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

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Dear Sirs/Madams:

I'd like to start by acknowledging the positive step the CSA has taken by proposing the exempt market be made accessible to eligible investors in Ontario. Affording more investors the opportunity to further diversify suitable portfolios can only serve to increase wealth and create value for the economy.

The specific worry I have relates to the proposed \$30,000 cap for exempt market purchases for an eligible investor in any given year. As a Dealing Representative in the exempt market, I understand the consequences this action would have. Rather than detailing the effects on a case by case basis, I decided to voice my displeasure and concern by taking a broader approach that focuses on the responsibilities of the CSA, an investor, and a financial advisor.

From an investor's perspective, a \$30,000 annual limit on investment purchases in the exempt market does much more than simply hinder the ability to construct an efficient portfolio. It is my belief that a sweeping limit on only the exempt market, while failing to impose similar limits on the investment community as a whole, creates an undue perception of negativity for exempt market participants. While it's obvious that fraudulent activity in the exempt market has resulted in significant losses for honest people, it is discriminatory to single out one avenue of investment while leaving unlimited access to other markets intact. The media frequently reports on total investor losses resulting from corruption in public companies operating under supposedly strict prospectus requirements.

Continuing in this line of thought, "risk" and "perceived risk" are not valid reasons to impose a limit on investment. As a relatively young individual with many good investing years ahead, there is nothing stopping me from betting the farm on a penny stock on the TSX venture exchange through a self-directed trading account. In creating a risk profile and evaluating the scenarios associated with my decisions, I should be free to place my after-tax dollars where I see fit.

Investors that are less than well-informed have access to advisors. The institution of a cap on specific investment exposures is a leap backwards from all the progress that has been made in regards to ethical and suitability-focused financial advising in the exempt market. Universities, professional accreditations, and internal education programs have all developed an intense focus on ethical standards. NI 31-103 reinforces this mentality. It is impossible to refute the fact that situations arise where advisors are presented with clients whose investment concentration levels pose greater risk than is necessary. Using a portfolio approach, the advisor could only allocate a total of \$30,000 per client (a relatively small amount for the vast majority of the investing public) per year to an alternative investment class known for its low correlation with traditional markets. How can this advisor fulfill his/her duty to the client, of maximizing return while minimizing risk within the parameters of the client's objectives and risk tolerances, when an arbitrary limit on certain investments exists? Could the advisor honestly tell the client they are allocated in the most efficient way? Would the investor seek to circumvent the imposed limit by purchasing exempt securities through multiple advisors?

Please consider meaningful answers to these questions before handicapping investors' rights to investment freedom and advisors' abilities to properly, and ethically, advise their clients.

Direct from the CSA website:

### Our Mission

To give Canada a securities regulatory system that protects investors from unfair, improper or fraudulent practices and fosters fair, efficient and vibrant capital markets, by developing a national system of harmonized securities regulation, policy and practice.

The three objectives of securities regulation are:

#### 1. The protection of investors

We are here to protect investors from fraudulent, manipulative or misleading practices. We do this by:  
mandating full disclosure of information material to investment decisions  
educating investors about the risks and responsibilities of investing  
authorizing persons who provide investment services to the public and  
supervising market intermediaries.

#### 2. Fair, efficient and transparent markets

We are here to ensure investors have fair access to market facilities and market or price information through regulation that can detect, deter and penalize market manipulation and unfair trading practices.

#### 3. The reduction of systemic risk

We aim to reduce the risk of failure of market intermediaries and when it cannot be avoided, we then seek to reduce the impact on investors and other market participants.

Please adhere to the Mission Statement set forth by the CSA by actively protecting investors instead of passively limiting their ability to create wealth.

Please adhere to the Mission Statement set forth by the CSA by actively enabling fair, efficient and transparent markets instead of passively singling out the exempt market for potentially crippling restrictions.

Please adhere to the Mission Statement set forth by the CSA by actively reducing systematic risk instead of passively bringing severe harm to exempt market dealers, exempt market dealing representatives, and exempt market issuers through arbitrary caps on investment.

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,

Kyle Touet  
Dealing Representative  
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