



Caldwell Securities Ltd.
Independent Investment Advisors

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Mr. Louis Morisset
President and Chief Executive Officer
Autorité des marchés financiers
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Comments regarding CSA Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-investment Fund Reporting Issuers (Consultation Paper) Canadian Securities Administrators

Dear Mr. Morisset,

I was encouraged to note the Canadian Securities Administrators (“CSA”) is considering the weight, relevance and impact of current securities disclosure regulation. Having worked in all areas of the securities industry for over fifty years, it is clear to me and to others, that we have transcended any balance between investor protection and public capital market preservation. The ramifications for future Canadian innovation, economic growth and employment are clear.

My concern is Canada’s future. Please take my comments with that context.

- 1) Canada is a great country in which to start a business, but not a great country in which to build one. After “love capital”, access to public capital markets has become severely restrained as a result of regulatory costs and on-going reporting burdens.
- 2) Disclosure demands on public and newly public companies are costly, time consuming and ineffective. Current disclosure regulatory demands ignore the basic fact that “too much information is no information”. Shareholders simply do not read AIFs, MD&As or even Annual Reports. The key is to focus on what is important. What does the investor need to know in order to make an informed and intelligent decision?
- 3) Given my career, it is odd that I now find myself advising companies to stay “private”. The risks, costs and the time burdens are simply too great. The significant growth of the private equity market in Canada is reflective of these factors.



Obviously this is also depriving public investors of choice. As an aside, there are rarely “hot” new issues as companies remain private longer and the IPO phase has become the “unload” period for earlier, accredited investors.

- 4) The demands of quarterly MD&As, etc. are significant both in content and continuing work load. This is a major cost for every public enterprise. Some, with large administration staffs, may be able to handle the work load but for many the burden is inordinate. In the end, investors bear that cost.

I also suggest you not constrain your consideration in this matter to “smaller” enterprises.

Companies considering an IPO are also faced with some additional hurdles not within the scope of your examination but possibly for consideration in the future. They are:

- A) The mechanisms through which new company financings were conducted in the past have been obliterated. Independent investment firms have seen their ranks depleted by over 30% in the past two years alone. As one senior investment manager put it “brokers built Canada” through selling shares in every public Canadian enterprise. The bottom line is only 7 new company IPO’s were issued in 2016. That is a shocking number which points to zero growth.
- B) The explosion of ETFs within Canada is distorting share pricing. For example, ETFs typically purchase large cap companies included in an index. As a result, small to medium cap companies have become orphaned with little or no research or continuing broker coverage or interest.
- C) Investment Advisors are so traumatized by regulatory and legal risks, few recommend small to medium cap companies. Their efforts are now focused on “packaged products”.

I would welcome the opportunity to be of any assistance to any group or committee in this regard. More practical and direct investment industry inputs are required if Canada is to realize meaningful and broadly based economic growth.

Best wishes in this project,

Thomas S. Caldwell, C.M.
Chairman & CEO



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