

15 February 2001

John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West  
Suite 800, Box 55  
Toronto, Ontario M5H 3S8

**Re: Rule 32-501 Direct Purchase Plans**

Dear Mr. Stevenson:

The Canadian Advocacy Council (CAC) of the Association for Investment Management and Research (AIMR)<sup>1</sup> is pleased to respond to the request for comments of the Ontario Securities Commission (OSC) regarding the above-noted Proposed Rule. The CAC represents members of AIMR and its 11 Member Societies and Chapters across Canada. The CAC is comprised of analysts, portfolio managers, and other investment professionals in Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada.

The CAC supports the Proposed Rule to the extent that direct purchase plans allow investors to acquire small quantities or fractional shares at a lower cost, which in turn enables issuers to broaden their shareholder base, increase consumer loyalty, and have access to capital at a lower cost. Although we believe strongly that most investors benefit from investment advice provided by registered investment professionals, we also believe that investors should be able to manage their own investments through direct purchase plans. The latter belief is predicated on the full and fair disclosure of relevant financial and non-financial information (e.g., prospectus and continuous reporting) about the issuer and its securities offered through a direct purchase plan.

However, we believe the benefits derived from a direct purchase plan are dependent on whether an issuer has significant market capitalization, as well as a relatively stable, long-term investment horizon. Therefore, we are concerned that the Proposed Rule, as written, may result in smaller, less capitalized, issuers promoting unsuitable and speculative securities to uninformed retail investors. Thus, we consider direct purchase plans to be an inappropriate way to raise venture, high-risk capital.

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<sup>1</sup> The Association for Investment Management and Research is a global, nonprofit organization of over 4,000 analysts, portfolio managers and other investment professionals in 90 countries. Through its headquarters in Charlottesville, Virginia and more than 100 Member Societies and Chapters throughout the world, AIMR provides global leadership in investment education, professional standards, and advocacy programs. Over 5,600 AIMR members live and work in Canada.

We therefore recommend that the OSC consider setting a minimum quality standard that would allow only certain issuers to offer direct purchase plans. The following are criteria that could be considered for such a standard:

- (1) securities of issuers listed in a senior category on a recognized North American stock exchange;
- (2) securities of issuers meeting option eligibility criteria;
- (3) securities of exempt filers under TSE Rules; or
- (4) issuers of investment grade debt securities.

We believe that having such a standard would ensure that securities sold under direct purchase plans are appropriate long-term investments. This, in turn, provides important safeguards for the individual investor who may not be fully aware of potential risks in direct purchase plans.

We appreciate the opportunity to comment on this proposal. If you have any questions or seek elaboration of our views, please do not hesitate to contact Georgene Palacky at 1.804.951.5334 or [gbp@aimr.org](mailto:gbp@aimr.org).

Sincerely,

/s/ Donald A. Gordon  
Donald A. Gordon, CFA  
Canadian Advocacy Council Co-Chair

/s/ Georgene Palacky  
Georgene Palacky, CPA  
Associate, Advocacy

Cc: Canadian Advocacy Council  
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