RE: PROPOSED AMENDMENTS TO OSC RULE 13-502 AND 13-503 – FEES

July 29, 2026

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July 29, 2026

Submitted via E-Mail: comments@osc.gov.on.ca

The Secretary
Ontario Securities Commission
2200-22 Queen Street West
Toronto, ON M5H 3S8

Dear Sirs/Mesdames:

RE: PROPOSED AMENDMENTS TO OSC RULE 13-502 AND 13-503 – FEES

The Canadian Forum for Financial Markets (the "**CFFiM**") is a values-driven, purposeful, and reform-minded organization, which is dedicated to advancing initiatives that improve the health and competitiveness of Canada's financial markets for the greater good.

We write in response to the Ontario Securities Commission's Notice and Request for Comments (the "**Request for Comments**") on its Proposed Amendments to Ontario Securities Commission Rule 13-502, *Fees,* and Rule 13-503 (Commodity Futures Act), *Fees* (the "**Proposed Amendments**").

The Proposed Amendments include a $16 million net increase in the OSC's annual fee-based revenue, representing an 8.6% year-over-year increase. According to the Request for Comments, this increase is needed to address a "funding gap" and strengthen the OSC's ability to meet its statutory mandate.

EXECUTIVE SUMMARY

The CFFiM does not support the Proposed Amendments. The OSC has not produced sufficient information to justify this fee increase on a cost-recovery basis. Rather than improve the OSC's Fee Structure, the Proposed Amendments highlight deficiencies in that structure, which call for reform.

NO EVIDENCE OF A FUNDING GAP

Little information on the cause or scope of the OSC's purported funding gap has been provided. Between 2010 and 2025, the OSC's fee revenue increased from approximately $61 million to $169 million, representing a 177% increase over that period. It is concerning that despite this significant increase in the OSC's actual fees, the OSC anticipates that its operating and capital expenditures will outpace its annual revenue over the next three-year period. The costs of the OSC's operations are outpacing the size and performance of Ontario's capital markets.

Despite experiencing a deficit in 2025, the OSC holds approximately $140 million in surplus funds, which includes a $20 million reserve that the OSC maintains for the express purpose of funding the OSC's operations in the event of revenue shortfalls and unanticipated costs. This marks a considerable increase from the $34 million that the OSC held in 2015. The OSC's 2025 Annual Report indicates that the OSC intended to use its surplus funds to offset its anticipated deficit. It is unclear what, if anything, has changed that would justify the OSC's deviation from that approach.

RISK OF REGULATORY CAPTURE

The Proposed Amendments also highlight the degree to which the OSC is financially reliant on Ontario's largest market participants and increases the risk of the OSC's Fee Structure contributing to regulatory capture or the appearance thereof. This proposal reflects the highly concentrated nature of Ontario's capital markets and the significant disparity between Ontario's largest and smallest market participants. The danger is that these amendments will further entrench the OSC's financial reliance on a relatively small number of dominant firms and issuers.

ACCOUNTABILITY CONCERNS

The Proposed Amendments include an increase in participation fees, which unlike activity fees, cannot be traced to a specific regulatory service. As of 2025, the OSC's participation fees accounted for 87% of its total fee-based revenue. This differs from the U.S. Securities and Exchange Commission which focusses on activity and transaction-based revenue.

FEE DUPLICATION: THE NEED FOR A NATIONAL APPROACH

Canada's system of securities regulation features 13 provincial/territorial securities regulators and the Canadian Investment Regulatory Organization ("**CIRO**"). Each regulatory authority sets its own "activity" and "participation" fees and collects those fees from market participants. The Proposed Amendments have been made in isolation from other members of the Canadian Securities Administrators ("**CSA**") and CIRO and do not address the duplicative regulatory fees charged by those authorities. As a result, market participants will continue to pay separate but overlapping fees that are used to finance the operations of separate but overlapping regulatory authorities.

With respect to participation fees for issuers, the OSC's prescribed method for calculating market capitalization does not include any geographic limitations, meaning that the OSC's fees do not just reflect the use and benefits that an issuer derives from *Ontario's capital markets* but include equity value that may be held by investors across Canada. The Alberta Securities Commission has adopted the same approach, meaning that issuers are required to pay two participation fees to provincial regulators based on the same measure of market capitalization.

For registrants, the OSC charges an annual fee based on gross Ontario revenue. Although the OSC is the only provincial/territorial regulator to have adopted this approach, all other provincial/territorial regulators charge a flat annual fee based on registration type, meaning that a firm with a national presence will be required to pay multiple participation fees each year. In addition, registrants that are required to become members of CIRO are required to pay CIRO's annual membership fee, which is also calculated with reference to the firm's gross revenue, creating another duplicative fee.

RECOMMENDATIONS

In efforts to stimulate growth, competition, and capital formation, the OSC should:

- Submit to an external audit of its fees and cost-recovery model.
- Cease charging activity fees to market participants where the OSC is not the principal regulator.
- Exempt CIRO dealer members from paying registration and participation fees.
- Eliminate Corporate Finance Participation Fees or, alternatively, shift to a flat fee model.
- Amend its Markets Participation Fee model to adopt a flat fee model; and
- Engage with CIRO and other members of the CSA to establish a uniform fee schedule.

A. THE OSC'S FEE STRUCTURE

The OSC's fee structure for market participants is set out in OSC Rule 13-502, *Fees* and Rule 13-503 (Commodity Futures Act), *Fees* (the OSC's "**Fee Structure**"), which includes the following fee types:

- **Activity Fees:** When taking a prescribed action, a market participant must pay a corresponding "activity fee."[1] This includes, for example, prospectus filings, applications for exemptive relief, and registration applications.[2]

- **Participation Fees:** The OSC charges annual participation fees to all issuers and registrants in Ontario. For registered firms, the OSC's "Capital Markets Participation Fee" is calculated based on each registered firm's gross revenue attributable to its "capital markets activities" in Ontario.[3] For issuers, the OSC's "Corporate Finance Participation Fee" is calculated based on each reporting issuer's capitalization for the previous financial year.[4]

The Request for Comments indicates that the OSC's fees are typically re-evaluated every three years based on its existing cash position, projected levels of revenue and expenses, anticipated capital spending, and a targeted reserve of six months operating expenses to guard against revenue shortfalls.

B. NO EVIDENCE OF A FUNDING GAP

The Request for Comments indicates that the OSC's Proposed Amendments are intended to address a "funding gap" that has been identified through the OSC's financial projections for the next three-year fee cycle. However, the OSC has not produced a copy of its financial projections for that period, nor has it produced sufficient particulars on, for example, the OSC's projected revenue, expenses, anticipated capital spending, or targeted reserves.

According to the Request for Comments, the OSC expects to "grow modestly" over the next three years with operating expenses forecasted to increase by 2.4%.[5] Separately, the Request for Comments also states that the OSC's capital expenditures are expected to increase by 32.9% above the OSC's 2026 forecast, which is attributed to the OSC's ongoing "workplace modernization program" and leasehold improvements. [6] However, beyond these sparse details, the Request for Comments provides little information on the cause or scope of the OSC's purported funding gap.

Given that the OSC operates on a cost-recovery basis, any proposal to increase its fees ought to include a copy of the OSC's financial forecast and provide sufficient particulars on the "costs" that the OSC needs to recover. The OSC's failure to produce this information is problematic given that the OSC's financial statements and annual reports do not evidence a funding gap or any clear need to increase the OSC's fees.

[1] OSC Rule 13-502, s. 32 and Appendix F.
[2] *Ibid*.
[3] OSC Rule 13-502, s. 13 and Appendix C.
[4] OSC Rule 13-502, s. 4(1) and Appendix A and B.
[5] However, the Impact Assessment included at Annex "I" to the Request for Comments states that the OSC's average operating costs are projected to increase by 3.3% during that period, which presents a discrepancy.
[6] No explanation is provided as to why this amount was not included in the OSC's 2026 expense estimate.

i) Year-Over-Year Fee Increase

The Request for Comments notes that the OSC has not "comprehensively" increased its fees for over a decade. However, this statement ignores the fact that the OSC's fee-based revenue steadily increased over the same period. For example, as outlined below, between 2010 and 2025, the OSC's fee revenue increased from approximately $61 million to $169 million, representing a 177% increase over that period.

OSC – Collected Fees – 2010 to 2025	
Year	**Fees Collected (Actual)**
2010	$60,928,330
2011	$72,566,666
2012	$85,182,382
2013	$86,930,037
2014	$98,441,276
2015	$103,655,869
2016	$116,638,258
2017	$119,516,341
2018	$124,230,016
2019	$128,110,332
2020	$132,223,073
2021	$137,253,164
2022	$159,352,952
2023	$154,075,169
2024	$159,680,338
2025	$169,461,115

As described in the OSC's annual reports, this year-over-year increase in fee-based revenue is largely the product of increased market activity (reflected in increased activity fees) and growth among some market participants (reflected in higher participation fees). It is concerning that despite this significant increase in the OSC's actual fees, the OSC anticipates that its operating and capital expenditures will outpace its annual revenue over the next three-year period. Given that the OSC's fees are intended to reflect market activity and the benefits that participants derive from Ontario's capital markets, this trend suggests that the costs of the OSC's operations are outpacing the size and performance of Ontario's capital markets.

ii) No Recurring Deficits

The Request for Comments states that the OSC is subject to sustained inflationary pressures "resulting in *more recent annual operating deficits*" [emphasis added]. However, this statement is not supported by the OSC's financial statements and/or annual reports. As summarized below, prior to 2025, the OSC had not incurred a budget deficit in over a decade.

OSC – Financial Position – 2010 to 2025	
Year	**Comprehensive (Loss) Income**
2010	($17,984,275)
2011	($10,925,999)
2012	($4,387,040)
2013	($7,815,852)
2014	$1,232,215
2015	$7,734,553
2016	$14,972,534
2017	$11,365,752
2018	$15,174,040
2019	$11,729,386
2020	$11,564,379
2021	$9,901,430
2022	$24,397,794
2023	$9,709,046
2024	$3,192,478
2025	($7,044,316)

Moreover, the OSC's annual report and financial statements do not suggest that the OSC's 2025 budget deficit was caused by any "inflationary pressures". Rather, these reports indicate that the OSC's expenses exceeded its revenue primarily due to a series of one-time compensation adjustments totaling $6.3 million that the OSC made following the repeal of Bill 124, *Protecting a Sustainable Public Sector for Future Generations Act*, *2019* (Bill 124), which had imposed limitations on compensation increases for OSC employees. [7] Following the repeal of that legislation, the OSC was faced with claims for adjusted compensation that were not included in the OSC's 2025 budget forecast. The Request for Comments makes no reference to this isolated and unanticipated expenditure.

In addition, while the OSC's 2025 Annual Report confirms that the OSC is budgeting for a deficit of over $20.5 million in 2026, it does not indicate that this deficit is related to "inflationary pressures". Rather, this projected deficit is attributed to "multi-year technology modernization initiatives" and "accelerated amortization of the Ontario SEDAR+ Integration Program." Moreover, the OSC's annual report does not indicate that this deficit will create a "funding gap" or otherwise require a fee increase. In stark contrast, the Annual Report expressly states that the "deficiency is in accordance with [the OSC's] multi-year plan to draw down accumulated surplus." As such, the OSC 's annual report contemplated that this deficit would be offset by the OSC's existing reserves as opposed to a fee increase.

iii) Significant Financial Surplus

The Request for Comments states that the OSC's projected deficits and drawdown in cash are depleting the OSC's reserves and that the Proposed Amendments are needed to "replenish" those reserves moving forward. This claim is not supported by the OSC's audited financial statements, which confirm that the OSC's reserve funds have grown exponentially in recent years.

[7] 2025 Annual Report – MD&A p. 87 and 97.

OSC – Operating Surplus – 2010 to 2025	
Year	**Operating Surplus**
2010	$48,797,675
2011	$37,871,676
2012	$33,484,636
2013	$25,307,518
2014	$26,539,733
2015	$34,274,286
2016	$49,246,820
2017	$60,612,572
2018	$75,786,612
2019	$87,515,998
2020	$99,080,377
2021	$108,981,807
2022	$133,379,601
2023	$143,088,647
2024	$146,281,125
2025	$139,236,809

As demonstrated by the above chart, despite experiencing a deficit in 2025, the OSC holds approximately $140 million in surplus funds, which includes a $20 million reserve that the OSC maintains for the express purpose of funding the OSC's operations in the event of revenue shortfalls and unanticipated costs.[8] This marks a considerable increase from the $34 million that the OSC held in 2015. As noted above, the OSC's 2025 Annual Report indicates that the OSC intended to use its surplus funds to offset its anticipated deficit.

C. CONCERNS WITH OSC FEE STRUCTURE

The Proposed Amendments highlight a number of problems with the OSC's Fee Structure. In particular, these amendments highlight the risk of regulatory capture that arises from the OSC's Fee Structure, the lack of transparency and accountability that arises from the OSC's reliance on participation fees, and the OSC's zero-sum approach to evaluating its fee structure.

i). Risk of Regulatory Capture

The Proposed Amendments include a net increase in fees for Ontario's largest issuers and registrants and a reduction in fees for Ontario's smallest issuers and registrants. In this sense, the OSC's proposal may be considered 'fair' and 'proportionate' in terms of its impact on market participants. However, this proposal also highlights the degree to which the OSC is financially reliant on Ontario's largest market participants and increases the risk of the OSC's Fee Structure contributing to the risk of regulatory capture or the appearance thereof. As described in the Request for Comments:

- The Proposed Amendments will add three new fee tiers for issuers with the largest market capitalization, which is expected to generate an additional $6.9 million in annual revenue for the

[8] 2025 Financial Statement p. 159.

OSC *but will only impact 4.8% of Ontario's issuers*.[9] In addition, the Proposed Amendments will create one additional tier for securities registrants with the highest Ontario specified revenues, which is expected to increase the OSC's annual revenue by $3.1 million *but will only impact three firms*.[10] Collectively, these amendments will increase the OSC's annual revenue by $10.0 million.

- Conversely, the Proposed Amendments will consolidate the bottom two fee tiers for issuers and registrants, which will result in 57% of all issuers and registrants paying the lowest annual fee of $750 or less. The OSC is also proposing to reduce annual fees for firms in the second lowest revenue tier from $3,200 to $2,000. Despite the high number of participants that will benefit from this reduction, the OSC's annual revenue is expected to decline by just $0.5 million.

These proposals reflect the highly concentrated nature of Ontario's capital markets and the significant disparity between Ontario's largest and smallest market participants. The danger is that these amendments will further entrench the OSC's financial reliance on a relatively small number of dominant firms and issuers. This, in turn, amplifies the risk of the OSC falling victim to regulatory capture by prioritizing the needs of those market participants that are responsible for substantially financing the OSC's operations.

ii) Accountability Concerns

The Proposed Amendments include an increase in various participation fees and a decrease in select activity fees. These amendments highlight the extent to which the OSC is reliant on participation fees as 'a form of revenue, which gives rise to accountability concerns.

According to the OSC, its activity fees are based on an estimate of the average cost of OSC staff resources to complete a regulatory activity at the request of a market participant.[11] This includes, for example, registration applications, exemption applications, and prospectus filings. As such, the OSC's activity fees are designed to recover costs that are *directly attributable* to a specific regulatory task and market participant.[12] In contrast, the OSC's participation fees are designed to recover costs that cannot be easily or practically attributed to a specific regulatory task.[13] This means that, unlike activity fees, participation fees cannot be traced to a specific regulatory service undertaken at the request of a participant.

As of 2025, the OSC's participation fees accounted for 87% of its total fee-based revenue. By extension, this means that 87% of the OSC's revenue could not be "easily or practically" attributed to any specific regulatory activity or regulated entity.[14] The OSC's increasing reliance on annual participation fees creates significant accountability and transparency concerns given that the vast majority of the OSC's annual revenues are collected to recover costs that cannot be traced to a particular regulatory function. This structure differs from the fee structures that have been adopted by securities regulators in other jurisdictions, which focus on activity and transaction-based revenue.[15]

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[9] Under the proposal, the maximum participation fee for Class 1 and Class 2 issuers will increase from $100,500 to $331,500. Class 3B issuers' maximum participation fees will increase from $33,495 to $95,500.
[10] Under the proposal, the highest fee tier for registered firms will increase from $2,037,000 to $3,055,500.
[11] Activity fees | OSC
[12] Activity fees | OSC
[13] OSC CP 13-502, s. 3(2). publications_rpt_2025_osc-annual-rpt_en.pdf, p. 160.
[14] publications_rpt_2025_osc-annual-rpt_en.pdf
[15] See for example, the US Securities and Exchange Commission, which does not collect annual fees from market participants.

iii) Zero-Sum Approach to Fee Structure

The Proposed Amendments highlight the OSC's zero-sum approach to evaluating its fee structure. Although the Proposed Amendments include reductions in select activity and participation fees, the effect of these amendments is to increase the OSC's net fees while redistributing the weight of those fees from one type of market participant to another. In this case, the OSC has proposed to reduce participation fees for smaller issuers and dealers but has proposed to increase its fees for the largest firms and issuers as well as crypto asset trading platforms and exempt market dealers.

As an independent agency that relies on fees drawn from market participants, it is incumbent on the OSC to ensure that it operates on a strict cost-recovery basis and, to the extent that the OSC faces a funding gap, the OSC must evaluate whether that gap can be addressed through increased operational efficiencies and/or a redistribution of regulatory resources as opposed to a comprehensive fee increase. There is no indication that the OSC has undertaken this exercise as part of its fee review process.

D. FEE DUPLICATION: THE NEED FOR A NATIONAL APPROACH

Canada's system of securities regulation features 13 provincial/territorial securities regulators and CIRO, which operates as a pan-Canadian self-regulatory organization. These authorities are independently responsible for administering and enforcing securities regulation within their respective jurisdictions and, consequently, are each required to maintain separate staff and regulatory infrastructure. To recover the costs of maintaining those resources, each regulatory authority sets its own "activity" and "participation" fees and collects those fees from market participants. As a result, market participants are required to pay separate but overlapping fees that are used to finance the operations of separate but overlapping regulatory authorities.

i) Activity Fees

Canadian market participants are required to pay activity fees to each of Canada's provincial/territorial regulators to operate nationally. For example, an issuer offering securities across Canada will be required to file a prospectus and pay the requisite fee to 13 separate regulators. Similarly, a dealer or advisor offering securities related services is required to register and pay a corresponding registration fee to the regulatory authority for each province in which they operate.

Although the Passport System has simplified the registration and filing process by offering a "single window of access" for issuers and dealers, this system has done nothing to address the duplicative fees that are paid to regulators across Canada. In fact, from a cost recovery perspective, the Passport System highlights the absurdity of Canada's duplicative regulatory fees. For instance, under the Passport System, registration applications, exemption applications, prospectuses, and other filings are reviewed by a single "principal regulator" and, if approved, mutually recognized by other provincial/territorial regulators. Given that "activity fees" are designed to recover the *direct costs* of fulfilling a specific regulatory function, it makes little sense for all provincial/territorial regulators to collect a fee for the same registration application or other regulatory activity. Under any reasonable cost recovery model, a provincial/territorial regulator should not be permitted to collect fees to 'recover' costs for regulatory activities that they have not performed.

This issue is even more pronounced for investment dealers and mutual fund dealers, which have the dual obligation to register with the OSC *and* become a CIRO dealer member by submitting a separate application and paying a separate "membership" fee to CIRO. On April 1, 2026, the OSC formally delegated the responsibility for reviewing its prescribed registration applications to CIRO, which means that CIRO is responsible for reviewing OSC registration applications as well as CIRO membership applications. Despite this assignment, the OSC continues to collect "registration fees" from CIRO dealers. This is highly problematic insofar as it suggests that the OSC is either collecting "activity fees" for an activity that it no longer performs or, alternatively, that the OSC continues to incur costs related to CIRO dealer registration despite having assigned those functions to CIRO.

ii) Participation Fees

In Ontario, both issuers and registered firms are required to pay annual participation fees to the OSC. According to the OSC, its participation fees are intended to measure each participant's size, which is used as a proxy for their proportionate use of Ontario's capital markets and the benefits derived therefrom.[16]

For issuers, the OSC's Corporate Finance Participation Fees are based on an issuer's market capitalization for the previous year. Significantly, the OSC's prescribed method for calculating market capitalization does not include any geographic limitations, meaning that the OSC's Corporate Finance Participation Fees do not just reflect the use and benefits that an issuer derives from *Ontario's capital markets* but includes equity value that may be held by investors across Canada. This creates a clear disconnect between the OSC's Corporate Finance Participation Fees for and the policy rationale for collecting participation fees within a cost-recovery model. Unfortunately, the Alberta Securities Commission has adopted the same approach, with the consequence being that reporting issuers are required to pay two participation fees to provincial regulators based on the same measure of market capitalization. No other Canadian province or territory charges annual fees to issuers.

For dealers, portfolio managers, and other firm registrants, the OSC's "Capital Markets Participation Fees" are based on the firm's gross revenue attributable to "capital markets activities" in Ontario. Although the OSC is the only provincial/territorial regulator that charges an annual fee based on gross revenue, all other provincial/territorial regulators charge a flat fee based on registration type, meaning that a firm with a national presence will be required to pay multiple participation fees each year.

Once again, this problem is more pronounced for CIRO dealers, who are required to pay the OSC's Capital Markets Participation Fees as well as an CIRO's annual membership fee. Similar to the OSC's Fee Structure, CIRO's membership fee includes a "revenue component," which is calculated based on a firm's total revenue across Canada. As a result, CIRO dealer members are required to pay two annual fees to regulatory authorities that include a calculation of the firm's gross Ontario revenues. This effectively creates a form of double taxation, with the OSC and CIRO both charging annual fees for the "benefit" of using Ontario's capital markets.

[16] OSC CP 13-502, s. 3(2). Participation fees | OSC.

E. RECOMMENDATIONS

In light of the above noted concerns, the OSC should not proceed with its Proposed Amendments. In order to meaningfully improve its Fee Structure, the OSC should submit to an external audit of its fees and cost-recovery model to promote operational efficiency and reduce costs for market participants, with the aim of stimulating growth, competition, and capital formation.

In furtherance of those goals, the CFFiM recommends that the OSC amend its Fee Structure as follows:

1. Amend its activity fee model to cease charging activity fees to market participants where the OSC is not the principal regulator or responsible for the underlying regulatory activity.

2. Exempt CIRO dealer members from paying registration and participation fees.

3. Eliminate Corporate Finance Participation Fees or, alternatively, shift to a flat fee model; and

4. Amend its Capital Markets Participation Fee model to adopt a flat fee model based on registrant type.

In addition, any amendments to the OSC Fee Structure must be considered within the wider context of Canada's regulatory environment. While the OSC has supported its proposal with reference to its own "guiding principles" including proportionality and predictability, this analysis does not consider the cumulative impact of the fees that are charged by CSA members and CIRO. The CFFiM recommends that the OSC engage with CIRO and other members of the CSA to establish a uniform fee schedule that applies to all market participants and eliminates the duplicative fees that are currently charged by Canada's securities regulatory authorities.

Respectfully submitted,

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