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January 16, 2013

Mr. John Stevenson  
Secretary  
Ontario Securities Commission (OSC)  
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Dear Mr. Stevenson:

**Re: Notice and Fee Regarding Registrants' Securities or Assets Being Acquired**

I am writing on behalf of the members of the Investment Industry Association of Canada (IIAC) to request permanent exemption of firms regulated by the Investment Industry Regulatory Organization of Canada (IIROC) from an OSC fee as we believe the OSC work related to registrants' securities or assets being acquired in IIROC Dealers' case essentially duplicates that which IIROC already undertakes. We understand that this matter has been discussed before, at least at the Canadian Securities Administrators (CSA) staff level, but with ongoing flat markets and increasing regulatory costs, our members have asked us to pursue a number of matters that may in the past have been mentioned, but just as one item in broader consultations.

**Background:** National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, requires, in section 11.9 – Registrant acquiring a registered firm's securities or assets – and section 11.10 – Registered firm whose securities are acquired, that registered firms report to the regulator in writing if they know or have reason to believe that any person or company, alone or in combination with any other person or company, is about to acquire or has acquired beneficial ownership of, or direct or indirect control or direction over, 10% or more of any class or series of voting securities of a registered firm or a person or company of which the registered firm is a subsidiary. Section 1.3(2) of NI 31-103 provides that, for purposes of sections 11.9 and 11.10, it is not sufficient to notify only the principal regulator – regulators in all non-principal regulator jurisdictions also must be so notified.

IIROC Dealer Member Rule 5, *Ownership of Dealer Member Securities*, requires prior written notice from an IIROC Dealer Member or its holding company to IIROC where there is a transfer of any securities or a legal or beneficial interest in these securities (section 5.3) and IIROC District Council approval of any transaction that is significant, meaning achieving 10% or more in ownership or control (section 5.4). This essentially duplicates the NI 31-103 requirements regarding significant shareholdings. As well, we understand that IIROC undertakes appropriate due diligence as would the principal regulator and other CSA members. OSC Rule 13-502, *Fees*, assigns a charge of \$3,000 to a notice required under sections 11.9 and 11.10, and other jurisdictions levy a fee for this as well.

**Practical Effect:** While changes in significant shareholdings are not daily events, the departure of one shareholder can lead to a requirement to report not just because a particular shareholder bought additional shares, but because the holdings of the particular person as a share of the total change. While requiring reporting of significant shareholding changes is reasonable, what is less apparent is that when a new shareholder acquires holdings, the particular shareholder that has just exceeded the 10% threshold will fall below it again. The cycle above and below 10% of holdings can continue for the particular shareholder each time the 10% threshold is reached, meaning notice again to a CSA member(s) and payment of a fee(s). We think this is impractical and does not improve investor protection in any material way.

**Recommendation:** We see the need for and support significant shareholder reporting. The IIAC also values the due diligence that the OSC and other CSA members do in the case of non-IIROC members that meet fewer investor protection requirements and do not have IIROC or equivalent oversight or review. We understand that it is not possible to delegate authority to receive significant shareholder reporting to IIROC only. Therefore we recommend the following:

1. That all registrants be required to report to a central location, such as the CSA, for easier, faster dissemination of significant shareholder change information to all jurisdictions. The CSA website accommodates central filing for National Instrument 24-101, *Institutional Trade Matching and Settlement* exception reporting. We suggest that a similar filing mechanism for significant shareholdings would be straightforward to implement and benefit all parties.
2. That IIROC Dealers (and others if the OSC chooses) be exempted from the \$3,000 fee the OSC charges less stringently regulated entities as IIROC Dealers already pay IIROC for oversight, including significant shareholding change review, to protect investors and support fair, efficient capital markets and confidence in them.

We are making similar requests to other CSA members that charge in relation to the notice requirement, particularly as we understand that their related activity may be based on the terms and conditions of the principal regulator.

We hope you concur with our recommendations and will agree to exempt such fees for IIROC Dealers retroactively to the start of the OSC's current fiscal year. We believe that OSC does not count on revenue from this source, and so this revenue will not have been budgeted, suggesting that amounts paid since the start of the OSC's fiscal year could be refunded. We would be pleased to discuss this proposal with you further at your convenience.

Yours sincerely,



Cc: Rossana De Lieto