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Dear Mr. Keller,

I read with great interest another IIROC rule proposal designated to once again make it more difficult for small independently owned Canadian brokerage firms to operate in Canada.

The writer(s) of draft Rule #12-0253 lack(s) a proper understanding of how securities sales are negotiated in our country.

Part of IIROC's mandate, in addition to protecting the Canadian investing public, is to promote the efficient operation of Canadian capital markets. IIROC has not fulfilled this part of their mandate and the Leadership of IIROC, especially in the Policy Department, are definitely out of touch with the realities in the businesses they are charged with regulating.

Make no mistake ... my comments reflect widely held opinions in the industry, whether you want to believe it or not. Many firms are just not willing or afraid to speak up.

The current policy proposal is another example of rules being written before a Cost/Benefit analysis (CBA) is made. The CBA should properly weigh the benefit to the investing public vs. the cost to Investment Dealers and impact on the efficient operation of Canadian capital markets, which must include an analysis of appropriate levels of competition. I have never seen commentary by IIROC addressing this simple concept.

Overzealous lawyers are writing rule after rule of onerous, cumbersome, policy without any apparent thought or concern about the cost associated with adhering to these rules or the marginal utility of benefit provided to the investing public.

Ultimate responsibility for this situation rests on IIROC's CEO's desk.

The current rule out for commentary is a lengthy Ibid-filled proposal that will be difficult to meaningfully change, as its writer(s) now have significant vested interest in its advancement ... but change it must.

In the future, I would suggest that IIROC consult with IIAC and directly with the Industry Participants it regulates PRIOR to a draft being created to avoid the problem noted above. IIROC could and should be more collaborative in its approach.

Let me summarize my thoughts and the uncomfortable facts about this newest proposed rule.

If the client is charged on a fee basis and ends up doing very few trades in a given year, IIROC will say, that the customer should have (in hindsight) been charged on a commission per trade basis.

If the client is charged on a commission per trade basis and ends up doing quite a few trades, IIROC will then say, that the customer should have (in hindsight) been charged on a fee basis.

... A rear view mirror approach, a lose/lose situation for us and irrelevant to the future management of any account.

Essentially, IIROC is suggesting that the broker should consult their “proverbial crystal ball” and for-tell how many trades the client will do in the upcoming year ... accurately, so he/she can then charge the client the least amount of money.

This is an unreasonable expectation which indicates a fundamental lack of understanding of our business.

Furthermore, the investment industry is currently operating in an environment where commission rates, charges and fees are ALREADY “Fully Negotiable”.

This policy proposal should be withdrawn.

In conclusion, IIROC is not only increasing the cost of regulation to its members, but, it now sees fit to arbitrarily put pressure on the revenue stream of an already struggling industry. The result will be fewer jobs on the “productive” side of our industry, more jobs in compliance and huge growth in employment at IIROC.

Sadly, half of IIROC’s mandate, which is to promote efficient, healthy Canadian capital markets, is not being addressed. Competition will eventually diminish because of IIROC’s neglect and failure to recognize the importance of reasonable rules to allow small, entrepreneurial brokerage firms to flourish. In the end, the very investing public IIROC strives to protect will ultimately suffer due to a lack of competition and brokerage alternatives.

One must ask the question ... Is anyone at IIROC responsible for examining proposed rules from the Investment Industry’s point of view? There is no evidence that this is the case.

Once again, this policy proposal should be withdrawn.

I would like a meeting to discuss my comments further.

Yours truly,
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cc Susan Wolburgh Jenah, Wendy Rudd, Paul Riccardi
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