ONTARIO SECURITIES COMMISSION

ROUNDTABLE ON REDUCING REGULATORY BURDEN RELATED TO TRADING, MARKETPLACES, ISSUER REQUIREMENTS, AND DERIVATIVES

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OPENING REMARKS:

MR. KANJI: Hello, everyone. I'm Naizam Kanji, Director of the Office of Mergers and Acquisitions at the OSC, and Special Advisor to the Chair on Regulatory Burden Reduction.

I would like to extend a warm welcome and thank you for attending today's roundtable on reducing regulatory burden related to trading, marketplaces, issuer requirements and derivatives. I'd also like to welcome those who have joined us via teleconference.

Today's discussion is the third roundtable in the OSC's ongoing consultation with Ontario market participants on ways to further reduce regulatory burden on capital market participants, while continuing to maintain important investor protections.

Everyone at the OSC recognizes that this initiative is an unprecedented opportunity to make our processes, requirements and interactions with stakeholders more streamlined and efficient. It is also an opportunity to reduce duplicative, outdated and unnecessary regulations. We are here to listen, to hear your suggestions, and to work with you to make securities regulation work better for everyone.

I would like to acknowledge the extensive and excellent comments we received in response to our Staff Notice, and the feedback we received during our first two roundtables on March 27 and May 6th.

I would also like to thank the speakers who have joined us and will be participating at our roundtable today. We
are looking forward to some interesting discussions and great ideas.

As you can imagine, organizing these three roundtables has been a significant undertaking, especially considering the limited time period in which this has occurred. I want to thank my colleagues in the OSC's Communications Branch for the excellent work they have done in planning these roundtables.

Before I turn things over to Grant, I'd like to take a moment to take care of some housekeeping items. Coffee is available at the back of the room. Restrooms are located downstairs in the main lobby. We are broadcasting today's discussion via teleconference and transcribing the roundtable. We will make the transcript available on the OSC Web site. Please note that we are also taking photos today which may be posted on our Web site.

Today, we will cover several topics that emerged in the consultation process. For those in the room, please refer to the printed agenda. For those on the teleconference, the full agenda, including a list of roundtable speakers, is posted on the OSC Web site.

We will provide time for questions from the audience in the room. If you have a question, please raise your hand and a microphone will be brought to you. This is important so that people on the teleconference can follow the conversation.

There are a lot of people participating today and we want to get the most out of the discussion. So please bear with us as we have a full agenda and will be moving strictly between topic areas. We will get to as many of your questions as we
And now, I'd like to turn things over to our moderator, OSC Vice-Chair Grant Vingoe, who will provide brief opening remarks. Grant.

OPENING REMARKS BY MODERATOR:

MR. VINGOE: Good afternoon. Is my mic working?
Okay. Thanks to everyone for coming this afternoon.

We're covering quite a few different areas of OSC activities and jurisdiction, and roundtables like this are incredibly important to us as opportunities to hear from our stakeholders on, again, a variety of issues associated with burden and cost of compliance with our regime and regulations.

We are pleased that the Ontario Government has made burden reduction a priority. It allows us to pursue this important work in addition to our other mandates, and it only makes sense to have regulations that are attuned to the costs and burdens associated with them that require that type of measuring. So we need to have your input from outside the OSC in order to get that balance right.

We understand the frustration and cost of duplicative, unclear and inconsistent requirements when that arises. We know the importance of ensuring that compliance with regulation is not unduly burdensome and does not stand in the way of economic opportunity. You know, after all, we are regulating industries that are for the benefit of all Canadians and facilitate capital formation and investment opportunities, retirement savings, and so many other public goods that we have to seek to pursue.

Not surprisingly, the input we've received to-date can.
through our consultation covers a wide range of topics. We've drawn from that input to assemble today's agenda and we've put together a diverse group of stakeholders around this table.

For today's discussion, I'll start off by asking various senior OSC Staff to provide a very brief introduction, brief in the sense of probably three or four minutes, just to provide some context for how they are assimilating the comments we've received to-date. After that point, I will open the floor to our speakers around the table, following the order of topics on the agenda.

During the discussion, if you'd like to speak, please just put your name card like this, and also speak directly into the mic. You'll have to turn on your mic. It's on when it's glowing red, and then when you're finished speaking, press it again to turn it off so that you're not speaking over each other, I suppose. For the benefit of those on the teleconference, please mention your name and organization at the start of your comments. I think we have a lot of people on the phone.

I apologize in advance if I have to cut off some of the discussions. We're going to cover a lot of material this afternoon. I want to make sure we touch on all the topics on our agenda. We have received a lot of very thoughtful comments over the course of our consultations, and I know that all of our roundtable participants are passionate about how we can effectively reduce burden.

So with that, I'd like to again turn the floor over to senior OSC Staff, and I'll start with Susan Greenglass, our
OPENING COMMENTS FROM OSC STAFF:

MS. GREENGLASS: Great. Thanks, Grant.

So I'll provide some of our current thoughts on areas under review and what we've heard through the comment process on burden reduction, and we're happy to receive feedback on these or other areas.

So the burden reduction initiatives that we've been considering generally cover two themes: First, simplifying oversight processes, and second, modernizing regulation.

So on simplifying oversight processes, we have been and we continue to review existing recognition and exemption orders to eliminate and streamline obligations and remove duplicative reporting. An example of this is on the marketplace side where we made initial amendments to exchange recognition orders at the end of last year and we followed up recently with proposed amendments to National Instrument 21-101 to further streamline.

This work was underway and we've received some very helpful comments in response to the burden reduction notice about other areas to further streamline. So that will be part of our consideration going forward.

Regarding modernizing regulation, there are a few rules that we are in the process of reviewing. One example where we received a number of comments was the reporting requirement for dealers and advisors in National Instrument 24-101 and whether it could be eliminated, and that is on our list of requirements that we're currently assessing.
And on themes, we received a number of thoughtful comments in response to the burden reduction notice and I thought I would just highlight a few of the themes.

One area of feedback focused on streamlining regulatory requirements for recognized entities, so eliminating duplication in National Instruments and recognition or exemption orders, and focusing on some specific terms and conditions, and as I mentioned, this is already an area that is under review.

And another area focused on our approach to foreign entity regulation. So our current approach for infrastructure entities is to rely on home regulators in appropriate circumstances and impose limited requirements in exemptive relief. We received a number of comments about this approach, about the extent of reporting. Some comments focused on areas that we should increase deference on home regulators, and we also received comments that this approach creates an unlevel playing field as there are additional requirements on domestic entities.

So we are reviewing our approach in this area and applicable requirements. So those are just some of the main themes. I'll turn it back to Grant.

MR. VINGOE: Thanks very much. Now I'll turn the discussion over to Sonny Randhawa, our Director of Corporation Finance.

MR. RANDHAWA: Thank you, Grant. Good afternoon, everyone.

Our consultations on reducing unnecessary regulatory burden have identified several potential initiatives related to
corporate finance issuer requirements. We've heard from a wide range of stakeholders on a variety of topics which are reflected in today's agenda.

One of the key objectives of the consultation was to obtain feedback on our internal processes and the way we interact with stakeholders because we expect that there are changes we can make quickly to reduce regulatory burden without any reduction in investor protection or market confidence.

A key theme underlying these suggestions in this area was that we should take steps to increase the certainty for market participants, so that issuers can access market windows, obtain exemptive relief in a timely way, and have more efficient means to raise capital.

To this end, we are very pleased to announce that with the support of our government, for our largest population of Ontario head office issuers, we will now allow resource issuers to request a review of their mining technical disclosure prior to conducting a short form prospectus offering. This will allow all material comments to be resolved before announcing an offering to the market. We expect to publish an OSC Staff Notice outlining the details of this program shortly.

Longer term, we are also internally considering expanding the prefile process to having Staff confidentially review an entire prospectus prior to the announcement of an offering. We welcome hearing feedback from speakers on this idea during item 4 of today's agenda.

We're working to streamline the review and comment process for both prospectuses and applications for exemptive
relief. We know that our OSC comment letters are often the final hurdle to important transactions, so we're challenging ourselves to raise our internal threshold of materiality.

We're also acting on several suggestions regarding rule changes and to the extent possible, we are seeking to address these comments through seven CSA burden reduction projects that are currently underway. Some examples include recently publishing for comment amendments to the "at-the-market" offering regime, to codify exemptions, and expand the use of this structure.

We're making progress on proposals to reduce the regulatory burden associated with business acquisition reports and expect that we will be in a position to publish proposed amendments to these requirements this year.

We're also working with the CSA to reduce overlapping requirements in continuous disclosure filings and potentially consolidate the required documents. This project will also consider and monitor international developments on the request to permit semi-annual filings in place of quarterly reporting for some reporting issuers. We expect that this project will be published for comment early next year.

In other areas, we received several comments regarding the reports of exempt distribution. Two key areas that we're focusing on is to reconsider how often these reports are filed and we'll be discussing potential changes with our CSA colleagues. Secondly, we are considering reducing the $500 filing fee for these reports as part of our upcoming review of the OSC fee rule.
Finally, we know and heard that outdated technology can impose a burden, and we recognize the need to improve our national systems as they relate to issuers, insiders and registrants. As outlined in a recent Staff Notice, this is a high priority for the CSA and we agree that these are legacy systems that need an upgrade, but recognizing that this will necessarily take time.

The recent publication from the CSA outlined the timing for the various phases of this project and we are pleased to see tangible milestones that will be seen on SEDAR and the CTO database in the coming years, with SEDI to follow at a later phase.

Thank you. Those are my introductory comments.

MR. VINGOE: Thank you, Sonny. Next I'll turn it over to Kevin Fine, our Director of Derivatives.

MR. FINE: Thanks, Grant. I'm also going to speak briefly to the main themes relating to the regulation of the derivatives market that came from the comments provided during the recent burden reduction consultation process. These themes serve as the basic questions for us to ask ourselves regarding our regulatory touch in the derivatives market. There's already a fair bit of consistency with the summaries that Susan and Sonny gave, so you'll hear that as well.

So in no particular order, considering the costs and benefits, what is the appropriate regulatory parameter for the OSC in this area? Do we still need to regulate the entities that we currently regulate or to newly regulate another type of entity?
If the answer to that is yes, do we still need all the reports, forms and filings that we currently receive? Are there parts of those reports, forms and filings that are no longer necessary that could be removed? Can we receive the reports less often? If monthly, quarterly; if quarterly, annually, etcetera. Can we increase our reliance on foreign authorities for oversight and reporting for foreign dealers, advisors and financial market infrastructures? In those situations, can we reduce the requirements in Ontario?

Can we ensure that we have no overlapping requirements with other authorities in Canada? Can we harmonize our requirements and rules with the CSA and with international authorities? Can we ensure that our rules will not affect the liquidity supplied by foreign dealers in our markets? In other words, will Canadian requirements cause foreign participants to either leave the market or not enter it at all, as Canada is a small market jurisdiction internationally.

These themes are all relevant and important and we are currently examining the derivatives regime, both in existence and the new proposed rules, to determine if they properly address these concerns. And thanks again for your important contributions.

MR. VINGOE: Thank you, Kevin. Next, Pat Chaukos, who's really been at the center of much of our kind of tailored relief through her leadership of our LaunchPad initiative, will make some initial remarks. Pat.

MS. CHAUKOS: Thank you, Grant.

Good afternoon, everyone. My name is Pat Chaukos and
I lead the OSC's innovation initiative, OSC LaunchPad.

Over the last couple of years, OSC LaunchPad has been working with innovative businesses that are wanting to operate in Canada. We've heard directly from over 250 businesses in Ontario and in Canada, and their advisors, about the challenges and opportunities that Canada has to offer.

And what we've heard varies widely. Many businesses do not want any regulation, or at least until they've scaled significantly, and on the other hand, existing firms will say that this is not fair and we need to apply regulatory requirements equally to all market participants. Our challenge is to find the right balance of regulation and yet allow innovation to thrive in Canada.

What we've learned is innovation is fast-paced, that how Canadians access financial services is changing and that we as regulators need to change how we regulate. We agree.

In the spirit of reducing regulatory burden, what we've learned through OSC LaunchPad is that we need to allow more flexibility for innovative businesses to test and to experiment. We need to be open to new businesses and their ideas that will make financial services more efficient for consumers and be more receptive to new technologies that can make financial services and products more accessible to Canadians.

One of the comments we've heard time and time again is that we should consider proportionate regulation to allow FinTech innovation to test their business and help them get off the ground here in Ontario, Toronto, Waterloo, and across
Canada. Specifically, do we need to apply all the traditional requirements if there are better alternatives or better ways to regulate?

Let's turn to a real-life example: Digital assets have been an area of heightened investor interest over the last few years, and new businesses are evolving such as digital asset trading platforms and investment funds. As an innovative business, many elements are still developing and market infrastructure is not yet developed. Yet we've seen firsthand that these new trading platforms raise new challenges and can have significant risks to investors when there's no regulation.

In Canada, we have a well-established regulatory framework for financial services and products, but the bigger question for us is, are there better alternatives or better ways to regulate in the digital asset space?

We've asked many of these questions in our joint CSA/IIROC consultation paper 21-402, "Proposed framework for crypto asset trading platforms." We've received your comments with varying perspectives. We are reviewing those comments and we are listening to your feedback today.

At the OSC, we are embracing these new business models and the new technologies that can make your businesses more efficient and more responsive to consumer needs. That work will continue, but we would really like to hear from you today how the OSC can help reduce burden for novel businesses in Ontario, and at the same time, fulfill our mandate and support innovation in Canada. I look forward to the discussion today. Thank you.

MR. VINGOE: Okay. Thank you, Pat.
And with that, that concludes the opening remarks from Staff and we're going to dive right into the questions on the agenda.

Again, I'll urge everyone to speak, as I should urge myself, directly into the microphone, and for the benefit of those on the teleconference, if you could give your name and organization when you speak.

Topic 1:

MR. VINGOE: So our first topic for discussion is about interacting with multiple regulators and the ways the OSC can streamline reviews and reduce duplication with other securities regulators.

And we often think of that in a Canadian context with provincial and territorial regulators and the division of regulation at the federal and provincial level, but it also, obviously, has a global perspective as well that I think some of you will want to address.

So who would like to start us off? Manoj, please.

MR. PUNDIT: So one of the submissions we made on this point, and it's not going to be a surprise to you, is the question of why the OSC is not a passport regulator, or if there is a plan to do so, can you shed some light on that?

I think that that may not be as relevant to Ontario-based issuers because it's all about non-Ontario, but, you know, let's say other Canadian issuers, domiciled in other jurisdictions, looking to raise capital amongst other jurisdictions including Ontario, and it would certainly be beneficial to avoid having the dual review process for a
prospectus that needs to be filed outside of Ontario and as well as in Ontario.

So I don't know if there's a plan to consider that, and if so, is there anything that you can shed some light on there?

MR. VINGOE: Sonny, do you want to address that?

MR. RANDHAWA: I mean, right now I would just say that's the current environment that we're in. I mean, we do our best to coordinate our reviews with any of our CSA jurisdictions. We do have working committees that will talk about novel prospectuses that come in to make sure that we're not duplicative in terms of our comments.

I would say on the passport jurisdiction point, I mean, it is on the table in terms of just discussing it internally, but right now, there is no fixed timeline to move there right now.

MR. VINGOE: I would also say that it has a relationship in part to ongoing discussions about CMRA and that probably in that context, it would be addressed in some connection, but that's still in the background influencing all of the relationships between the various jurisdictions.

Denis.

MR. FRAWLEY: So I'm here -- my name is Denis Frawley. I'm here as a member of the securities committee of the PDAC, the Prospectors and Developers Association of Canada.

And our perspective or my perspective here is in speaking for a lot of smaller issuers who don't have a lot of -- they don't have a lot of staff. They are frequently raising
financings, primarily in the exempt market through private placements, and over the course of the last couple of years, the process of complying with the regulations for filing and reporting private placements has become, for a lot of our members, very burdensome, not that there are necessarily a lot of new forms. There are some additional forms that have been created, but the way in which those forms are reported now has kind of splintered.

Whereas it used to be that you could do it with one form in Canada and then you were done, you would prepare the form once and file it, now you have to sort of file through three different platforms. You have to -- one of the platforms involves using, and this is not for Ontario, but you have to do it through SEDAR which means you have to go through, for a lot of our issuers, an intermediary because most of our issuers don't have their own SEDAR access. It's too expensive, and they don't -- so they have to go through, you know, a lawyer or a SEDAR filer to get their filings done.

The filings have become very granular, and on top of that, they're already filing with, in many cases, one of the exchanges, so similar reporting with an exchange that is regulated, and I would say for most of our members and for most of my clients when they're doing private placements, they're also raising capital from the U.S., from overseas, in many cases from Hong Kong, from Europe.

So they have, you know, compliance all over the place, and it's sort of an explosion of filings that's very difficult for them to manage, and so it's not the actual compliance. It's
the reporting of the compliance that has gone -- has become a
little bit -- very much burdensome and time-consuming and
expensive for them.

MR. VINGOE: Thank you. I can imagine the
requirements would differ in detail from like Form D's in the
United States versus our requirements. In a global context, it
must be demanding.

MR. FRAWLEY: Yes, it's demanding, and it's -- there
are a lot of people who -- a lot of our members have been in the
industry a long time. They know the rules on private
placements. They know -- you know, they used to be able to kind
of do 75 percent of the compliance themselves and feel
confident, and now, because of what's required, and also because
they're dealing with jurisdictions they weren't drawing on
internationally, they weren't raising as much capital in Asia as
they are now, so it's kind of made them -- now, that's not
something that the OSC can fix, but it does mean that there's,
you know, there's additional layers of compliance and they --
it's just a lot for them to manage and it consumes large amounts
of -- more of the proceeds of a private placement and, you know,
markets are always difficult for them.

MR. VINGOE: Thank you. Other comments on the effect
of duplicative regulation? Beginning with Tim, please.

MR. REIBETANZ: Thank you. It's Tim Reibetanz from
Bank of Montreal.

Since we're talking about duplication in a global
environment, I wanted to raise a few concerns about how rules
apply to foreign branches of Canadian banks, and this is in the
context of both the derivatives branch and the market regulation branch, and first, I wanted to make it clear that these are my own opinions and not necessarily those of BMO.

So just by way of some background, foreign branches of Canadian banks are not separate legal entities, so when we do a trade through booking at a branch or using personnel at a branch, it's -- the legal entity that's doing the trade is Bank of Montreal, the parent bank, and however, the activities of branches are highly regulated by local regulators and branches are licensed, licensed in foreign jurisdictions, and they're also prudentially regulated by OSFI. So our activities in foreign branches are not operating in a vacuum.

So first on the derivatives points, I think it's important to look at the purpose of a regulation in order to determine whether rules should apply to foreign branches, so there are some areas where I believe that it's appropriate to extend Ontario regulation to foreign branch activities.

So, for example, if you look at prudential regulation, it's necessary for OSFI to have effective prudential regulation over FRFI’s. It's important for margin and clearing requirements because those are designed to protect systemic risks which could find their way back into Canada through foreign branches.

And then also trade reporting. It's important for regulators to have transparency and oversight into these types of risks which would come back into Canada, but in my view, this is where it should stop.

So the CSA have proposed derivatives business conduct
and registration rules which are aimed at regulating market activity and ensuring the integrity of the market. The proposals would apply not only to foreign branches of Canadian banks, but also to foreign market participants who are trading with our foreign branches.

And this is market activity which occurs outside of Canada. It's already regulated by foreign market conduct regulators outside of Canada and I think that it may not be the most efficient use of our regulatory resources in Ontario to be regulating this. Regulators in foreign markets are perhaps in the best position to determine what kind of conduct and gatekeeper requirements are appropriate in their jurisdictions.

So, and just to provide perhaps a quick example, because I think that it's important to put this into context, if BMO London branch is trading with an English bank, trading derivatives, the BMO London branch, the trading activity there would be required to comply with market conduct regulation in Ontario here, the proposed rules, as well as the proposed registration rules in Quebec, and then the English bank would also have to comply with, because they're seen to be doing business in Ontario and Quebec, both the business conduct and the registration rules in Ontario and Quebec.

So it's very difficult to see why an English bank would trade with us in those circumstances when it could just trade with another English bank instead. So this is market liquidity and fragmentation issues which are some of the issues that Kevin mentioned earlier.

And then on the market regulation side, I think my
concerns are more with the current requirements relating to clearing agencies and derivatives trading facilities. So my concern is that many of these organizations seem to be unaware that OSC Staff take the position that when they on-board traders located in our foreign branch, they're required to submit applications to be exempt from recognition in Ontario and Quebec.

So, again, it's that view that by doing business with our foreign branches, they are doing business in Ontario and Quebec and they need an exemption from recognition in Ontario and Quebec, and that is leading to some market confusion and disruptions and represents, in my view, an opportunity to reduce the regulatory burden while also still ensuring that market participants are appropriately regulated.

So one solution that the Canadian Bankers Association has proposed in that area is a cooperative approach among regulators, so this is similar to what the CFTC and the EU regulators have done where they recognize certain named trading facilities, and those facilities are exempted from registration requirements on the basis of representations that regulators make to each other, and it's a way to, I feel, reduce the burden on market participants.

MR. VINGOE: Thank you very much for those comments. So I'm going to turn next to Harvey, then Nick, and then Loui.

MR. NAGLIE: Thank you, Grant.

I'd like to respond to two of the comments that have been made already this afternoon, initially with respect to market conduct and derivatives.
I think that my reading of the proposed regulations is that there is a lot of latitude to ensure that through a combination of exemptions and/or specific areas that are excluded from the regulations, that the banks have a lot of latitude to do the sorts of activities you alluded to.

I think the issue here is, to the extent that Canadian banks are contemplating doing any sort of derivatives transactions with the retail public, while it is true that there are extensive regulations that the banks currently face, they do not have much of a market conduct regulation. There's a lot of prudential regulation, but not a whole heck of a lot of market conduct.

And I think that the OSC has to run that fine line and institutions will make the decision as to whether the economics of ensuring the degree of protection necessary to offer derivative products to the Canadian public is justified and will make a business decision to enter that business, and to the extent that their view is that the economics don't work, they can make the decision not to enter that business.

I think that in light of the fact that there really isn't a market conduct regulation for the banks currently in the Canadian market, and given the nature of the risks associated with derivatives transactions, we all went through ABCP, we certainly don't want to have another reprise of that sort of experience. So I would say that this is an area where investor protection and market efficiency have to be appropriately balanced.

The second comment I want to make is with respect to
passport, and particularly the comment with regard to CCMR. I think in the context of the burden reduction that is now province-wide under the current government, I think it is appropriate for all those involved in this grand project to acknowledge the fact that while the main advantage of a common system like the CCMR could be the potential for increased efficiency and consistency, decreased duplication and cost, the greater capacity to deal with issues of a nationwide import and impact, unfortunately, in its current configuration and with the likelihood that it launches initially absent the two jurisdictional capital markets next biggest after Ontario, namely Quebec and Alberta, there could be potentially harmful consequences for the Canadian market. Particularly given that this new system will not include major regulators, Canada's regulatory regime could end up more cumbersome, less transparent and less effective than a high-functioning, decentralized regime, and from my perspective, I believe that by joining passport, Ontario could open the door to really energizing that initiative or re-energizing that initiative and could achieve many of the cost savings and benefits that were held out initially for the CCMR that, unfortunately, in its current configuration, don't exist.

MR. VINGOE: Okay. Thank you, Harvey. So I think we're going to have to move along fairly rapidly to get our other topics, but turn first to Nick. Sorry to --

MR. SAVONA: I promise I'll be brief.

MR. VINGOE: Go ahead.

MR. SAVONA: Thank you, Grant. Thank you to the OSC
for hosting this roundtable. These are important events, and
for allowing me to participate.

I'm -- at Independent Trading Group, and I just want
to give you just a brief background, we're dedicated
specifically to professional trading, market-making, and
providing liquidity to public issuers.

So there's just two, brief, specific items, and these
are actually the views of my firm, that we believe add
unnecessary cost, time and burden, and they may seem trivial, I
guess, from a high-level perspective, but they do pose
significant challenges to the daily operation of financial
firms, especially particular small dealers.

So when a dealer member registers a new trader,
submission is put in through NRD, whether it's a reactivation or
reinstatement, et cetera, and it's sent to IIROC through the NRD
system.

In addition to that, there's an application and
agreement for equities attorneys or an application for transfer
of attorney that is also required to be filed and approved by
the TSX. Now, this process, it predates NRD, and has been in
place since the TSX was the only senior marketplace in Canada,
and at the time, they had full control of approving equity
traders through a proficiency process and that was all
administered when they were an SRO.

Now, the information that's required on the TSX apps
is an exact duplication of what IIROC requires to be submitted
through NRD. IIROC will only give final approval to a trader
once the TSX has subsequently done the same. So we feel this is
an added burden on dealer members, unnecessary duplication of paperwork, given that in Ontario right now, there are only two recognized SROs, and once approval is granted by IIROC, we see no point in having the TSX, now one of many exchanges in marketplaces in Canada, follow the same process.

One other brief item I'd like to bring up is regarding personal information forms. The PIFs are required by the TSX and the Venture Exchange. Obviously, were not limited to officers, directors, insiders of issuers, and as well as promoters providing investor relations, promotional and market maintenance services for listed issuers on the Venture.

What we feel is, since a registered trader that's already been vetted by IIROC and, for that matter, by the OSC, there's -- the need to fill out the same exact information and to have background checks conducted is totally unnecessary, and it's just an added burden, like I said, especially on smaller dealers. Larger ones may have more resources to draw on, but it's just an unnecessary task.

MR. VINGOE: Thank you, Nick. You know, we're very oriented to trying to reduce burdens in areas where there's duplication like that. There are longer-term projects and there are shorter-term ones, so inventorying those instances is very helpful for us.

So Loui, the TMX perspective.

MR. ANASTASOPOULOS: Grant, thank you. I'll be very, very quick in the interest of time.

I just wanted to make a follow-on comment to a comment Manoj made and a comment Harvey made on the passport system.
Something that we see a fair bit related to our venture market, what we think would be very helpful would be the elimination or eliminating the duplication in the review of prospectuses related to capital pool programs. TSXV rules require CPC issuers to undergo a qualifying transaction to prepare a prospectus as the applicable disclosure document for the transaction.

In the case of Ontario reporting issuers only, the prospectus is reviewed by the TSX Venture and the OSC, rather than just the TSXV which is the case in other jurisdictions. This dual review process subjects our Ontario-based CPCs to greater regulatory burden than CPCs that are not reporting issuers in Canada.

So we do believe that with the OSC potentially joining the passport program, that that would go a long way in helping with this issue, and as many know, the CPC program is our largest source of listings on our venture market. Our venture market is very important to us. It is unique to Canada and is something that we sell globally everyday, so changes like this will go a long way in supporting that program going forward.

Thank you.

MR. VINGOE: Finally, I'd like to turn it over to Srijan to follow-up, I think, on some of the earlier discussion to wrap up this topic.

MR. AGRAWAL: Thank you, Grant. Thank you to the OSC. So I'll also be very quick.

I'm just going to focus really on the proposed dealer registration business conduct rules which I think could have a
tremendous impact, adverse impact on the liquidity in the
derivatives market, particularly as it relates to foreign
dealers entering the Canadian market.

And the issue that I want to really focus on is the
interdealer market, which is by far the largest OTC derivatives
market, so I'm not talking about the retail market here, only
the interdealer market. In our view, and this is a view by the
largest market participants in Canada, all Canadian banks, is
that the interdealer market should be entirely exempt from the
regulation of the business conduct and the registration rules.

Canada is a very small market. How small is it? It's
actually 1 percent of the global market when it comes to
interest rates and FX derivatives. So the Canadian market is
heavily, heavily dependent on foreign dealers to enter for
trading, for hedging, and for other needs.

Our view is that banks are sophisticated
counterparties. We do not need the protections provided in the
proposed derivatives registration and the business conduct
rules, and these rules, without the interdealer exemption, would
be a signal to the rest of the world that Ontario is not open
for business.

There will be unnecessary compliance costs placed on
foreign derivatives dealers when trading with Canadian banks and
they may simply choose to exit the Canadian market instead of
spending the time and resources necessary to comply.

This is something actually we got in feedback. The
Japanese Bankers Association provided comments to the
registration and business conduct rules. They've already
indicated that they're thinking of exiting the Canadian marketplace because of the burdensome requirements. This is a $208-billion market as it relates to Canadian banks trading with Japanese banks. That's at risk.

Globally, the global regulators are moving towards cutting red tape and making derivatives regulation more efficient and effective. Key regulators have already acknowledged that some aspects of the G20 derivatives reform had overreached and led to market fragmentation, and has caused pooling of liquidity and regional liquidity, so you have a European liquidity pool, you have a North American liquidity pool, and this is problematic from a systematic perspective when you're talking about global marketplace.

Finally, if the foreign dealers do exit the Ontario market, there will be a real impact to the Canadian economy. There's some analysis that's been done by the Canadian Bankers Association that estimates, on a conservative basis, that hedging costs in Ontario would increase by 5 to 15 basis points, which would mean an additional $20 million in funding costs for the province of Ontario annually, and about $114 million annually for Canadian corporate issuers. These include banks, pension plans, et cetera.

So that's -- from that basis, we continue to reiterate the importance of getting the interdealer exemption from those rules.

MR. VINGOE: Okay. Thank you very much. So that will finish our first topic. It gives us a lot to think about in terms of duplication.
Topic 2:

MR. VINGOE: Next, I'm going to turn to the second topic which is working with the OSC. A lot of our initiatives, obviously, require collaboration with our CSA colleagues in the interests of harmonization, but we're aware that we, too, can improve the way that we interact with the street, with issuers, with our stakeholders.

So I'd like to open up the discussion of our performance, including service standards, processes, points of contact and outreach in the areas under discussion. So if anyone wants to kick that off, I'd be grateful. Denis.

MR. FRAWLEY: One of the areas that I think would be useful for, again, speaking for our members, would be if they sort of had known points of contact, if there were sort of staff that they should call in particular when they had questions, rather than having to go through sort of the general inquiries line and then find someone, which can take sometimes -- I mean, Staff is very good at replying, but it can still take, you know, a day or two to get routed to the right person sometimes, and there are sometimes some immediate questions that they have, and it would be useful if they knew someone, that they could contact X or Y and get an answer, or at least start a conversation.

And also facilitating those, more of those discussions and open inquiries to allow our members to sort of ask their questions without being terrified of the answer that might come back or that it's going to, you know, that they're going to create problems for themselves when they just want to know, you know, what they should be doing or what's permitted, and there
are a lot of policies, staff policies, internal guidelines that are not published and that are not known to the public.

MR. VINGOE: Cindy Petlock, please.

MS. PETLOCK: Hi there. I'm from NEO Exchange, and I'm going to try to speak slowly. It's not my natural state, but I've seen the agitation of the person taking the minutes. This doesn't fit particularly well with any of the items and it probably fits here the best, but one of the observations we made was that one of the things that would be great if we could get to was not just the what, but the how.

There's been some discussion about principle-based regulation versus rules-based and I would only say this: There are both currently, and I would think that a good place to start would be to ensure that any principles-based regulation was actually monitored and enforced as principles-based regulation.

There is a drift that things come out. It comes to the point of guidance becoming rule-like. One of the examples I always use is OPR, which is a policies and procedures-based requirement. It is intended to be principles-based, but the way it's approached and has been approached since the beginning is really more like an absolute requirement.

I've always, and my friends in market reg. know, I've always objected to the 2 percent threshold as I felt it would be appropriate for somebody to have policies and procedures that said, "On day one, I will not be connecting to all marketplaces because it doesn't make any sense and it's reasonable, but after I tracked the volumes and I see there are some, then it's reasonable."
It should be what's reasonable, but, unfortunately, when OPR started, RS took an action that said, originally said, "Failure to connect," which sort of shook the whole industry. It was corrected as it wasn't a failure to connect, but it sort of has stayed, and one of the things that I've seen lately is you can't have a policies and procedures-based obligation where that market regulator calls firms on a trade-by-trade basis when there's been a trade through.

So this is what I mean. It's all good intentions, but if you want to have something that's principles-based, you have to really think hard how to regulate it and enforce it, and that's the other part of it is, don't be afraid to take enforcement action on principles.

And I think right now, we're just not really used to that in Canada, so people want guidance, and that just leads to -- and I'll just mention it because I think we'll get back to it, is we do get guidance sometimes in our world and it quickly calcifies into a requirement, and that's the kind of thing I think you always have to go back to the principles and not allow something just to become a de facto standard.

MR. VINGOE: That's very helpful. It is hard to get it right between the policies and procedures-based rules not becoming too directive, so I appreciate that comment. Manoj.

MR. PUNDIT: Thanks. Just a quick point. One of the greatest touch points that people or participants in the capital markets have with the regulatory system is something that I know, it's not proprietary to the OSC, but it's part of our national system of filing which is called SEDAR.
When SEDAR was first implemented, it was a great idea and worked well by the standards of those times, but in the last, I don't know how many years it's been, maybe 20 years or more, SEDAR has proven to be outmoded and archaic and, to use a technical term, "clunky".

And I think that, you know, there are services out there. You pay as you play, and they're not inexpensive. We should probably, or I would encourage the regulators to take a look at that system and see if it could be more advanced in terms of the searchability, in terms of the information that can be gleaned from it, and just the overall manoeuvrability of that system. I think it has a long way to go.

MR. VINGOE: And we are working on SEDAR as part of the national systems upgrade and to do away with that clunkiness that you've identified. It's a very involved process, but we're committed to it.

Other comments on interaction with the OSC? Alex.

MR. PEREL: Thank you, Grant. Alex Perel from Scotiabank.

I just wanted to -- first of all, this topic is about interacting with the OSC and before getting into any sort of criticism, I want to say that my experience as a practitioner of interacting with regulators in Ontario has been actually very good and there's been a lot of openness and dialogue and good communication back and forth and I do feel that that part is working well, so before this turns into a beat-up session on regulators, I thought somebody should at least be nice once in a while.
What I do want to mention is that I want to actually echo Cindy's comments around this -- I think you called it calcification of guidance, and that feels pretty good. We have this world where we have rules and we have guidance that goes out, and the guidance clarifies the rules in some way and my experience is that in compliance departments, typically people look at guidance and call it a rule, and there's very, very little leeway to what is written in guidance, but in reality, you might run into a situation where a particular piece of guidance doesn't apply.

What would be helpful in my mind is finding some way for there to be an avenue to clarify some of these topics and to have that done in a way that then disseminates updates that are, again, seen as guidance, and we have a -- you know, when we're dealing with -- edge [ph] cases have a way of having industry-wide practices and don't run into situations where a particular dealer got a particular interpretation from a particular person and they take it that way and for the next decade, that's how they do it, and you end up with inconsistent practices. That's just a suggestion for something that I think would be helpful.

MR. VINGOE: Thank you. I appreciate that. Other comments on this subject before we move on? Oh, sorry. Denis.

MR. FRAWLEY: Sorry, me again. Just picking up on Manoj's comment about SEDAR, the other thing that I've noticed over the past couple of years is that it's kind of turned into a default e-mail service for communicating with the regulator, with the OSC, and it's an awfully expensive e-mail service.
It's not -- you know, there are -- I think it was designed as a service, clearly was designed as a platform for making public filings available, but to be using it for private filings just, again, makes it more difficult for smaller issuers to communicate directly and to sometimes make submissions or send material that needs to be sent to the OSC because the OSC wants to receive it through SEDAR.

And if it's just with one regulator, I can even understand if it's used as a national platform, but if it's just a communication with one regulator, you know, it might be interesting to, while you're thinking about revamping the whole system potentially, an easier or a more immediate correction or adjustment might be to think about all the instances where filings on SEDAR are required, and is it necessary to be done that way.

MR. VINGOE: Okay. Thank you. So I'd urge everyone to speak as directly into the microphone as possible, and just identify yourselves if the course of the conversation doesn't make it clear, and it will also help our court reporter.

Topic 3:

MR. VINGOE: So now let's move on to our third topic, which is about streamlining regulatory filing requirements, and we've touched on some of this already, so it's probably peeling the onion to some extent, but we'll talk about streamlining these requirements, including in trade reporting, RED, Reports of Exempt Distribution, continuous disclosure and other filings.

So who would -- oh. Let's start with Jamie, Jamie Anderson.
MR. ANDERSON: Hello. It's Jamie Anderson from the Canadian Securities Exchange. I had my card up for the previous question, but I left it up anyway.

So there's a lot of common threads that are going through these topics, and in terms of the regulatory filing obligations, I could just speak to one specific item that may spark some interest amongst the speakers and audience.

And if I refer to the National Instrument 21-101F1 filing for exchanges, on an annual basis, the exchanges are required to do a complete F1 filing that includes all of the amendments that were made during the year. The CEO is also required to do a certification of that filing.

So it's the position of the CSE that the CEO's certification saying that all the amendments were indeed made and submitted to the regulators should be sufficient evidence and not require a full, complete set of filings again at year-end, and that is sort of a duplicative effort.

I do applaud the OSC, the government, and the CSA in undertaking the regulatory burden reduction initiatives, and in terms of the duplication of requirements, Susan had mentioned pulling duplicative items out of recognition orders.

I also encourage the regulators to think about that in the context of rules and policies that are in regulated entities, so if there's guidance, for instance, Staff Notice 51-720, issuer guidance for companies operating in emerging markets, there's no real need to put that again into listing rules of an exchange when it's already present somewhere else.

Thank you.
MR. VINGOE: Thank you, Jamie. I'll, I guess, move
down the table in succession and turn it over to Matt Thompson
from NASDAQ.

MR. THOMPSON: I'm Matt Thompson from NASDAQ Canada.

I just wanted to comment and applaud, I guess, the
monitoring tools the regulators have now for marketplace
regulation and the access to information they also have. I
think that that's worth in reviewing what filings we make and
the reports, especially with regard to oversight that they rely
on.

So the one I want to refer to -- I don't want to be
too specific. That being the case, there's a Form F3
requirement. It's quarterly. All marketplaces have to file it.
Its original purpose was actually only for ATSs to monitor their
trading activity and if they hit a certain threshold, it would
be considered that maybe they should become an exchange.

It's become a tool and it's been a good tool that OSC
Staff has used to look at other information, but looking at
2019, I look at the information asked of us and really, they
already have access to that information.

So the market trading activity, IIROC has a wonderful
comprehensive data warehouse they can rely on. We're asked for
information on filing, as Jamie alluded to, the F1 filing, F2
filings. We're asked to tell Staff the status of those filings.
Again, they already know the status of those filings today.
System issues under OPR, we have to report any material systems
outages as marketplaces. Again, that's information they have.

So, really, my comment is to applaud them for putting
in monitoring tools and information requests we have to meet. That being the case, it's worth reviewing and possibly streamlining at least the F3 process.

MR. VINGOE: Okay. Thank you. Now I'll turn it over to Nancy Anderson from REALPAC.

MS. ANDERSON: Thank you. Nancy Anderson for REALPAC. We represent the commercial real estate industry in Canada. And we want to say we very much support the initiative to reduce regulatory burden initiative and appreciate the conversations that we continue to be able to have with the members of the OSC whenever we reach out and sometimes they even reach out to us, so I appreciate that.

I think that many argue that companies, there are companies, particularly I know in my industry, that are choosing to go private instead of public because of the existing -- sorry? Speak up? I've never heard that before. Thank you. So we particularly -- I was just saying that we -- many argue that companies are choosing the private versus the public market because of the existing regulatory burdens, and I see that definitely very much happening in my industry which is actually sort of a small industry number-wise, but dollar-wise, it's very large.

And at the same time, when we see -- and which results in less liquid trading, too, as the market shrinks, which is not a good thing, and at the same time, we see this initiative to reduce regulatory burden which we, of course, applaud. Same time, we see some new initiatives coming out. For example, the National Instrument 52-112, proposed, regarding
non-GAAP and other financial measures and it's quite an extensive, very granular area, and I actually sent it to my colleagues around the globe to get feedback on what they thought it -- how it compared with other jurisdictions, and the feedback I received back was quite interesting even, from across Europe and Australia, Japan, and even particularly in the U.S., that the proposed regulations were very, very granular. They were much more prescriptive than any other regulations they had seen anywhere around the globe.

And I guess I just wonder how you can reconcile, looking to reduce regulatory burden at the same time having another initiative that is very, very, very prescriptive, and like I said, given feedback that I reached out to other parties and just said, "Hey, what do you think of this? You know, how does this compare with your jurisdictions?" So I think that that's important feedback.

Also, I wanted to mention, too, that in that sense, my thinking would be that the OSC is looking at leading or all of the securities administrators is willing to lead around the globe in creating rules around non-GAAP reporting, but I get the feeling that we hesitate with the idea of moving to semi-annual reporting, which works in most other jurisdictions or many jurisdictions around the world, and the U.S. has not necessarily gone there, and I guess I'm just wondering if we're just going to wait on that if -- for the U.S. to make that move.

And I guess I'm just trying to reconcile the two things that I see, is the need to reduce regulatory burden while writing very granular, prescriptive rules at the same time, and
also the idea that we're trying to reduce and make our markets more attractive, but still continue to make quarterly reporting very onerous, where we've seen it tested in the U.K. for seven years and they went back and they said, "You know what? We didn't lose anything by going back to semi-annual reporting."

So those are my two points.

MR. VINGOE: Thank you. Cindy.

MS. PETLOCK: Just as a follow-up to a couple of things that Jamie and Matt said.

On the F2, the fascinating part is there -- as they both said in different ways, there are a number of things that we report on that have already been filed, and what we -- we mustn't forget there are a few things that haven't been conveyed.

So as an example to all the reporting, alongside having to report on a rule change that hasn't been approved yet and why it hasn't been approved is because it hasn't been approved, you also get the fact that something's been approved and OSC Staff need to track when it's implemented.

That is the one piece of descriptive information in the F3 that seems like a valid thing for marketplaces to report on. You have your approval. What's happening with it? I'm sure there's another way of doing it.

And just so other people can get the feel for this, part of the F3 would be a ton of data that's collected. Of course, it's not going to be the legal or regulatory department that collects it, so one group does that, and then they get to the section with a bunch of, you know, what -- track the rules,
track the incidents, like report on everything that's happened in the previous quarter, and that's what gets onerous because, of course, almost all of that has been previously filed.

So, but in addition to both, what's under 21-101, some information that's kind of repetitive, we -- exchanges have recognition orders and there's a lot of reporting, ad hoc reporting under the recognition orders. Some of that's been fixed in the recent changes to the recognition orders, but I would say that, really, it is a good time to look at why certain things are in recognition orders, reporting and otherwise, and trying to take a step back and say, "Is this information available in another way?"

We're postings things on Web sites. Shouldn't we be asked, you know, to make sure that it's updated on the Web site. You don't have to do a separate filing for things.

So I think there's a lot of room there to take a step back and look at what's really needed and whether there's another way to get it.

MR. VINGOE: Thank you. Bassem, please.

MR. SHAKEEL: Thank you. It's Bassem Shakeel from Magna International.

So just to give, I guess, an issuer perspective that is a non-financial institution perspective on some things, I just wanted to raise I guess two points.

One is that there's an increasing disclosure expectation around ESG factors and, you know, we ourselves are constantly trying to enhance that disclosure.

Over the last few years, there's been a number of
topics that have come up, and at some points, there was even a little bit of regulatory overlap between the Toronto Stock Exchange and the OSC on some of these issues.

My only comment on this is just to remind the Commission that it is, in fact, a securities regulator and while it is important to regulate the basic disclosure expectations that are imposed on issuers, I would just, you know, caution, as maybe some of these topics heat up, caution the OSC from going too far, just reminding it always of what is its remit or its mandate.

The second thing is just a more general comment and it's -- we've been talking here, you know, as you'd expect, when it comes to reducing regulatory burden, about the direct burden which is, obviously, the OSC's direct actions. There's a huge cost, and it's been touched on by a number of the roundtable participants. There's a huge cost and indirect cost that comes from all the third parties, typically accountants, lawyers, and others, you know, that we in the issuer community rely upon, we get good service from, but it's very expensive, and quite often, that indirect burden comes from a lack of clarity in the regulations, the lack of plain English drafting in some of the rules. You know, the very fact that some of the rules themselves require or need the Staff guidance instruments is an indication to me that the rule itself is insufficiently clear.

And so I would simply, again, just throw it out there that in drafting any regulatory instrument, I would say, just as we on the issuer side are constantly striving for plain English, clear and concise disclosure, I would always encourage the
Commission Staff to do the same.


MR. TUCKER: Thank you. Kuno Tucker from Virtu [ph].

Two quick points: One, I think everyone in the room can agree that the electronic clay tablets that are NRD, SETI, and SEDAR need to be replaced. No one in this room is responsible for it, but we are all responsible for making the change.

So I guess an open question to the Ontario Securities Commission, and I appreciate you have to work with the various commissions on this, you're not alone and you have to work with vendors, but what is the timing, because as a compliance officer, this has been a thorn in our sides for decades and we've talked about it, but there's been no action taken, and we certainly applaud that we're moving forward, but I'd like to know what kind of timing we're talking about in terms of implementing those things. I'll leave that there as an open question, not to be answered right now.

The second thing is on the client identifiers. We made our views known on this, also known as the legal entity identifiers, LEIs. The current proposal, which has been approved by IIROC and the CSA, quite frankly has a lot of issues in terms of encryption and deployment.

And I just want to reiterate the fact that this is going to increase the regulatory burden on marketplaces and dealers, as well as all participants, and I still espouse the idea of having end-of-day reporting instead of real-time reporting. We'll still get the commissions and the IIROC to
where they want without having all those issues. Thank you.

MR. VINGOE: Yes, that's helpful. And the final comment on this section, before I open it up to questions for the audience, Alex.

MR. PEREL: Thank you, Grant. Are you sure you want me to have the final word?

MR. VINGOE: Yes.

MR. PEREL: I just want to go back a little bit to what Matt and Jamie were saying around duplicative filings, and I will preface this: I am not an expert in any way about what F1, F2, F3, and F4 are, other than keys on my keyboard.

But the overarching point that I would make as a practitioner is that we often don't have good visibility into what happened in a technical outage and why there were problems, and I actually think that it's completely appropriate for marketplaces to have a higher standard for reporting these things, even though that information might become available or might be available through some other means.

It bears reminding that marketplaces here do not take financial liability for their outages. They make us as dealers sign off on it, and in the meanwhile, we're required to connect to them, trade on them as OPR. There's market data costs. There's all sorts of stuff.

So I actually think that, if anything, that is one of the cornerstone pieces of keeping the marketplace operations robust because they're required to, you know, fess up to all their issues, and I just wanted to highlight this from a practitioner's point of view.
MR. VINGOE: Okay. Thank you.

So may I open it up for questions from the audience, and if you raise your hand, someone will come by with a microphone.

You know, it's interesting to reflect on the comments about semi-annual reporting and also ESG issues because when we consider burden reduction and our other mandates, we have to think both from a buy side and sell side point of view and, you know, for example, on semi-annual reporting, a lot of the commentary has been quite mixed. So from the buy side, you know, less willing to entertain that unless the U.S. goes in that direction, and on ESG issues, demands for more and more information. It's clearly a balancing act, but I would be very interested in hearing people from the audience on that as well.

So please raise your hands if you have any questions or want to enter into the discussion.

Questions from the Audience:

AUDIENCE MEMBER: This is just a comment and it really is -- furthers a lot of the comments that are already made, but just has a kind of a general aspect to it, which is a lot of times we hear that investor protection justifies the cost, and so if you want to do business, you have to be willing to pay the cost, but I think we need to think about the fact that investor protection should not mean denying access to products.

So if those costs mean we're not going to have participants, and I look to the derivatives example, where we may be losing participation in that market, maybe there is another approach. Maybe it's a proportional approach like
caring about retail market versus institutional market, but to say that the cost of doing business justifies something because of investor protection I think is too general an approach, too high level an approach. We have to also think about the impact on access to those products and intermediaries.

MR. VINGOE: Thank you, Randy. Anyone else?

AUDIENCE MEMBER: Thank you. Two points. One general point: One gentleman touched on the emerging issuer issue, and I think that, you know, over the time I've been involved in securities regulation and this market, what I've seen over the last few years is, unfortunately, there has been a tendency by regulators to impose a rules-based response where probably an enforcement response would have been more appropriate, and that's something that I think that would go a long way in terms of lessening the burden. That's an overarching comment.

So I think that, you know, there should be a discussion, there should be a consideration about, you know, what the enforcement and results of the enforcement are.

And to that, I'll come to a point with respect to exempt market reports and especially for smaller issuers or reports of exempt distributions. Right now, the rule, and let's not talk about the content of everything, that you have to certify that you can lose all your money a few times and that if you lose all your money, you can contact this guy who may or may not be there and all of those things.

I think that a lot of smaller issuers will do financings. Currently, they have to file those reports within 10 days of closing financing. For smaller issuers, a lot of
these financings are closing in tranches, unfortunately. Would
be nice if they would close all at the same time and they would
raise all of their money, but they will close over two, three or
four tranches over time, which means if the issuer wants to
access the capital, they need to file those reports.

Maybe an idea would be to go to, I don't know,
something along the reporting on a quarterly basis so you could
close as many financings as you want on a quarterly basis, then
file one report and pay one fee. If you don't do any financings
during that period, you don't pay any fees. I think that, you
know, that could go a long way to reduce burden and also
financial strains on some of the smallest issuers. Thank you.

MR. VINGOE: Thank you very much. That is something
that we are looking at.

Other comments? Alex, do you have a -- no? Okay.
Anything else from the audience? Last call from the audience,
and otherwise, we'll have just a -- I think we're just about on
time, a little bit early for our break, but we could have a
break until let's say 2:30, and you can continue the discussions
in groups over our break and then we'll resume. So thank you.

--- Recess at 2:16 p.m.

--- Upon resuming at 2:35 p.m.

MR. VINGOE: Okay. Again, just a reminder to speak
directly into your microphones. We are preparing a transcript
of the proceedings, so it would be very helpful if you could be
as clearly, speak as clearly and perhaps loudly even as
possible. The acoustics in this room are interesting.

Topic 4:
MR. VINGOE: So at this point, we're going to move into a pretty pure corporate finance subject. Our fourth topic: Prospectus reviews and opportunity to increase certainty for issuers. So I'd invite some initial comments from anyone around the table. I'll start with Manoj.

MR. PUNDIT: Thank you. Just before I get into three sort of discrete topics, I just want to say that I think we're at a crossroad in Ontario. We're all aware of the tremendous upsurge in the innovation sectors in Ontario producing some amazing issuers, issuers that are funded through various means. Some are funded through angel investments, some through venture capital, and some through the public capital markets.

I just want to observe that our pedigree as a capital market in Canada goes back to the mining days and other extractive sectors such as oil and gas, and it was interesting because back in the day, it used to be that, you know, early stage companies could go public, raise some capital and sustain their businesses or, more importantly, launch and grow their businesses, and investors were quite tolerant and accepted the risk that was associated with these types of issuers.

Increasingly, we've seen that market expand. We've seen capital markets being tapped into by technology issuers, high-tech companies, software companies, life sciences companies, and most recently, by cannabis issuers.

And I think, you know, I call this a crossroads because I think there's an opportunity for Ontario to grow beyond its boundaries, to grow beyond the Canadian, Canada as a nation and to go international, and by that I mean that there
are companies in other jurisdictions around the world that might benefit from capital formation in our market.

Having said all of that, I would encourage all of us to, including the regulators, to consider that rules that may be appropriate for large cap issuers may just simply not be workable for mid cap and small cap issuers.

And so there's three points I just want to make. One is, I think Sonny Randhawa addressed it, but I do want to emphasize the importance of confidential filings of prospectuses, both on IPOs and follow-on offerings for existing reporting issuers. I think the confidentiality election, if you want to call it that, is critical. Companies should be allowed to file and hear or receive the comments of the Securities Commission before making their prospectus public. This is important for an IPO, but it's also important for listed companies that may, you know, based on the comments, wish to withdraw their prospectus before it's made public.

And we all or many of us know that the filing of a prospectus is almost invariably a material change and we do see market reactions that can cause stock fluctuations when it may not be possible for the issuer to actually go through and complete the offering, let alone complete the prospectus filing process, and so I think it's a good idea to allow confidential filings. I hope that it will be available for both IPOs and secondary offerings.

The second point is "testing the waters" exemption. Currently, the rules do allow for companies to file or, pardon me, rather, to engage in some degree of marketing on certain
terms of their upcoming IPO, provided that those, that conduct
of marketing is aimed at accredited investors and there's some
other conditions that must be done pursuant to discussions that
are the subject of written confidentiality, and so on and so
forth, and the discussions must cease at least 15, or yes, at
least 15 days prior to filing the preliminary prospectus. All
good.

That should be, in my opinion, my submission
respectfully, should be, you know, made available to existing
reporting issuers and listed companies. I don't know of any
specific reason as to why testing the waters would not be
available to listed companies. My understanding is that you can
do this in the United States. In particular, under the JOBS Act
of the U.S., existing reporting companies are able to test the
waters.

And finally, one issue that is near and dear to my
heart is the limitation on the use of base shelf prospectuses
for companies that are either negative cash flow or that are
pre-revenue. In the Securities Act, there are, of course,
provisions that require the Director to refuse a receipt for a
prospectus where there are certain grounds for refusing the
receipt. Liquidity of the issuer is certainly a valid concern,
but there is a practice that all of the regulators I think
across Canada including, of course, the OSC, that a base shelf
prospectus will not be permitted for an issuer that doesn't have
at least 12 months of working capital before filing the base
shelf prospectus.

Now, the base shelf prospectus system, for those of
you who are not familiar with it, is a means for a company to file a non-offering prospectus, which is the base shelf prospectus, and then to continue into the system and to file prospectus supplements which -- over a period of 25 months, allowing as many discrete offerings as the issuer needs to do, each pursuant to a supplement, which when combined with the base shelf prospectus, forms the entire prospectus for each discrete offering.

Now, I appreciate that in this practice that's being followed, there's a concern for investor protection, of course, but it seems to me that investor protection in this case is best had by risk disclosure, by very robust disclosure of risk factors. Certainly, locking out small cap issuers that, you know, don't have 12 months of working capital before using the system forces them to effectively use a short form or long form prospectus, which may not be suitable for those particular circumstances.

So I would like this to be considered, as well as the fact that the practice of disallowing these small cap issuers from using the base shelf system, it's not adequately, in my respectful submission, it is not adequately published anywhere. There is guidance. There's a Staff Notice that's been in place since 2012 generally on this, on this topic, but it doesn't actually go so far as to provide prescription as to when the base shelf system will be allowed or, more importantly, when it will be allowed for small cap issuers only when they have 12 months of working capital before filing the shelf prospectus.

Thank you.
MR. VINGOE: Those are helpful comments and things for us to look at. Actually, I was just sort of wondering on the confidential filings part, would you -- if we were going to roll it out, it might be hard to do it all at once. How would you suggest staging it if we were going to do it for particular issuers?

MR. PUNDIT: Well, I would hope that the confidential filing of a prospectus would be available to all issuers. If, Grant, what you're getting at is whether it should be on an IPO as compared to an existing reporting issuer, I would be delighted to have that discussion with you. I haven't really thought that through as to how you'd roll that out, but I do know that, you know, they have this in the United States.

And I might add, further to my earlier comments, that it's in our interest as a capital market to be in consonance with what's going on in the United States. Under their JOBS Act and other related regulations, they are making it easier for small, what they define as small cap, which is under a billion dollars in market cap, to raise money publicly.

And so we should be paying attention to that and, hopefully, making cross-border offerings for Canadian issuers that are much more fluid and efficient, so that we don't have Canadian issuers seeking or electing to simply raise money in the U.S. which I am experiencing personally with my client base nowadays.

MR. VINGOE: Thank you. Other comments around the table? Denis.

MR. FRAWLEY: So following up on Manoj's comments, and
I don't think this is limited -- well, this one is, the first comment is a little limited to the mineral resource exploration sector. It's very difficult. You know, our members would probably love to be able to do more public offerings or have access to the public markets and not just -- they're not restricted to the exempt market, but they in practice raise most of their capital in the exempt market because it's quite -- it's so difficult, it's so expensive and time-consuming to do a prospectus.

And the short form prospectus is often not available. They're not practically available for our members because they might -- by filing a short -- if they wanted to use a short form prospectus, they probably, or they feel they would have to do a new technical report because they would be exposed to higher technical -- they'd have to get a whole new report done on their projects. So the time to do a new technical report, to get a geologist to go in and re-evaluate their projects takes a long time. It's expensive and so it makes it difficult for them to access the markets.

But I think any one of the successes of the Canadian markets and Ontario's markets, as we've seen even from the cannabis space recently, historically from the mining space, was we are able to attract outside capital and really grow robust industries that grow from this base in Ontario, but historic -- it's to everyone's I think advantage if we can make -- find ways to allow the public investors and not just the exempt accredited investors to participate in those financings because the appetite I think has historically been there to do it.
You know, right now, we can see with everything that's happened in cannabis how much capital can be raised and how an industry can be grown and grow internationally very quickly, and in the past, and every day it's happening with the mineral resource sector, and we want that to continue.

MR. VINGOE: Thank you. How significant is Sonny's announcement about the pre-filing or confidential filings of technical reports? Would that be a fairly impactful move?

MR. FRAWLEY: Yes, I think that will be a very impactful move. It particularly -- generally, because it would allow -- it allows our issuers, our members to get that feedback before and have a better idea on a confidential basis whether their -- how their reports are because the level of comments that come back once they're filed are a bit unpredictable, and if it could be tied together, I don't know what the thinking is, but if it was possible to do, you know, a confidential short form prospectus filing and in tandem with a confidential technical report, that might really sort of make our members -- give them access to a way of raising capital that's very much shut down to them right now or limited.

MR. VINGOE: Okay. Other comments around the table? Sonny, do you want to comment on what the prospects are for confidential filings?

MR. RANDHAWA: So, I mean, definitely, we have heard this theme before and we understand the importance of issuers and their advisors having some certainty.

I think from our perspective right now, it is more of an internal process, that we've got to determine staff resources
and the logistics of how that would work, but generally, there
is a lot of support internally for going down that direction.

I think for us, the first step was technical reports.
We had heard that loud and clear, that for mining issuers, there
were generally small market windows when they could access the
market, and getting comments on a technical report effectively
may end up killing some of those deals, but I would say it's on
our table and we do want to move forward on it.

MR. VINGOE: Okay. Denis, do you have another comment
or --

MR. FRAWLEY: Well, just tying into that and, you
know, because our -- the investors care more about the technical
reports on the projects and how the -- and they do care about,
you know, a lot of the other disclosure that companies put out,
you know, their MD&A quarterly and everything else. It's not as
interesting and it's not nearly as much of a driver and as a
significant motivator for investment than the technical reports.

MR. VINGOE: Okay. Any other comments on that? If
not, we'll move on to -- oh, Sonny.

MR. RANDHAWA: I didn't know if I had to put my name
tag up.

MR. VINGOE: No, that's okay. Go ahead.

MR. RANDHAWA: I just did want to ask a question on
Manoj's point about risk factor disclosure and at what point
does disclosure cure any type of investor protection risk,
because I do think on base shelves, as an example, on base shelf
prospectuses as an example, I mean, we do have sometimes smaller
issuers that have loads and loads of risks and we could
definitely point to more that they could add, and at some point, it just becomes does disclosure cure all investor protection concerns such that it should be a bit of buyer beware.

MR. VINGOE: Manoj, do you want to...

MR. PUNDIT: Yes. You wouldn't get any pushback from me on having the most robust sort of disclosure around risk factors. I guess what I'm getting at is the availability of the base shelf prospectus system, if you want to call it that, for small cap issuers. It really creates efficiencies for issuers tapping into the markets, and in a way that they really can't achieve that level of efficiency in a short form prospectus.

And again, in -- you know, sort of further to my earlier comment about sort of being consistent or in consonance with the U.S. market, the U.S. SEC does not impose this threshold requirement of 12 months of working capital, but we do in Ontario, and I have real life examples of where the issuer has said, "We just won't raise any money in Canada. We're going to go to the U.S." And so that's really a loss for us and our investors in Ontario.

MR. VINGOE: Okay. Thank you.

Topic 5:

MR. VINGOE: So let's move on to another topic which is e-delivery of documents. I guess the point is that there's so much paper in our system, both in the prospectus area, also in the area of registrant interactions with customers, but certainly in corporate finance. It's also our proxy system, even though we have various features to make e-delivery possible and notice and access rules. There's a lot more that could be
done about e-delivery, and wanted to open that up for discussion about where the frictions are in our regulatory system to better facilitating electronic communications. Kuno.

MR. TUCKER: Thank you. You see inklings of that, the OSC, with certain filings where you have portals opened up where you can populate information, et cetera.

And it goes back to my earlier comment which is, I think the OSC is going in the right direction. I think you just need to move faster for all the filings, and from a marketplace perspective, certainly there's a lot of F1 for exchanges, F2 for ATS filings, which really could be expedited, be more comprehensive, and be more accessible for investors if we had some kind of portal system, input this, as opposed to these huge bulk filings.

MR. VINGOE: Other comments on electronic access and delivery? I guess I'd just make, you know, the interesting comment that the SEC moved to electronic communications as -- you know, nuanced, consent mechanism in the mutual fund area, and they were sued by the paper industry, and actually, the decision is pending. They were granted intervenor status in a Federal Court case based on the methodology of rule-making and so it was an unusual feature of the excesses perhaps south of the border.

Anything else on e-delivery? Alex.

MR. PEREL: I guess it's more of a question. In light of your comment that the SEC was sued, do you think that anywhere on the horizon, we can make electronic delivery the default here? I think that every time I get more paper in the
mail, I feel like I'm supporting the wrong industry and I'm also
adding to landfills.

MR. VINGOE: I think there's a lot of friction in the
system to actually get client consent and there's probably
efforts that can be made to streamline the way consent is
obtained. Does it have to be in -- you know, if you actually
look at the account opening documents that deal with electronic
communications, it's pretty easy to forget to check the box and
it's probably not the thing that the advisor, for example, is
really emphasizing. So maybe there are some easier ways to
facilitate that and have it as a point of contact with a
registrant.

You know, you still hear that a lot of people prefer, and it may be different demographics, but we still hear the
point of view that many people don't want to give up paper and
there's still an education component associated with it, but the
costs of paper are so great that I personally think of it as a
largely unnecessary friction if we can move that way.

MR. PEREL: And just on a related note to this, going
back to something ETF-related from a few years ago, there was a
discussion around whether, in some circumstances, access to a
document would be equivalent to delivery. Is that an area where
we can reduce burden as well?

MR. VINGOE: Some people -- that exists in the proxy
area today. Some people have actually advocated that for even
prospectus delivery, but I don't have enough -- I haven't really
assessed that, but I think it's -- for example, I noticed that
IIAC published a letter from the president just this morning
that advocated looking at a notice and access model for
prospectus delivery to a broader degree. Sure. Pat Chaukos.

MS. CHAUKOS: So it's interesting that you raise that
because a lot of what we've heard is that many in the
institutions are requiring paper delivery or wet signature, like
an ink signature.

So one of the things we've tried to make sure that
we're messaging is that e-delivery to clients is legal and I
think many institutions are not necessarily messaging that to
their clients, so I'd be interested to hear kind of why we
have -- we're hearing different things, and we can take that
separately, but that's what we've heard, certainly. As we talk
to many of the innovations, they're trying to automate a lot of
those things that are manual in today's processes. So I do
think there's an opportunity there.

MR. VINGOE: Okay. Any final comments on the
opportunities for e-delivery?

Topic 6:

MR. VINGOE: And if not, I'm going to turn to Topic 6,
which are -- and we've heard some of this already and it's
probably a little unsatisfactory that I can't give you specific
dates for rolling out improvements to the national systems which
is a work in progress, although, obviously, SEDAR is the first
order of business and isn't too far off, but the topic is
technological improvements to national systems and the OSC Web
site.

The other matter I'd like to mention is that -- just
let the feedback end -- we are committed to a revamp of the OSC
Web site. A lot of people find that quite, you know, independent of the CSA systems, but just as a resource to find out our thinking, to actually look at the rules on a consolidated basis, to know the status of a rule, to use the word that was used earlier, it's pretty clunky.

So, you know, our goal is to make it easier to find information on our Web site and that's going to be a major initiative within our own control to fix the OSC Web site over the next period of time. So I hope that will be helpful for everyone. It's a large project, but we are putting the resources into that.

So now I'll open it up for comments on the systems. Jamie.

MR. ANDERSON: Jamie Anderson, Canadian Securities Exchange.

This is an easy one, but maybe -- I don't know who knows the answer. The OSC's Web site for the National Instruments, is there a reason why they're not consolidated to the in-force version? I know there's another jurisdiction in Canada that has that, and I'm sure a lot of Ontarians would like to see the consolidated version.

MR. VINGOE: I actually don't know why that is, and I -- you know, many of us around the table have similar frustrations, and that's -- hence we recognize the need and want to, you know, consolidate them rather than have this kind of awkward way of finding the latest and truest version. Cindy, maybe you know the answer.

MS. PETLOCK: No, I wouldn't say I know the answer. I
remember years ago, there were -- it was hard to keep them
updated and nobody wanted to take the liability for putting
together the consolidated one, but I actually don't really know
why now.

I did have a different point, though. As opposed to
my earlier comments that were very general, this is a more
specific one. Can't overemphasize the value there will be in
revamping the Web site and, especially for us, SEDAR, but one of
the things that keeps coming up for us, obviously new exchange,
the whole PIF regime in Canada, there are so many different
people, entities receiving PIFs. There are so many, especially
in the funds world, so many people have to keep providing the
same information.

And even though exchanges -- like we try to just not
reinvent the wheel and we try and allow reliance on others.
There still means -- for an insider, it's not an easy thing to
remember always, you know, five years, where you, you know,
where you've lived and everything, like the details in these
documents, that if in part of the national systems we could get
to a place where there's a centralized database for PIFs, I
think it just would be so much remarkably better for issuers,
insiders.

And we recognize this is a major project. It includes
protection of personal information, the whole thing, but it
would be better to have one place where an insider could
permission the entity that is going to see its PIF, and have
that one location that's really secure as opposed to people
having to provide their personal information to multiple sources
generally in, you know, hard copy forms or now a lot more in, that sort of ties the other one in, in electronic forms. So it's a big project, but I think in the end, it would be a very worthwhile project for the CSA.

MR. VINGOE: Thank you. Kuno.

MR. TUCKER: Just to add on to that, my understanding is FINTRAC is looking at approving digital identities which should go a long way to helping to move towards that, and I know it's a little strange comment for me to make, but I think it would actually be helpful for OSC enforcement because sometimes you do need to know pretty quickly about, you know, who is inter-connected with what issuer, et cetera, if there's fraud going on, et cetera, and the manual process right now sort of lends itself to some shenanigans, to be truthful.

MR. VINGOE: Thank you. Other comments on this subject?

Just, you know, actually going back to one of your comments about LEIs, I wasn't quite clear on how you would improve the system to meet the sort of global commitment to having identifiers and do it in a way that's secure and appropriate, which would play into this, obviously, the value of systems.

MR. TUCKER: Right. And full disclosure: I work for a technology company, but I'm not a technology person, per se, but my understanding, speaking to my peers in that field, doing an end-of-day batch file with all that information fully encrypted, directly from the dealer to IIROC, let's say, would be a very efficient way to do it, would be a very secure way to
do it.

The current proposal, as I understand it, I know it's not fully baked, and there's an implementation committee that's being struck by IIROC to work through these details, but my understanding is that the encryption will be, and Kevin McCoy is going to shoot me for saying this, but won't be necessarily mandatory for everybody.

You also have to consider the factor that life cycle of a trade doesn't go directly, you know, from the portfolio manager in the buy side to the sell side to the marketplace. There's a lot of intermediaries in between, vendors who are not regulated. So you'll have to trust that.

You also have to take into account the fact that most institutional trades are global, so now we've got LEIs flying all over the universe, so to speak, some encrypted, some not, some through regulated entities, some not. There's a huge risk here. An end-of-day process would solve for a lot of those things, and I think still get to IIROC what they need in a timely fashion.


MS. PINNINGTON: I think whenever we talk about technological improvements, reporting, e-reporting, you know, there are a lot of factors that we have to balance.

I think your point earlier, Grant, that, you know, clients don't necessarily want to get electronic copies, I think also dealers don't necessarily interpret the current rules in the way that they were intended which is, again, part of a
broader theme that we talked about earlier today.

You know, I feel I must respond to Kuno on this one issue, and that is that we actually originally proposed an end-of-day reporting and were told by the dealer community that that was not tenable because it would create a whole new reporting system.

So, I mean, we're -- I think that as a regulator, we struggle with, and this is the heart of what we're talking about today, struggle with sometimes what we perceive as the necessity to keep up with global initiatives, but also not increase the burden on the dealers.

So I welcome Kuno's participation on the implementation committee, so I think that's how we solve some of these burden questions as well. Thank you.

MR. VINGOE: Thank you. I think that's also a valuable purpose of these roundtables is to get this discussion, bilateral discussions going where, if there's a misunderstanding or something that could be done, they could be pursued. So thank you. Cole, turn it over to you.

MR. DIAMOND: So I'm the CEO of Coinsquare, which is a digital asset trading platform, and as CEO, unlike many of you chief compliance officers and legal people, I'm not involved too much in the process which is the focus of a lot of the topics today, but since we are on the topic of technology, I guess I can speak to that for a minute.

Coinsquare on the surface seems to be just about buying and selling Bitcoin and a select set of other digital currencies, but we're building, what we're really building right
now is far more robust, and we expect that if we can get regulator support, our platform will provide significant value to the financial services space, not just in Canada, but perhaps globally.

Coinsquare's building what we call a 21st Century financial institution. We're building a platform to unlock investment opportunities for consumers, and to give them more control over their finances. In our view, we believe we're building sort of the mother of all FinTechs.

We expect to offer a complete solution across the financial services space from equities trading to banking and even lending. Our short-term focus is on regulating Coinsquare as an ATS and broker/dealer here in Canada to ensure we can present a wider offering to our users and to begin to unlock those opportunities that exist within the security token space.

OSC and IIROC Staff have what seems to be attributed a huge amount of resources to our space, particularly recently, after the collapse of our main competitor, QuadrigaCX, and I commend them on the speed in which they're working towards regulating our space.

Both sides have been putting in, meaning our side and the regulator side, have been putting in a tremendous amount of work in order to get Coinsquare and any other platform that steps up to do so we believe regulated, and neither OSC and IIROC nor Coinsquare is moving any faster or slower than one another which I think is very important to note.

There is, and I've been preaching this for a long time to those that are listening, and OSC and IIROC seem to be
listening, that there is a huge, and I need to underline and italicize and bold the word "huge" opportunity for Canada in the digital asset space. Much, much bigger than cannabis if you can believe it.

If we can get the right process in place, we can bring the issuers here to Canada globally, for those that want to issue tokens, security tokens if we can be first out to market, so long as we continue to work well together to build a process that is not burdensome, and there are a few processes that we need to make sure that they're not burdensome, and one of which is the IPO process. It is far too burdensome, and the opportunity for that market is too big to ignore. We're talking specifically to smaller issuers.

And we need to make sure that global investors can access the market here which, as you've heard today, needs more work, perhaps a lot more work, but it's a huge piece of the puzzle that can't be ignored.

If we can get it right in this market at this time, our 1.4 percent of global GDP in Canada can attract a huge percentage, multiple double-digit percentage of the global digital asset trading volume, perhaps all of the volume from valid issuers while the rest of the market is forced to catch up, and I do believe that OSC Staff are leading globally, at least from those nations that you would want to do business with or trust to do business with in terms of getting those regulations in place, but we can't afford to slow down.

We at Coinsquare believe in regulation. Unlike our competitors, at least most of them, we actually believe that
current market rules should apply to Coinsquare for the most case. We provided a substantial response to Staff's request for comment, agreeing that we should be regulated and made several suggestions on exemptions.

We respect that there needs to be regulation where other industry participants do not. We applaud the topic of conversation today, and we applaud the exemptions OSC and CSA have seemed to be willing to make to ensure FinTech companies can thrive. I only say "seem to" because we haven't crossed the line in the areas we need to yet, but even though nobody is going to commit to dates, what we have to do is we have to commit to winning together, at whatever cost it takes.

MR. VINGOE: Thank you. Other comments? Or Pat, do you want to make a comment?

MS. CHAUKOS: Did I hear yes?

MR. VINGOE: Oh, sorry.

MS. CHAUKOS: I think -- I mean, I do think that it's important that we move quickly. I think I said that in my introductory remarks, and I think it's important that we're all open to innovation.

This is not just the OSC. It's the CSA, it's IIROC, and that's why I thought, as a great first step, we did the joint consultation paper. We have to be in it together and, in fact, I think one of the things I keep hearing from FinTech firms is, "You, the OSC, is responsible for securities derivatives and in some cases, the commodities when it comes to fraud and market manipulation, but we are offering so many other services. How do we get some of the other regulators at the
So I think that, from my perspective, that's going to be, you know, a challenge, but it's also an opportunity for Canada to help some of these businesses kind of get off the ground and be, you know, a proud Canadian company.

MR. VINGOE: Denis.

MR. FRAWLEY: So this one's -- it's kind of stepping back a bit, just on the prospect of a SEDAR revamp and it's not something I think that can be done quickly, but to, when that revamp is being planned, to, and I'm sure it was done last when the SEDAR system was created in the first place, but to look ahead, and right now it's a repository for public companies, but it's not a very useful repository for their own uses. It's clunky, as we know, but you can't -- you know, it's not searchable. You have to -- it's not a great tool.

And so not just on the infrastructure of how you make the filings, but if we're looking at -- if, you know, if nationally, we're going to be rethinking about redoing the system, looking ahead to make it into a system that the companies will want to continue to use as their own repository, because they're -- if they're already using it anyway, then at least they will see, because they're making filings there, they will see more value in making those filings, and it will be, you know, in terms of less just something they have to do, but something that brings them some long-term benefit by giving them their own repository that they can use.

I'm not suggesting that they should be able to go in and modify things, but I think that there are, you know, as --
there's enough -- there have been so many developments in technology that we can, when that system is redone, take it to the next level, so that it's a really useful tool, not just for the regulators, but also for the issuers.

MR. VINGOE: Thank you. Any other comments on this subject?

Okay. So I think, you know, we're a little bit early, but I'm going to open it up to the audience again for questions, and again, I'd say at this point, don't feel constrained by the particular questions that we, and topics that we posed. If you want to ask anything that relates to the subject areas, corporate finance, derivatives, and market reg. and innovation, please feel free to ask your questions. This is our third roundtable and we're hearing a lot of consistent themes, but I don't want anything not to be aired. So please, pose your questions or comments. Harvey.

MR. NAGLIE: Thank you, Grant. I sincerely hope that in this very, very important burden reduction process, that the topic of policy making is not out of scope. A slow-moving policy process is burdensome for both investor advocates and the industry. The former lack the resources to wage protracted campaigns while the latter must bear the opportunity costs associated with uncertainty, as well as the operational distractions that come from prolonging debate or deferring regulatory decisions.

Good regulatory proposals begin with good planning. The consultation plan should frame the boundaries of the consultation process. It should precisely state the objectives
of the process and include the issues under review, a public
environmental analysis, key participants, timelines, and a
mechanism for reporting consultation results. It should clearly
describe the proposed consultative approach and rules of
engagement, so that the interested parties can decide whether or
not to participate, and if so, how.

Fortunately, I think that we have a brilliant
template. I think that this regulatory burden reduction
initiative has been done in a manner that I encourage the OSC to
embrace with respect to all major policy initiatives. I think
that the idea of engaging people before the fast-setting cement
has formed and we get a major instrument and are asked to
respond to it in 90 days, and then have it -- debate it for
many, many years is not the way to go.

So I really, really do encourage, in this process, for
the OSC to give careful thought to how the consultation process
could be more effective and certainly less time-consuming.

MR. VINGOE: Thank you, Harvey. There's a question at
the front of the audience in the back or a comment.

Questions from the audience:

AUDIENCE MEMBER: Hi. I'm a mutual fund dealer, kind
of on the small side, and the only issue that -- well, not the
only issue, but the one that concerns me is scaleability, and as
a relatively small dealer, to be regulated at the same level as
the National Bank seems to be a bit unfair and oppressive, and
certainly very costly when it comes to trying to keep up to all
the regulations.

So I would encourage that we look at some form of
scaleability where dealers under a certain size, you know, 20
advisors, 50 advisors, two advisors in my case, are not put to
the same regulatory burden as a bank or an insurance company
with 4- or 5,000 advisors. It's just not -- it doesn't seem to
be a fair way to deal with things.

MR. VINGOE: Thank you. Other comments from anyone?

Over on the side here.

AUDIENCE MEMBER: My comments are regarding small
issuers in the mining sector. Essentially, wanted to reiterate
what Denis has been talking about, but specifically, about 95
percent of all mining, small mining issuers use private
placements. They don't use short form prospectus because it's
costly and because it triggers a technical report, for example.

So my view, personally, is that we should forget about
the short form prospectuses and rely on continuous disclosure.
Most speculators don't even look at prospectuses. You know,
they're thick and it takes a long time to look at them, and
they're unappetizing as well.

So my feeling is to rely on continuous disclosure, get
rid of the short form prospectuses because all of the
information are in press releases.

And the other thing is that we should also think about
expanding the accredited investor exemption to include a portion
of people of lower incomes, for example, such that more retail
investors could actually invest in the small mining sector.

MR. VINGOE: Thank you. Other comments?

I would say there is a project, a CSA project underway
to look at a continuous offering regime, based largely on
continuous disclosure, but it's a pretty fundamental change, and
is a longer, probably a somewhat longer-term project.

It's difficult to, you know, change the system,
offering system all at once, but it is something being examined
and perhaps if, based on that work, at some point, it could be
accelerated, but it's a long-term debate about can you have a
system that has prospectus liability that then is based on our
continuous disclosure regime, but it has a lot of attractions.

Other comments? Oh, you know, I missed Denis earlier.
I noticed that you had a question first, and then Manoj, and
then Kuno.

MR. FRAWLEY: Just I guess a suggestion as part of
this process and, again, I suspect it's done internally at the
OSC routinely, but there are a lot of exceptions. If you look
at all the national regulations on whatever area you're working
in, there are a lot of Ontario-only exceptions, and so just
if -- to ask: It might be worth the effort to go through and
look at them again. Are those Ontario-only exceptions in every
case necessary? Are we really that different from the other
parts of Canada that we need an Ontario-only exception that
things have to be done differently?

And also, in terms of the reporting, and I've harped
on this too much already, is the information that we're asking
issuers or registrants or whoever, the information that's being
collected, is there -- what use is being made? Are we
collecting information for the sake of -- is information being
collected for the sake of having the information, or is there a
real use beyond that, and if it's just information that people
have to collect and spend the time putting together, but it
doesn't serve any purpose, then, you know, it's a cost that --
it's a cost to the system. It's a cost to the market for no
benefit or little benefit anyway.

MR. VINGOE: Thank you. Manoj.

MR. PUNDIT: Sure. One sort of discrete point which I
forgot to make earlier is that regarding discretionary orders
on, or with regard to ATMs or at-the-market offerings. These
are discretionary orders that exempt the issuer from prospectus
delivery requirements and certain other requirements simply
because the nature of the ATM is to issue securities essentially
directly into the market.

And so these discretionary orders have to be obtained
before proceeding with an ATM and it just seems to me that these
discretionary orders have become very routine. I think they're
almost identical, if not absolutely identical. I could be wrong
on that, I could be corrected on that perhaps, but it seems to
me that they could be enshrined in some kind of an instrument or
rule or just a blanket ruling of some kind and make things a
little bit more efficient that way.

MR. VINGOE: And we are trying to move forward with
that. We're quite sensitive to the fact that ATMs operate more
efficiently without exemptive orders in the U.S. and, you know,
we have a proposal, a CSA proposal that would make the
requirements for at-the-market offerings uniform and dispense
with the need for discretionary orders except in, you know, kind
of some unique situations.

We hope that that's going to be, you know, codified in
reasonably short order, so that's a very concrete burden
reduction effort that we have underway at the moment, and it
will -- it is a very efficient way of perhaps more senior
issuers across the board to facilitate a mechanism that brings
those securities to investors rapidly with appropriate
disclosure. So we are moving that way.

Kuno.

MR. TUCKER: So two quick points: Both address I
would call the unnecessary complexity of trading in the Canadian
marketplaces, and I know these are niche topics, but it comes
from some traders I've talked to at other firms as well as here
too, and one is, it's a simple thing, but on interlisted
securities when there's significant news, sometimes the halt
doesn't come as quickly as we'd all like, and if it's
interlisted, the U.S. doesn't pay attention and they allow for
trading. So there is an unlevel playing field.

And I know from my experience that sometimes the New
York Stock Exchange and NASDAQ doesn't want to listen to us, but
perhaps this is something the OSC can take to the SEC and say,
"Listen, this is really not fair globally," to take a look at
that.

So the second topic is, again, this comes from other
people, and I was at a conference where so many people mentioned
it, I decided to coin the term "pilot fatigue", and I know it's
a U.S.-driven phenomenon, but it's a thirst for testing things
out in a live environment, and I don't think there's been a lot
of success around it, but there's still some talk about doing
some pilot studies in the live marketplace, and a lot of the
traders I've talked to here are experiencing what, again, I'd call "pilot fatigue".

And, you know, someone said, does the OSC and IIROC not have enough data now to run models in simulation without -- and do backtesting? You know, when we build algorithms, we do that. When a portfolio manager is considering a strategy, they do backtesting based on the data they have. No one has a pilot luxury, and the pilots increase a level of complexity into the marketplace, and the marketplace is already starved for natural liquidity, and it's already increasingly complex. So I think the urging is to not do any pilots and to use the existing data.

MR. VINGOE: Are you speaking specifically about, by way of pilots, the fee pilot that's been proposed?

MR. TUCKER: Correct. That's the latest one, yes.

MR. VINGOE: Alex.

MR. PEREL: And I think it's incumbent on me as a participant and specifically part of markets to disagree with Kuno and suggest that we actually do need to try some things once in a while, and in an industry that's based around judgment and taking risk, we are incredibly risk adverse to trying new things.

MR. VINGOE: Susan.

MS. GREENGLASS: So I was just going to add to that. So the comment process on the pilot that we're proposing on fees just ended. We got a number of comments and, really, we heard exactly that. I mean, we heard diverse views in the area, but I will say before it was proposed, we were hearing from a lot of participants that said, "You should be
doing pilots," because as you know, we haven't done pilots here
and people said, "You should really be taking a look and seeing
what the outcomes may be and try the use of more pilots here."
So we're hearing a lot of that.

We thought the opportunity was there with the SEC
proposing a pilot that we would do something to coordinate with
them, but as I said, we got a number of comments that we're
taking back and we're considering now that were wide views on
that.

MR. VINGOE: Okay. Other comments from either people
around the table or the audience?

Okay. So hearing none further, I'm going to change
places with our Chair. No?

MS. JENSEN: I'll just sit beside you.

MR. VINGOE: Okay. So Maureen Jensen.

CLOSING REMARKS:

MS. JENSEN: So hello, everyone. I've really enjoyed
listening to this: Part of my old world, the mining world, I
hear issues there, my slightly younger world which was the
trading side, and, of course, derivatives and LaunchPad. So
these are very interesting comments that I've heard today, and
my first order of business is actually to thank all of you for
being here and for putting up your hand, either to sit at the
table or to ask questions from the audience.

So I would certainly want to thank all the roundtable
participants for joining in. Kuno, you didn't disappoint. You
definitely were going to talk about maker-taker and you did.
Good for you. And I also want to acknowledge that staff of the
Ministry of Finance are here. They're taking a really very strong and positive note of what we're doing here today and they've been very supportive to us.

So, you know, I listened to some really interesting comments, and I just wanted to say that, you know, I've heard about eliminating various types of duplications, especially examples: Duplication between the provincial regulators and the SROs, between SROs, exchanges and the provincial regulators. Certainly around background checks, PIFs, all of that. It is really -- that was the way that we used to, and that we still do, unfortunately, gather our data and so we have to look at gathering it in different ways.

We heard about the issue that the banks have on both the conduct rule and the registration rule, and it's something that we have been discussing for quite a substantial amount of time. It is an area that is a global trend, and so it's where we have to have a Canadian-made solution that still works globally. So we will work on that.

And so also we heard of the challenges, not only from smaller issuers, but also from smaller dealers, and this is a theme that keeps coming back and that's proportionate regulation. How can we do what we need to do in a way that we can identify risks for investor protection and get enough information out in the marketplace without having a "one size fits all" data collection strategy?

So I want to really thank you all for your input, and so this roundtable now concludes our formal roundtables to start this project, and so we've received extensive comments.
I just wanted to go over the next steps with you.

Really, in essence, what we're going to be doing is taking what we've heard away, we're going to be, and we will continue because we've already started to implement some things that were low-hanging fruit that we could start right away, but we're going to prioritize these between the initiatives that we can do and that we should do, and then we'll break that down into initiatives that we can deliver in the short, medium, and long term.

We will be publishing a report, so all of this will be available publicly, and we will also, in that report, talk about what we're going to do and why, and what we're not going to do and why, so that we can have a full consultation on that as well.

So I just want to thank you all for being here. One of the first things that you'll see is that we've been asked to set up an Office of Economic Growth and Innovation, and so that is in the works right now, and so you will be seeing over the next few months announcements about that.

So with that, I just want to thank you again for your efforts here today, and you will certainly see that down in a report with our decisions on where we go next.

Thank you very much.

--- Applause.

MS. JENSEN: Thank you. We're adjourned.

--- Whereupon the roundtable adjourned at 3:33 p.m.
I HEREBY CERTIFY THE FOREGOING

to be a true and accurate
transcription of my shorthand notes
to the best of my skill and ability.

______________________________

Beverley Killen, CSR

Computer-Aided Transcription