



INVESTMENT INDUSTRY ASSOCIATION OF CANADA  
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

Ian C.W. Russell FCSI  
President & Chief Executive Officer

19 February 2010

Mr. Robert Day  
Manager, Business Planning  
Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario M5H 3S8

Dear Mr. Day:

**Re: Request for Comments Regarding Statement of Priorities  
For Fiscal Year Ending March 31, 2011**

We appreciate the opportunity to respond to the Request for Comments on the OSC Statement of Priorities for 2011 (the Priorities). The Investment Industry Association of Canada (IIAC) advances the position of the Canadian investment industry on regulatory and public policy issues. As the professional association for the industry, the IIAC's mandate is to promote efficient, fair and competitive capital markets for Canada and assists its 200 member firms across the country succeed in the securities business.

The IIAC and the securities industry are supportive of the OSC mandate and efforts to execute that mandate: providing protection to investors, fostering fair and efficient markets and fostering confidence in the capital markets. The delineation of strategic goals and initiatives are important to focus efforts on building a more efficient and cost-effective regulatory system.

The recent financial crisis demonstrates the need for a single regulator. We are grateful for Ontario government support of this initiative to make the single regulator a reality. The appointment of Lawrence Ritchie to the Canadian Securities Transition Office brings necessary experience and instills confidence that the CSTO will achieve its objectives. A single regulator will deliver more effective regulation for Canadian markets and ensure the timely implementation of regulation in response to rapidly changing market

developments. The Ontario commitment to the CSTO and single regulator is recognized by the industry as a contribution to efficient, competitive and well functioning markets.

We are supportive of the Priorities, in particular: initiatives to improve investor protection, the implementation of a regulatory framework for equity markets, expanded regulatory coverage to eliminate regulatory gaps, and maintaining a vigorous enforcement system. It is important these initiatives improve the calibre of regulation and contribute to more responsive and cost-effective regulation. A responsive and competitive regulatory system for Ontario capital markets contributes directly to market efficiencies and investor participation, improving conditions for capital-raising for Ontario business, and building financial and economic infrastructure in the province.

The Priorities should be seen through the lens of all market participants and provide sufficient details on the measures to allow for improvement in the quality of the regulatory system, underlining the OSC's stated vision "to be an effective and cost-effective responsive securities regulator". For instance, under Priority 1, "Deepen our Focus on Investor Protection", the OSC states it will implement a new complaint handling, conflicts and referrals regime for registration. To assist in developing the Priorities, it would be useful to provide market participants with information on the rationale for a new complaints handling regime and its contribution to the efficiency of market regulation. Such information should include the contemplated protections and proposed changes to improve investor confidence.

Likewise, Priority 2, "Respond to Market Developments" includes an initiative to develop or modernize regulatory responses related to the regulation of ATs and exchanges. Additional analysis from the OSC on this initiative would give the market a better opportunity to comment and assist you in setting priorities to serve the market and its participants.

In Priority 3, "Address Adequacy of Regulatory Coverage", the document states specific areas to be addressed include risks related to products and distribution of securities in the exempt market. The priorities and responses received in connection with the Request for Comments could be improved by describing initiatives that improve market integrity without damaging the capital-raising capacity for small business. Separately, under Priority 3, we are disappointed at the absence of reference to the incorporation issue. A review of this issue could include an assessment of measures for all relevant registrants to strengthen investor protection for all clients and provide a level playing field.

Priorities 4 and 5 would be enhanced with a clearer explanation of how the proposed priorities will make the regulatory system better. This detail could give greater clarity to market participants and inform a better regulatory system. A more efficient regulatory system will contribute to active participation in capital markets, resulting in more capital formation and economic activity.

Finally, while we appreciate the OSC will mitigate fee increases by drawing down accumulated surpluses, we are concerned about the impact of fee increases on market

participants. A fee increase of 12.2% (weighted average) is significant, particularly for smaller firms most negatively affected by the economic downturn, and carrying more than the participants' share of the regulatory burden. These firms will now face additional costs to participate in the marketplace.

The IIAC recommends that the Priorities should incorporate a vision for achieving a more effective regulatory system to support competitive and liquid capital markets, and a recovering economy. Again, we appreciate the opportunity to comment on the Priorities. Please do not hesitate to contact me to discuss the matters raised in this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read "J. Russell". The signature is written in a cursive style with a long, sweeping underline.