

February 26, 2019

OSC Burden Reduction Staff Notice 11-784

To:

The Secretary,
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto ON
comments@osc.gov.on.ca

Author:

James S. Hershaw CFA MBA BSC
Director Capital Markets and Chief Compliance Officer,
Crowdmatrix, (Exempt Market Dealer)
416-420-9122
sandy@crowdmatrix.co

The following recommendations for OSC Burden Reduction Study are the opinions of the author and are not the policy or views of Crowdmatrix. James Hershaw, requests an opportunity to participate in the regulatory roundtable on March 27, 2019 to provide the perspective of smaller organizations (buy side, sell side and corporate) that are important parts of the Canadian capital markets ecosystems.

As a general comment, it is a reasonable goal of every private, public or non-profit organization to regularly examine overall goals and ensure that objectives are focused, and actions are efficient. Canada has numerous layers of regulatory organizations that have the primary goal of Investor Protection. It may be time to move to a less regulated environment that increases the emphasis on capital formation and innovation. This change of emphasis can be achieved without any negative impacts on the Investor Protection goals.

The initiative by the Ontario Government to request the OSC to complete a Burden Reduction study is appropriate and should spark innovative change that will benefit all stakeholders.

1. Reduce all OSC Fees by 10% and freeze any increases for 2 years.

The fee reduction proposal is like the recent Ontario tuition fee reduction of 10% which will require the universities and colleges to focus on the most productive programs and create internal efficiencies. Although this may seem like a large change in fee structure for a regulatory organization, continuous improvement in private sectors, particularly technology routinely manages revenue reductions due to improved efficiencies of 10% and greater.

2. **Identify OSC forms, policies or regulations that are not precisely the same as BCSC. Create all the necessary Ontario and British Columbia harmonization amendments and enact the harmonization changes before December 31, 2019.**

If the OSC does not agree with the BCSC version of the form, policy or regulation, the OSC can then opt to eliminate rather than harmonize that form, policy, or regulation. The Ontario and British Columbia economies have many similarities in the mix of resources, technology and real estate development capital markets. There are not any practical reasons for even minor differences in regulations and policies between the two of Canada's largest provinces. A complete Ontario and British Columbia harmonization will set the stage for all other provinces to follow the lead of Ontario in harmonizing and reducing regulatory burden.

3. **Eliminate the Outside Business Activities (OBA) system within the NRD system and develop an alternative independent Capital Markets Participants Disclosures (CMPD) system that provides self certifying disclosures and has user interfaces like Linked In.**

The CMPD will expand the databases of professionals that are participants and may receive compensation related to capital markets activities. The OBA system is a disclosure subset of the NRD system that has not had a system update in many years. It is currently accessed by authorized registered investment dealer representatives such as the UDP, CCO or designated legal counsel. The OBA disclosure requirements are excessive and cumbersome in terms of details requested, system interfaces, and accessibility by participants and the public.

The proposed alternative CMPD system would consist of three linked databases: i) Registered Investment Firms; ii) Registered Investment Professionals and iii) Other Non-registered Professionals such as lawyers, accountants, engineers, and others that may be eligible for referral fees that are related to Capital Markets Financing activities. Each of the three CMPD databases would be accessed by authorized participants and would have nominal annual fees. This would encourage participants to self certify and maintain disclosures and possible conflicts that are appropriate for public search. The definition of what needs to be disclosed would be significantly reduced as long as the individual involved certifies that they will disclose any conflicts with potential clients as the circumstance occurs. This would be more practical and would encourage more professionals to participate in Capital Market activities.

The CMPD database should develop user interfaces like what is found with Linked In so that there is an incentive for firms, and individuals to maintain a professional virtual business presence that can be accessed by the public and other capital market firms.

The reality is that there is continuous change with firms and individuals in the capital markets. Relationships, networks and projects are continually changing but it is the ecosystem of all the professional capital market participants that makes the system efficient. The CMPD will put the onus on the individuals to maintain and disclose their career experience; education; professional development and variety of business interests. These professional disclosures that are self

certified will be to the benefit of all capital market participants and provide superior investor protection compared to the existing OBA system that is only seen by authorized firm professionals and is costly for firms to maintain.

4. **Allow all public listed Canadian companies that file on SEDAR to create investor portals links on corporate websites to collect information on potential investors for any private placement (brokered or non-brokered) or prospectus offerings.**

Depending on the type of Issuer transaction, this investor information can be screened and processed through an investment dealer or directly by the issuing company.

5. **Allow all public listed Canadian companies that file on SEDAR to utilize any type of social media techniques and advertising to communicate with the largest number of potential investors (institutional and retail) on the proposed offerings including private placements, (brokered and non-brokered) and prospectus offerings.**

Encouraging Issuers to expand and innovate investor communications strategies and techniques will allow greater disclosure and more efficient capital markets. Many of the communication innovations that are occurring with the first generation of ICO and STO digital securities may provide future insights.

6. **Update the SEDAR Database formats and interfaces to provide an incentive for Issuers to use this important disclosure database in optimal ways to the benefit of all capital market participants and investors.**

SEDAR is the primary filing database for the continuous disclosure information. The SEDAR user interface has not changed in over 10 years. Technology user interfaces continue to improve daily with readily available low-cost cloud-based systems. There needs to be a review of how the SEDAR filing information is formatted and how it can be better disseminated to the capital markets community to the benefit of issuers and investors. SEDAR filing fees and procedures are significant and cumbersome. This may require a database redesign and visionary planning. It may be possible to incorporate (or at least consider) AI and other technologies that can access public SEDAR data to provide investor insights on smaller companies that do not have analyst coverage. More value and visionary planning for the SEDAR databases should be available to capital markets participants without added costs.

- 7. Public companies that file on SEDAR should be allowed to leverage significant continuous disclosure and governance transparencies to access a broader range of investors through At The Market (ATM) offerings based on Board approved share prices.**

To facilitate these ATM offerings, companies should be allowed to disseminate information on new equity offering using the latest social media and news release methods without restriction. This may encourage new technologies to enhance investor communications. These ATM offerings can be integrated with secondary trading platforms so that all investors (not just accredited or favoured clients) can access new issue shares as easily as secondary trading shares can be accessed through online trading accounts.