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June 1, 2001

Ontario Securities Commission
c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario M4H 3S8

Dear Sirs/Mesdames:

Re: Notice and Request for Comments Regarding Ontario Securities Commission 11-901 Concept Proposal to Revise Schedule 1 (Fees) to the Regulation to the *Securities Act* (Ontario)

I appreciate this opportunity to provide you with comments on the Ontario Securities Commission (the "OSC") 11-901 Concept Proposal to Revise Schedule 1 (Fees) (the "Concept Proposal") to the Regulation to the *Securities Act* (Ontario), that was published on March 30, 2001. The following are my personal comments and are not comments of the firm.

1. General Comments

An examination of the Concept Proposal reveals a substantial departure from the existing fee schedule. Although significantly different, I appreciate that the Concept Proposal has been designed to reduce the overall fees charged to market players, to simplify, clarify and streamline the current fee schedule and to more accurately reflect the OSC's cost of providing services. In particular, I applaud the attempt to levy fees based on the market player's actual participation in capital markets. Nevertheless, I would like to bring to the OSC's attention concerns regarding the participation and activity fees outlined for market players regulated by the OSC Capital Markets Branch focussing, in particular, on the New Model - Capital Markets.

2. New Model - Capital Markets

(a) Participation Fees

The OSC has stated that participation fees are designed to represent the benefit derived by market players from participating in

Ontario's capital markets. Every dealer or adviser registrant and each mutual fund manager that is not registered (each referred to as a "Registrant") will pay an annual participation fee based on the portion of the Registrant's gross revenues for its most recently audited financial year, as adjusted for certain defined deductions, that is attributed to the entity's business in Ontario.

I am concerned that the intention of the OSC seems to be inconsistent with the methodology employed to achieve it. More specifically, the OSC proposes to levy a participation fee based on gross revenues attributed to a Registrant in Ontario. I understand that staff of the OSC selected gross revenues as the most relevant indicator of a Registrant's use of the capital markets and the easiest measure to calculate and report. However, the Concept Proposal does not contemplate a situation where a Registrant may earn significant revenues that are not attributable to capital markets activity. For example, certain financial institutions carry on numerous non-capital market activities which generate significant revenues. Such Registrants would be required to pay participation fees on revenues unrelated to capital market activities, thereby resulting in disproportionately high participation fees. It is my view that Registrants should not be penalized as a result of their corporate structure. Further, I would query whether it is appropriate from a jurisdictional perspective for the OSC to levy fees on revenues generated from activities unrelated to the Ontario capital markets. I therefore recommend that the Concept Proposal allow those Registrants who earn gross revenues from activities not related to capital market activities be permitted to deduct those revenues in calculating participation fees.

(b) *Activity Fees*

The Concept Proposal attempts to levy activity fees based on the OSC's direct costs of carrying out that activity. Furthermore, many of the specified activities for which a smaller fee is currently charged by the OSC will no longer attract a charge. Although the direct cost approach is laudable, I note that the Concept Proposal fee of \$400 for registering a new officer, partner, salesperson or representative would represent a 60 percent increase over the current fee of \$250 which seems excessive.

3. Conclusion

Thank you for providing the opportunity to comment on the Concept Proposal. The Concept Proposal introduces a significant departure from the current fee schedule, and in my view is a generally positive initiative. Nonetheless, I believe that the calculation of gross revenue for Registrants should be reconsidered in order to more accurately reflect gross revenues derived from

Ontario's capital markets. Furthermore, I would ask that the OSC reassess the Concept Proposal fee associated with the registration of new officers, partners, salespersons and representatives.

I would be please to answer any questions that you may have about our comments.

Yours truly,

Jennifer Northcote

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