’indemnisation des services financiers. During the year, the AMF charged them $418,553 ($473,671 in 2007) and $910,119 ($412,764 in 2007) respectively for the use of these resources. These transactions were conducted in the normal course of operations and measured at the exchange amount, in accordance with an agreement entered into between the parties. As at March 31, 2008, the deposit insurance fund had receivables of $177,467 ($104,289 in 2007) and the Fonds d’indemnisation des services financiers owed $299,119 ($202,764 in 2007) for these services.
6 – DEPOSIT INSURANCE FUND

Pursuant to section 52.2 of the Deposit Insurance Act, the deposit insurance fund’s accumulated net income is detailed as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance, beginning of year</th>
<th>Surplus for the year</th>
<th>Balance, end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$373,948,141</td>
<td>$29,514,316</td>
<td>$403,462,457</td>
</tr>
<tr>
<td>2007</td>
<td>$344,336,279</td>
<td>$29,611,862</td>
<td>$373,948,141</td>
</tr>
</tbody>
</table>

7 – DESIGNATED FUND

As stipulated in section 276.4 of the Securities Act (R.S.Q. c. V-1.1), the AMF may, with the Government’s authorization, create a designated fund. The Government authorized the creation of a separate fund for investor education and the promotion of good governance, used as follows during the fiscal year:

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance, beginning of year</th>
<th>Use of designated fund:</th>
<th>Balance, end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$12,148,627</td>
<td>$573,180 $18,500 $1,413,064 (59,360) (8,099) (888,843)</td>
<td>$11,259,784</td>
</tr>
<tr>
<td>2007</td>
<td>$13,204,981</td>
<td>$648,685 $39,368 (1,675,546) (66,062) (2,799) (1,056,354)</td>
<td>$12,148,627</td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS (cont.)
As at March 31, 2008

8 – FINANCIAL INSTRUMENTS

The market value of participation deposit units in funds entrusted to the Caisse de dépôt et placement du Québec (CDPQ) stood at $430,334,242 as at March 31, 2008 ($400,814,238 in 2007). The market value of term deposits entrusted to the CDPQ stood at $16,644,820 as at March 31, 2008 ($15,963,629 in 2007). The market value of bankers’ acceptances and bearer term notes was $25,924,071 and $7,500,000 respectively as at March 31, 2008 ($13,671,909 and $24,428,052 in 2007).

The fair value of sums entrusted to the CDPQ is determined by that institution. As regards sums entrusted to other institutions, the fair value of bankers’ acceptances and bearer term notes is valued based on the bid price. The fair value of employee advances and the advance to the Fonds d’indemnisation des services financiers is not reasonably determinable since there is no market for these instruments. The fair value of the other financial instruments is equivalent to their carrying amounts due to their short maturities.

Third-party asset-backed commercial paper (ABCP) being restructured

The fair value of participation deposits as at March 31, 2008 was determined by the CDPQ by considering an impairment on the investments it held in Canadian non-bank-sponsored ABCP being restructured (“third-party ABCP being restructured”).

ABCP is a short-term financing instrument issued by trusts, generally for periods of one to three months. Third-party ABCP being restructured is backed by various assets such as mortgage or consumer loans and financial assets. Since August 2007, the CDPQ has been unable to obtain reimbursement at maturity of third-party ABCP it was holding.

Given that there is no active market for the third-party ABCP being restructured, the CDPQ established the fair values of its holdings of various types of third-party ABCP being restructured using a valuation technique based on a financial model whose assumptions and probabilities reflect uncertainties related to the amounts and maturities of cash flows, the credit risk of the underlying debt and financial assets and the return. The assumptions, based on the information available as at March 31, 2008, use, insofar as possible, observable market data, such as interest rates and credit quality. In determining the fair values of these instruments, the CDPQ considers the high probability of success of the restructuring proposal approved by a pan-Canadian committee of investors and a low probability of an orderly or forced liquidation scenario. On April 25, 2008, ABCP holders voted in favour of the restructuring plan.
8 – FINANCIAL INSTRUMENTS (cont.)

The recorded estimate of fair values for ABCP is reasonable and is the most appropriate as at March 31, 2008. Nevertheless, the fair values presented may vary significantly in subsequent periods. The most critical assumption regarding the valuation technique is based on the restructuring proposal's probability of success. Attributing greater weight to a liquidation scenario in the valuation technique would significantly increase the estimated unrealized decrease in value. Conversely, acceptance of the restructuring proposal and a return to normal market conditions would increase the estimated fair values of ABCP. The revision of the decrease in value recorded by the CDPQ would have an impact on the fair value of participation deposits held by the deposit insurance fund.

As at March 31, 2008, the share of net investment income from third-party ABCP being restructured attributed by the General Fund of the CDPQ to the designated fund held by the deposit insurance fund stood at $6.0 million on assets of $32.5 million of ABCP. This share is composed of:

- the share of the unrealized loss on these securities of $4.8 million,
- the share of the reversal of interest paid to specialized portfolios related to these securities of $1.0 million,
- the share of restructuring costs for these securities of $0.2 million, less gains realized on the sale.

9 – INVESTMENTS

<table>
<thead>
<tr>
<th>Funds entrusted to the Caisse de dépôt et placement du Québec</th>
<th>CURRENT OPERATIONS</th>
<th>DEPOSIT INSURANCE FUND</th>
<th>AS AT MARCH 31, 2008 TOTAL</th>
<th>CURRENT OPERATIONS</th>
<th>DEPOSIT INSURANCE FUND</th>
<th>AS AT MARCH 31, 2007 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand deposits</td>
<td>100,042</td>
<td>25,024</td>
<td>125,066</td>
<td>552</td>
<td>96,743</td>
<td>97,295</td>
</tr>
<tr>
<td>Term deposits</td>
<td>16,600,000</td>
<td>16,600,000</td>
<td>15,966,300</td>
<td>15,966,300</td>
<td>15,966,300</td>
<td>15,966,300</td>
</tr>
<tr>
<td>Participation deposits</td>
<td>11,836,947</td>
<td>404,493,267</td>
<td>416,330,214</td>
<td>12,663,668</td>
<td>373,902,888</td>
<td>386,566,556</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28,536,989</strong></td>
<td><strong>404,518,291</strong></td>
<td><strong>433,055,280</strong></td>
<td><strong>28,630,520</strong></td>
<td><strong>373,999,631</strong></td>
<td><strong>402,630,151</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funds entrusted to other institutions</th>
<th>CURRENT OPERATIONS</th>
<th>DEPOSIT INSURANCE FUND</th>
<th>AS AT MARCH 31, 2008 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bankers’ acceptances</td>
<td>25,600,000</td>
<td>25,600,000</td>
<td>13,625,000</td>
</tr>
<tr>
<td>Bearer term notes</td>
<td>7,500,000</td>
<td>7,500,000</td>
<td>23,576,637</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>61,136,989</strong></td>
<td><strong>404,518,291</strong></td>
<td><strong>466,155,280</strong></td>
</tr>
</tbody>
</table>

Demand deposits, term deposits, bankers’ acceptances and bearer term notes earn interest at rates ranging from 2.80% to 4.68% and mature on various dates through March 2009.
## 10 — ACCOUNTS RECEIVABLE

### NOTES TO FINANCIAL STATEMENTS (cont.)

As at March 31, 2008

<table>
<thead>
<tr>
<th></th>
<th>CURRENT OPERATIONS</th>
<th>DEPOSIT INSURANCE FUND</th>
<th>AS AT MARCH 31, 2008 TOTAL</th>
<th>CURRENT OPERATIONS</th>
<th>DEPOSIT INSURANCE FUND</th>
<th>AS AT MARCH 31, 2007 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current portion</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees, contributions and premiums</td>
<td>4,133,330</td>
<td></td>
<td>4,133,330</td>
<td>15,438,562</td>
<td></td>
<td>15,438,562</td>
</tr>
<tr>
<td><em>Fonds d’indemnisation des services financiers</em></td>
<td>285,863</td>
<td></td>
<td>285,863</td>
<td>293,437</td>
<td></td>
<td>293,437</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td>405</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advance to employees ¹</td>
<td>1,840</td>
<td></td>
<td>1,840</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avance to the <em>Fonds d’indemnisation des services financiers</em> ²</td>
<td>8,614,202</td>
<td></td>
<td>8,614,202</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from the Government of Québec</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conseil du trésor</td>
<td>346,500</td>
<td></td>
<td>346,500</td>
<td>227,608</td>
<td></td>
<td>227,608</td>
</tr>
<tr>
<td>Ministère du Revenu</td>
<td></td>
<td></td>
<td></td>
<td>7,261</td>
<td></td>
<td>7,261</td>
</tr>
<tr>
<td>Ministère de l’Éducation</td>
<td>13,139</td>
<td></td>
<td>13,139</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>13,394,874</td>
<td>405</td>
<td>13,395,279</td>
<td>15,966,868</td>
<td>15,966,868</td>
<td></td>
</tr>
<tr>
<td><strong>Long-term portion</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>126,028</td>
<td></td>
<td>126,028</td>
<td>278,700</td>
<td></td>
<td>278,700</td>
</tr>
<tr>
<td>Advance to employees ¹</td>
<td>1,124,120</td>
<td></td>
<td>1,124,120</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avance to the <em>Fonds d’indemnisation des services financiers</em> ²</td>
<td>6,541,798</td>
<td></td>
<td>6,541,798</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from the Government of Québec</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conseil du trésor</td>
<td>185,258</td>
<td></td>
<td>185,258</td>
<td>650,650</td>
<td></td>
<td>650,650</td>
</tr>
<tr>
<td></td>
<td>7,977,204</td>
<td>405</td>
<td>7,977,204</td>
<td>929,350</td>
<td></td>
<td>929,350</td>
</tr>
<tr>
<td></td>
<td>21,372,078</td>
<td>405</td>
<td>21,372,483</td>
<td>16,896,218</td>
<td></td>
<td>16,896,218</td>
</tr>
</tbody>
</table>

1. An advance corresponding to 56 hours of wages was granted to employees to enable the AMF to defer the payment of salaries by two weeks. This advance does not earn interest and is repayable no later than at the employee’s departure.

2. Advance earning interest at rates ranging from 4.53% to 4.88% based on a one-year bankers’ acceptance rate established at the daily market rate and repayable as cash surpluses are generated by the *Fonds d’indemnisation des services financiers*. 
11 – FIXED ASSETS

<table>
<thead>
<tr>
<th></th>
<th>COST $</th>
<th>ACCUMULATED AMORTIZATION $</th>
<th>NET BOOK VALUE $</th>
<th>AS AT MARCH 31, 2008</th>
<th>COST $</th>
<th>ACCUMULATED AMORTIZATION $</th>
<th>NET BOOK VALUE $</th>
<th>AS AT MARCH 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements - equipment</td>
<td>418,824</td>
<td>310,274</td>
<td>108,550</td>
<td></td>
<td>418,824</td>
<td>258,842</td>
<td>159,982</td>
<td></td>
</tr>
<tr>
<td>Office furniture and equipment</td>
<td>6,512,202</td>
<td>5,351,672</td>
<td>1,160,530</td>
<td></td>
<td>6,434,201</td>
<td>4,590,047</td>
<td>1,844,154</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19,411,703</td>
<td>12,680,834</td>
<td>6,730,869</td>
<td></td>
<td>18,597,372</td>
<td>10,687,300</td>
<td>7,910,072</td>
<td></td>
</tr>
</tbody>
</table>

1. Information system development projects in progress as at March 31, 2008 amount to $147,284 ($151,733 in 2007). Amortization will begin upon completion of the projects.

12 - INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th></th>
<th>COST $</th>
<th>ACCUMULATED AMORTIZATION $</th>
<th>NET BOOK VALUE $</th>
<th>AS AT MARCH 31, 2008</th>
<th>COST $</th>
<th>ACCUMULATED AMORTIZATION $</th>
<th>NET BOOK VALUE $</th>
<th>AS AT MARCH 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software</td>
<td>2,571,552</td>
<td>2,059,108</td>
<td>512,444</td>
<td></td>
<td>2,084,669</td>
<td>1,924,077</td>
<td>160,592</td>
<td></td>
</tr>
<tr>
<td>Information system development</td>
<td>4,609,210</td>
<td>3,626,075</td>
<td>983,135</td>
<td></td>
<td>4,033,285</td>
<td>2,945,601</td>
<td>1,087,684</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,180,762</td>
<td>5,685,183</td>
<td>1,495,579</td>
<td></td>
<td>6,117,954</td>
<td>4,869,678</td>
<td>1,248,276</td>
<td></td>
</tr>
</tbody>
</table>

13 - START-UP COSTS

<table>
<thead>
<tr>
<th></th>
<th>COST $</th>
<th>ACCUMULATED AMORTIZATION $</th>
<th>NET BOOK VALUE $</th>
<th>AS AT MARCH 31, 2008</th>
<th>COST $</th>
<th>ACCUMULATED AMORTIZATION $</th>
<th>NET BOOK VALUE $</th>
<th>AS AT MARCH 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-up costs</td>
<td>5,799,742</td>
<td>4,836,296</td>
<td>963,446</td>
<td></td>
<td>5,799,742</td>
<td>3,673,170</td>
<td>2,126,572</td>
<td></td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS (cont.)
As at March 31, 2008

14 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<table>
<thead>
<tr>
<th>Accounts payable and accrued liabilities</th>
<th>CURRENT OPERATIONS</th>
<th>DEPOSIT INSURANCE FUND</th>
<th>AS AT MARCH 31, 2008 TOTAL</th>
<th>CURRENT OPERATIONS</th>
<th>DEPOSIT INSURANCE FUND</th>
<th>AS AT MARCH 31, 2007 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to the Government of Québec</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ministère des Finances</td>
<td>949,664</td>
<td></td>
<td>949,664</td>
<td>854,492</td>
<td></td>
<td>854,492</td>
</tr>
<tr>
<td>Ministère du Revenu</td>
<td>7,576</td>
<td></td>
<td>7,576</td>
<td>1,383</td>
<td></td>
<td>1,383</td>
</tr>
<tr>
<td></td>
<td>12,293,684</td>
<td>4,077</td>
<td>12,297,761</td>
<td>10,593,761</td>
<td>482</td>
<td>10,594,243</td>
</tr>
</tbody>
</table>

15 – EMPLOYEE FUTURE BENEFITS

Pension plans

AMF employees participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) or the Pension Plan of Management Personnel (PPMP). These defined benefit multi-employer plans include guarantees on retirement and death.

The AMF’s contributions charged to income for the year amounted to $2,357,979 ($1,989,401 in 2007). The AMF’s obligations under these government plans is limited to its employer contributions. As at January 1, 2008, the AMF’s contribution rate to the RREGOP increased from 7.06% to 8.19% of payroll and the rate to the CSSP from 7.78% to 10.54%.

The AMF’s responsibilities with respect to the supplementary pension plan consist in fully assuming benefits on the beneficiary’s retirement. Accordingly, no contributions are made by employees or the employer. The employer’s obligations amount to $315,787 as at March 31, 2008. The AMF charged $315,787 to income for the year. The significant actuarial assumptions used by the AMF to measure its accrued benefit obligations are as follows: expected plan return rate of 5.0% and rate of compensation increase of 3.5%.
15 – EMPLOYEE FUTURE BENEFITS (cont.)

Allowance for vacation time, sick leave and severance benefits

<table>
<thead>
<tr>
<th>Allowance for vacation time</th>
<th>AS AT MARCH 31, 2008</th>
<th>AS AT MARCH 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>4,311,322</td>
<td>3,924,225</td>
</tr>
<tr>
<td>Expense for the year</td>
<td>3,789,504</td>
<td>2,986,984</td>
</tr>
<tr>
<td>Benefits paid during the year</td>
<td>(3,209,105)</td>
<td>(2,599,887)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>4,891,721</td>
<td>4,311,322</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Allowance for sick leave</th>
<th>AS AT MARCH 31, 2008</th>
<th>AS AT MARCH 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>5,920,179</td>
<td>5,538,322</td>
</tr>
<tr>
<td>Expense for the year</td>
<td>1,753,842</td>
<td>1,267,651</td>
</tr>
<tr>
<td>Benefits paid during the year</td>
<td>(1,557,260)</td>
<td>(885,794)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>6,116,761</td>
<td>5,920,179</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>1,208,950</td>
<td>1,595,828</td>
</tr>
<tr>
<td>Expense for the year</td>
<td>1,064,301</td>
<td>295,353</td>
</tr>
<tr>
<td>Benefits paid during the year</td>
<td>(854,890)</td>
<td>(682,231)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>1,418,361</td>
<td>1,208,950</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Allowance for vacation time, sick leave and severance benefits</th>
<th>AS AT MARCH 31, 2008</th>
<th>AS AT MARCH 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term portion</td>
<td>12,426,843</td>
<td>11,440,451</td>
</tr>
<tr>
<td>Long-term portion</td>
<td>(7,412,674)</td>
<td>(6,923,571)</td>
</tr>
<tr>
<td>Long-term portion</td>
<td>5,014,169</td>
<td>4,516,880</td>
</tr>
</tbody>
</table>

16 – CONTINGENCY RESERVE

As stipulated in section 276.4 of the Securities Act (R.S.Q. c. V-1.1), the AMF may, in the pursuit of its mission under the Act, set up a contingency reserve. Such a reserve has been set up to cover unforeseen changes in revenue or expenses generated under the Act.

17 – GUARANTEED DEPOSITS

The premiums collected from registered institutions are based on the guaranteed amounts they have on deposit April 30 every year.

The deposits guaranteed on April 30, 2007 by the deposit insurance fund totalled $71.2 billion ($68.5 billion in 2006), $12.7 billion ($11.6 billion in 2006) of which was held by trust companies or savings companies incorporated under federal legislation and for which no premium is payable.

Under an agreement with the Canada Deposit Insurance Corporation (the “CDIC”), the CDIC will indemnify the AMF and hold it harmless from any liability resulting from any guarantee whatsoever by the AMF for deposits received by a trust company or savings company incorporated under federal legislation.
18 – COMMITMENTS

The AMF has entered into leases expiring on various dates through 2019 for the rental of its offices calling for payments totalling $50,114,645. The minimum lease payments for the next five years are as follows: $5,309,969 in 2008-2009, $5,455,397 in 2009-2010, $5,443,034 in 2010-2011, $5,226,410 in 2011-2012, $5,208,833 in 2012-2013 and $23,471,002 for the years 2013-2014 and thereafter.

Commitments related to contributions from the Fund for Investor Education and the Promotion of Good Governance amounted to $515,572 for fiscal 2008-2009, $122,800 for fiscal 2009-2010, $54,000 for fiscal 2010-2011 and $18,000 for fiscal 2011-2012.

19 – CONTINGENCIES

The AMF is currently faced with various lawsuits for damages. Since it is not possible to evaluate the amount the AMF might be required to pay, no provision has been established in the financial statements. However, the AMF believes that the outcomes of these claims will not have a significant negative impact on its financial position.

The AMF has assumed commitments under operating agreements for national filing systems through CDS Inc. (CDS), which operates the SEDAR and SEDI national filing systems on behalf of the Canadian Securities Administrators (CSA) under agreements with the Alberta Securities Commission, the British Columbia Securities Commission, the Ontario Securities Commission (OSC) and the Autorité des marchés financiers (the “CSA Principal Administrators”). CDS also operates the NRD national filing system under agreements with the CSA Principal Administrators and the Investment Dealers Association of Canada (IDA). Under the agreements:

- If the SEDAR system budgeted operating costs exceed revenues (a “shortfall”), the CSA Principal Administrators must make a payment to CDS. The AMF’s portion of any SEDAR shortfall is limited to 27.8%.
- If SEDAR revenues exceed system budgeted operating costs (a “surplus”), CDS must pay to the CSA Principal Administrators an amount equal to the surplus. Any surplus is not divisible; the CSA Principal Administrators own it as a group.
- CDS and the CSA Principal Administrators agree to share actual versus budgeted system operating cost (“expense”) variances equally.

The OSC is holding $23.9 million in trust. The funds are the national filing systems’ accumulated surpluses and expenses variances as at October 31, 2007 and interest earned on those amounts as at March 31, 2008. The CSA Principal Administrators have agreed to use these funds solely for the benefit of national filing system users, such as system enhancements, or for offsetting any shortfall in revenues required in order to pay expenses approved in the annual operating plans. The agreements expire on various dates through May 2010.
20 – SUPPLEMENTARY CASH FLOW DISCLOSURE
During the year, additions to fixed assets amounted to $816,669 ($2,016,644 in 2007), of which $5,052 ($259,044 in 2007) was included in accounts payable as at March 31, 2008. Additions to fixed assets resulted in cash outflows totalling $1,070,661 ($1,855,570 in 2007). During the year, additions to intangible assets amounted to $1,085,858 ($531,667 in 2007), of which $153,412 was included in accounts payable as at March 31, 2008 ($189,904 in 2007). Additions to intangible assets resulted in cash outflows totalling $1,122,350 ($341,763 in 2007).

21 – RELATED PARTY TRANSACTIONS
In addition to the related party transactions disclosed in its financial statements and measured at the exchange amount, the AMF is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Government of Québec or subject to either joint control or significant influence by it. The AMF did not conclude any business transactions with these related parties other than those in the normal course of its operations and under normal trade terms. These transactions are not reported separately in the financial statements.

22 – COMPARATIVE FIGURES
Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in 2008.
### STATEMENT OF INCOME
For the year ended March 31, 2008

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>6,432,549</td>
<td>4,398,757</td>
</tr>
<tr>
<td>Interest</td>
<td>110,772</td>
<td>239,199</td>
</tr>
<tr>
<td>Subrogation revenue</td>
<td>337,902</td>
<td>1,331,648</td>
</tr>
<tr>
<td><strong>REVENUE</strong></td>
<td>6,881,223</td>
<td>5,969,604</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation (note I)</td>
<td>1,780,975</td>
<td>20,566,586</td>
</tr>
<tr>
<td>Salaries and employee benefits (note C)</td>
<td>790,076</td>
<td>706,034</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>3,263</td>
<td>7,291</td>
</tr>
<tr>
<td>Professional services</td>
<td>287,012</td>
<td>299,241</td>
</tr>
<tr>
<td>Administrative expenses (note D)</td>
<td>910,119</td>
<td>412,764</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>577,974</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>3,868</td>
<td>20,394</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td>4,353,287</td>
<td>22,012,310</td>
</tr>
<tr>
<td><strong>Surplus (deficiency) of revenue over expenses</strong></td>
<td>2,527,936</td>
<td>(16,042,706)</td>
</tr>
</tbody>
</table>

### CHANGE IN FUND BALANCES
For the year ended March 31, 2008

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>(34,492,900)</td>
<td>(18,450,194)</td>
</tr>
<tr>
<td>Surplus (deficiency) of revenue over expenses</td>
<td>2,527,936</td>
<td>(16,042,706)</td>
</tr>
<tr>
<td><strong>Balance, end of year (note I)</strong></td>
<td></td>
<td>(31,964,964)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
## Balance Sheet

**As at March 31, 2008**

<table>
<thead>
<tr>
<th></th>
<th>AS AT MARCH 31, 2008</th>
<th>AS AT MARCH 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>6,510</td>
<td>2,005</td>
</tr>
<tr>
<td>Investments (note G)</td>
<td>150,000</td>
<td>8,214,000</td>
</tr>
<tr>
<td>Accounts receivable (note H)</td>
<td>904,319</td>
<td>1,599,510</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>7,228</td>
<td>8,412</td>
</tr>
<tr>
<td>Non-interest bearing notes receivable in subrogation, maturing in 2017</td>
<td>1,068,057</td>
<td>9,823,927</td>
</tr>
<tr>
<td></td>
<td>1,202,145</td>
<td>9,847,279</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable (note I)</td>
<td>378,161</td>
<td>352,446</td>
</tr>
<tr>
<td>Advance from AMF, earning interest at rates ranging from 4.53% to 4.88%, repayable as surplus cash assets are generated</td>
<td>8,614,202</td>
<td>33,167,109</td>
</tr>
<tr>
<td>Compensation allowance (note I)</td>
<td>10,928,235</td>
<td>40,771,000</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>6,704,713</td>
<td>3,216,733</td>
</tr>
<tr>
<td>Advance from AMF, earning interest at rates ranging from 4.53% to 4.88%, repayable as surplus cash assets are generated</td>
<td>26,625,311</td>
<td>44,340,179</td>
</tr>
<tr>
<td></td>
<td>33,167,109</td>
<td>44,340,179</td>
</tr>
<tr>
<td><strong>FUND BALANCE</strong> (note E)</td>
<td>(31,964,964)</td>
<td>(34,491,900)</td>
</tr>
<tr>
<td></td>
<td>1,202,145</td>
<td>9,847,279</td>
</tr>
<tr>
<td><strong>CONTINGENCIES</strong> (note K)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.

Jean St-Gelais  
President and Chief Executive Officer  
Autorité des marchés financiers

Linda Levasseur  
Executive Director, Administration  
Autorité des marchés financiers
23 – FONDS D’INDEMNISATION DES SERVICES FINANCIERS – FINANCIAL STATEMENTS (cont.)

A – GOVERNING STATUTES AND NATURE OF OPERATIONS

The Fonds d’indemnisation des services financiers is a fund incorporated under the Act respecting the distribution of financial products and services that was sanctioned on June 20, 1998 by the National Assembly. This fund replaced corresponding funds created under the Act respecting market intermediaries as of October 1, 1999.

On February 1, 2004, the Fonds d’indemnisation des services financiers was replaced by the Autorité des marchés financiers (the “AMF” or the “Authority”) under the Act respecting the Autorité des marchés financiers. As a result, the AMF acquired the fund’s rights and assumed its obligations. The Fonds d’indemnisation des services financiers is now a patrimony by appropriation managed by the AMF separately from its other assets.

By an order-in-council issued on September 21, 2005 by the Government of Québec, the AMF was authorized to incorporate the amounts from the Fonds d’indemnisation en assurance de personnes, the Fonds d’indemnisation en assurance de dommages and the Fonds d’indemnisation des planificateurs financiers into the Fonds d’indemnisation des services financiers. Up until that date, the AMF had managed separately these three patrimonies created by the former Act respecting market intermediaries. The compensation arising from instances of fraud committed prior to October 1999 was paid out of these patrimonies based on their respective jurisdiction. Any and all compensation is now paid out of the Fonds d’indemnisation des services financiers irrespective of the year in which the fraud was committed.

The AMF, via the Fonds d’indemnisation des services financiers, is responsible for administering the amounts deposited into the fund. Its mission is also to compensate individuals who have been the victims of fraud, fraudulent tactics or embezzlement for which a firm, an independent representative or an independent partnership may be held liable in connection with its activities. It also has responsibility for taking over claims on file with the former funds and for ruling on whether claims resulting from offences committed between September 1, 1991 and September 30, 1999 are eligible for payment in accordance with the rules determined by the Act respecting market intermediaries.

B – ACCOUNTING POLICIES

The preparation of the financial statements of the Fonds d’indemnisation des services financiers in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

No statement of cash flows has been presented since the main operating, investing and financing activities are apparent from reading the other financial statements and it would have provided no additional information.
23 – FONDS D’INDEMNISATION DES SERVICES FINANCIERS – FINANCIAL STATEMENTS (cont.)

Investments

Investments are recorded at cost less any permanent decline in value.

Revenue recognition

Revenue from contributions

Revenue from contributions is recorded in keeping with the period covered by the revenue. Amounts invoiced for a period exceeding the fiscal year-end are accounted for as deferred revenue.

Subrogation revenue

Subrogation revenue is reported when it is reasonably certain that these amounts will be recovered.

C – SALARIES AND EMPLOYEE BENEFITS

The AMF has made human resources available to the Fonds d’indemnisation des services financiers for management of its current operations. The costs of this transaction, which was conducted in the normal course of operations and measured at the exchange amount, were charged to the Fonds d’indemnisation des services financiers.

D – ADMINISTRATIVE EXPENSES

The AMF has made human resources, fixed assets and office space available to the Fonds d’indemnisation des services financiers. During the year, the AMF charged $910,119 ($412,764 in 2007) for the use of these resources. These transactions were conducted in the normal course of operations and measured at the exchange amount, in accordance with an agreement entered into between the parties. As at March 31, 2008, the Fonds d’indemnisation des services financiers owed $299,119 ($202,764 in 2007) for these services.

E – FUND BALANCE

Pursuant to an amendment adopted in December 2004 to section 278 of the Act respecting the distribution of financial products and services, it was established that should assets be insufficient, the contribution would have to be determined so as to make up this insufficiency over a maximum five-year period.

F – FINANCIAL INSTRUMENTS

Cash, term deposits, accounts receivable and accounts payable are financial instruments whose fair value approximates the carrying amount given the short period to maturity and the related terms and conditions.

The fair value of the notes receivable in subrogation could not be determined because it is practically impossible to find market financial instruments with essentially similar economic characteristics. As for the advance from the AMF, its fair value cannot be reasonably estimated given the lack of a market.
## Notes to Financial Statements (cont.)

As at March 31, 2008

### G – Investments

| Term deposits, bearing interest at 3.89%, maturing in April 2008 | $150,000 | $8,214,000 |

### H – Accounts Receivable

<table>
<thead>
<tr>
<th></th>
<th>AS AT MARCH 31, 2008</th>
<th>AS AT MARCH 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions receivable</td>
<td>836,617</td>
<td>280,621</td>
</tr>
<tr>
<td>Other</td>
<td>61,702</td>
<td>1,317,541</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>6,000</td>
<td>1,348</td>
</tr>
<tr>
<td></td>
<td>904,319</td>
<td>1,599,510</td>
</tr>
</tbody>
</table>

### I – Accounts Payable

<table>
<thead>
<tr>
<th></th>
<th>AS AT MARCH 31, 2008</th>
<th>AS AT MARCH 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>92,298</td>
<td>59,009</td>
</tr>
<tr>
<td>Autorité des marchés financiers (current operations)</td>
<td>285,863</td>
<td>293,437</td>
</tr>
<tr>
<td></td>
<td>378,161</td>
<td>352,446</td>
</tr>
</tbody>
</table>
23 – Fonds d’Indemnisation des Services financiers – Financial Statements (cont.)

J – Compensation and Provision for Compensation

Establishing the amount of the provision for compensation in respect of reported and unreported claims, determined by the actuaries mandated by the AMF, takes into account known facts and an interpretation of the circumstances based on experience with similar situations, historical claim settlement trends, settled claims, the number of unsettled claims and event frequency.

The following table summarizes the change in the provision for compensation:

<table>
<thead>
<tr>
<th></th>
<th>AS AT MARCH 31, 2008</th>
<th>AS AT MARCH 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>40,771,000</td>
<td>21,116,000</td>
</tr>
<tr>
<td>Expense for the year</td>
<td>1,780,975</td>
<td>20,566,586</td>
</tr>
<tr>
<td>Claims settled during the year</td>
<td>(31,623,740)</td>
<td>(911,586)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>10,928,235</td>
<td>40,771,000</td>
</tr>
</tbody>
</table>

K – Contingencies

The Fonds d’Indemnisation des services financiers, which has been replaced by the AMF, is involved in various lawsuits concerning decisions to reject compensation in the course of its activities. Since it is not possible to evaluate the amount the AMF might be required to pay, no provision has been established in the financial statements. However, the AMF believes that these lawsuits are unfounded and that the outcomes of these claims will not have a significant negative impact on the financial position of the Fonds d’Indemnisation des services financiers.
CONSEIL CONSULTATIF DE RÉGIE ADMINISTRATIVE
(Advisory Board)
2007-2008 Annual Report
Québec City, July 31, 2008

Ms. Monique Jérôme-Forget
Minister of Finance
Parliament Building
Québec City, Québec

Dear Madam:

I am pleased to provide you with the 2007-2008 Annual Report of the Conseil consultatif de régie administrative (Advisory Board) of the Autorité des marchés financiers (AMF).

On behalf of the members of the Board, I wish to convey our continuing commitment to ensuring that the Advisory Board, in co-operation with the AMF, serves as a primary governance body.

Yours truly,

Bernard Motulsky
Chair
Conseil consultatif de régie administrative
of the Autorité des marchés financiers
In accordance with the constituting Act of the Autorité des marchés financiers (the AMF), the Conseil consultatif de régie administrative ("Advisory Board" or "Council") has been established within the AMF. It advises and makes recommendations to the AMF and to its President and CEO. It also assists the Minister of Finance by reporting to the Minister on any matter submitted to it by him and by making recommendations concerning the administration of the AMF and the efficient use of its resources. The Advisory Board hereby fulfills its obligation to submit to the Minister a report on its activities for the previous fiscal year.

COMPOSITION OF THE BOARD

The Board is composed of seven members, including a chair, appointed by the Minister, pursuant to section 49 of the Act. They are chosen for their knowledge of the financial industry as well as for their expertise in the area of administrative management. They must also, at all times, be free of any conflict of interest and be totally independent of the AMF and the entities it regulates.

In 2007-2008, the Board was able to draw on a complete roster throughout the period, composed of the following members:

- Bernard Motulsky, the Chair of the Board, who is a communications specialist, a professor at the University of Québec at Montréal (UQAM) and holder of the Chair in Public Relations and Marketing Communications.
- Michel Lespérance, the Secretary of the Board, who was the Secretary General of the University of Montréal until he retired in September 2005.
- Marie Lacroix, who is a management consultant.
- Michel Lamontagne, who specializes in private financing and coaching related to angel investor groups and who is also a corporate director.
- Andrée Mayrand, who is the Director, Pension Fund Investment Management at the University of Montréal.
- Jean Phaneuf, who is President of Analyse psychologie organisationnelle, a consulting firm specializing in potential evaluation and organizational efficiency.
- Jacques Saint-Pierre, who serves as Full Professor in the Finance and Insurance Department of Laval University and is founding director of LABVAL (Laboratoire de recherche en évaluation des entreprises) at Laval University.
The particular contributions of each member are determined based on expertise and availability, and in conjunction with AMF staff. The framework files to which the members devote most of their time pertain to the management and operation of the Advisory Board, governance and ethics, human resources and risk management.

The Board held eight official meetings during the fiscal year covered by this report, in addition to two working sessions. The resulting discussions led to the following accomplishments, among others, which reflect the powers conferred on the Advisory Board.

### SECTION 57 ACT RESPECTING THE AUTORITÉ DES MARCHÉS FINANCIERS

With respect to the Authority, the functions of the Council are:

1° to advise the Authority on the compatibility of its actions with its mission;
2° to advise the Authority on its corporate governance, in particular as regards its budget estimates, staffing plan and activity plan;
3° to make recommendations to the president and director general of the Authority concerning the appointment of superintendents of the Authority;
4° to report to the Minister on any matter submitted to it by the Minister and make recommendations concerning the administration of the Authority and the efficient use of its resources.

### ADVICE AND RECOMMENDATIONS

**ADVICE RELATING TO THE ACTIVITY PLAN**

Early in the fiscal year on May 4, 2007, the Board, acting in accordance with paragraph (2) of section 57 of the Act respecting the Autorité des marchés financiers (the Act), issued a favourable recommendation regarding the AMF’s 2007-2008 activity plan.

**ADVICE RELATING TO BUDGET ESTIMATES**

Prior to the advice given by the Board on February 12, 2008, in accordance with paragraph (2) of section 57 of the Act regarding the AMF’s budget estimates, the Board requested that the methodology adopted to develop the budget estimates be documented to ensure resource sufficiency. The 2008-2009 budget estimates, supported by the Board, are the result of close co-operation and regular discussions between the Board and members of AMF senior management.
ADVICE RELATING TO HUMAN RESOURCES

In fiscal 2007-2008, the Board carefully considered several major issues related to human resources, in line with its involvement in this regard during the previous year.

In accordance with paragraph (3) of section 57 of the Act, the Board issued a recommendation for the hiring of a Superintendent, Distribution. In April 2008, the Board followed up on the integration of this new member of senior management, who took office at the end of October 2007. Prior to his appointment, the Advisory Board had made a recommendation for filling the position on an interim basis.

In addition, the Board turned its attention to other senior management positions as well as the internal auditor’s position, and followed up on the appointments of the Superintendent, Securities Markets and the Superintendent, Solvency in fiscal 2006-2007.

The Advisory Board also followed the process related to Superintendents and Executive Directors whose mandates were up for renewal. In this regard, it commissioned a study on the compensation paid to AMF senior executives. The study will help launch a review toward the adoption of a compensation policy for the AMF.

The Advisory Board continued to monitor the files related to the performance appraisal of senior management as well as initiatives in support of ongoing measures to mobilize staff and develop human potential.

The Advisory Board firmly believes that the AMF must be able to draw on committed and skilled employees to meet the significant challenges it faces in carrying out its mission. The Board therefore continues to follow with keen interest the development of the AMF’s human resources.

SPECIFIC MONITORING AND OTHER ACTIVITIES

GOVERNANCE

As part of the government initiative to modernize the governance of Crown corporations, the Advisory Board issued, at the end of the previous fiscal year, a recommendation respecting governance so the AMF can more effectively ensure that its actions are compatible with its mission.

In the past year, the Advisory Board was able to begin implementing various proposals set out as part of its recommendation as well as the findings made in the self-assessment it carried out in September 2006.

Within this framework, the Board continued to set up an operating method by which, depending on specific mandates determined at Board meetings, each member can be asked, outside Board meetings, to follow progress on certain files with AMF management. Their observations enable the Board to prepare for deliberations more effectively.
At the same time, the Advisory Board has maintained its efforts to improve its own management and governance tools by providing detailed agendas, presentation outlines and minutes. The Board also refined the use of its annual work plan and follow-up lists. This enables it to draw a better overall portrait of organizational risks, make better use of its time and thereby set aside more time in discussions with the President and Chief Executive Officer. These tools help structure the activities of the Advisory Board and allow it to better align its actions with those dictated by the AMF’s institutional agenda. The Advisory Board has also defined a self-assessment process and formalized the procedure for examining applications submitted under the Act respecting access to documents held by public bodies and the protection of personal information. It has also begun drafting a classification plan for the preparation of a document preservation schedule in the next fiscal year.

**MONITORING OF MANAGEMENT INFORMATION AND ACCOUNTABILITY**

In order to monitor the AMF’s activities as effectively as possible, management information and accountability reports are submitted to the Board regularly.

The Board participated in various discussions with the Auditor General of Québec, including when it took delivery of the report to management presenting his findings regarding the 2006-2007 audit engagement. At that time, the Advisory Board followed up on the implementation of recommendations made previously by the Auditor General, including the recommendation to set up activity-based accounting for the presentation of financial results by statute. The Advisory Board also took delivery of the audited financial statements for the same period and attended the presentation of the Auditor General’s audit approach for the engagement covering fiscal 2007-2008.

**MONITORING OF DEVELOPMENT OF THE 2009-2012 STRATEGIC PLAN**

The AMF’s current strategic plan normally reaches completion at the end of March 2008. However, the Advisory Board believed that the current orientations of the 2005-2008 strategic plan were still relevant for the upcoming fiscal year. Thus, considering the stages and time necessary for strategic planning, it is appropriate that 2008-2009 be considered a pivotal year and that, for such purpose, the planning and budget estimates for 2008-2009 be in line with the 2005-2008 strategic plan.

The Advisory Board follows the AMF’s strategic planning process. Together with AMF management, a process was undertaken to establish new orientations and priorities within a framework in which the duration of the strategic plans is adjusted every four years – three years for completion and a pivotal year to ensure fulfillment of the AMF’s annual obligations.
FUND FOR INVESTOR EDUCATION AND THE PROMOTION OF GOOD GOVERNANCE

During fiscal 2007-2008, the Board maintained its involvement in governance of the Fund for Investor Education and the Promotion of Good Governance to enable it to continue to support the AMF in carrying out its mission related to the promotion of good governance and the protection and education of investors.

The Advisory Board validated the criteria for the hiring of nominees to fill positions as outside members of the Fund’s evaluation committee. In collaboration with management, it then proceeded with examining applications and nominating members. Terms were established to ensure the transfer of knowledge among members.

The Advisory Board also supported the themes chosen for the call for projects in the fall of 2007, which emphasized training and education with two specific segments of Québec consumers and investors – youth and baby boomers.

Finally, the Advisory Board asked for greater visibility of the results of projects supported by the Fund for the benefit of consumers, the markets and AMF staff alike.

MONITORING OF REGULATORY AND LEGISLATIVE ACTIVITIES

The Board monitored AMF activities pertaining to the harmonization of securities regulations across Canada (passport system – phase II) as well as the AMF’s position in support of maintaining a strong securities authority in each Canadian territory and province, instead of creating a single regulator.

MONITORING OF MAJOR OVERSIGHT MATTERS

Fiscal 2007-2008, like the previous fiscal year, was marked by three major regulatory oversight matters – Norbourg, Mount Real and Triglobal Capital Management.

In light of the significance of these matters, the Board was kept apprised of their general status at each meeting, particularly as regards their impact on the AMF’s administration. The Board will continue to monitor these matters to ensure that sufficient staff is available and properly deployed in order to successfully complete the task required in these major files, without adversely affecting the AMF’s other efforts to protect the public or its day-to-day operations.

It was also kept informed of the work relating to follow-up on the recommendations set out in the preliminary report of the Commission des finances publiques as part of its initiative mandate for the protection of investors in Québec. Most of the recommendations were implemented by the end of the past fiscal year.

The Advisory Board was kept informed of developments regarding the issue of mortgage-backed commercial paper. The Advisory Board also delegated one of its members to act as an observer at the public hearings on the proposed combination of Montréal Exchange Inc. and the TSX Group Inc.
RISK MANAGEMENT
As part of preparations for its new strategic plan, the AMF has begun identifying the principal strategic risks which could undermine its ability to meet challenges and meet objectives. The Board carefully followed the risk profiling process and continues to do so on a regular basis.

THE AMF’S PUBLIC PRESENCE
Given its mission to protect the public, strong visibility of the AMF is fundamental to carrying out its duties effectively, credibly and transparently. During fiscal year 2007-2008, the Advisory Board therefore maintained its review of the organization’s communication plan as well as its support for such activities.

The Advisory Board also supported the AMF by participating in the 2nd Forum of the Americas on SMEs held in Montréal on September 25 and 26, 2007 as well as the Rendez-vous with the AMF for industry representatives held on October 15, 2007.

In addition, the Advisory Board was pleased to learn that the AMF was chosen to host the 2010 annual conference of the International Organization of Securities Commissions (IOSCO), which will discuss issues related to capital market regulation and the establishment of international regulatory standards.

In the opinion of the Advisory Board, all these interventions are relevant and help improve market security as well as investor education and protection.

REPRESENTING THE AMF AT NATIONAL AND INTERNATIONAL EVENTS
In an increasingly globalized world, the Board continued to reflect on the AMF’s participation in various national and intentional forums. It believes that the AMF should participate actively in these events in order to gather the information and resources needed to maintain a competitive regulatory system and influence the directions taken at these forums while continuing to ensure investor protection. For the AMF, these are effective channels for increasing regulatory harmonization as well as enhancing the AMF’s ability to supervise the markets, intervene in a more timely manner and effectively monitor current and future issues.

The Advisory Board intends to remain abreast of the AMF’s external relationships on an annual basis to help ensure they represent added value for the AMF.
CONCLUSION

The members of the Advisory Board note that fiscal 2007-2008 was a busy year and that both AMF management and staff were able to meet challenges with determination and a high degree of professionalism. The following achievements were noteworthy: legislative and regulatory reform; handling of major oversight files; creation of a precedent further to a lengthy prison term; award of the organization of an international event pertaining to financial regulation; implementation of a concerted effort toward the establishment of the new strategic plan; strengthening of the ability for intervention and improving liaison mechanisms with the Advisory Board and the overall governance structure.

Based on its achievements, the Advisory Board concludes that the AMF has succeeded in setting up a dynamic environment which can only be expected to foster a fuller integration of staff. As well, a stronger AMF identity has been established.

Once again, the Board members wish to highlight the unwavering co-operation displayed by Jean St-Gelais, President and Chief Executive Officer, as well as by all AMF senior management, in particular the AMF’s Corporate Secretary.