

Robert Day
Senior Specialist, Business Planning and Performance Reporting
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8

Delivered via email: rday@osc.gov.on.ca

Re: Comments - Ontario Securities Commission Notice 11-768 – Statement of Priorities For Financial Year To End March 31, 2014

Dear Sir:

Please accept the comments below as my personal views and opinions. These comments should not be construed as the positions of my employer, nor any of the advisory committees of which I am a member.

My comments will be directed at specific “Proposed Actions” that are outlined in the Statement of Priorities. (“the Statement”)

Proposed Actions: 2. Adviser Responsibilities to Investors a) Conduct a “mystery shop” research sweep of advisers to gauge the suitability of advice currently being provided and identify areas of concern and assist in targeting future OSC suitability sweeps.

I find this Proposed Action to be offensive and it smacks of an RCMP “Mr. Big” type program. Brokerage firms are governed by IIROC. IIROC conducts ongoing audits to ensure that firms and advisors are complying with Know Your Client (“KYC”) and suitability. If the OSC does not believe that IIROC is capable of adequately overseeing these issues, then the OSC should appeal to the Federal Government to overturn IIROC’s powers and cede them to the OSC. The OSC should not propose this action without fully disclosing if it is creating its own measures of suitability or if it is adopting IIROC’s measure of suitability. If it is adopting IIROC’s measure of suitability, then the OSC should state why it believes that the IIROC measures and audits are not adequate.

It is my personal observation that many of the securities and investor frauds that have occurred over the past few years have been outside of the regulated brokerage industry. I think that a much better route to take would be for the OSC to reach out to the brokerage industry and engage brokers as the eyes and ears on the street who look out for these frauds that occur outside of the regulated industry. Engaging the brokerage community as gatekeepers, and educating them on how to identify and report suspicious unregulated investments to the OSC, will likely result in the investing public being better protected than engaging in clandestine “gotcha” type activities. Build bridges, don’t burn them.

Proposed Actions: 3 Provide investors with more effective and meaningful disclosure: a) Publish a rule requiring advisers and dealers to provide cost disclosure and performance reporting in client statements to investors.

I have no problem with this issue as long as the OSC is prepared to offer the same disclosure that outlines the costs incurred by issuers and brokerage firms in order to comply with securities regulations. Fees are driven by costs. The cost of being an issuer or a brokerage firm in Canada has increased precipitously over the past 10 years. To my knowledge, there is no economic measure of how the increased burden of ever increasing securities regulation has affected the costs to issuers, brokerage firms, and collectively the capital markets. When it takes a 286 page complicated and intimidating, circular for a Capital Pool Company to complete a Qualifying Transaction, it is very apparent that securities regulation has blossomed into something that is no longer serving the best interests of an investor. These types of documents, and the many others required in order to comply, do not benefit the investor and instead result in investor money being spent to comply with regulations rather than being spent to create shareholder value.

If the intent is to make the investor aware of the performance and fees associated with his or her investments, then it is entirely reasonable for brokerage firms and issuers to require the securities regulators to also be transparent in disclosing and measuring the costs of complying with regulations and what the benefit there is to the investor. I believe that there is a great disconnect between the creation of securities regulations and an understanding of the economic ramifications of these regulations. It is entirely unreasonable for regulators to not have economic measurement tools in place in order to calculate and evaluate the costs and benefits of its actions.

Proposed Actions: 5. Capital markets accessibility.

Consultation and study are not needed here. The statistics emanating from the Market Intelligence Group of the TMX tell everyone all they need to know. The public venture capital markets are frozen. Back to back 50% declines in trading activity and capital raising are not difficult to understand. The main stock exchanges in Canada are owned by a consortium of banks, insurance companies and pension funds. There definitely appears to be little to no interest by the bank shareholders of the TMX Group, or the bank owned brokerage firms in general, to make it easy for their brokers to recommend TSX Venture companies to their clients. Defacto, this eliminates an enormous amount of potential capital markets participants. Couple this with an outdated policy for public companies seeking to raise follow-on capital, and a paradigm shift in investor risk tolerance, and you end up with the dilapidated capital markets as they exist right now.

Immediate action is needed to replace the out of date Accredited Investor Exemption with a policy that allows publicly listed companies to raise money from treasury without the need to create offering documents that simply but expensively restate information that is already disclosed in readily available and previously disclosed public documents.

The public venture capital markets in Canada are in free-fall. \$10.9 billion was raised on the TSXV in 2011. Extrapolating from the first four months of this year it would suggest that it will be closer to four billion raised in 2013. This is a disaster for the capital markets and for the Canadian economy. There is no time to meet with business associations and the community. The OSC must immediately take action and focus on reducing the cost of capital for issuers by streamlining and rewriting securities regulation. There must be a clear and unencumbered path between desired outcomes, courses of action taken to achieve the outcomes, simplicity in content in order for the average investor to understand, and

standardized templates for issuers disclosure documents. It is also imperative that the OSC be able to measure the costs and benefits of the actions that it takes. It is unheard for any kind of business or organization not to have a plan in place in order to measure the success, failure, outcome, goals, costs and benefits of the business or organizations actions.

Now is the time for the OSC to step to the forefront and be a leader in tackling the issues facing the beaten down public capital markets in Canada. There is no time for paralysis by analysis. The statistics factually and brutally display the facts that our capital markets are under siege. While others are relying on a business plan of hope and optimism for our markets, the OSC needs to be the champion of our capital markets by taking a leadership role and unlocking the access to the capital markets.

Full Disclosure: The above comments are my personal views and opinions. These comments should not be construed as the positions of my employer, nor any of the advisory committees of which I am a member.

Darrin Hopkins BA MBA

Vice President | Public Venture Capital Division | Macquarie Private Wealth Inc.

440 – 2nd Avenue South West, Suite 2200, Calgary, AB T2P 5E9

T: 403 260 3877 | TF: 1 800 661 1596 | F: 403 269 7870

darrin.hopkins@macquarie.com www.macquarieprivatewealth.ca

