



BC Notice 2018/05

Notice and Request for Comment Consultation on Proposed Fee Changes

Purpose

The British Columbia Securities Commission (BCSC) is consulting on proposed fee changes. In addition to increasing some existing fees, the BCSC is proposing new fees for specified regulated entities including exchanges, clearing agencies and trade repositories. Appendix A describes the proposed changes to section 22 of the *Securities Regulation* B.C. Reg. 196/97 (the Fee Regulation).

Background

The BCSC is the independent government agency responsible for securities regulation in BC. Our mandate is to protect and promote the public interest by fostering:

- a securities market that is fair and warrants public confidence
- a dynamic and competitive securities industry that provides investment opportunities and access to capital

The BCSC's responsibilities include vetting public offering documents, registering securities firms and financial advisors, overseeing marketplaces and the regulators of investment dealers and mutual funds, rule making, compliance, enforcement, tribunal functions and investor education.

Capital markets are very significant to BC investors and the BC economy. BC investors' direct and indirect investments exceed \$600 billion. Companies raised approximately \$50 billion in BC's public and private markets during 2017. More public company head offices are based in BC than elsewhere in Canada. BC is home to more than 1,200 exchange-listed companies with an aggregate market capitalization of over \$200 billion. BC has about 140 registered investment firms and 34,000 investment advisors.

As a Crown Corporation, BCSC receives no government or taxpayer funding. The BCSC funds its operations entirely from fees paid by securities market participants, in accordance with the Fee Regulation. Capital markets can be volatile, causing BCSC revenue to fluctuate, so the BCSC must hold sufficient accumulated reserves to fund operations through market downturns.

The BCSC has not raised fees since 1994¹. In 2001, we eliminated or reduced 14 fees, reducing annual fee revenue by about \$4 million, and in 2002, we returned \$12 million to industry through a one-year fee reduction.

¹ In 2009 BCSC added the investment fund manager firm fee as a result of the CSA's registration reform project. That one new fee did not result in significant revenue.

Since the last fee increase, BC capital markets and the financial markets generally have become more complex and the scope of BCSC's regulatory responsibilities has significantly expanded. We need to respond to the challenges presented by these changes, which include:

- increasingly complex cross-border enforcement
- emergence of new marketplaces (exchanges and alternative trading venues)
- rapid financial technology (fintech) innovation and increasing cyber risk
- increased capital raising in the private placement market
- introduction of over-the-counter derivatives and credit rating agency regulations

Summary of the Proposed Fee Changes

We propose increasing existing fees for:

- registering dealer and advisor individuals, from \$250, to \$350
- filing prospectuses, by increasing the percent-of-proceeds fee by 0.005%, to 0.025%
- filing exempt distribution reports, from \$100, to \$200
- filing take-over bid or issuer bid circulars, from \$750, to \$4,500
- applying for exemptions from securities legislation requirements and other orders, from \$750, to \$4,500
- applying for recognition or exemption of recognition of specified regulated entities, from \$750, to a range from \$27,500 to \$55,000 (substantially the same as Alberta Securities Commission (ASC) categories and rates)

We propose new annual fees for:

- international dealers and international advisers, at \$1,400, the same as the ASC rate
- specified regulated entities, at a range from \$4,400 to \$250,000, substantially the same as ASC categories and rates

Fee Model

The BCSC aims to deliver effective market oversight at costs that do not create excessive financial burden for market participants. We maintain a regulatory system and collect sufficient fees from those who access and use the system to fund our operations. Fees must cover the direct costs to review filings, and recover the shared costs of delivering other regulatory services including compliance oversight, enforcement, rulemaking, investor education and tribunal hearings. In designing the proposed fee changes, we also considered:

- market participants' ability to pay – we have proposed fees that minimize barriers for smaller market participants
- ease of determining fees payable – most of our fees are flat fees, and any calculations are simple
- fee regimes and aggregate fee revenue in Alberta and Ontario

After the proposed fee changes, the BCSC's fees would compare favourably to fees charged by other Canadian securities regulators.

The proposed fee changes would strengthen the BCSC's ability to operate through changes in market activity, and fund investor protection and market efficiency initiatives, including:

- deterring misconduct through greater criminal enforcement and fine collection
- protecting BC investors through targeted education programs
- supporting innovative financial and other technology businesses
- reducing the cost of capital for BC companies by modernizing the regulatory framework for capital raising
- mitigating cybersecurity risks

Timing

Subject to government approval, the revised fees would come into force later this calendar year and would apply to fees payable after the effective date.

Request for Comments

We invite your comments on the proposed fee changes. Please submit your comments in writing on or before May 31, 2018. If you send comments by email, send them as a Microsoft Word file.

Address your submission to the British Columbia Securities Commission. Deliver your comments to the address below.

Noreen Bent
British Columbia Securities Commission
1200 - 701 West Georgia Street
P.O. Box 10142, Pacific Centre
Vancouver, BC V7Y 1L2
nbent@bcsc.bc.ca

Questions

Please refer your questions to:

Carla-Marie Hait
Chief Accountant and CFO
chait@bcsc.bc.ca

May 1, 2018

Brenda M. Leong
Chair

Appendix A Details of Fee Changes

The changes would amend section 22 of the *Securities Regulation* B.C. Reg. 196/97. The item numbers below refer to the relevant items in section 22.

Individual Registration

The fees for seeking or maintaining individual registration as a dealing representative, advising representative, or associate advising representative would increase from \$250 to \$350 (Item 2).

Prospectus

The fee for filing a prospectus by an issuer that is not a money market mutual fund would increase by 0.005% to the amount by which 0.025% of the value distributed in BC exceeds the base filing fee of \$1,500 (mutual fund) or \$2,500 (all other) (Item 10(a)).

Exempt distribution report

The base fee for filing a report about a distribution of securities under a prospectus exemption would increase from \$100 to \$200 (Item 16 (1)(c)(i)).

Take-over bid or issuer bid circular

The fee for filing a take-over bid circular or issuer bid circular would increase from \$750 to \$4,500 (Item 20).

Applications for various orders or decisions

The fee for filing an application, other than an application to revoke a cease trade order in effect for less than 91 days, for a decision under securities laws, if no other fee for that filing is prescribed, would increase from \$750 to \$4,500 (Item 15).

Market regulation recognition and exemptions

The fees for applying for recognition, or exemption from recognition, would increase from \$750 (Item 15), as follows:

- For recognition as an exchange or clearing agency, \$55,000
- For exemption from recognition as an exchange or clearing agency, \$41,500
- Additional fee where an application reflects a merger, acquisition, reorganization, or restructuring of an exchange or clearing agency, \$50,000
- For filing Form 21-101F2 *Initial Operation Report – Alternative Trading System*, \$27,500
- For recognition as a trade repository, \$41,500

International dealers and international advisers (new)

The fee for an international dealer or adviser to file either Form 31-103F2 *Submission to Jurisdiction and Appointment of Agent for Service* or the notice, each as required by section 8.18 (international dealer) or section 8.26 (international adviser) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, would be \$1,400.

Annual fees for specified regulated entities (new)

The annual fees for exchanges, alternative trading systems, clearing agencies, and trade repositories would be substantially the same as the categories and rates in Alberta, and would be as follows:

- The fees for recognized securities exchanges would be a range of \$15,000 to \$250,000, based on the preceding year's market share
- The fee for a recognized derivatives exchange would be \$15,000 when BCSC is the lead regulator, and \$7,500 otherwise
- The fee for an exchange exempted from recognition would be \$5,000
- The fee for an alternative trading system would be \$4,400 when trading only unlisted debt or for securities lending, and \$8,500 otherwise
- The fee for a recognized securities clearing agency would be the aggregate of fees for each of the following services that the agency provided in the preceding year: matching \$5,000; netting \$10,000; settlement \$10,000; central clearing counterparty directly overseen by BCSC \$75,000; central clearing counterparty indirectly overseen by BCSC \$35,000; depository services \$10,000
- The fee for a recognized clearing agency for derivatives would be \$15,000
- The fee for a clearing agency exempted from recognition would be \$5,000
- The fee for a recognized trade repository would be \$15,000
- Fees would not be pro-rated, and no late fees would apply