

June 06, 2018

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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 (New Brunswick)  
Nova Scotia Securities Commission  
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Yukon Territory  
Superintendent of Securities, Nunavut

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Dear Sirs/Mesdames:

**Re: CSA Notice and Request for Comment  
Proposed Amendments to National Instrument 45-106 Prospectus  
Exemptions and National Instrument 31-103 Registration Requirements,  
Exemptions and Ongoing Registrant Obligations relating to Syndicated  
Mortgages**

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*Please reply to Bannister Road Office*

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This letter is provided in response to the CSA Notice and Request for Comment - Proposed Amendments to National Instrument 45-106 *Prospectus Exemptions* and National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* relating to Syndicated Mortgages, published on March 8, 2018 (the "**Notice**").

We are pleased to provide the following responses to the specific questions set out in the Notice in the order in which they appear:

### **Appraisals**

1) The requirement to add an appraisal or information from an appraisal to an OM may add to the cost of the appraisal, and hence the overall cost of preparing an OM. Appraisal institutes should be consulted to determine if inclusion of an appraisal in an OM would be acceptable, or would increase its overall cost.

We believe an exception to this requirement should be made where the property was recently acquired in an open market transaction with all parties acting at arm's length.

### **Mortgage Broker Requirements**

2) We don't feel such a certificate signed by a mortgage broker is appropriate where the distribution is not being conducted by a mortgage broker. For example, where the borrower or a registrant is the issuer, a certificate of a mortgage broker should not be required.

3) Assuming the mortgage broker is not the issuer, then this proposal imposes securities related obligations and liabilities likely unfamiliar to most mortgage brokers on an already heavily regulated industry (via provincial mortgage brokerage legislation). Prior to signing the certificate in the OM, mortgage brokers would likely have to obtain legal advice from a securities lawyer, which seems overly burdensome and costly for them. If however the mortgage broker is the issuer, then it would be appropriate for them to sign a certificate as currently prescribed. Generally however, guidance from the regulators on who they would consider to be the issuer of a syndicated mortgage would be helpful.

If such a requirement were imposed on mortgage brokers, a "best efforts" standard is too onerous.

### **Exclusion of syndicated mortgages from the Private Issuer Exemption**

4) A syndicated mortgage created only in conjunction with a mortgage on a property used for residential or business purposes by the mortgager is an example of a situation where the use of the Private Issuer Exemption would be appropriate. In these situations, the risk would appear to lie primarily with the borrower, as opposed to the "investor". Another example would be where the investors in a syndicated loan are sophisticated lenders in the business of lending.

It should also be noted that the cost associated with reporting may be prohibitively expensive for many mortgage lenders operating in the residential and small business loan space. Imposing the requirement to file Reports of Exempt Distribution puts these lenders at a competitive disadvantage as compared to other financial institutions not required to report.

**Alternative prospectus exemptions**

5) and 6) Yes, we believe there should be an exemption for distributions of syndicated mortgages on existing residential properties similar to the exemption for "Qualified Syndicated Mortgages" under BCSC Rule 45-501 Mortgages. In addition, in circumstances where all investors in a syndicate are sophisticated investors in the business of lending, they should be entitled to an alternative prospectus exemption that does not obligate them to report the distribution or incur filing fees with the regulators. Further, such exemptions should not result in an issuer losing its status as a "private issuer" should it already be one.

7) Please refer to our answer in question 4 above. A condition that the syndicated mortgage relates to property used for residential purposes or business purposes by the mortgagor would be appropriate. However, limiting the availability of the exemption to circumstances where the mortgagor is an individual is overly restrictive since it could frequently exclude mortgages on property used for business purposes. However, some restrictions and or stipulations around the nature of the business may be appropriate to exclude land development or speculative land holding businesses.

We wish to thank the Canadian Securities Administrators for the opportunity to respond to the Notice and to provide our comments on the proposed amendments contained therein. If you have any questions, we would be pleased to discuss with you in further detail. Please feel free to contact Neil Hutton at (403) 225-6416, or by email at [anhutton@mcleod-law.com](mailto:anhutton@mcleod-law.com), or Ryan Franzen at (403) 873-3707, or by email at [rfranzen@mcleod-law.com](mailto:rfranzen@mcleod-law.com), or Matthew Burgoyne at (403) 254-3827, or by email at [mburgoyne@mcleod-law.com](mailto:mburgoyne@mcleod-law.com).

Yours very truly,  
McLeod Law LLP