

February 9 2015

Attention:

Keith Persaud
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RE: New Debt Market Regulation Fee Model

The Investment Industry Association of Canada (“IIAC” or “Association”) appreciates the opportunity to provide comment on IIROC’s proposed fee model in connection with the implementation of Rule 2800C-*Transaction Reporting for Debt Securities* (the “Rule”) and MTRS 2.0.

The IIAC recognizes that IIROC utilized a committee comprised of industry representatives to formulate the proposed fee model (the “Committee”). The Committee included dealer firm representatives who accurately reflected the divergent compositions of IIROC’s membership ensuring a broad range of perspectives were included in the IIROC process. We also support the guiding principles adopted by the Committee in its fee model review: fairness, transparency, industry competitiveness and cost recovery. The IIAC, therefore, does not object with the proposed fee model, which is based on the number of debt transactions (trades) submitted by dealers, as an initial first approach for the recovery of debt regulation costs. IIROC should, however, develop a framework to periodically: review the appropriateness of the model and; seek out operational efficiencies aimed at lowering the annual operating cost of MTRS 2.0.

IIROC estimates that the annual operating costs upon implementation of MTRS 2.0 and to be recouped from dealer members will be \$1million. The industry will likely spend millions more internally to build and monitor the new debt transaction reporting requirements. The Rule and MTRS 2.0 therefore represent a significant financial commitment for IIROC dealer members. IIAC members, therefore, expect IIROC to devote serious effort to find opportunities over time to lower the annual system maintenance costs **without compromising the safe keeping of member or client information.**

We are pleased that IIROC has committed to review the fee model post implementation and adjust if required for better alignment with the guiding principles and with the effort expended by IIROC. IIROC proposes to begin doing so after “one or two years”. We believe IIROC may be able to glean useful insight shortly after first phase implementation covering GSDs (November 2015) and most definitely after all members are covered by the Rule (November 2016). IIROC should, therefore, identify what useful metrics it should collect to help with its fee model evaluation and begin collecting as soon as practical. We recommend that IIROC once again utilize an industry advisory committee to assist in its fee model evaluation.

While IIROC has provided estimates in its proposal on what levels of fees the various dealer member groups can expect, to assist members further in their planning it would be helpful if IIROC specify the frequency by which they will be collecting fees from members ie. monthly, quarterly, annual, etc. IIROC should also ensure to include in their invoicing to members the necessary details required for individual members to validate against their own records the accuracy of the invoiced amount.

Sincerely,

“Jack Rando”

Jack Rando
Managing Director
Investment Industry Association of Canada