

May 31, 2001

Ontario Securities Commission
20 Queen Street West
Suite 1903, P. O. Box 55
Toronto, Ontario M4H 3S8

c/o John Stevenson, Secretary

Dear Sirs:

**Re: Request for Comment 11-901
Concept Proposal to Revise Schedule 1 Fees**

Thank you for the opportunity to comment on this important issue which impacts significantly on our members and on the capital markets generally.

We have asked a number of our members to make calculations based on the new fee and compare them to the current fee for analysis purposes. Bill Gazzard, Director of Capital Markets, agreed that we could make our submission in two parts in that we have not received all of the data back from the Membership on the impact to their particular organizations. We would like to follow up with those detailed numbers over the next week or two.

Fundamental Concern

The Investment Dealers Association of Canada (IDA) and its members supported the concept of self-funding of the Ontario Securities Commission (OSC) as it is important for the capital markets in Ontario to have an adequately funded and professional Securities Commission capable of fulfilling its important public interest mandate. However, it was specifically agreed at the time that the OSC would match fees with expenses and indeed that was the condition for industry support of the concept with the Government of Ontario. Unfortunately, over the five years ended March 2001, the OSC has collected \$215 million in excess of its budget, a massive additional cost to market participants. The trend does not seem to be declining, since last year the excess amounted to \$41 million.

In the background section of the request document, it is noted that one of the primary purposes of revising the fee schedule is to reduce the overall fees charged to market players and, in the light of the very large excess fee level, the securities industry was anticipating significant reductions. We were therefore surprised and concerned that,

according to senior commission staff, the proposed formula would result in a neutral impact on our members as a whole, although there will be fluctuations from firm to firm. In other words, our members will not participate in the relief from excess fees at all. This is especially unfair and burdensome since our members must also pay \$21 million for self-regulation through the IDA, as well as the fees charged by the other 11 securities commissions.

Activities Delegated to the IDA

It is our understanding that the registration related activity fees to be levied under the fee model are designed to cover the OSC's direct cost of carrying out that activity. In the case of IDA members in Ontario, work related to individual registrants is performed by the IDA registration staff and not by the OSC.

Therefore, we request that IDA members be exempt from paying registration fees to the OSC for individual registrants. The IDA would continue to charge member firms based on our costs.

Exemption Fees

The proposal calls for an increase in exemption fees from \$400 to \$1,500. The IDA is delegated the authority by the OSC to grant proficiency exemptions under 31-502 through the SRO system and the Ontario District Council. No work is performed by the OSC on these matters and, therefore, we request that our member firms not be subject to this fee for their registrants.

Rush Fees

It would be preferable to have sufficient resources available both at the OSC and the IDA, so that applications are turned around in a reasonable time frame.

Before commenting on the appropriateness of charging double fees for a 20-day turnaround, it would be appropriate to understand what normal turnaround periods are anticipated to be.

Clarification

Late Filing

The proposal calls for late filing fees of \$100 per day in a number of areas. It is unclear as to whether these are business days or calendar days.

Non-Trading Officers

We note that the proposal does not contemplate a fee for approving or terminating the registration of non-trading officers. While we believe that our members should be exempt from such fees as they are paying them to the IDA, it should be noted that there is as much work required to register a non-trading officer as any other registrant.

Additional Submissions

One of our largest members compared the new fee schedule to the amount actually paid in 2000, and the new schedule called for a \$772,000 fee as opposed to an actual fee of \$488,000 representing a 58% increase. It should be noted that this is a comparison of the proposal to actual fees paid and not the old fee schedule, as the capital fee for 2000 was waived by the OSC.

Based on this calculation and a discussion with Mr. Gazzard, who had assumed that the larger firms would be either flat or slightly benefited, we have asked a number of our members to make similar calculations.

We anticipate their results over the next week and would request an extension to be able to share this important information with the Commission.

Additionally, there are proposals for fees levied on issuers that will impact the capital market in Ontario. The IDA Capital Markets Committee would like to have the opportunity to study these proposals in detail and submit a response to the OSC over the next two weeks.

We look forward to discussing these matters further with you in order to create a fair cost of regulation of the capital markets in Ontario.

Yours truly,

Joseph Oliver
President and CEO
Investment Dealers Association of Canada