

To Whom It May Concern:

Re: Comments on the Proposed OSC Fee Increases

In light of the proposed amendments to OSC rule 13-502 Fees and Companion Policy 13-502CP Fees, we are writing to inform the OSC that we have concerns over the proposed fee increases.

Over the last several years Canadian equity markets have provided our industry with many challenges not the least of which is economic circumstances that cannot sustain further impositions of regulatory fee increases. Since 2009 we have already experienced OSC fee increases of 9% annually while we have seen our revenue and net income decrease significantly. In addition our IIROC fees have increased 36% in the same period. Also during this time we have seen increased pressure on our operating costs particularly in trading fees, market data fees and self-regulatory fees. As an industry our transaction volumes are contracting dramatically and revenue per transaction is under pressure. Small and mid sizes firms are also dealing with material increases in costs particularly from internal costs to increase compliance programs and departments.

In addition to concerns about our firms own financial performance we are also troubled by those of the OSC's. It is our understanding that the OSC projects expenses to increase by 44% over the six years ending in 2016. This pressure on expenses is however not being shared by other Securities Commissions in Canada. Both the ASC and BCSC's expenses have increased minimally in the last several years. This leaves us to wonder if the expenses are being fairly distributed among players across Canada in the capital markets and if firms like ours are being over burdened with fees that we cannot afford.

With that being said, it is also evident that the OSC's mandate coupled with marketplace changes in technologies, products and business models are increasing the level of activity at the OSC. We understand that this increased level of activity results in increased costs. However, our concern is that the majority of the evolving issues affecting the OSC costs do not appear to fit within the simple model of an issuer/registrant fee structure. Many of the issues the OSC is now being required to review, understand and regulate, such as ATS's, particularly dark pools, are designed to further reduce transaction costs and therefore registrants revenues. This leaves the registrants with inconsistent revenues and expenses relating to increasing regulatory fees. Other increased costs are the result of the international and national pressures for higher protection from systemic risk and currently under regulated activities such as over-the-counter derivatives. Despite these additional constituencies that create costs for the OSC and provide benefits to different participants in the capital markets, the current fee model, predominantly supported by traditional issuers/registrants, does not take these constituencies into account. Not all registrants are in the same lines of businesses. Furthermore, not all lines of business have the same regulatory costs and not all lines of business result in equal revenues for the economic effort expended. Participation fees should reflect these differences in activities, costs and benefits among beneficiaries. The OSC should look more closely at its costs resulting from each line of business and develop a fee model applicable to the registrants, issuers and other beneficiaries.

In addition to our concerns regarding the appropriateness of the basis of participation fees we are also concerned about the structure of the fees. Currently, the OSC fees are based on wide bands of revenue, these fees as a percentage of revenue can be materially different by crossing these large revenue bands and this does not take into account changes in cost structures. Furthermore, the proposed changes will require fees for the next three years to be determined with reference to revenues for its “reference fiscal year”, being the last fiscal year ending before May 1, 2012. This reference fiscal year will require the majority of small to mid size registrant firms to base their fees on years ending in 2011. With the dramatic decreases in revenues from 2011 to 2012 this will leave several firms paying fees based on materially higher revenue levels than they are currently experiencing. While we understand that this shelters the OSC from unpredictability in its revenues it once again shows an incongruence between the fees charged to the realities facing the participants in industry.

We strongly encourage the OSC to review and consider how their increased costs are affecting its participants before implementing the proposed fee increases in April 2013. We urge the OSC to develop a fee model that is representative of the participants’ business activities and environment in relation to the OSC’s regulating activities.

Thank you for your consideration.

Yours sincerely,

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