ANDY MITCHELL
President and CEO *Président et chef de la direction*
amitchell@sima-amvi.ca 416 309 2300

July 29, 2026

via email to comments@osc.gov.on.ca
The Secretary
Ontario Securities Commission
22 Queen Street West
22nd Floor, Box 55
Toronto, Ontario M5H 3S8
Fax: 416-593-2318

Dear Sirs and Mesdames:

RE: OSC Notice and Request for Comment – Proposed Amendments to OSC Rule 13-502 Fees, OSC Rule 13-503 (Commodity Futures Act) Fees and Proposed Changes to Their Companion Policies

The Securities and Investment Management Association (SIMA) appreciates the opportunity to comment on the proposed amendments to OSC Rule 13-502 *Fees* (the Main Fee Rule), and to OSC Rule 13-503 (*Commodity Futures Act) Fees* (the CFA Rule), together with proposed changes to Companion Policy 13-502 *Fees* (the Main Fee CP), and to Companion Policy 13-503 *(Commodity Futures Act) Fees* (the CFA Rule CP). The proposed amendments to the Main Fee Rule, CFA Rule, Main Fee CP and CFA Rule CP are collectively referred to as the Proposed Amendments.

All terms used and not defined in this submission have the meanings ascribed to them in the Proposed Amendments.

SIMA is the leading voice for the Canada's securities and investment management association, which oversees approximately $4.5 trillion for over 20 million investors and participates in the Canadian capital markets. Our members – including investment fund managers, investment and mutual fund dealers, capital markets participants, and professional service providers – are committed to creating a resilient, innovative investment sector that fuels long-term economic growth and creates opportunities for all Canadians.

We operate in a governance framework in which we gather input from our member working groups. The recommendations of these working groups are submitted to the SIMA board or board-level committees for direction and approval. This process results in a submission that reflects the input and direction from a broad range of SIMA members.

This letter reflects a variety of SIMA's members' perspectives, including investment fund managers, mutual fund dealers, retail and institutional investment dealers, and is informed by SIMA's own research.

SIMA welcomes the OSC's periodic review of its fees. This initiative reflects a commendable commitment to ensuring the long-term sustainability of the OSC as it fulfills its vital statutory mandate. By proactively addressing capital formation and competition in an ever-evolving capital markets landscape, the OSC demonstrates its dedication to fostering a robust and dynamic financial environment for all stakeholders.

This review also comes at a time when SIMA's members are navigating fee changes across multiple Canadian jurisdictions in parallel. While we address the Proposed Amendments on their own merits below, we note that the same principles—transparency in cost recovery, predictability through multi-year frameworks, and discipline in addressing existing surpluses before raising fees—should guide fee-setting across all Canadian regulators, including the OSC.

Within this broader context, the proposed approach to fee setting should be guided by the same objectives that motivated the Main Fee Rule in 2003:

a) to reduce the overall fees charged to market players;

b) to simplify, clarify and streamline the current fee schedule; and

c) to ensure that the fees more accurately reflect the OSC's cost of providing services to market players[1].

These same objectives remain as relevant today as they were in 2003 and should continue to anchor any changes to the fee structure to promote Ontario as the destination for capital formation and growth.

The proposed fee increases must also be considered within the context of the broader regulatory environment. In recent years, market participants have also experienced significant increases in CSA system fees while also absorbing the costs associated with major regulatory initiatives such as Total Cost Reporting and CDS modernization. These large-scale initiatives have required substantial investments of capital and resources, often without a robust cost-benefit analysis.

SIMA's Concerns with the Proposed Amendments

We have key concerns with the Proposed Amendments, specifically:

1. **Opposing the Ontario Consumer Price Index (CPI)-based annual increases on participant fees:** SIMA opposes the proposed application of the Ontario CPI-based annual fee adjustments for the following reasons:

   a) **Creates a duplicative fee escalator:** There is a built-in escalator in the OSC's existing fee model as the largest component of OSC fee revenue is participation fees, which are calculated with reference to market participants' revenues. Because industry revenues rise over time, the OSC's fee revenue increase even without an automatic Ontario CPI-linked adjustment. Over the last 10 years (2016 to 2025), market participant fees have increased 66.6%, which is approximately $58.9 million and represents a compound annual growth rate of approximately 5.4%[2]. That's close to double the average Ontario CPI over the same period (2.7%). Without any CPI escalator, fees have already been growing at roughly twice the pace of inflation, simply because the current model ties fees to participant revenue and activity. Appendix A contains a graph illustrating the significant fee increases from 2016 to 2025.

      Appendix B carries that trend forward from 2026–2030. Scenario 1 assumes that fees continue to grow at the historical average of 5.4%. Scenario 2 applies the proposed CPI escalator in addition to the historical rate, using 2.6% in 2026 and 2% annually thereafter. While the difference between the two scenarios is initially modest, it widens over time, illustrating the compounding effect of applying an additional escalator to a fee base that is already increasing.

      The experience of the past decade demonstrates that fees have already increased at a rate exceeding inflation. Applying an additional CPI-based escalator risks accelerating that trend without a clear link to changes in the OSC's actual costs.

[1] Note of Final Rule and Policy - 13-502 Fees and Companion Policy 13-502CP, Notice of Revocation of Sched. 1 to Reg. 1015 and Notice of Amendments to Reg. 1015, Policy 12-602, OSC Rules 45-501, 45-502 and 45-503 and Companion Policy 91-504CP, January 3, 2003.

[2] OSC Financial Statements for the period ending March 31, 2025

b) **Stifling competition and market innovation:** The duplicative escalator could significantly stifle competition and market innovation at precisely the time when there is a need for capital formation in Canada by adding friction in terms of additional fees.

c) **Discourages productivity improvements and operational efficiencies:** An automatic CPI adjustment may reduce the natural incentive to seek out efficiencies, since OSC budgets would rise each year regardless of cost performance in addition to the rise that occurs with participation fee increases on the current fee model. Maintaining a practice of justifying the budget through disciplined expense management helps sustain a culture of fiscal responsibility, while preserving resources that can be reinvested in the OSC's technology infrastructure and human capital.

2. **Questioning fee increases in exempt market reports and Fund Facts filing fees:** SIMA seeks clarification on the rationale for the proposed increases in exempt market report and Fund Facts filing fees. Both categories of filings contain information that is ripe for automation given the highly prescribed nature of such forms. We encourage the OSC to re-examine whether an alternative approach to review that leverages significant improvements in artificial intelligence (AI) could be implemented that does not necessitate the need for fee increases.

3. **Ensuring decreases in fees for responsibilities delegated by the OSC to CIRO:** Given the delegation of certain powers and duties by the OSC to CIRO[3] effective April 1, 2025, we strongly recommend reducing participation fees relating to investment dealers to reflect the reduced scope of the OSC's responsibilities, particularly relating to registration of investment dealers and Approved Persons. We encourage the CSA to follow the approach recently taken by the AMF to reduce fees for services delegated to CIRO.[4]

4. **The Proposed Amendments do not advance transparency, predictability, or efficiency:** Beyond our concerns with the specific mechanics above, the Proposed Amendments as a package do not address the broader structural issues SIMA has raised with the OSC's fee-setting approach. They do not provide market participants with greater visibility into how fees are calculated or how surpluses are managed; they do not introduce a multi-year framework that would allow firms to plan with confidence; and they do not meaningfully reduce the administrative and compliance burden associated with fee-related filings. SIMA's recommendations below are intended to address these gaps directly.

SIMA's Key Recommendations and Opportunities for Improvement

SIMA recommends that the OSC consider the following areas for improvement:

1. **Strengthening transparency and accountability:** We request further information on how the OSC sets its fees to support member understanding. Specifically, which metrics and key performance indicators (KPIs) the OSC uses to measure performance, the efficiency measures it applies, how the OSC treats and governs its reserves and restricted funds, and any surpluses—and how these factors shape the OSC's fee-setting decisions. We also request disclosure of the segmented cash flow analysis for each OSC branch, in order to provide a clearer understanding of the relationship between fees collected and the corresponding activities performed. Overall, we want to ensure that any fee model incentivizes a consistent focus on cost reduction and efficiency that will support long-term sustainability. This is not unique to Ontario: SIMA is observing similar gaps in cost-recovery transparency across several Canadian securities regulators, which reinforces the need for consistent, comparable reporting standards on costs, KPIs, and reserve governance nationally. We are seeking transparency on where the increased participation fees will be directed – are they for specific projects? Will they be applied to secure future efficiencies that may decrease OSC fees in the future? Our members seek accountability and full transparency to investors and the industry on the use of existing and future fee revenues.

2. **Toward Regulatory Centres of Expertise: A model for coordinated CSA Policy Leadership:** We encourage the OSC and CSA members to move beyond coordination toward a model of regulatory

[3] Delegation of certain powers and duties to the Canadian Investment Regulatory Organization, March 5, 2025.
[4] AMF Bulletin dated December 18, 2025.

centres of expertise. Where multiple jurisdictions are considering the same emerging policy issue, one securities regulator could be designated to lead research, stakeholder engagement and policy development on behalf of the CSA, with the resulting work informing implementation across participating jurisdictions. This approach would reduce duplication, improve the quality and consistency of policy development, accelerate regulatory modernization and better position Canada as a globally competitive financial centre.

3. **Revisiting the revenue-based, participation fee model for CIRO dealer members who are investment dealers (capital markets):** Currently the participation fee model for CIRO members who are investment dealers is based on total revenue for the designated financial year, less revenue not attributable to capital markets activities[5]. As part of the Proposed Amendments, we ask that the OSC take this opportunity to revisit the usage of Total Revenue to permit deductions for financing costs on Secured Financing Transactions or SFT’s (repos and securities borrowing and lending transactions). Investment Dealers who are also Government Securities Distributors and/or Primary Dealers perform critical liquidity functions for the Canadian Capital Markets. These Investment Dealers are disadvantaged as financing costs on SFT’s are not an allowable deduction to gross revenue, yet those financing costs are inextricably linked to those vital transactions. To more accurately reflect the actual revenue retained by CIRO dealer members, financing costs[6] should be deducted from gross revenue when calculating market participation fees — consistent with the treatment of other pass-through amounts, such as trailer fees paid to registrant firms or unregistered exempt international firms.

    a) **Net revenue provides a clearer picture of capacity to pay than Gross Capital Markets Revenue:** Gross Capital Markets Revenue ("GCMR") overstates a registrant's true capacity to pay, as it includes financing costs over which the firm has little control and from which it derives no direct economic benefit. A fee model built on GCMR charges activity without regard to these costs. Net revenue, defined in this letter as GCMR less financing costs, approximates the economic value the registrant actually captures. It is accordingly a more principled basis for measuring regulatory "user cost."

    b) **Gross Capital Markets Revenue may produce disproportionate outcomes:** The current GCMR-based fee model may produce disproportionate outcomes where substantial portions of revenue are attributable to pass-through costs, financing costs, or client facilitation activities that do not necessarily increase regulatory complexity or supervisory burden.

    c) **Participation fees based on Net Revenue better reflect the OSC's Regulatory mandate:** The OSC's costs are driven by registrant complexity, systemic risk, and investor exposure rather than top-line volume. A fee model based on Net Revenue incentivizes the Commission to calibrate its fees to actual regulatory burden imposed and value-delivered, rather than passively capturing a share of market flow. It also reduces the unintended consequence of incentivizing market participants to deflate gross revenues through vertical integration simply to internalize costs that would otherwise attract fees.

5. **Opposing the introduction of the highest tier of revenue**: The Proposed Amendments include an emphasis on proportionality to introduce an additional fee tier to collect higher fees from those market participants whose fees have not increased in many years despite what the OSC has referred to as an increase in regulatory intensity related to their activities. While revenue may be a practical measure for allocating fees, firms with the highest revenues are not necessarily the riskiest market participants, nor is it always clear that higher revenues correspond to a proportionately greater level of regulatory oversight or resources. Also, the degree of regulatory intensity has not been discussed in sufficient detail and was not discussed to support the 50% increase to the largest revenue producers. The tiered fee jump is in addition to the Ontario CPI-related increase and the anticipated market participant revenue increases which cumulatively reflect a substantial regulatory burden for capital markets participants that are critical to supporting capital formation and ensuring the efficient operation of

[5] Part 5(a) of Form 13-502F4 with reference to Part of the CIRO Investment Dealer and Partially Consolidated Rules’ Form 1.

[6] “Financing costs” refers to Line 26 on Statement E of Form 1 to the CIRO IDPC Rules.

Canada’s capital markets. We welcome a discussion with OSC staff to better understand the rationale for the extra-ordinary increase, and to share concerns that the material increase will have in the first year and future years on a compounded basis to impacted market participants.

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We would be pleased to provide further information or answer any questions you may have. Please feel free to contact me by email at amitchell@sima-amvi.ca, or by phone 416-309-2300.

Yours sincerely,

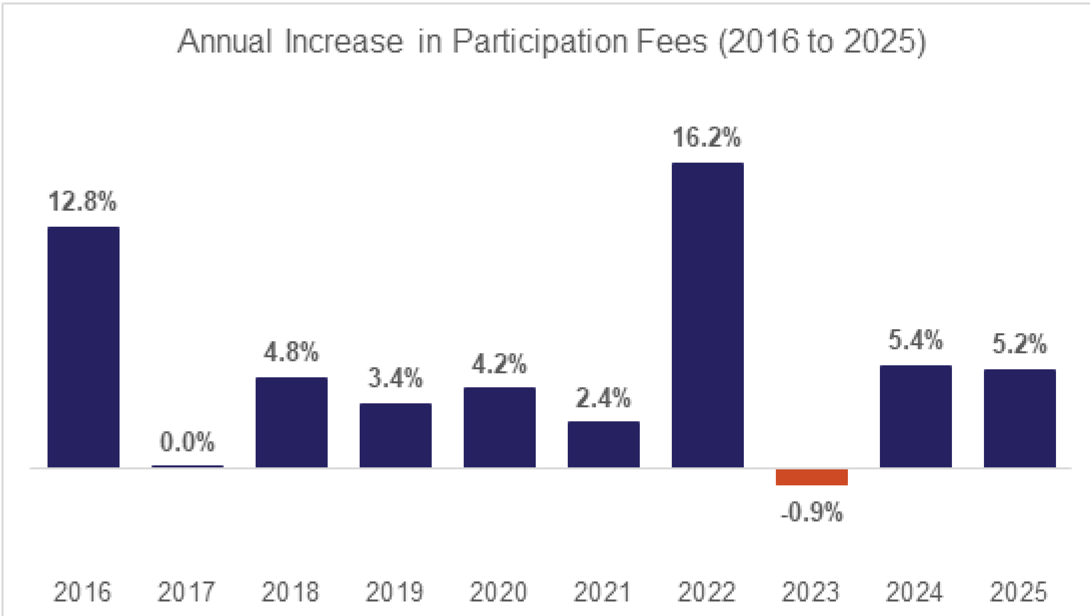
THE SECURITIES AND INVESTMENT MANAGEMENT ASSOCIATION

A. Mitchell

By: Andy Mitchell
President and CEO

Appendix A

Graph Illustrating the Historical Increase in OSC Participation Fees

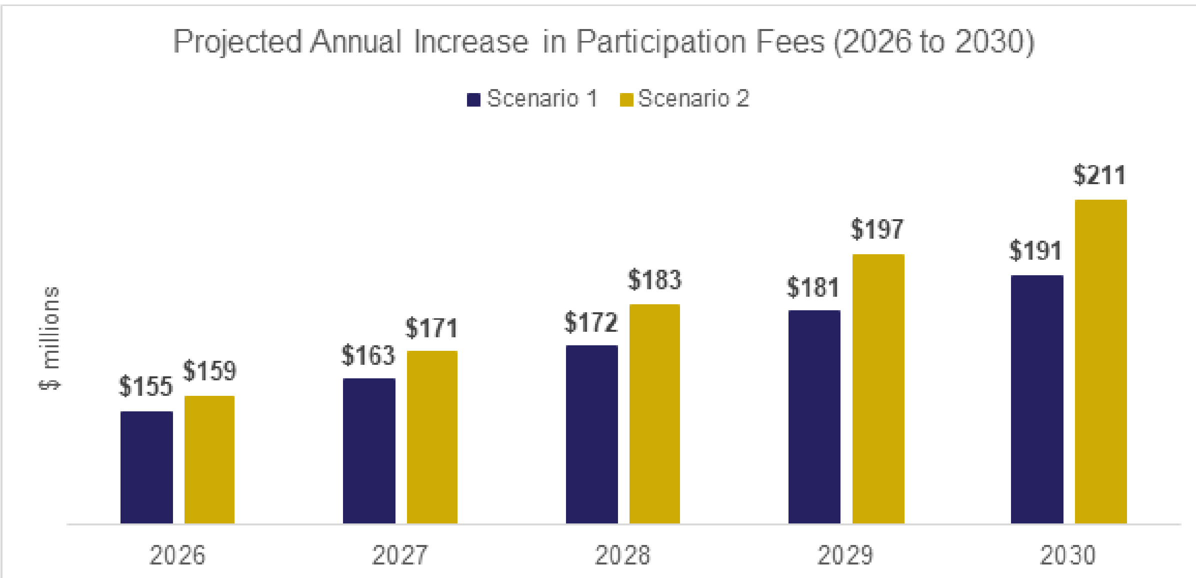


Appendix B

Graphs Illustrating the Projected Increase in OSC Participation Fees from 2026 to 2030

Scenario 1

Annual participation fees projected to grow at 10-year average annual growth rate of 5.4% (based on 2016 to 2025 data, as shown above).



Scenario 2

Annual participation fees projected to grow at 10-year average annual growth rate of 5.4% **PLUS**
1. For 2026, Ontario annual CPI rate of 2.6% (as of May 2026).
2. For 2027 to 2030, Ontario CPI rate assumed to be same as Bank of Canada 2% CPI target rate.