

FAIR

Canadian Foundation *for*
Advancement *of* Investor Rights
Fondation canadienne *pour* l'avancement
des droits *des* investisseurs

May 8, 2019

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

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Director, Communications and Stakeholder Relations
401 Bay Street, Suite 1505, P.O. Box 5
Toronto, ON M5H 3S8

Sent via email to: comments@osc.gov.on.ca

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, rue du Square-Victoria, 4e étage
C.P. 246, Place Victoria
Montréal, Québec H4Z 1G3

Sent via email to: consultation-en-cours@lautorite.qc.ca

RE: CSA Second 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

and

Proposed Changes to Companion Policy 45-106CP Prospectus Exemptions and Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations

FAIR Canada is pleased to provide comments on the Consultation Document and Proposed Amendments. These comments follow our submissions dated June 13, 2018 on the initial CSA Notice and Request for Comment.

FAIR Canada is a national, charitable organization dedicated to putting investors first. As a voice for Canadian investors, FAIR Canada is committed to advocating for stronger investor protections in securities regulation. Visit www.faircanada.ca for more information.

1. General Comments

- 1.1 FAIR Canada welcomes the introduction of increased investor protections in relation to the distribution of syndicated mortgages and increasing the level of harmonization in regard to the regulatory framework for syndicated mortgages throughout all CSA jurisdictions.
- 1.2 FAIR Canada has become concerned about the increasing number of frauds and misrepresentations involved in the sale of syndicated mortgages by mortgage brokers to retail investors. Syndicated mortgages were sold as safe investments, secured against real property, low-risk or risk-free and paid high annual fixed rates of interest. We welcome the transfer of jurisdiction in regard to regulation of syndicated mortgages from the Financial Services Commission of Ontario (FSCO) to the Ontario Securities Commission (OSC).
- 1.3 Syndicated mortgages lacked sufficient oversight and enforcement and we welcome reforms to how syndicated mortgages are regulated.
- 1.4 We believe that the Proposed Amendments adopt some of our comments on the prior version in an adequate manner. We detail below some of our concerns with the current version.

2. Specific Comments

- 2.1. As noted in our June 2018 submission we continue to be concerned about the issue of non-compliance. Now that the regulatory jurisdiction over syndicated mortgages has transferred from the FSCO to the OSC, the regulatory compliance mechanisms should be increased to make sure that those involved with providing investments in syndicated mortgages are complying with the rules and are not misleading investors. This moves syndicated mortgages more in line with the regulation in other provinces – under the purview of the securities regulator. As well, the CSA and OSC have to enforce the rules after enactment and ensure that those who

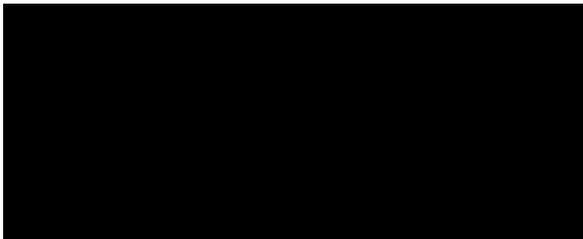
breach the rules face consequences.

2.2. The addition of Form 45-106F18 is useful because it requires the addition of disclosure of the speculative nature of an investment in a syndicated mortgage. While this is an improvement, we echo our concerns from our June 2018 submission that this risk disclosure does still not go far enough because many retail investors lack sufficient financial literacy to be proficient in financial matters associated with investments in syndicated mortgages. There should be clear instructions and notations about the risks involved in investing in syndicated mortgages.

2.3. We repeat our statements in our June 2018 submission that non-compliance harms investors and weakens confidence in the market generally. We re-emphasize our submission that resources within the CSA and OSC should be allocated to encourage compliance and enforcing the rules applicable to syndicated mortgage investments once in place.

We thank you for the opportunity to provide our comments and views in this submission. We welcome its public posting and would be pleased to discuss this letter with you at your convenience. Please feel free to contact Ermanno Pascutto at ermanno.pascutto@faircanada.ca, or Vanisha Sukdeo at vanisha.sukdeo@faircanada.ca.

Sincerely,



Canadian Foundation for Advancement of Investor Rights