



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

Ian C.W. Russell FCSI
President & Chief Executive Officer

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
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December 19, 2008

Dear Sir:

**Re: Proposed Revocation and Replacement of OSC Rule and Companion Policy
13-502 Fees**

The Investment Industry Association of Canada (IIAC) appreciates the opportunity to comment on the proposed new fee structure to be imposed by the Ontario Securities Commission.

The IIAC understands the OSC's need to develop a process to more accurately forecast the fees payable by market participants in order to facilitate its budgetary process. The proposed move to historical, rather than forecasted data will achieve that objective. We are very concerned, however, about the timing of this decision and the effect that this will have on market participants in this already challenging time. The proposed period for which the fees will be calculated (the fiscal year prior to January 1, 2008) corresponds to the peak of the capital markets. Although a historical approach will always result in fees being somewhat out of step with the current conditions, the existing situation reflects the extreme market conditions for both the reference fiscal year and the time that the fees are payable.

The unfortunate result is that the fees payable under the proposed model will reflect the high point in the market, at a time when firms are adjusting their operations to manage the effects of a financial and economic crisis. In the past year, the unprecedented severity of the downturn in the markets has put considerable economic pressure on market participants, resulting in significant cutbacks and in many cases, downsizing of operations and staff. It is unclear how severe this crisis will be, and how long it will last. The proposed changes to the fee model at this time will lock in substantial fee increases

for a two year cycle, during which the industry will be facing considerable financial challenges.

We are also concerned about the increases in the corporate finance and capital markets participation fees as well as certain activity fees, particularly at this time of economic turmoil. Although we recognize that the fee increases are due to the non-application of the surplus, and not an actual increase in the base fees, the effect is that the amount paid by market participants will increase by as at least 55 percent for reporting issuers, and from 11 to 25 percent for registrants and unregistered fund managers. These increases are significant and could be problematic for various participants, even during strong economic cycles. Under the current market conditions, imposing such increases may tip the balance to make certain transactions and operations non-feasible, which, on a larger scale, will extend and exacerbate the economic difficulties facing the industry.

Market participants are not privy to information as to how the OSC develops its operating budgets and allocates surplus fee revenues as between reporting issuers and registrants. We question whether the OSC could undertake cost saving measures internally to reduce or defer the fee increases in the broader interests of the capital markets at this difficult time. Market participants are all making difficult decisions to determine where they can trim budgets and enhance efficiencies. We believe that in order to provide leadership and obtain support for its fee structure, it is appropriate for the OSC to provide market participants with information relating to its budgetary process, and for the time being, place a moratorium on any amendments to its fee model that would have the effect of increasing fees.

Thank you for considering our comments. If you have any questions, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ben Ruscov", with a horizontal line underneath the name.