

# The Great Canadian Research Blackout

It would seem that there is a very tilted playing field in the area of access to research between different classes of investors in the Canadian equities markets. In the interests of protecting smaller investors they have actually just managed to put them on the wrong side of a Get Smart-like Cone of Silence. We have been fairly unrelenting in our critique of the Canadian trading platforms for the woes of the universe of Canadian listed mining stocks. We have also taken swipes at the industry players themselves for egregious and non-serious behaviour. Regulators have come under attack for not being tough enough.

Strange though it may seem one area where the regulators have been tough just appears to have been overkill. It now seems like an eternity ago but Canadian companies used to have pages on their websites where they could list the reports that analysts had written on them and provide links or actually downloadable copies of the reports. This was the same as in many other countries, most particularly in the closest parallel market, that of Australia. Then Canadian regulators decided to go their own way and ban Canadian companies from referring investors to reports written on them or even linking to them.



The gist of their intention was that a member company must essentially provide NI43-101 compliant 'QP' status for everything they assist shareholders or potential shareholders to access about their company.

The legal basis for this is set out here:  
[http://www.iiroc.ca/Rulebook/MemberRules/Rule00029\\_en.pdf](http://www.iiroc.ca/Rulebook/MemberRules/Rule00029_en.pdf)

And states:

29.7 (1) No Dealer Member shall issue to the public, participate in or knowingly allow its name to be used in respect of any advertisement, sales literature or correspondence, and no registered or Approved Persons shall issue or send any advertisement, sales literature or correspondence in connection with its or his or her business which: (a) contains any untrue statement or omission of a material fact or is otherwise false or misleading; (b) contains an unjustified promise of specific results; (c) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions; (d) contains any opinion or forecast of future events which is not

clearly labeled as such; (e) fails to fairly present the potential risks to the client; (f) is detrimental to the interests of the public, the Corporation or its Dealer Members; or (g) does not comply with any applicable legislation or the guidelines, policies or directives of any regulatory authority having jurisdiction.

Be that as it may. It rather looks like IIROC are in denial that the “product” actually exists. Everyone knows that companies say to investors “such and such has initiated coverage on us today with a Buy” it’s just that it’s not put down on paper (or on a website). This seems a remarkable denial of reality by the powers that be who oversee the Canadian securities industry.

### **Self-Promotion or Maintaining an Informed Market**

We have noticed one or two companies that still send out press releases referring to coverage in the hope that regulators are asleep at the wheel. In light of other (in)actions by regulators that is probably a fairly smart move by those companies. IIROC will only come after a listed company as a result of a complaint, otherwise they are not watching.

However those that stick by the rules are limited to providing an “Analysts Covering Us” list which in some cases includes analysts that haven’t written a thing on a company since 2005, some who are dead and some whose firms are dead.

While Goldcorp (below) can still boast a healthy roster of analysts covering them, other companies like Eldorado Gold have dropped the analyst coverage lists from their websites. Goldcorp is now more of the exception rather than the rule.

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& Filings	BMO Capital Markets	Andrew Kaip	416-359-7224
s & Resources	BofA Merrill Lynch Research	Michael Jalonen	416-369-7540
Information	Canaccord Genuity	Tony Lesiak	416-869-7918
Coverage	CIBC World Markets	David Haughton	416-594-7284
	Citi Investment Research & Analysis	Brian Yu	415-951-1830
	Cormark	Richard Gray	416-943-6407
	Credit Suisse	Anita Soni	416-352-4587
itions	Deutsche Bank	Jorge Beristain	203-863-2381
Webcasts	Dundee Capital Markets	Josh Wolfson	416-350-5045
ve Analyst Center	GMP Securities Ltd.	George Albino	416-943-6187
FAQ	Goldman, Sachs & Co.	Andrew Quail	212-902-0515
Information Package	HSBC Securities	Botir Sharipov	212-525-5150
Acquisition	Jefferies & Company, Inc.	Chris LaFemina	212-336-7304
lit	John Tumazos Very Independent Research	John Tumazos	732-444-1083
Annual Report (2.48 MB)	JP Morgan	John Bridges	212-622-6430
Sustainability Report	Mackie Research Capital Corporation	Barry Allan	416-860-7612
Sheet (2.44 MB)	Macquarie Research	Michael Siperco	416-848-3520
Annual Information Form (1.05 MB)	Raymond James	Phil Russo	416-777-7084
te Presentation (2.00 MB)	RBC Capital Markets	Stephen Walker	416-842-4120
	Scotia Capital Markets Inc.	Tanya Jakusconek	416-945-4083
	TD Newcrest	Greg Barnes	416-983-9588
	UBS Securities	Matt Murphy	416-814-1434
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Alacer Gold have a similar list which comes with the wordy disclaimer “Alacer Gold Corp. is followed by the analysts listed above. Please note that any opinions, estimates or forecasts regarding Alacer Gold Corp’s performance made by these analysts are theirs alone and do not represent opinions, forecasts or predictions of Alacer Gold Corp. or its management. Alacer Gold Corp. does not by its reference above or distribution imply its endorsement of or concurrence with such information, conclusions or recommendations. The list is current to the best of the Company’s knowledge (as of February 18, 2016)”.

We wonder then if any of these analysts have negative views on the company. Are these universal lists or a qualified list? We cannot imagine that the now departed Maudore Minerals, when I was the only analyst covering them and had a Short rating on

it, would have had me on their coverage list. We will never know!

## **Protecting Those Who (Maybe) Don't Want Protecting**

In so many other things the regulators at the OSC and BCSC are prepared to leave things in the hands of the old adage "caveat emptor" and yet when it comes to research they are again indulging in nanny-state attitudes. Frankly it just creates a three-tier level of market intelligence. Sure if you are a client of Big Bay Street Broker that is listed as covering the stock you might be able to get the research but if you are not then you can remain in the dark. How does this help the investor without access?

Even if you are a client of BBSB then all you will get to see is that broker's version. If you had access to the coverage of all five brokers who have written something then you can at least compares the Five Shades of Grey employed to promote the stock.

## **Conclusion**

Speaking to a veteran IR chap of our acquaintance, he commented this week "Companies should be expected to aggregate information developed about their company for the benefit of their investors. The junior resource companies, especially, are not attracting 'new money' to the space they are simply competing for dollars that are already allocated, for the most part. Accessing the story from different perspectives will ultimately generate more informed investors".

To which our response was "Hear, Hear!"

The current system merely promotes a Three-Class market. Those with access to most research (institutions and heavy hitters), the second class with access to one source of research from their own broker and the Steerage with no access to any research, who are locked below decks and going down with the

ship. Times for regulators to backtrack on this one.