



Friday, January 24, 2025

By email: comments@osc.gov.on.ca; consultation-en-cours@lautorite.qc.ca

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And

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Financial and Consumer Services Commission, New Brunswick
Nova Scotia Securities Commission
Financial and Consumer Services Division, Justice and Public Safety, Prince Edward Island
Office of the Superintendent of Securities, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities
Office of the Superintendent of Securities, Nunavut

Re: Canadian Securities Administrators (CSA) proposal - Amendments to Multilateral Instrument 13-102 System Fees, issued on November 21, 2024

The **Canadian Independent Finance and Innovation Counsel (CIFIC)** appreciates the opportunity to provide comments to the CSA on the Proposed Fee Increases for National Regulatory Filing Systems.

The Canadian Independent Finance and Innovation Counsel represents national Investment Dealers and their industry's position on securities regulation, public policy, and industry issues. We represent notable CISO-regulated Investment Dealers in the Canadian securities industry.

Critical Systems

We appreciate that the Canadian Securities Administrators (CSA) oversees the operation of our national regulatory filing systems, including SEDAR+ and the National Registration Database (NRD). As our organization represents Investment Dealers, we recognize the critical role these systems play in ensuring transparency and efficiency in Canada's capital markets.

Significant Fee Increase (60%)

While we acknowledge the necessity of funding to address rising technology and cybersecurity costs and to support the CSA's national systems, we believe that the fee increases proposed would be onerous for the Investment Dealers we represent.

A 60% fee increase in 2025, followed by 3% increases annually, may present significant challenges, particularly for smaller, independent Investment Dealers. The fee increase, even if less than \$2,500 per annum for 95% of Investment Dealers, may not seem like much at first glance, but could have a significant impact on a small firm.

The Investment Dealers we represent view the fee increases as particularly difficult to justify given the ongoing performance issues with the systems, which fall short of delivering the enhanced value participants rightfully expect.

Below, we provide our key perspectives and recommendations regarding the proposal.

1. Disproportionate Impact on Smaller Dealers

The proposed fee increases, though essential for maintaining system integrity, will disproportionately affect smaller independent Investment Dealers. Unlike bank-owned Investment Dealers that benefit from larger operational scales and resources, independent firms often operate on leaner margins and lack the capacity to absorb substantial fee hikes without significant impact on their business operations.

We recommend that a more equitable allocation of the proposed fee increases be considered. Specifically, large bank-owned dealers, which dominate market share and possess greater financial capacity, should bear a larger proportion of these cost increases. Furthermore, these firms are utilizing the national systems substantially more than smaller firms. This approach would support a fairer distribution of the financial burden and ensure the viability of smaller dealers that play a critical role in servicing Canadian investors as well as maintaining a competitive and diverse market ecosystem.

2. Technological Modernization of the National Systems

We are concerned about the current technology of the national systems, which is failing to meet Dealer expectations. The Investment Dealers we represent believe these expectations are justified because of the way similar technology works in other jurisdictions: we note that in contrast with SEDAR+, the EDGAR application in the US provides a smooth and user-friendly experience.

Dealers also note the frequency of interruptions in the national systems, which can suddenly become unavailable for parts of the day. We would therefore propose that the current shortfalls of the national systems be acknowledged, accounted for, and remediated prior to any proposals to collect more annual fees from market participants.

At the December Independent Dealers Group meeting, the CSA explained that this proposal stemmed from the national systems' failure to account for inflation and rising IT costs when setting their annual fees in the past. The Independent Dealers we represent object to the burden of higher fees being placed on them in order to cover these past shortcomings in financial planning and forecasting. Instead, they respectfully propose the CSA defer any fee increases until the technology is appropriately modernized and delivers value comparable to similar systems elsewhere in the world.

3. Support for Investments in Cybersecurity and Efficiency

We fully support the CSA's focus on cybersecurity and the adoption of innovative technologies to ensure the long-term security and efficiency of the national systems. The Investment Dealers we represent share the CSA's view that resilient and efficient systems are essential to safeguarding sensitive market information and bolstering investor confidence.

However, we urge the CSA to ensure that the increased costs associated with these efforts are matched with measurable improvements in system efficiency and usability. Transparency with respect to how these additional funds will be allocated and utilized is critical to maintaining industry trust and support. We encourage the CSA to provide regular updates to industry on progress made toward achieving these improvements.

4. Involvement of Independent Investment Dealers in Strategic Discussions

We are encouraged by the CSA's commitment to exploring alternative operating models and the development of a long-term strategic plan for the national systems. Independent Investment Dealers bring unique perspectives to these discussions, particularly regarding system usability and the operational challenges faced by smaller market participants.

We therefore strongly advocate for the inclusion of CIFIC and the Investment Dealers we represent in future consultations and working groups tasked with shaping these plans. By incorporating the diverse voices of all industry participants, the CSA can ensure that system enhancements are responsive to the needs of the broader market, and not only its largest players.

We also propose the delivery of new applications and advancements in national systems technology be paid for (by marketplace participants through increased fees) only **subsequent** to these developments being made, collaboratively, with the strong industry input described above, rather than in advance (as proposed, with increased fees beginning in November 2025).

Dealers have noted many instances where they have pre-funded improvements that did not benefit themselves, and they believe fee increases should only be implemented when there is industry agreement that the systems deliver appropriate value, as commensurate systems do.

5. Recommendations for Implementation

To address our concerns while achieving the CSA's goals, we respectfully propose the following recommendations:

1. Acknowledge and outline current shortcomings in the national systems and provide a clear, itemized breakdown of how these will be addressed.
2. Establish a formal advisory committee that includes CIFIC Independent Dealer representatives to discuss system enhancements, collaborate on long-term strategic planning, and determine precisely how increased revenues will be allocated toward system improvements.
3. Implement measurable system improvements as discussed within the advisory committee, which benefit the industry as a whole.
4. Introduce a tiered fee structure that aligns fee increases with firm size, capacity to pay, and the value of the technological improvements made to the national systems.
5. Commit to periodic reviews of the fee structure alongside system performance with industry input, to ensure it remains equitable and reflective of actual system costs and to ensure useability and value for market participants.

Conclusion

We commend the CSA for its efforts to maintain and enhance the functionality of Canada's regulatory filing systems. While we recognize the necessity of increased funding, we believe that a balanced approach is essential to ensure the sustainability of all market participants.

On a related note, we wish to remind the CSA that CIFIC submitted a letter on October 8, 2024, outlining the necessary improvements to Cease Trade Orders (CTOs) in Canada. We urge the CSA to prioritize a comprehensive review and enhancement of the systems and processes associated with CTOs.

As always, we are available to discuss the content of this submission further, address any concerns you may have, or provide additional information as needed. Your feedback is invaluable to us, and we are committed to ensuring that we all achieve our objectives effectively and efficiently.

Please feel free to contact me at annie@cific.co with any questions, comments, or to schedule a call to discuss any aspects of the letter or explore potential next steps. We look forward to our continued collaboration on this matter.

Sincerely,

A. Sinigagliese

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