

De : Elsebeth Hansson [<mailto:elsebethhansson@wealthterra.com>]

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Objet : RE: Multilateral CSA Staff Notice Publication and Request for Comments- Proposed Amendments to National Instrument 45-106

**Dear Madams,**

**My name is Elsebeth Hansson I am presently an Registered Exempt Market Dealing Representative in the province of Alberta, I respectfully submit the following letter in response to the Proposed amendments to NI 45-106, CSA Staff Notice dated March 20, 2014.**

**CSA Staff Notice - Proposed Amendments**

**In Alberta, Québec and Saskatchewan, the Proposed Amendments contemplate the following:**

- to limit the risks associated with an investment by a retail investor in illiquid securities, new caps on the aggregate amount that can be sold to any one investor under the OM Exemption in a 12 month period have been proposed:**
- \$10,000 in respect of all investors who are not eligible investors; and**
- \$30,000 in respect of investors who are individuals that are not accredited investors and who do not qualify as specified family members, close personal friends or close business associates under the FFBA exemption;**

**Every investor should have the right to invest or not invest in this market space and what the CSA staff notice proposes to do by imposing such limits is easily achieved at an individual investor level in exercising his or her individual right to not invest. If better investor protection is the objective, better education, and/or stricter penalties for criminal activity should be encouraged. There is no regulation that can safeguard against the swings in the market or losses incurred due to unforeseen but honest events and limiting the rights of individuals is going to change that. Limiting the rights of all because of a handful of complaints from a few (which cannot be substantiated) does not solve the perceived problem and in our opinion would expose investors to other risks not currently taken into consideration.**

**At a time when the public markets are volatile and the economic outlook is unpredictable at best, people are looking for truly non-correlated assets to diversify their portfolios. Alternatives have been traditionally used as a opportunity to reduce systemic risk, bolster returns, offer diversification that would limit losses to investors who are exposed to the public markets for both high net worth investors and institutional investors. At a time**

**when alternative investments are needed the most, the securities commissions are proposing to restrict access only to those investors that are already wealthy.**

**The proposed changes come with major changes to the regulators as well. Who will monitor the \$30,000 annual limit? EMD's or an individual dealing representative will have no possible way to ensure with 100% accuracy if the client has invested only \$30,000 in a 12 month period. In addition to that, Issuers will not know what activities and as a result of client privacy and client confidentiality may inadvertently allow a trade to occur in which the investor has invested more than his/her limit. In an illiquid investment, how is this to be dealt with, who will monitor these activities, etc. I believe the proposed changes are a significant step backwards and exposes not only investors but Issuers and current industry professionals (EMD's, Dealing Representatives, etc.) to significant risks currently non-existent under the current regulations. These proposed limits are a regression to NI 31-103 and need to be reconsidered.**

**Dealing Representatives currently employed in this market space may have no choice but to seek Other Business Activities to supplement their loss of income and the risk to investors is that again this becomes a quantitative exercise rather than a qualitative relationship. The proposed changes limiting each investor to a maximum of \$30,000 per year would significantly impact the current lifestyles of many of the Dealing Representatives in the market today. This would mean that the dealing representative in order to maintain the same standard of living that they are accustomed to would have to: a) Take on Other Business Activities, b) or Service More Clients. Both of these options provide greater risk to the investor as with such imposed limits it becomes a tick in the box exercise and the requirement to know the client and suitability are significantly diminished. Should a dealing representative have to take on other activities to fill the gap in income to support their lifestyles, it again becomes a matter of professional level service. We are encouraging less than professional people to the industry at a time when we need and want more educated and professional people to join. You may also see people leave the industry to pursue other activities, as they can no longer support their families and lifestyles in the manner in which they have become accustomed. Full-time employment in the industry will become less likely and the exempt market may become a secondary service or a luxury service offered by a limited few.**

**Issuers may find that due to the limitations and the increased risks of paying fees, and going through the appropriate channels, the risks of regulatory changes, undercapitalization, etc. are not justified and Issuers would seek other means to raise capital that do not fall under regulatory supervision.**

**Under the proposed changes, there is little to no viability in operating a smaller Exempt Market Dealership and may well be a non viable option to pursue career opportunities without considering Other Business Activities. These changes will stifle the markets and restrict its ability to respond to market demands. These markets often fuel the start of other things and the proposed may have the negative impact of stifling the economy and the creativity often found in small to medium sized enterprises in which this industry supports.**

**We would suggest that the Commissions have not given enough thought and consideration to the wide spread implications of said recommended changes and should reconsider their position.**

**Every investor should have the right to invest or not invest in this market space and what the CSA staff notice proposes to do by imposing such limits is easily achieved at an individual investor level in exercising his or her individual right to not invest. If better investor protection is the objective, better education, and/or stricter penalties for criminal activity should be encouraged.**

**The exempt market plays an important role in the capital markets in Canada, especially for small and medium sized businesses. Small and medium sized businesses represent a significant percentage of Canada's GDP and are often seen as the backbone of the Canadian economy. There is a need and an important role for the exempt market in supporting the growth and expansion of the small and medium sized business. Every public company that was once a private company, many of them got a helping hand or their real start from the very investors who the commissions are now suggesting to impose these limits.**

**The perception and your statement to Investors and the Industry becomes \$30,000 is an acceptable loss.**

**Considering the wide range of investors that fall into the "eligible" category – a \$30,000 loss for a client with \$50,000 in net financial assets (NFA) is very different than a \$30,000 loss for a client with \$900,000 in NFA. Under your proposed new limits, there is no differentiation. Suitability would become nothing more than a quantitative exercise and no longer a qualitative assessment of the individual and their needs and makes the roles of Exempt Market Dealer and Dealing Representative redundant.**

**To Summarize my comments regarding the proposed changes:**

- I believe that limits on investments are best assessed by investors and their advisors who complete KYC and suitability assessments currently implemented as a result of NI 31-103.**
- The proposed changes unjustly singles out and restricts the exempt markets in comparison to other financial markets/institutions such as the MFDA, IIROC, etc.**

**- The proposed restrictions will expose the exempt market and its industry partners with undue risks such as Undercapitalization among others.**

**Sincerely,**

**Elsebeth Hansson**  
*Dealing Representative*  
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