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Canadian Securities Regulators Decide Not to Overhaul Corporate Governance Regime

By [Leslie McCallum](#)

Canada's securities regulators have decided not to proceed with the overhaul of our corporate governance regime proposed last December. The proposals would have introduced a more principles-based regime focusing on disclosure in relation to nine high-level corporate governance principles and eliminating the bright-line tests in the current definition of independence, leaving independence determinations to the reasonable judgment of the board of directors. In so doing, the proposals would have moved Canada's corporate governance regime further away from the U.S. regime, which focuses increasingly on mandatory requirements.

In the many comments to the regulators, market participants expressed mixed reactions. Many institutional investors questioned whether the proposals would bring about meaningful improvements in corporate governance, while some issuers expressed concern about introducing significant corporate governance changes in the face of challenging economic conditions and the upcoming transition to International Financial Reporting Standards.

The regulators stated that they are still considering possible changes to the corporate governance regime, but will not propose any new rules that would take effect before the 2011 proxy season. 

To discuss these issues, please contact the author.

For media calls, please contact [Stuart Wood](#), Chief Marketing Officer, 416.865.8205.

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