

I have been an active participant in the public venture capital markets for over 20 years. I believe that I speak from a position of knowledge and experience with regards to the disastrous effects the proposed regulator will have on the public venture capital markets in Canada.

The public venture capital markets in Canada have historically been the best in the world of markets of this type. I say this in terms of access to capital, liquidity, dynamic efficiency in creating new methods of raising capital, and importantly in terms of investor protection and avoidance of fraud.

Ironically, it was October 31st a number of years ago on which the decline of these markets began in earnest. The elimination of income trusts broke the cycle of capital renewal. Junior oil and gas companies would grow from start up to 1000 barrels per day and then sell out to the trusts. The windfall capital generated from these sales would then be redeployed back into the public venture capital markets. The capital markets were also driving diversification of our economy whereby this newly created capital would be redeployed into many sectors and not just oil and gas.

The downturn in the financial markets starting in 2008, an aging population, a paradigm shift in risk tolerance, the removal of income trusts, and an increasing regulatory cost burden, have all conspired to wreak havoc on the Canadian public venture capital markets. The figures from the TMX Group's Market Intelligence Group show that since 2011 almost \$7,000,000,000 annually in new capital has evaporated from the TSXV. This is a wholesale disaster. This is \$7,000,000,000 and its multiplier effect that is not going into the Canadian economy. Put that at the side of the uproar that surrounded the closing of a tomato canning facility in Ontario and you can clearly see that this issue has been dangerously ignored by our federal and provincial governments.

The real issue that must be addressed immediately is how do we get that \$7,000,000,000 back into our economy. A national securities regulator will not aid in this issue by even one single dollar. Despite the fact that the late Mr. Flaherty and now Mr. Oliver wave their hands around and talk about the need for efficiency, neither of these two men have even bothered to show one specific efficiency gain that will be added. Just like a good promoter in the stock market, these gentlemen are not letting facts, figures or numbers interfere with a good story. Frankly it is an embarrassment that the federal government has championed this issue so forcefully and has yet to show even a glimpse of a business plan. Think about that, Mr. Oliver wants to radically disrupt our capital markets and he does not even have a business plan that shows what the problem is, how the problem will be addressed, what the costs are, what the benefits are, how efficiency will be gained, and what the financial impact will be for those that are going to be severely impacted by this plan. **This is the NEP of the securities industry.**

At best a national securities regulator could make the collection of registration fees easier in that it would create one payee instead of multiple payees. I fail to see, and it has not been shown, how a national securities regulator will benefit the public venture capital markets participants.

The independent brokerage participants in the public venture capital markets have all but been squeezed out of the Canadian landscape. The concentration of power into the hands of a few Canadian banks continues. It is a fact that these banks do not participate in the creation of capital in our public venture capital markets. I suspect that they represent somewhere in the neighbourhood of 1% of all new IPOs onto the TSXV. The TMX Group itself is owned and operated by a group including banks and insurers based in Toronto. The Ontario government has shown its colours by weighing in on the demand that a national securities regulator be located in Toronto and the same government has publicly made statements and predictions on securities issues such as Crowd Funding.

A national securities regulator will concentrate the power even further into the hands of the Ontario government, the OSC, and the Canadian Banks. I suggest that you think back to the crisis created by Asset Backed Commercial Paper and you will note that several of the aforementioned players were involved in the ABCP crisis and interestingly they were governed by a federal regulator in OSFI. This debacle throws cold water on the systemic risk argument that a national or federal regulator will eliminate systemic risk. This argument, put forward by Mr. Oliver in his scramble to throw up a *raison d'être* for a national securities regulator, simply does not fly. The emperor has no clothes, or more succinctly as we say here in Alberta, all hat and no cattle.

I have many ideas could help in bringing capital back into our public venture capital markets, several of them I have proposed to the securities regulators and the TSXV. The imposition of a national securities regulator will likely squash the effectiveness of these ideas and in my estimation be the demise of the public venture capital markets in Canada. I would welcome the opportunity to assist yourself and your government in fixing our public venture capital markets. But I won't waste my time under a national regulator scenario, I will simply move on and do other things...just like the capital will do.

Let's try and fix our public venture capital markets. Let's not neuter them.

n.b. an interesting read:

<http://fullcomment.nationalpost.com/2010/05/20/the-national-securities-regulator-a-federal-travesty/>

<http://opinion.financialpost.com/2010/06/24/central-control-can%E2%80%99t-meet-local-needs/>

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