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OPINION

Fees charged by Canadian securities regulators are too high and growing higher

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Around the world, governments are competing for one of the world's most valuable resources: investment capital.

Countries with efficient regulatory systems have a definite competitive advantage. For example, the European Union is targeting a 25-per-cent reduction in administrative burden for businesses, Britain is aiming to cut regulatory costs by the same 25 per cent, and the U.S. is repealing 10 existing regulations for every new one it creates.

But in Canada, regulatory costs are climbing, and there are many systemic internal barriers to efficiency.

There was progress recently when Ontario committed to joining Canada's regulatory passport system, which allows securities firms to gain access to capital markets through a single regulator, reducing friction and making it easier to conduct business across provinces and territories. With the whole country participating in the system in the near future, firms will be able to raise capital and scale nationally with fewer obstacles.

But while we've seen momentum toward greater regulatory harmonization, rising fees are posing a threat to competitiveness.

Fees are important, of course, within reason. Regulators use them to oversee markets, maintain market integrity and protect investors.

However, over the past decade, Canada's four largest securities regulators raised fees by 54 per cent, while their operating expenses went up by a whopping 71 per cent. This is well above the 28-per-cent rise in consumer prices in the same period. It's worth noting that during this same time frame, the investment-funds industry managed to tighten its belt and cut fees by up to 30 per cent.

Now, securities regulators in Ontario and British Columbia are proposing significant fee increases after Quebec's hike this past spring. The Ontario Securities Commission plans to raise fees based on inflation, but fees already go up as the industry's revenue grows, so firms could end up paying twice over. In fact, the OSC's fee proposal says some firms' annual fees could jump from $2,037,500 to $3,055,500 in the top tier, and from $100,500 to $331,500 in one of the middle tiers – an astonishing 230-per-cent increase.

To the west, the BC Securities Commission has twice in two years increased fees on companies when they raise money through certain private investment offerings.

This is a flashing red light for businesses hoping to establish or expand in Canada. Global investors looking for a place to put their money ask questions such as what are the margins, what's the complexity, what's the burden, how attractive is it really?

High fees affect businesses of all sizes, but for smaller firms and new entrants, the burden can be particularly onerous. When they have to spend money navigating unnecessary duplication and complexity, there is less available to invest in innovation, new technologies, cybersecurity, business expansion or job creation.

Ever-mounting fees might be easier to digest if we could understand the rationale, such as by providing transparency about cost recovery, offering predictability using multiyear frameworks, and showing discipline in addressing existing surpluses before raising fees. But that is not what we are seeing.

Firms also face a complicated mix of fee structures, calculation methods and filing requirements across the country. For businesses trying to grow and thrive nationally, that fragmentation is another major roadblock. Equally important, complexity can affect broader economic growth and potentially discourage further investment in businesses.

These conflicting policies – one step forward with the passport system and two steps back with fee increases and regulatory complexity – are signs that we need a more co-ordinated approach to economic competitiveness.

We are in a good position to compete otherwise. Our political, regulatory and legal institutions are stable. Our capital markets and pension funds are recognized globally. And we have the investment expertise, emerging AI technology and diverse talent that appeals to investors. Few countries have these advantages.

A lot is at stake if we don't step up our game. Canada's investment industry manages more than $4.5-trillion on behalf of approximately 20 million Canadians. It supports roughly 415,000 jobs, contributes more than two per cent to Canada's gross domestic product and helps funnel capital into Canadian businesses, infrastructure and, indeed, our future.

Ontario's commitment to join the passport system demonstrates that there is an appetite for greater harmonization without compromising the guardrails that keep investors safe.

Governments, regulators and industry should work together to push for solutions that make it easier to invest, innovate, compete in the marketplace and deliver results for Canadian investors.

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