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and

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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.

I agree that the spirit of the proposed amendments to NI 45-106 have the ultimate goal of reducing fraud and investor losses in the Exempt Market. Rather than a wide-sweeping amendment based on minimal data over a 3 year period since the implementation of NI 31-103, I suggest that further regulatory amendments be pursued collaboratively with industry participants, and with constructive solutions. I believe that a longer-term approach of gathering data from Exempt Market Dealerships and professional industry organizations such as NEMA or the PCMA would be a prudent course of action before drastic restrictions are implemented. It takes time to collect data to make an objective and informed analysis of any marketplace before suitable governance can be determined. Beyond this, quite frankly, limiting the amount that any Canadian can invest into any suitable and professionally regulated security seems somewhat unconstitutional.

A blanket policy of reducing the amount that anyone can invest is not collaborative or constructive. Criminal behavior will still defraud people of their savings. Historically, fraud has unfortunately been perpetrated in the IIROC, MFDA as well as EMD channels. Placing limits on the amount that anyone can invest in one capital channel, will not mitigate this behavior in its entirety. If regulatory “choke” limits were imposed on the amount that anyone individual could participate in a Prospectus issued investment offering, it would stifle the Prospectus based capital markets entirely. I suspect that the same would happen to the exempt from Prospectus market and its valued participants.

Regulatory organizations are assembled to enforce consistent and evenly applied rules in the capital markets and ensure a level playing field to protect the interests of the public when accessing investments. Singling out one channel of the capital markets in such as restrictive manner goes entirely against the spirit of this leveling and “play-fair” mandate. Perhaps a wider-sweeping approach in all capital channels should be contemplated and limits applied to publicly traded stocks, mutual funds, segregated funds and exempt market products evenly. Were the proposed limits applied across the board, perhaps this would

be in the best interest of all. I do firmly and passionately believe in protection and governance in the markets, I also believe in the freedom for the consumer to choose what is best for them. I fully appreciate the balancing that has to take place and further appreciate the challenges faced by any regulator to satisfy the best interests of all. In this case, I feel that the proposed amendments have singled out a particular capital market and are too defined given the short period of time that this particular capital market has adopted regulation.

Perhaps, one day, there can exist a happy medium of an imposed annual as well as aggregate dollar limit for any single investor in any investment in Canada. As long as ALL of the capital markets are treated with the same imposed limits, I could palate this. I do believe that if this were to be the case that you would clearly find that the proposed amounts would not be a suitable when applied to all capital markets fairly.

The proposed amounts limit the flexibility needed to build a proper portfolio based on investor suitability. Perhaps, rather than limiting amounts, a higher standard of suitability and documenting thereof can remain the focal point of consumer protection. This places the onus on the consumer to seek out registered, filing, suitability professionals. This should be the case for the consumer when accessing all capital market opportunities to invest. I know this to be present in the exempt market currently, with registered dealing representatives assisting investors with suitability governance and subsequently having all trades reviewed by professional CCO's held to high standards. Higher standards for these professionals when advising and determining suitability is likely the most appropriate solution to assist investors in managing their own expectations of investment products accessed. Limiting dollar amounts will not replace the need for a higher standard of suitability determination. If anything, I believe it will reduce the level of professionalism offered to consumers and reduce suitability relationships to the ticking of boxes and faster paced, ill-informed decision making. This seems counter to the goals and mandate of the regulatory bodies.

I do wish you success in your efforts to understand this complex capital market and mitigate challenges in all of the markets. I applaud your efforts to reduce the possibility of fraud being perpetrated and thank you for the role you have taken to assist the public when accessing investment opportunities. I further support your efforts and mandates of educating consumers to make informed and suitable choices. I do also caution you to gather more information from the robust exempt market dealerships that have grown in Canada over the past 3 years. In addition, I would recommend gathering data from the assemblies of industry professionals at the PCMA and NEMA before enacting wide-sweeping change that may inadvertently reduce the professionalism within this capital market, and stifle growth of smaller businesses in the national economy.

Thank you for the opportunity to contribute and communicate regarding this matter,

Scott Morrison


CC:

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