

June 17/2014

[denise.weeres@asc.ca](mailto:denise.weeres@asc.ca)

Denise Weeres  
Manager, Legal, Corporate Finance  
Alberta Securities Commission  
250 – 5th Street SW  
Calgary, Alberta T2P 0R4

and

[consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

Me Anne-Marie Beaudoin  
Directrice du secrétariat  
Autorité des marchés financiers  
800, square Victoria, 22e étage  
C.P. 246, tour de la Bourse  
Montréal, Québec H4Z 1G3

[comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
22nd Floor  
Toronto, Ontario M5H 3S8

**Re: CSA Proposed Amendments Relating to the Offering Memorandum Exemption**

---

Dear Madams:

I am writing to comment on the proposed amendments to NI 45-106, in particular the proposed annual investment limits for non-accredited investors.

When I first started in the Exempt Market there was little regulation, mostly clean up of investments gone wrong or fraud.

The National launch of the EMD program really started the cleanup of the market and over the first couple of years has weeded out most of the Fraud and improved the accountability of the EMD.

When I moved to Raintree Financial Solutions I did so because their commitment to excellence and training was obvious. They have been out ahead of the curve in Compliance and Due Diligence and committed to growing the Exempt Market to the level it deserves. Holding the EMD responsible for what is on their shelf really made the providers improve their investment structures and their compliance. Raintree is constantly training us to improve our KYC and KYP handling to make sure that clients are getting the best service and consideration that they deserve. We have been working so hard to be the leaders in this area that a few Dealing Reps have actually left the Company expressing frustration at all the paperwork and compliance required compared to years ago. I am proud of what we have accomplished and where I thought we were going. So it was extremely disappointing to hear that a \$30k limit may be applied to our market as a Catch All way to keep problems to a minimum.

I would suggest that by making Investment Providers sell through EMD's only or restricting them to a \$30k minimum would give the results that were originally intended. This would truly

put the onus on the EMD to do the Due Diligence and the Compliance required and regulate the offerings, as was intended by the original National launch of the EMD program.

I read this article by Chuck Strahl in the Financial Post of May 22/2014 and he accurately expressed what I think sometimes happens in these situations. Please read this article and reconsider your position on this proposed regulation change.

Sincerely

David Wingate

Dealing Representative

Raintree Financial Solutions 250 216-4220 Victoria BC V8N5Y4

***.” Chuck Strahl is a former Member of Parliament and is chair of the Manning Center. This article was taken from the Financial Post Special of May 22/2014***

“Reducing regulations is generally good advice. As the Great Communicator once warned the business community about governments, “If it moves, they’ll tax it. If it keeps moving, they’ll regulate it. And if it stops moving, they’ll subsidize it.” Excessive regulation is the midpoint of a famous road paved with good intentions.

When I was Transport Minister, the pleasure craft registry had expanded (for reasons unknown) to include the registration of canoes and kayaks. On the registration forms, kayak owners were asked to “estimate the tonnage of your vessel”! It was a clear example of regulators gone amok. I did not try to fix the regulation, I simply eliminated it. It was a regulation in search of a problem where none existed. It was a mistake, pure and simple, and kayak owners were not amused (regardless of their tonnage!).

After the Supreme Court of Canada ruled that the federal government’s attempts to establish a National Securities Regulator were an invasion of provincial jurisdiction, the government proposed a cooperative Capital Markets Regulatory System as an alternative. The principle components of the proposed system include more provincial legislation, complementary federal legislation, a new Capital Markets Regulator (“CMR), a Council of Ministers to oversee the CMR, and new regulatory offices in every province that is a participating jurisdiction. In addition, if not all of the provinces and territories sign on to the above arrangement (and two of the bigger provinces say they will not sign), the current provincial regulatory structure will continue to operate in each of those jurisdictions. All of this runs the risk of becoming a more complex, bifurcated federal-provincial system, characterized by excessive, costly, and burdensome over regulation.

At the same time, there are worrisome signs at the provincial level of misguided regulation concerning the exempt capital market. In 2011, while \$50-billion in investment capital was raised in the public capital markets in Canada, approximately \$160-billion was raised through the “exempt market.” A large number of entrepreneurial, job creating, small- and medium-sized

enterprises depend on that exempt capital. By any measure, the exempt market is the flagship of the capital markets in Canada. But when regulators come prowling, even a flagship isn't safe.

On the positive side, the Ontario Securities Commission proposes to open up the Offering Memorandum Exemption, which enables companies to raise capital without a full-blown prospectus. However, the proposed OSC exemptions will limit the exempt market investors to the purchase of a maximum of \$30,000 of securities per year, and will introduce further restrictions on who can sell securities under that exemption (the "Proposed OSC Restrictions"). The net effect of these additional rules will be increased costs, coincidental with constricted markets. What's worse, the evil which the new rules strive to "fix" are adequately addressed through policies and rules that the OSC and CSA already have in place.

The bottom line of all of this: When you can't replace provincial securities regulation with a single national regulator, don't pursue a federal-provincial system if it compounds the regulatory burden. And if the exempt market is already generating \$160-billion in investment capital for a multitude of small- and medium-sized businesses, seek to enlarge it rather than restrict it.

I'm sure that regulating canoes and kayaks seemed to make sense to somebody when it was first proposed. Knowing how many kayaks were at the Boy Scout camp must have seemed important, as was their tonnage. But increasing the weight and complexity of government regulation "just because you can," usually isn't worth it. By all means, let's take steps to ensure transparency and accountability in private capital markets. However, doing it through more and tighter regulations may well sink the ship we're all relying on for job and wealth creation

This submission is being made on my own behalf.

If you would like further elaboration on my comments, please feel free to contact me at

[REDACTED]

Regards,

David Wingate  
Dealing Representative  
Raintree Financial Solutions

CC:

Cora Pettipas  
Vice President, National Exempt Market Association  
[cora@nemaonline.ca](mailto:cora@nemaonline.ca)