

Main Street battles Bay Street in \$32-billion securities battle

1,800 mom-and-pop investors own \$350 million of ABCP stocks

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OTTAWA -- An angry showdown between Main Street and Bay Street could force some broad changes in the way millions of Canadians invest their money, federal politicians say.

"We got into this mess because the regulators were sleeping at the switch," said Conservative MP John Williams, a former accountant. "It's the dot-com era all over again."

Politicians from all parties say they'll hold off a review until the battle over more than \$32 billion worth of frozen investments in securities, known as asset-backed commercial paper, has been resolved but they broadly agree some change is required.

"The integrity of Canadian capital markets is critical for all Canadians. We have to safeguard (that) integrity," said John McCallum, the Toronto-area Liberal MP who served as minister of national revenue and as chief economist at the Royal Bank of Canada.

At town hall meetings across the country this week, including one today in Vancouver, angry mom-and-pop investors are threatening to derail a deal known as the Montreal Accord that promises to ease the problem but only if every investor agrees to substantially different terms than those they agreed to when they made the original investment.

"We stand to lose an awful lot on a personal level," investor Walter Kushnir said at the Toronto meeting. "Our families stand to lose an awful lot."

Market watchers say that uncertainty has already hurt the investments of millions of other Canadians by depressing share prices.

"It all has to do with confidence in our market," said Fred Ketchen, managing director with ScotiaMcLeod. "This is a tough one. Emotion could drive the voting."

About 1,800 mom-and-pop investors hold an estimated \$350 million worth of ABCP investments. The rest of the \$32 billion in ABCP investments is held by about 200 financial institutions. If they vote against the deal, the 1,800 investors essentially will have decided that they would be better off using the courts to get their money back rather than abide by terms of the Montreal Accord.

Under terms of the deal, investors would have to waive the right to sue but could get most of their investment back. But it might take as long as eight years to get back money they thought they had invested for, in some cases, as little as 90 days.

"You know what? I don't want my money, when I'm 80, I want it now," said investor Hy Bloom in Toronto.

But for this deal, every investor gets one vote, no matter how much was originally invested. And that gives Main Street some rare clout.

But it's not just individual investors. Municipalities, such as the City of Hamilton, pension funds such as the Ontario Teachers' Pension Plan, and the giant credit union Caisse de depot et placement du Quebec all have millions of dollars they thought were as good as cash tied up in asset-backed commercial paper, or ABCP. But they may not see it for years, if it all.

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