The statement of priorities as drafted is excellent in that it seems to capture all the major issues currently in the market place.

The two key areas that we believe are the most crucial and where most of the emphasis should be placed are:

1) **Access to capital for small businesses** – the last decade has introduced a variety of new revenue generators for the industry (HFT and ETFs for example), that have been highly detrimental to the ability of small businesses to attract capital. These companies will generally start out small so liquidity is already an issue – with the impact of HFT and ETF trading on top, as portfolio managers we are often forced to stay away from this area of the market because most clients cannot withstand the inhumane volatility that this type of trading has introduced in names of low liquidity. Hence it is almost impossible to attract new investment capital in the area where it is needed the most. This impairs the ability of the capital markets to function properly. These activities need to be regulated. The purpose of the capital markets should be about investing and growing with companies not gambling through algorithmic trading strategies. HFT trading appears to have no purpose other than to front run legitimate trades taking place in the market. ETFs perhaps should only be available for those securities that have enough liquidity that trading by ETFs in huge volumes should not have such a major impact on the day to day volatility of the underlying securities. The major drawback with ETF's is there is no "Valuation" mechanism which acts as a floor with respect to oversold share prices through analyst research. No one ever advertises an ETF as "over" or "under" valued which is commonplace with respect to the underlying securities. ETF's continue to sell or purchase indiscriminately in a largely binary function creating massive share price volatility.

2) **Investor protection** – after many years of spending time with individual investors, and finding that regardless of their wealth the depth of understanding of their investments in general tends to be minimal, it is important to try and distinguish what the role of the OSC truly is. Is it to protect the investor from fraudulent behaviour/false advertising or protect naive investors from themselves? we assume it is to protect from fraudulent behaviour and from false advertising. Therefore investor protection should entail certain elements such as:

a. **Investor Responsibility** - The investor should be responsible for ensuring he or she is dealing with a reputable financial advisor which is no different than ensuring you are going to see a good dentist or doctor or any other professional. Ideally the investor should have some understanding of what he or she is investing in or at a minimum understand the potential for losses in respect of each investment they make. In the case of risky investments there has always been a downside to offset the potential reward. The issue is who is to be held accountable in the event the downside materializes. It should be the responsibility of the investment manager to act in good faith in a professional manner and clearly articulate the risk profile to the client, but not to provide blanket downside protection on the premise the client was a naive investor. If they don't have enough investment knowledge, perhaps it would be more advisable for these investors to only be allowed to invest in certain products ie very conservative balanced funds. If people are not allowed to drive a car without passing a test to prevent an accident, why should they be allowed to invest in riskier investments without any knowledge as a financial accident can be just as damaging. It should also be imperative that the investor understands investment returns and how they are measured rather than being led to believe that annual returns are the same as annualised and all the other tricks that are played when marketing funds, etc. Education must play a major role in allowing investors to protect themselves from marketing abuses. They should sign off that they understand clearly the risks they are taking of absolute loss before accepting them as investors into any fund that has potential downside.

b. **Educational Requirements** - There is no question that there are different educational standards in the advisory world. This needs to be addressed. The importance of asset mix and what is and what is not appropriate for any investor is a very dynamic process and changes all the time. What is applicable today as low risk, may not be low risk tomorrow strictly on valuation yet this does not seem to be taken into consideration at all. Most small investors do not have regular reviews of their portfolios and often their advisors do not have the qualifications to address this issue but rather recommend funds on past performance – there is plenty of statistical proof that shows this is the worst thing one can do.

c. **Disclosure** – Certain information should be available to investors in big print and in one or two pages – rather than in fine print and in thick documents full of legal jargon that never get read, never mind understood. The amount being withdrawn for a fund (mutual fund, ETF, or whatever type of fund they may be put in) in fees should be provided every quarter in a one page statement or at the end of the year as any other invoice. Before they are put into a product they should be asked to sign a page that says they understand that if for example they have $100,000 in a fund they will be charged 2% or $2,000 per year or whatever the amount may be and exactly how that fee is calculated. Another page should be a simple explanation of what they will own in that fund (asset mix, geographic mix, industry mix, etc) and why. It is appalling how many investors do not know what the fees are in their funds, or what they own in their funds. At the time of sale, all this can be explained and agreed upon in one or two pages, (a clear investment policy statement) yet rarely ever is, outside of the institutional world. The most important component of a management contract has to be an investment policy statement that is clear, concise and both parties are in full agreement to. Most clients leave the boxes to be checked by the investment advisors and what they mean is rarely explained or understood.

It may be worthwhile to explore the work that the CFA institute is doing in this regard. They have currently come out with "Principles for Investment Reporting" and "The Statement of Investor Rights" which appears to be quite fair and comprehensive and perhaps should be adopted universally. These are available on their website.

Hope this helps. Obviously there are many other nuances, and would be happy to discuss at any time should there be any interest to do this.

Best,

Mary Throop, CFA

40 University Ave, Suite 1300 | Toronto, ON M5J 1T1
Phone: (416) 348-9222 | Fax: (416) 348-9990
www.sumcap.com

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CAPITAL MANAGEMENT