

CSA Notice of Consultation

Proposed Repeal and Replacement of
Regulation 13-102 respecting System Fees for SEDAR and NRD

May 2, 2019

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are publishing for a 90-day comment period draft amendments (the **Proposed Amendments**) to *Regulation 13-102 respecting System Fees for SEDAR and NRD* (**Regulation 13-102**).¹ This notice should be read together with the CSA notice relating to draft *Regulation 13-103 respecting System Replacement* (**Draft Regulation 13-103**), which is also being published today.

The CSA is renewing its national records filing systems. A new system (the **Renewed System**) would replace:

- existing CSA national systems (**Existing CSA Systems**) including the System for Electronic Document Analysis and Retrieval (**SEDAR**), the System for Electronic Disclosure by Insiders (**SEDI**) and the National Registration Database (**NRD**), and
- various local records filing systems.

In connection with the development of the Renewed System, the CSA has reviewed system fees for specified filings made by market participants. As a result of this review, the CSA proposes to revise Regulation 13-102, primarily to change the structure of the system fees provided by Regulation 13-102. Under the Proposed Amendments,

- system fees would continue to be established on a cost-recovery basis, and
- the total system fees collected by the CSA are projected to decline.

We note that system fees are separate from any regulatory fees users must pay in any province or territory.

The Proposed Amendments are structured as a repeal and replacement (**Draft Regulation 13-102**) of Regulation 13-102. An annex to this notice contains local information, where applicable.

This notice is available on the websites of CSA jurisdictions, including:

¹ While the Manitoba Securities Commission is not a participant in Regulation 13-102, it is a participant in the system fee regime as a result of Regulation 158/2013 under *The Securities Act* (Manitoba). It is anticipated that the Proposed Amendments would be reflected in corresponding changes to Regulation 158/2013.

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Background

In 2013, Regulation 13-102 was adopted to replace the filing service charge schedules under the SEDAR Filer Manual and the NRD User Guide. Adopting Regulation 13-102 reduced some fee rates to reflect cost saving opportunities based on filing patterns but retained the fee structure. The fee structure has remained unchanged since the fee models were implemented in 1997 for SEDAR and in 2003 for NRD.

The Renewed System is intended to

- accept most securities law filings and documents,
- be secure and easy to use, and
- be more cost-effective to operate and change.

This Renewed System is projected to be delivered in phases starting in early 2021. The first phase (**Phase 1**) will replace SEDAR, the Cease-Trade Order (CTO) Database, the Disciplined List and certain filings in the British Columbia Securities Commission eServices system and the Ontario Securities Commission Electronic Filing Portal.

Requirements applicable to insiders (SEDI), registrants (NRD), regulated entities such as exchanges and self-regulatory organizations, and derivatives market participants will be addressed in future phases.

Purpose

In conjunction with the systems renewal, the CSA is proposing to revise system fees to align them to projected national systems operating costs and to provide for future developments and enhancements. The changes are designed to

- reduce annual system fee revenue by \$1.7 million,
- minimize fee changes, especially for smaller filers,
- simplify the fee design by adopting flat fees and eliminating some fees, and
- add new fees for significant new services.

Subject to a transitional measure relating to international dealers and advisers in section 7 of Draft Regulation 13-102, the Proposed Amendments are expected to come into force with Phase 1.

Substance of the Proposed Amendments

The Proposed Amendments would replace principal and non-principal regulator fees with flat fees per filing type (**flat fee design**) paid only to a filer's principal regulator. This change substantially simplifies the system fee regime. Further, system fees for certain filing types would be removed, while some new fees for filing types would be introduced, as described below. System fees will rise in some cases (or be newly created) and fall in other cases, based primarily on filing behaviour and volume of use. Total system fees collected by the CSA are projected to decline by approximately \$1.7 million (7%).

Summary of Draft Regulation 13-102

(i) Flat fee design

Currently, the majority of system fees are based on the number of jurisdictions with which market participants file. The Proposed Amendments would instead reflect a flat fee design. This flat fee design would better align system fees that users must pay with the CSA's anticipated costs to operate the Renewed System, based on market participants' expected system usage. A flat fee design offers significantly improved administrative simplicity for both market participants and the CSA.

(ii) Eliminating certain system fees

We are proposing to eliminate system fees associated with certain filing types, which reduces costs and simplifies the system fees levied in some areas. The filing types and their related fees that we propose to remove from Regulation 13-102 are as follows:

- Prospectus – Distribution outside Quebec;
- Registration of an individual in an additional jurisdiction;
- Related Party Transaction Filings;
- Going Private Transaction Filings.

SEDAR users currently pay a one-time charge for creating a profile in SEDAR. We are proposing not to have any charge for creating a profile in the Renewed System.

(iii) Harmonizing system fees for similar filings and introducing system fees for new filing types

Under Item 2 of Appendix A of Draft Regulation 13-102, international dealers and advisers would pay a new system fee for filing a notice of reliance on the international dealer or adviser registration exemption in *Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**Regulation 31-103**). However, international dealers and advisers will not be required to file this document using the Renewed System until a future phase. Subsection 7(2) provides for a transition so that international dealers and advisers pay the system fee starting at that time. This document is not currently subject to a system fee.

Items 13 and 14 of Appendix A of Draft Regulation 13-102 also would provide new system fees for a “pre-filing” or “application” transmitted through the Renewed System. “Pre-filing” and “application” are defined broadly at the beginning of Appendix A. Both definitions include applications for exemptions, but do not cover filer profiles. However, a system fee under Item 14 is nil if it relates to a pre-filing for which a system fee has already been paid under Item 13.

Requiring a system fee for all applications aligns with the existing requirement to pay a system fee for applications for exemptions sought in connection with a prospectus filing or exemptions relating to *Regulation 81-102 respecting Investment Funds*. This means, for example, that once registrant activities are included in the Renewed System, a registrant that requires an exemption from a registration requirement would file that application for an exemption through the Renewed System and would pay a system fee for filing that application.

Under the Renewed System, all jurisdictions will require reports of exempt distribution (Form 45-106F1 *Report of Exempt Distribution*) to be filed through the Renewed System and filers to pay a system fee. Today, most jurisdictions require that form to be filed on SEDAR and to pay a system fee, while British Columbia and Ontario currently require that form to be filed using local filing systems and do not require a system fee.

The above-noted new filings represent significant new activities to be handled by the Renewed System.

(iv) Transitional provision

While the Proposed Amendments generally would become effective as part of Phase 1, as noted above new system fees for international dealers and advisers filing notices of reliance on an international dealer or adviser registration exemption would not come into effect until after Phase 1.

Since the replacement for NRD will not be part of Phase 1, subsection 7(1) provides that all system fees relating to a registrant requirement that are required to be paid by registrants will continue to be paid through NRD until Draft Regulation 13-103 requires filings and renewal through NRD to be made through the Renewed System.

Related Provisions under Draft Regulation 13-103 – determination of principal regulator

Under Draft Regulation 13-102, system fees are to be paid to a filer’s “principal regulator”, as defined in section 5 of Draft Regulation 13-103. Draft Regulation 13-103 would clarify how a filer’s principal regulator is determined for the purposes of system fees. The approach taken in Draft Regulation 13-103 aligns with the approach taken today in *Regulation 11-102 respecting Passport System*.

Anticipated Costs and Benefits

Adopting the Proposed Amendments would support fostering fair and efficient capital markets. Accessing the Renewed System in a fair manner, as with the Existing CSA Systems, is a critical

aspect of participation in the markets. Market participants must meet a range of requirements to file or deliver records to comply with Canadian securities laws. The system fees for meeting these requirements should reflect the usage of the system.

In developing the updated system fees, we considered how the updated fees would impact market participants within each market segment. As noted previously, costs to market participants who use the Renewed System would be reduced overall about 7%. CSA projects that system fees will decrease or remain the same for about 45% of market participants. Those market participants that would experience fee increases would do so primarily due to new filings performed in the Renewed System. About 34% of market participants would see increases up to \$100 largely because of the proposed fees for exempt distribution reports. About 20% of market participants would see increases up to \$1,000 largely because of fees for pre-filings and other applications, and because of international dealers or advisers who are filing a notice indicating they are relying on the international dealer or adviser registration exemption in Regulation 31-103. Only 1% of filers are projected to see increases over \$1,000.

The impact on any one group of market participants because of a flat fee design has also been minimized to the greatest extent possible. For example, a firm that is registering advisors in only one jurisdiction would see its system fee increase, while firms registering advisors in two jurisdictions or more would see their system fees decrease. Similarly, non-investment fund issuers who are reporting issuers in more than one jurisdiction would see their system fees decrease.

Alternatives Considered

No alternatives to rule changes were considered.

Unpublished Materials

The Proposed Amendments do not rely on any significant unpublished study, report, or other material.

Request for Comments

We welcome your comments on all aspects of the Proposed Amendments.

Please submit your comments in writing on or before July 31, 2019. You may provide written comments in hard copy or electronic form. If you are not sending your comments by email, please send a CD containing the submissions (in Microsoft Word format).

Certain CSA regulators require publication of the written comments received during the comment period. Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

Please address your submission to all of the CSA as follows:

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

Deliver your comments **only** to the addresses below. Your comments will be distributed to the other participating CSA regulators.

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Questions

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