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For Immediate Release

IIAC Responds to OSC Fee Proposal

Now is not the time for fee increases

Toronto, November 26, 2012 – In its response to the OSC’s fee proposal, filed with the OSC today, the Investment Industry Association of Canada (IIAC) is calling the scope of fee increases “significant” and the timing – for an industry losing money as a result of difficult business conditions and increased regulatory obligations – regrettable.

According to Ian Russell, IIAC President and CEO, the industry’s response does not reflect unwillingness on the part of the industry to pay their fair share. However, after ten years of fee increases and with weak market conditions, the additional hikes proposed by the OSC increase the burden on dealer firms in difficult times.

Operating as it has as a self-funded agency, the OSC was expected to generate sufficient revenues to meet its regulatory responsibilities and at the same time permit reductions in fees paid by market participants. This has not occurred as the OSC’s responsibilities and budget have expanded significantly, resulting in successive fee increases over the past decade.

“Our primary recommendation is that, as an independent agency that sets its own fees, the OSC should be subject to greater transparency and accountability,” Russell said.

“Specifically, the Commission should make public its annual business plan and budget and other documents it is required to submit to Ontario’s Minister of Finance. Further, the Commission should be required to justify its regulatory initiatives, budgets and fees, and its performance before a Standing Committee of the Ontario Legislature that conducts annual or biannual reviews of its activities.”

Russell, whose association represents 175 small, medium and large member firms across Canada, says that in setting this fee structure, the OSC has not adequately taken account of the current financial circumstances of the securities industry or the fact that all costs of regulating the securities market are borne by industry members and reporting issuers.

In its response, the IIAC provided the following additional recommendations:

1. The OSC’s participation fees for the next three years should not be based on a market participant’s performance in a single year (a “reference fiscal year”), but on a three-year rolling average of revenues or market capitalization. This approach will

enable fees to reflect to some degree actual performance, and still enhance the Commission's ability to predict its annual revenues.

2. The OSC should not prohibit registrants from treating participation fees as business expenses and factoring them into their fee models.
3. If the OSC decides to prohibit registrants from passing on participation fees, the prohibition should not be adopted in a policy, but should be adopted as a rule and clearly explained.
4. The OSC should consider increasing the proportion of activity fees in its fee model; the IIAC suggests specific alternatives, such as fees to achieve regulatory goals and lowering the threshold to charge variable fees to the stock exchanges and clearing agencies.
5. The OSC should charge fees for hearing applications made by parties to a takeover bid or proxy contest, such as poison pill hearings.

“We look forward to working with the OSC in establishing a fee structure that is fair and reasonable to our member firms, other market participants, and the industry as a whole,” concluded Russell.

The IIAC – Leadership for Canada’s Investment Industry

The Investment Industry Association of Canada (IIAC) is the national association representing the investment industry’s position on securities regulation, public policy and industry issues on behalf of our 175 investment dealer member firms in the Canadian securities industry. These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations. The IIAC is the leadership and voice of the Canadian securities industry with a commitment to a vibrant, prosperous investment industry driven by strong and efficient capital markets.

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