

# GLORIANNE STROMBERG

---

50 Keewatin Avenue  
Toronto ON M4P 1Z8

Telephone: 416.481.8941  
Fax: 416.481.3944

e-mail: [gstromberg@sympatico.ca](mailto:gstromberg@sympatico.ca)

April 11, 2002

Mr. J. L. Goodfellow, FCA  
Chair  
Canadian Performance Reporting Initiative Board  
CICA MD&A Project  
277 Wellington Street West  
Toronto ON M5V 3H2

Dear Mr. Goodfellow:

Re: Review Draft – Management’s Discussion and  
Analysis: Guidance on Preparation and Disclosure

Thank you for the invitation to comment on the Review Draft – Management’s Discussion and Analysis: Guidance on Preparation and Disclosure.

By way of background, I am the author of various reports on regulatory strategies relating to the provision of financial services. I am also a securities lawyer, a former Commissioner of the Ontario Securities Commission and a frequent commentator and speaker on matters relating to the financial services industry.

The Review Draft is a very helpful addition to the various initiatives aimed at making disclosure more timely, effective and comprehensive. The focus that the Review Draft brings to the need for an ongoing, integrated and succinct disclosure document lays the groundwork for, and points the way to, much-needed change in this area.

My comments on the Review Draft are concentrated on the potential to adapt the proposals to build a more effective disclosure system than what we currently have. In this respect:

1. The disclosure framework you propose offers a viable means of integrating the primary disclosure and the continuing disclosure made by issuers into an integrated, evergreen disclosure system. I have been a long-term advocate of such a system.

This integrated evergreen disclosure concept has recently been reflected in the Continuous Market Access System outlined in the recently published concept proposals of the British Columbia Securities

Commission.<sup>1</sup> The proposed Continuous Market Access System has a lot of merit. What is missing, however, from the British Columbia proposals is a means to synthesize the continuous disclosure information periodically.

Your disclosure framework proposals for Management's Discussion and Analysis would provide the "synthesizing vehicle" that is necessary to make the Continuous Market Access System work.

2. The disclosure framework proposed by the Review Draft also offers a new taxonomy for a disclosure standard that enables one to move away from the constraints of, and the questions raised by, the current standard, which is focused on producing "full true and plain disclosure of all material facts".

Concepts of "materiality", "material facts" (initially and on an ongoing basis), and "material changes" have been the subject of many questions, concerns and debates over the years. Yet until now these concepts were the best we had.

It would therefore be worth exploring whether the disclosure framework proposed by the Review Draft, as supplemented by the general disclosure principles that you enunciate, would be a more effective framework for disclosure than what we now have.

What, for example, would be "left out" if the "single, succinct disclosure document" you describe provides convincing and coherent answers to the following questions:

- How does this company make money and create value?
- What makes this company valuable – today and tomorrow?
- Why does this company deserve investors' money?"

To ensure that nothing has been "left out", I would add a fourth question to address the issue of whether anything has been omitted that an investor, acting reasonably, would want to know in making a decision to invest or continue to invest in the company.

3. Following on in the above vein, I propose that the single, succinct disclosure document envisioned by the Review Draft proposals, replace the annual information form. This document, together with the financial statements, would constitute the annual report.

---

<sup>1</sup> *New Concepts for Securities Regulation*, published by the British Columbia Securities Commission on February 18, 2002

4. In summary, I am suggesting combining the Continuous Market Access System described in the British Columbia concept release with the proposals in the Review Draft to create a new, integrated, streamlined, evergreen disclosure system.
5. A key component to making this proposal work would be to take a fresh look at the Management's Discussion and Analysis requirements and recast these requirements to reflect the perspective of it being the sole disclosure document on an ongoing basis. (The financial statements would form part of this document.) It would be helpful for the recast requirements to incorporate and reflect the proposals in the Review Draft.
6. The thrust of my proposal is to reduce the amount of "clutter" that the current disclosure system creates and to increase its quality and usefulness. Sometimes less is more. It also goes without saying that the use of "plain language" principles should be mandatory.

Yours very truly,

Glorianne Stromberg