

June 18, 2014

Ontario Securities Commission
20 Queen Street West
Site 1903, Box 55
Toronto, ON M5H 3S8

Hon. Charles Sousa, MPP
Minister of Finance
7 Queen's Park Crescent, 7th floor
Toronto, ON M7A 1Y7

British Columbia Securities Commission
701 West Georgia Street
P.O. Box 10142, Pacific Centre
Vancouver, BC V7Y 1L2

Hon Mike DeJong, MLA
Minister of Finance
BO Box 9048
Stn Prov Govt
Victoria, BC V8W 9E2

BRITISH COLUMBIA
SECURITIES
COMMISSION

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To whom it may concern:

Re: CSA and OSC Proposed Amendments to National Instrument 45-106

On behalf of the Canadian Association of Accredited Mortgage Professionals (CAAMP), I am writing to you to express concern with proposed amendments to national Instrument 45-106 Prospectus and Registration Exemptions which will adversely affect the residential mortgage market in Canada. This amendment is being proposed by the Ontario Securities Commission (OSC), but given the establishment of the Cooperative Capital Markets Regulator (CCMR) will also directly impact British Columbia. Further, the Canadian Securities Administrators are proposing a similar amendment that would impact Alberta, Saskatchewan and New Brunswick.

CAAMP is the national voice of the mortgage broker channel in Canada. Our 12,000 members include lenders, insurers and mortgage brokers. Our members are present in all provinces with nearly 7,000 members in Ontario and 1,500 members in British Columbia.

Our concern focuses on two key amendments in the proposal. The first is to limit involvement to either \$30,000 or \$10,000 per year of all Exempt Market investments. This is a new proposal for Ontario, but for BC would dramatically change the way business has been done where there currently exists no limit to such investments. Secondly, the proposed amendment recommends that investors cannot deal directly with related issuers, but rather must use a third party e.g. investment advisor, stock broker. This too is different from the current BC practice where investors can deal directly with the issuer.

While the proposed amendments affect more than the private mortgage market in Canada, including the role played by Mortgage Investment Corporations (MICs), CAAMP's comments will focus on this sector. MICs play an increasing role in Canada's residential mortgage market.

First, CAAMP supports regulation. Exempt dealers should be mandated to present an Offering Memorandum. Such a Memorandum should set out clearly the investment and its risks. Further, there should be regularly scheduled financial updates posted on the issuer's website. Increased oversight and enforcement of these activities is an important role for securities regulators to play and one that both OSFI and other provincial regulators are undertaking. Given the myriad of changes in Canada's residential mortgage market over the last several years having clear MIC rules in place is one we support. However, they should not restrict or deter the investment vehicle and the important role it plays.

Second, there are several affected parties. In addition to investors there is also the market itself. One of the key themes of the 2014 federal budget was the desire for competition among financial institutions. In short, providing choice to Canadian consumers. The proposed amendments as currently written, would negatively impact that desired outcome by reducing the number of participants in the residential mortgage market. We do not want Canada to end up like Australia where over 90% of residential mortgages are offered by just four banks. Such a situation does not serve consumer interests.

Currently in BC there is no limit to Exempt Market investments. The amendment proposes an annual investment cap of \$30,000 for eligible investors. CAAMP is opposed to this arbitrary amount. **The limit should either be eliminated or increased significantly.** Like consumers, investors should not be limited in choice. Secondly, as long as proper regulations and disclosures are in place, **investors should be allowed to invest directly with related issuers** and not have to go through a third party. In Ontario, for example, salespersons who work directly for homebuilders or developers are exempt from the requirement to be licensed as a real estate broker or agent, the reason provided is because they are selling their own product.

While proper regulation should be in place to ensure disclosure, risks and financial transparency it should not act as a deterrent to consumer options overall in the residential mortgage market or limit investor choice. As currently proposed, CAAMP believes that NI 45-106 will do that.

In conclusion, CAAMP supports harmonization. However, such harmonization should take into account current law and practices. Rome was not built in a day. The OSC and the BCSC should seek a compromise on the amendments proposed in NI 45 – 106 that ensures the proper regulation it seeks while also permitting current investment practices which have shown to benefit both consumers and investors alike.

Should you require any further information please do not hesitate to contact the undersigned at jmurphy@caamp.org

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Murphy". The signature is written in a cursive style with a horizontal line extending to the right.

Jim Murphy, AMP
President and CEO

cc: Hon. Joe Oliver, PC, MP Minister of Finance



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