

Privileged and Confidential

October 16, 2018

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Financial and Consumer Services Commission of New Brunswick  
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland and Labrador  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Yukon Territory  
Superintendent of Securities, Nunavut

Re: Proposed amendments (the “**Client Focused Reforms**”) to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“**NI 31-103**”).

Dear Sirs / Mesdames:

Portag3 Ventures (“**Portag3**”) is pleased to provide this comment letter on the Client Focused Reforms to NI 31-103.

Portag3 is a Canadian venture capital fund focused on the financial technology (“fintech”) sector, with a portfolio of investments in Canada and abroad, and which include Wealthsimple, Borrowell and Koho. We are an early-stage investor dedicated to backing innovating financial services companies working to benefit all consumers and are one of the most significant investors in early-stage fintech in Canada.

While Portag3 commends the CSA for its effort to better align the interests of registrants with the interests of their clients, to improve outcomes for clients, and to clarify for clients the nature and the terms of their relationship with registrants, Portag3 is concerned that the proposed rules with respect to referral arrangements (“**Referral Rules**”) may have unintended negative consequences, and it is on these Referral Rules specifically that Portag3 would like to comment.

The proposed Referral Rules are aimed at enhancing the conflict of interest provisions and addressing the perceived problem that registrants may be making referrals that put their interests ahead of the interests of the client, for example, by making a client referral just because it pays them better than other alternatives. While addressing these concerns is a laudable goal, the Referral Rules are over-broad insofar as they impact not only those referral arrangements that negatively affect the client, but also impact referral arrangements that are beneficial to the client.

For instance, the prohibition on a registrant paying a referral fee to a non-registrant may limit investors' access to securities related services. Start-ups and fintech business models that are disintermediating incumbent financial services providers require an ecosystem that includes referral arrangements to best service clients. The proposed Referral Rules make it so that while registrants will continue to be able to receive referrals from non-registrants, referral payments to non-registrants will not be permissible, even in instances where the non-registrant is not engaged in registerable activity and the payment may be a one-time fee. This will have the result of fragmenting the financial services ecosystem and preventing fintech business models from promoting client choice amongst the best available options to service client needs. In the case of Portag3, there is a concern that the referral arrangements in place today between Portag3's portfolio companies such as Wealthsimple and Koho may be impacted by the proposed Referral Rules. These types of referral arrangements create little risk to clients and in fact, we would argue that they create significant benefit for clients.

In addition, other players in the ecosystem, such as marketing intermediaries, are of critical importance to start-ups and fintechs. Portag3 is of the view that marketing intermediaries, for example, should be able to be paid on a conversion basis.

As a result, Portag3 is of the view that the proposed Referral Rules are over-broad and whereas they may be appropriate in situations where registrable activity is being provided, they should exempt in other circumstances, and certainly not preclude referral payments to non-registrants. We encourage the CSA to engage in further consultations before proceeding with the Referral Rules.

We welcome the opportunity to discuss this with you and thank you for the opportunity to provide comments. We would be pleased to work with the CSA as it addresses investor protection and market efficiency concerns while ensuring competition and innovation continue to drive the financial services industry in Canada.

Sincerely,

A handwritten signature in blue ink, appearing to read 'A. Felesky', with a stylized flourish at the end.

Adam Felesky  
Chief Executive Officer