



To:

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Nova Scotia Securities Commission
Nunavut Securities Office
Office of the Superintendent of Securities, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities
Ontario Securities Commission
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

Via:

The Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
Email: comments@osc.gov.on.ca

October 22, 2020

Re: CSA Consultation on the Self-Regulatory Organization Framework

We thank the Canadian Securities Administrators (CSA) for the opportunity to provide this comment on the review of the regulatory framework for the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA). It is both an overdue and a timely review, one that can contribute significantly to the modernization of the Canadian capital markets.

Paradigm Capital is an employee-owned, independent investment dealer. We develop and maintain long term relationships equally between a community of diverse and growing companies and a broad range of institutional investors deploying capital to those types of growing companies. We operate at the nexus of capital connection and understand very well that within the present construct of the Canadian capital markets many small and mid-sized businesses are suffering diminished access to lifeblood capital and less access to experienced and objective advice from like-minded advisers. We applaud the efforts of the CSA to accelerate



constructive changes to the Canadian capital markets to assist in setting the stage for a healthy, positive ecosystem to support growing Canadian companies for decades to come.

We note that the Ontario Capital Markets Modernization Taskforce (OCMMT) is looking into issues which have some overlap to this CSA review. Paradigm Capital has participated in the OCMMT process. As an independent IIROC firm, we are well situated to respond to both processes.

We agree with many of the targeted outcomes in the CSA proposal, particularly the focus on improving results for investors/clients that choose to participate in our capital markets system. We also applaud the dual goals of improving efficiency and transparency.

We support self-regulation, as supervised by the CSA. While the Canadian ecosystem needs to be updated to further attract issuers, talent and innovation into Canada, the self-regulatory model is appropriate for Canada. It allows for the efficient administration of the capital markets, which in turn increases investor confidence and robust capital formation.

We believe that SRO consolidation is an important step in improving the fragmented Canadian regulatory framework. In order to facilitate effective capital formation in the Canadian markets, regulation must be made more efficient, the level of regulatory oversight made more proportionate and duplicative regulatory burden removed. We support the proposal made by IIROC (“Improving Self-Regulation for Canadians”) to remove unnecessary duplication/overlap in regulation. Although some constructive measures have been initiated in recent years by several regulatory bodies, this is a critical time for capital markets regulation in Canada. Given the global pandemic and its incumbent stresses on Canadians and Canadian companies, practical solutions to remove unnecessary overlap are needed now perhaps more than ever.

Paradigm Capital fully supports a critical conclusion of the aforementioned Ontario Capital Markets Modernization Taskforce: a vibrant economy needs vibrant capital markets, driven by innovation, competition and diversity. There is an understanding at IIROC that investment dealers operate a wide variety of business models and serve a wide variety of capital markets participants. IIROC has identified that the model of taking a broad brush to regulation, a one-size fits all approach, is not only antiquated but is harmful to its membership and by extension to the diversity of clients accessing the services of investment dealers across the country.

IIROC has commenced a project to examine how to ensure that its member firms answer only to the rules and accompanying regulatory obligations that were designed to manage the risks generated by the business activities of those firms. This is a healthy, changemaking approach to reduce the burden of regulation on stakeholders that could be well applied to a consolidated-SRO.

A collaborative, inclusive consultation process designed to find the right balance of capital markets efficiencies and robust investor protection will be critical for any consolidated SRO to prioritize. We support the phased approach in the IIROC proposal and emphasize the need to



listen to issuers and investors and to find renewed support of the variety of business models serving those issuers/investors across the country. The awareness achieved through that consultation can then be applied in the context of promoting the health and prosperity of Canadian market participants in an increasingly competitive Canadian global marketplace.

Like the issuer clients and sophisticated investors we partner with, Paradigm Capital does not believe there are any insurmountable challenges within the Canadian capital markets. We are firm in the conviction that Canadians will continue to be very good at starting companies that are innovative, growth-oriented and eager to make a positive domestic and international impact. Sensible, efficient and effective regulation will support this necessary growth. The CSA consultation on the SRO framework is a terrific example of exactly the type of constructive, changemaking initiative which validates our belief in the future.

Thank you again for the opportunity to provide this comment.

Sincerely,

Paradigm Capital Inc.