

## Annex C

### Summary of Comments and CSA Responses

#### Proposed Amendments to Multilateral Instrument 13-102 *System Fees*

This Annex summarizes the comments we received and our responses to those comments.

ITEM	TOPIC	SUMMARIZED COMMENT	CSA RESPONSE
1	Size of the fee increase	<p>Commenters generally expressed disappointment in the size of the proposed increase in the first year. Two noted that while the increase would be less than \$2,500 for 95% of filers, it would still be significant to some smaller, cost-sensitive filing organizations.</p> <p>The commenters also generally acknowledged the rising costs of information technology. All asked the CSA to consider the cumulative cost impact of proposed system fees and policy changes, and the impact of the change experienced by market participants.</p> <p>There were several suggestions on how to approach system fees, including deferring increases until all national systems have been modernized, spreading the first-year increase over five years and only doing gradual increases when warranted. All encouraged planning so significant increases are avoided in the future.</p> <p>Specific comments:</p> <ul style="list-style-type: none"><li>• We understand that the CSA is functioning on a cost-recovery basis and that the significant fee increases proposed in the Consultation are to recover exponential cost increases in the last few years for implementing and maintaining information technology (IT) systems. It is important to note, however,</li></ul>	<p>The CSA acknowledges the impact of the system fee increases on filing organizations.</p> <p>We take note of the comments regarding the cumulative impact of policy changes, and they will be considered in future planning.</p> <p>Before proposing the system fee changes, the CSA carefully examined all expenses and reduced national system spending to the point where additional reductions would negatively impact services in the short-term and the overall health and longevity of the national systems in the long-term.</p> <p>When the 2019 proposed flat filing fee structure was implemented in 2023, the filing patterns that year resulted in annual system fee revenue being reduced by 18%. As a result, fiscal 2024 system fee revenue was less than the fiscal 2013 system fee revenue.</p> <p>Additionally, from 2021 to 2024, the labour costs for IT services increased between 35% and 45%, outpacing</p>

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		<p>that the industry has concerns with how SEDAR+ was developed and therefore expects the increased new fees will be used optimally.</p> <ul style="list-style-type: none"> <li>• While we acknowledge the necessity of funding to address rising technology and cybersecurity costs and to support the CSA's national systems, we believe that the fee increases proposed would be onerous for the Investment Dealers we represent.</li> <li>• We note that there are other significant cost increases on the horizon for asset and wealth managers. In particular, the proposed amendments to NI 31-103 and Companion Policy to implement Total Cost Reporting and the proposed amendments to NI 81-106 and Companion Policy to replace the existing annual and interim MRFPs with new Fund Reports.</li> <li>• The Independent dealers we represent object to the burden of higher fees being placed on them in order to cover these past shortcomings in financial planning and forecasting.</li> <li>• For CSA staff to comment that "accelerated growth in IT labour costs for both system development and operations could not have been anticipated" is worrisome.</li> </ul>	<p>costs growth in other sectors<sup>1</sup>. These IT labour costs are expected to continue increasing at a steady pace over the next few years. Therefore, the CSA must proceed with the proposed fee changes at this time.</p> <p>The CSA appreciates the benefit to market participants of understanding future fee increases. The proposed system fees include gradual inflationary increases for the 4 years that follow the larger increase in the first year, better aligning future system fees revenues with projected operating costs. This approach is intended to help moderate the impact of projected operating cost increases on market participants.</p>
2	Transparency and involvement of market participants in	All commenters requested greater transparency with respect to the CSA providing details on how collected system fees are allocated. They also requested	The CSA is committed to working closely with market participants to ensure SEDAR+ and other future

<sup>1</sup> <https://www.gartner.com/en/documents/3996699>

The Gartner Labor Rate Tool provides rates for 30+ countries for a selection of IT services. It uses salary analysis, which sources salary data from 65,000 global sources including government salary data, job boards, and corporate sources to collect compensation data. North American parameters were used to assess labor rate increases.

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	strategic discussions	that the CSA provide a list of existing system issues, a clear timeline and ongoing updates about fixing issues and replacing systems. Industry Association commenters advocated for greater inclusion in the system planning process, to ensure the national systems meet as many market participant needs as possible.	<p>systems are developed with their direct input.</p> <p>We are transparent about system priorities and changes. In 2024, the CSA began <a href="#">publishing a list</a> of open SEDAR+ items, workarounds and anticipated resolutions. With each quarterly SEDAR+ update, the CSA hosts an informational filer webinar about the latest changes and the fixes or improvements that are planned for future SEDAR+ system updates.</p> <p>For the last year we have hosted a monthly SEDAR+ User Community meeting for filers. The goal was to better understand the SEDAR+ filer experience, better address challenging filing issues and gather user insights. This group's ongoing contributions have added great value to our issue prioritization and resolution process. The SEDAR+ User Community meetings will continue in 2025.</p> <p>Additionally, this year the CSA is establishing an NRD User Community to provide input on current experiences with NRD and areas of improvement, and to explore how best to use the system for regulatory compliance and for registrants to run their businesses effectively.</p> <p>The CSA appreciates the varied perspectives and needs of national system users. In preparation for the launch of SEDAR+, the CSA increased</p>

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			industry stakeholder engagement. We are committed to engaging national system users earlier in the development process for future national systems changes, with the intent of better understanding and meeting the ongoing and changing needs of those users.
3	System funding model	<p>Three commenters felt that the CSA should bear the burden of some system costs, not just market participants. One commenter acknowledged the system fee reduction experienced in 2019. To ensure the sustainability of all market participants, one commenter recommended the introduction of a tiered fee structure that aligns fee increases with firm size, capacity to pay, and the value of the technological improvements made to the national systems.</p> <p>Specific comments:</p> <ul style="list-style-type: none"> <li>• We appreciate the CSA's initiative in 2019 to simplify the system fees regime so that the principal and non-principal regulator system fees could be replaced with flat fees per filing type paid only to a filer's principal regulator which, combined with changes in filing patterns, resulted in an annual system fee reduction.</li> <li>• We believe that the CSA should consider paying the costs for SEDAR+ issues from each of the securities commissions' surplus funds, rather than placing this burden on the industry.</li> <li>• We recommend periodic reviews of the fee structure</li> </ul>	<p>We acknowledge the suggestion to have system development funded by the CSA and that is a consideration in future national system planning.</p> <p>The CSA's national systems are operated on a cost recovery basis, primarily through system fees.</p> <p>To maintain a fair and transparent cost recovery approach, the CSA uses the flat per-filing system fee model, where fees increase proportionally based on system use. Filing organizations that have the smallest filing or registrant volumes and/or a lower filing frequency pay the lowest proportion of the fees being collected.</p> <p>In addition to the flat fee structure enabling fees to be based on filing behaviour and volume of system use, it streamlines fee payment administration for multi-jurisdictional filers and for the CSA.</p>

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		<p>alongside system performance with industry input, to ensure it remains equitable and reflective of actual system costs and to ensure useability and value for market participants.</p>	
4	Importance of system modernization	<p>Three commenters mentioned the critical role that the national systems play in ensuring the transparency, efficiency and confidence in Canada's capital markets. They also supported the CSA's focus on cybersecurity and long-term efficiency.</p> <p>All commenters noted that the multi-year, multi-million system modernization project, SEDAR+, did not deliver on all expectations and market participants experience residual issues. Larger issues, specifically the large Investment Fund Group filings (fixed in November 2024), had resulted in increased time (thus costs) to file. Three commenters urged the CSA to address the most pressing concerns before implementing the system fee increases. One offered a suggestion on how SEDAR+ can be enhanced to reduce regulatory burden, by becoming a central repository for mandatory investment industry disclosure documents.</p> <p>Specific comments:</p> <ul style="list-style-type: none"> <li>• We also find it difficult that the CSA can justify such a steep increase in fees when the performance of its new system SEDAR+ has not delivered on its expectations of enhanced usability.</li> <li>• For our team, it has caused a significant increase in the number of hours to complete</li> </ul>	<p>We thank the commenters and acknowledge their comments of support for the CSA's national systems.</p> <p>We also acknowledge that some aspects of SEDAR+ functionality have not fully met market participants' expectations, and some issues have impacted filing organizations negatively.</p> <p>Since the SEDAR+ launch in 2023, the CSA has and continues to diligently work with vendors to address the system issues most impacting market participants.</p> <p>In November 2024, we made notable improvements to the "large investment fund group" SEDAR+ filing process. Overall, filing organizations have indicated that SEDAR+ performance has been getting better.</p> <p>We have replied directly to the one commenter who provided a list that included the large investment fund group and other SEDAR+ issues experienced by their filing organization. Over 90% of the issues, including those with the highest impacts, have been addressed. The remaining are being investigated and/or scheduled to be fixed.</p>

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		<p>filings, over 100 additional hours, and we have increased the number of team members involved in our regulatory filings as a result.</p> <ul style="list-style-type: none"> <li>• We are thankful that the most significant challenges have been addressed. However, using SEDAR+ still present some challenges such as the search function and slow functionality, which need to be addressed so that the system meets investor and industry needs.</li> </ul>	