

ONTARIO BILL GOVERNING TRANSFERS OF SECURITIES

In December 2005, the Ontario government introduced a bill to modernize the laws governing the transfer of securities in Ontario. The *Securities Transfer Act, 2005* is closely based on revised Article 8 of the Uniform Commercial Code, which has operated effectively in the United States for over a decade. The close harmonization of Canadian and U.S. laws in this area will facilitate cross-border secured financings between these two countries.

When this bill becomes law (which is expected in the second half of 2006), it should be easier for Ontario businesses to

- obtain loans secured by publicly traded securities held through clearing agencies such as The Canadian Depository for Securities Limited (CDS) and foreign clearing agencies such as Depository Trust Company (DTC) and Euroclear; and
- enter into derivatives and securities lending transactions involving those types of securities.

The bill contains clear principles for determining which jurisdiction's laws apply to the creation and transfer of security interests in publicly traded securities held through clearing agencies in Canada and abroad. These new principles are consistent with the conflicts of laws principles in the United States and with the internationally adopted principles in the Hague Convention (which is expected to be adopted by many more countries around the world).

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