VIA E-MAIL March 17, 2021

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Re: CSA Consultation Paper 25-403 *Activist Short Selling*

Background

The Portfolio Management Association of Canada (**PMAC**) is pleased to have the opportunity to respond to CSA Consultation Paper 25-403 *Activist Short Selling* (the **Consultation**). We thank the CSA for providing us with an extension of the deadline for providing this response.

PMAC represents over 285 investment management firms registered to do business with the various members of the CSA as portfolio managers (**PM**s). Approximately 65% of our members are also registered as investment fund managers (**IFM**s).

PMAC's membership is comprised of firms of varying sizes and models, ranging from one-person firms to international and bank-owned firms. In total, our members manage assets in excess of $2.9 trillion of assets for institutional and private client portfolios. Our members also range from the more traditional models to online advisers.

PMAC's mission statement is "advancing standards". We are consistently supportive of measures that elevate standards in the industry, enhance transparency, improve investor protection and benefit our capital markets as a whole. We are also cognizant of the global market in which many of our mid-size and large members operate and are sensitive to any regulatory changes being misaligned with other international capital market jurisdictions.

OVERVIEW

PMAC generally favours principles-based regulation that recognizes differences in business models, sizes, and client types. We support the CSA's decision to consult with stakeholders on the important issues raised in the Consultation. Given the fast pace of change in the industry, it is understandably difficult for regulation to predict or keep up with developments in the market and investor behaviour. For this reason, we believe it is important for regulatory bodies to hear from market participants in deciding whether regulatory intervention is required and if so, what form it should take.

PMAC members agree that any type of market manipulation or investor deception must be discouraged and prosecuted where warranted. In responding to any issues that are identified, we urge the CSA to rely on evidence and data, as opposed to sentiment and perception, to determine if activist short selling is an area of significant concern. As is further discussed below, there is a fear that over-regulation of activist short selling activity, and short selling activity more generally, could have negative consequences for market efficiency, because such restrictions can impede price discovery and curtail legitimate investing activity. In addition, short sale restrictions can be cumbersome and operationally difficult to implement for market participants, particularly when there is a patchwork of different rules and regulations enacted across jurisdictions.

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ASSOCIATION DES GESTIONNAIRES DE PORTEFEUILLE DU CANADA

KEY RECOMMENDATIONS

PMAC's key recommendations are as follows:

1. Do not make any immediate changes to the regulatory framework with respect to the short selling regime; and,
2. Continue to conduct research, consult with stakeholders and educate investors about market manipulation through the use of misleading or untrue statements.

Role of Short Selling in the Canadian Market

PMAC distinguishes between three categories of short selling activity, which may be described as: (i) standard short selling; (ii) activist short selling; and (iii) market manipulation or "short and distort" activity. Standard short selling involves an investor taking a short position in a security, without making the position, or any related commentary, public. Activist short selling involves the investor making public statements about a short investment thesis, based on *bona fide* research or analysis it has conducted. PMAC views these two forms of short selling to be legitimate and beneficial to the capital markets, as further described below. Market manipulation or "short and distort" activity could include an investor making public misrepresentations or other false or deceptive claims about an issuer in an effort to drive down the stock price in a manner disconnected from the fundamentals of the issuer. This type of activity is undesirable from both a market integrity and investor protection perspective and should be deterred; we believe that it is "short and distort activity" that the Consultation is seeking to address.

PMAC emphasizes the important role played by short selling in the Canadian capital markets. As noted in the Consultation, "short selling is a legitimate trading practice which contributes to market liquidity and price efficiency. It also contributes to the price discovery process by providing an opportunity for negative views about the issuer to be reflected in the price of a security thereby limiting overvaluation and biased price increases. Short selling can also be an important part of an investor's hedging and investment risk management strategy."[1]

Some PMAC members commented that it would be beneficial to remove existing short selling restrictions, to make short selling more available to standard mutual funds and individual investors. Allowing short sales can reduce portfolio risk and creates

[1] Consultation, at p. 4

more opportunities for portfolio managers to express their investment ideas in different ways.[2]

It is also important to dispel negative perceptions of short selling, or perceptions that short sellers necessarily damage the operations of companies. Fundamentally, short selling can impact only the pricing (and liquidity) of an issuer's securities and has no effect on the business operations of an issuer. An investor may have a variety of reasons for taking a short position: for example, the investor may believe the stock to be overvalued overall or overvalued compared to its peers, the trade could be part of a paired trade, or the investor may believe the relevant sector may be struggling. The short seller may have previously taken a long position in the same securities, and vice versa. A short position does not necessarily mean that the investor thinks that the company is on the brink of bankruptcy or is poorly run. Providing additional information and education about the uses, benefits and regulation of short selling may be advisable.

As noted in the Consultation, with respect to activist short selling, "at one end of the spectrum, there are beneficial campaigns that can contribute to price discovery by producing research and analysis about issuers based on facts. At the other end of the spectrum, there are campaigns that may involve either intentionally producing false information about the issuer or making misleading or untrue statements for which there is no factual foundation. These are often referred to as "short and distort" campaigns."[3] The Consultation lists the following specific activities that give rise to concerns about "short and distort" campaigns:[4]

- disseminating unbalanced information that does not provide a complete picture, does not include other material contrary information or is inconsistent with information disclosed in a broader report;
- disseminating exaggerated reports or commentary;
- making conclusions without an evidentiary basis; or
- making potentially misleading statements through links to other documents.

PMAC notes that these activities are not specifically limited to short positions – these activities would be equally nefarious with respect to a campaign advocating a long perspective. Therefore, as is further discussed below, any regulatory solution addressing these activities should be symmetric across long and short investment

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[2] One restriction identified as problematic was the limitation on deploying proceeds from short sales into matching long investments, in a manner that reduces overall portfolio risk but that allows portfolio managers to better implement their investment analysis. For example, restrictions on redeploying short sale proceeds limit portfolio managers from matching short sales of overpriced issuers in a sector with long investments in underpriced issuers in the same sector, which can help lower overall portfolio risk relative to unmatched short sales.

[3] Consultation, p. 5

[4] Consultation, p. 5

theses. For example, if a short report is criticized for being unbalanced and the author were required to include the long case in the same research piece, long research should then similarly be required to also include the short case.

No market participant should use false information to manipulate the markets; market manipulation, including "short and distort" activity, is a serious concern, which we acknowledge may be difficult to regulate. To the extent possible, the CSA should use existing regulatory and enforcement mechanisms to address market manipulation behaviour and any new requirements should be narrowly focused, adaptable to rapidly evolving technology and approaches, and expected to be effective at curtailing such behaviour.

In particular, recent events addressed in the Joint Statement from Canadian Securities Administrators and the Investment Industry Regulatory Organization of Canada on the Recent Market Volatility highlight the need for regulators to have the necessary tools (and for investors to have the knowledge) to address various types of fraud and misrepresentation aimed at investors on the Internet and social media. These recent events – cooperation on social media to drive the price of a security up or down without regard to the company's fundamentals – have been described as the "casino-ization of the stock market"[5]. This activity may lead to increased uncertainty and costs, increased market volatility, and potentially large losses for investors, including retail investors who were influenced by statements on social media, and pension funds.[6] Investors should be educated about the potential for misinformation to lead to market fluctuations and the risk of investing based on information from disreputable sources.

The Ontario Capital Markets Modernization Taskforce (**Taskforce**) recommended the creation of a specific prohibition on making misleading or untrue statements about public companies, which would allow the OSC to take enforcement action in response.[7] PMAC would support a prohibition that targets deliberately misleading, untrue or unbalanced statements (whether from a long or short orientation), which would enhance investor protection without preventing the honest expression of opinion regarding the prospects of a public company.

[5] See Dan Pipitone of Tradezero America in *'This is history in the making': What market observers are saying about the GameStop retreat*, Reuters, January 28, 2021

[6] Reguly, Eric, *The real victims in the GameStop madness are the pension funds, not the hedge fund bosses*, Globe & Mail, January 29, 2021

[7] Capital Markets Modernization Taskforce, Final Report dated January 2021 (**Final Report**), Recommendation 57, at page 90. We note that the CSA did not comment on this recommendation in its Response to the Taskforce Final Report.

Empirical evidence of an activist short selling problem

We urge the CSA to base any changes to existing regulation on data and evidence, as opposed to perception. While preventing "short and distort" campaigns is a laudable goal, the CSA should only intervene where there is both a legitimate concern, and a reasonable prospect that the planned intervention will have the desired effect. Any potential direct and indirect consequences of regulation on legitimate capital market activities should be taken into account. Regulation should be proportional and should be designed to reduce regulatory burden to the extent possible (by allowing electronic reporting, for example).

In addition to taking targeted regulatory action where necessary, the CSA should consider whether additional study is required with respect to the beneficial role short selling, including activist short selling, plays in the capital markets. Activist short sellers provide an important check and balance on the positive information that exists in the market. These activists conduct investigative research and analysis that would not be accessible or economical for other investors to obtain independently. Members note that investment dealers performing investment banking functions are disincentivized to publish negative information for fear of jeopardizing future business opportunities from issuers. As a result, activist short sellers may be the only voice expressing a "sell" recommendation where their research and analysis warrants.

There are a number of examples of activist short sellers exposing potential problems with companies (in issuers such as Sino Forest, Valeant, Home Capital and others).[8] The Consultation points out that activist short selling is not without risks, which can act as a deterrent: "unlike long-only investors, activist short sellers generally incur direct costs to maintain their positions. Once a campaign is launched, activist short sellers are also exposed to the additional risk that the target's share price does not decline because of responses from issuers, opposing views from long traders, large institutional shareholders, and analysts. If the share price rises significantly this can make the cost to close out the short position very expensive."[9]

The Consultation states "it does not appear that Canada's experience with activist short selling is disproportionately high compared to the U.S." and "most academic studies of U.S. markets support the notion that activist short sellers are more likely to improve the market's informational/price efficiency by identifying actual problems with an issuer's business and operations, than they are to engage in 'short and distort' strategies."[10] The beneficial role of short selling generally is highlighted by studies of short selling bans referred to in the Consultation, which found that short selling bans

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[8] Other examples include, Badger Daylighting, Concordia International Corp, Exchange Income Corp., Nikola and Wirecard (referenced at p. 18 and footnote 86 of the Consultation)

[9] Consultation, p. 6

[10] Consultation, at p. 11

lowered liquidity and increased trading costs, while not having a significant impact on share prices.[11] Citing these factors, following temporary bans on short selling of financial stocks in response to the 2008 financial crisis in the U.S., the then-Chair of the SEC stated "…knowing what we know now, I believe on balance the commission would not do it again. The costs appear to outweigh the benefits".[12] Therefore, we urge the CSA to carefully consider any changes to regulation to ensure that these are based on empirical evidence and reliable data, designed to prevent illegitimate activist short selling activity such as the spread of misleading information, and do not result in impediments to legitimate and beneficial short selling activity.

Regulation

The Consultation notes that there is an existing regime that regulates short selling activity. It does not appear from the Consultation that "naked" short selling is a significant concern in Canada. The existing regime seems to be working as intended and effectively prohibits "naked" short selling; although the Taskforce noted in its Final Report Recommendation 25 that "IIROC's Universal Market Integrity Rules (UMIR) are not stringent enough to ensure that short sellers are taking appropriate steps to confirm that adequate securities are available to them to settle any short sale execution prior to the entry of the order in the marketplace,"[13] the Taskforce does not point to any specific evidence of a naked short selling problem in Ontario. As noted in the Consultation, "failed trades occur in both long and short sales for a variety of reasons. Failed trades are not always evidence of abusive or naked short selling." If there are significant failed trades occurring, the CSA should investigate the reasons why and make regulatory changes based on that information – this may already be included in the on-going IIROC failed trade study referred to in the Consultation. Our members note that under the existing UMIR regime, a dealer must not accept a trade unless it has a reasonable expectation that the trade will settle. It would therefore be difficult for a short seller to engage in repeated naked shorts, since continuing to trade after repeated failed trades would force the dealer to cease accepting the short trades.

The Taskforce Recommendation 25 would require an investment dealer to confirm the ability to borrow securities prior to accepting a short sale order from another person or entering an order for its own account (with the exception of securities identified as "easy-to-borrow"); and, if a short sale fails to settle, the short seller would be subject to a mandatory buy-in (with certain exemptions and accommodation for administrative delays). As noted above, we are uncertain as to

[11] Delevigne, Jessop and Spicer, *Return of short-selling bans: market protection or "war against truth"?* Reuters, November 19, 2019 (cited at p. 17 of the Consultation).
[12] Younglai, *SEC chief has regrets over short-selling ban*, Reuters, December 31, 2008
[13] Taskforce Final Report, Recommendation 25, at p. 48

whether there exists sufficient evidence of widespread failed trades to warrant this change, and whether data exists to support this measure. If the IIROC failed trade study is collecting and analyzing this data, we urge the CSA to await the outcome of the study before making any regulatory changes.

If a response to naked short selling is determined to be necessary, we suggest an examination of additional information or research to determine the costs and benefits of such a change. Instituting a "hard" locate requirement similar to the U.S. requirement would be an additional regulatory burden on all short selling activity, rather than targeting attempts to engage in naked short sales.[14] Instead, focusing on buy-ins may be a better approach, because this would tailor the regulatory response to the perceived problem and on the responsible parties, rather than on all legitimate short selling activity.

The Consultation notes that IIROC monitors for unusual short selling activity and price movements, including reviews of social media, and that a referral to CSA enforcement branches may be made. It is not clear from the Consultation what impact this activity has had on preventing "short and distort" activity, whether enforcement referrals have resulted in action being pursued, and whether these actions have been successful. The Consultation is silent on whether the CSA has taken action against short sellers for prohibited manipulative activity; we believe that additional discussion of this aspect would be beneficial.

The CSA should determine what is impeding its ability to prevent or prosecute "short and distort" activity and consider making relevant regulatory changes in response. This may include increased scrutiny of public statements made by short sellers or other actors attempting to manipulate the capital markets. While regulators obviously do not want to incentivize fraudulent activity, they also should not curtail legitimate activity that contributes to market efficiency. Also, as noted above, efforts to target "short and distort" activity should be part of a broader regulatory focus on false and misleading statements that targets "pump and dump" activity in a symmetrical manner.

Foreign jurisdictions

The Consultation suggests that Canada could look to some of the regulatory tools employed in other jurisdictions, such as the U.S., Australia, and the EU to regulate activist short selling. This includes position size reporting and disclosure, and transparency regarding the identity of short sellers. PMAC would like to better understand whether these regulatory tools are specifically directed at preventing "short and distort" campaigns or other fraudulent activity, and whether they are

[14] We note that electronic systems involved in administering this requirement are more robust in the U.S.; implementing a similar requirement in Canada would be onerous.

effective. These tools should be carefully studied to determine not only whether they have had the effect of diminishing abusive practices, but also whether they have had an undesirable negative impact with respect to information available to the markets, price discovery and some of the other advantages to legitimate short selling noted above.

The use of reporting thresholds is one suggested option. However, as noted in the Consultation, at least one study indicated that imposing short position reporting thresholds, or reducing those thresholds, simply results in short sellers cutting back their short selling activity to remain below the reporting threshold, such that the threshold may be counterproductive.[15] For example, one of our members that is required to report in Australia noted that although they provide the necessary information to Australian authorities when engaging in short selling (which requires a fair amount of effort), they have never been contacted by the regulator and have no insight into whether or how the authorities use the information, beyond public disclosure of positions on an aggregated basis. It would be helpful for the CSA to examine how the information is being used in these jurisdictions and whether it is useful in diminishing the number or success of "short and distort" campaigns or other fraudulent activity.

Reporting as a regulatory tool would typically be used either to determine the efficacy of a rule or potential rule (i.e. to determine whether regulation is necessary or if existing regulation related to a specific issue is working), or to review systemic risk (i.e. all the data put together reveals that something is wrong or is about to go wrong). If the reporting is made only to regulators (as opposed to being public), it would not impact the "short and distort" problem that the Consultation seeks to address. More specifically, some issuers have called for symmetry between long and short position reporting. However, the regulatory basis for the current regulations directed at reporting long investment positions (such as insider reporting and early warning reporting in Canada) is typically motivated by concerns directed at publicly identifying parties able to significantly influence the control of an issuer, which are concerns that are not relevant to short selling.

At the same time, requiring additional position disclosure and transparency may inadvertently encourage other undesirable behaviour and lead to a less efficient market. The Consultation notes that studies have observed undesirable effects of disclosure such as compromising strategies used by short sellers, leading to decreased market liquidity or price discovery.[16] PMAC members agree that disclosure of short positions, which is sensitive information, can have unintended consequences such as revealing an investor's strategy, potentially enabling others to generate a

[15] Consultation, footnotes 88 and 90

[16] Consultation, at p. 17

short squeeze, and otherwise discouraging short selling within the market (for example because revealing a short position would damage the relationship between the investor and the target).

The Consultation indicates that disclosure is viewed as a deterrent to short selling generally in the relevant jurisdictions.[17] We question whether deterring short selling in Canada is a desirable outcome, and whether this will in fact improve the efficiency of our capital markets. The Consultation goes on to note that Canada's existing regulatory framework is consistent with IOSCO principles.[18]

Moreover, as noted in the Consultation, some of the research indicates that foreign issuers experienced similar outcomes to Canadian issuers following a campaign. The data indicating that investigations by regulators such as the SEC and the U.S. Department of Justice reached the same conclusions as the activist short sellers in 90% of cases[19] is telling; it is not clear that the requirements in the U.S. are resulting in materially different outcomes compared to Canada. This data also suggests that the vast majority of activist short sellers are providing useful information to the market.

The CSA should consider whether tools adopted in other jurisdictions were aimed at problems that were specific to the jurisdiction and responsive to market events that may not be applicable in the current Canadian landscape. We urge the CSA to assess whether the tools used to regulate short selling activities in other jurisdictions achieved their intended outcomes, and specifically whether they resulted in fewer "short and distort" campaigns. It would also be important to determine whether other jurisdictions are considering changes to their regimes that would improve outcomes in this regard. The CSA should consider any negative or unintended consequences caused by the regulatory responses in these jurisdictions.

Ontario Capital Markets Modernization Taskforce Recommendation 26

The Taskforce Recommendation 25 is discussed above. With respect to Recommendation 26 in the Taskforce's Final Report, which would prohibit market participants and investors who have previously sold short securities of the same type as offered under a prospectus or private placement from acquiring securities under the prospectus or private placement, does not appear to be directed at activist short selling and therefore may not be relevant to this Consultation. However, there are legitimate reasons for short selling ahead of a capital raise by

[17] "Requiring disclosure of this nature was seen as an alternative policy tool to short selling bans, with the similar aim of introducing a constraint on short selling activity. Indeed, the relevant EU regulation was created primarily in response to the financial crises and the sovereign debt crisis, with the goal of promoting market stability." Consultation, page 15

[18] Consultation, at p. 15

[19] Consultation, at p. 11, footnote 53

an issuer, and this activity is not necessarily an indication of market manipulation. For example, an investor may believe that an issuer's capital structure is over-levered and in urgent need of an equity raise to de-lever, and so may anticipate through fundamental analysis of the issuer that a dilutive (and price depressing) equity offering is imminent. Having expressed that investment thesis through a short position, the investor would anticipate closing its short position in the equity offering and so would be a natural buyer in the equity offering, which is typically priced below the pre-offering market price, such that the investor would prefer to buy in the offering since buying in the market is more expensive.

We believe Recommendation 26 is being made in response to a concern that there may be market manipulation taking place at the time of the offering. Our members believe that any potential price distortion would only affect a particular segment of the market, likely smaller to mid-size issuers. If this is the case, we suggest the CSA consider a narrower, more targeted response – for example by making any such requirements subject to a threshold to benefit smaller issuers (although this would be very difficult to implement, given that market capitalization changes daily and monitoring would be very onerous). A restriction of the sort proposed in Recommendation 26 is a blunt instrument that would suppress legitimate activity, with questionable corresponding benefit to investors and the market.

Recommendation 26 is very broad, and would negatively impact investment managers, including those managers with separate investment teams that make separate investment decisions independent of one another. In the U.S., Rule 105 of Regulation M includes a "separate accounts" exemption that excludes different teams from the rule if they operate independently and are not aware of the investment decisions being made by the other team. As a result, one team might buy into a private placement and the other may short the stock – this is permitted if the terms of the exception are met. A similar exemption should be included if the CSA were to implement the recommendation.

Other approaches

The Consultation discusses other alternative approaches to disclosure at page 19, including a "duty to update," and a minimum hold period.

With respect to the "duty to update", our members note that the continuous disclosure regime is very heavily directed at requiring issuers, and not market participants, to disclose information about their businesses and structure. With some limited exceptions (like reporting obligations that surface long positions with the ability to influence control of the issuer), there is no continuous disclosure required of investors, whether long or short. It would be a significant change for regulators to require disclosure from investors, as opposed to disclosure from issuers. Whether information about one investor's investment position in an issuer is material to the

understanding required by another investor assessing whether to trade in the securities of the issuer is a big assumption. Secondly, if there is a view that a short seller needs to update voluntary disclosure of its position, then presumably the argument for requiring the same of long investors is even stronger (given that there is the added consideration of the long investor's ability to influence control over the issuer).

Similarly, a minimum hold period would not be practical if during the period if updated information about the issue is disseminated, if there is a short squeeze or other market event, such as a merger, or a change in commodity prices, which would affect a mining or oil and gas company, for example. If an investor is shorting due to a perceived overvaluation of a stock, or an overvaluation compared to its peers, the situation could correct in a day or two, which would precipitate a trade. Most non-activist short sellers have a shorter hold period, making the position more of a trade than an investment. A hold period would not be practical or efficient for these short sellers. A hold period could also result in the unintended consequences of impeding the efficient implementation of a short selling investment strategy or reducing the suitability of a short selling strategy by requiring the short seller to maintain a position beyond the ideal or preferred timeframe. Moreover, a minimum hold period would be operationally challenging especially for large firms that may have many different investment teams (some of which may be short while others are long); their activity is generally viewed in aggregate such that if any fund were short, no funds could participate.

Also, as noted above, such a requirement assumes that information about the stock promoter or short seller's position is meaningful information about the issuer, which may not be correct – the responsibility for assessing the credibility of the analysis being advanced by the short seller should rest with all investors generally. If a hold period were to be implemented, it should apply only to activist short sellers (those whose views are made public).

To the extent possible, there should be symmetry between the regulation of activist long and short selling activity.

PMAC members noted that if regulators develop new rules to target "short and distort" activity, the rules should be symmetric and equally applicable to "pump and dump" or other long promotional activity. It would be ideal if symmetry could be achieved in this respect since both types of campaigns involve the use of false or misleading information to manipulate the price of a security, and regulators should have similar tools to pursue these with equal measure.

In 2018, the CSA issued CSA Staff Notice 51-356 *Problematic promotional activities by issuers* (the **Notice**). The Notice targeted "disclosure and promotional campaigns that provide unbalanced or unsubstantiated claims about the issuer's business…

undertaken for the specific purpose of artificially promoting interest in the issuer's securities." Our members noted that manipulative practices are more likely to occur on the long side compared to the short side. There are more investors taking long positions compared to short positions and more market participants with an interest in prices increasing. Issuers and their management teams also have a strong interest in increasing stock prices, particularly when executive compensation is linked to share prices. Companies can discourage short selling through the use of share buybacks, special dividends, optimistic guidance, and more generally through successful management of issuers. As noted above, concerns about unbalanced or exaggerated public statements should be equally focused on long and short perspectives and should be subject to similar regulation.

The promotional activity described in the Notice is similar to the behaviour that occurs in a "short and distort" campaign. The complication is that unregistered third parties who may engage in "short and distort" campaigns may not fall under the CSA's or SROs' jurisdiction and are therefore much more difficult to discover and pursue. We urge the CSA to consider whether it can use existing powers and tools to prosecute this behaviour, rather than adopting new regulation that may have undesired effects. Regulatory review of low closings as well as high closings may reduce market manipulation.

It may be helpful to obtain additional information from British Columbia with respect to its experience following the changes it made to its legislation with respect to the regulation of "promotional activities", and whether this change has decreased nefarious behaviour. As noted above, the Taskforce recommendation to create a prohibition on making misleading or untrue statements about public companies may be a solution, but any such regulation should ensure that free speech and legitimate information-sharing is not limited.

Conclusion

There does not appear to be sufficient data, evidence or rationale to support changes to the current regulatory framework with respect to the short selling regime. The CSA should therefore not make any immediate changes. Any decisions regarding new regulation in this area should be based on data and evidence rather than perception.

We are concerned that efforts to regulate short selling may have unintended negative consequences such as decreased liquidity, increased trading costs, loss of information to the market and price uncertainty. Regulators should consider the costs and benefits of various regulatory options and the experiences of other jurisdictions before deciding which route to take. Regulation should narrowly focus on specific behaviours and desired outcomes.

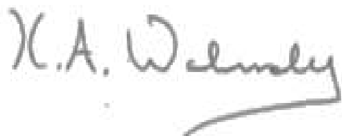
We applaud the CSA's effort to gather feedback from market participants on the extent and effect of activist short selling in Canada and to consider the experience of other comparable jurisdictions. As stated above, any form of market manipulation or investor deception must be deterred and appropriately punished.

We encourage the CSA to continue and enhance their investor education efforts and to actively monitor social media platforms for potential market manipulation and distortion campaigns. These activities, often aimed at unsophisticated investors, have the potential to cause serious harm to Canada's capital markets and to individual and institutional investors. New and changing threats will no doubt continue to emerge.

Thank you for the opportunity to respond to the Consultation. If you have any questions regarding the comments set out above, please do not hesitate to contact Katie Walmsley at (416) 504-7018 or Victoria Paris at (416) 504-1118.

Yours truly,

PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA



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