

Draft Regulation

Securities Act
(chapter V-1.1, s. 331.1, pars. (11) and (34), and s. 331.2)

Regulation respecting the distribution of qualified syndicated mortgages

Notice is hereby given by the Autorité des marchés financiers (the "AMF" or the "Authority") that, in accordance with section 331.2 of the *Securities Act*, chapter V-1.1, the following Regulation, the text of which is published hereunder, may be made by the Authority and subsequently submitted to the Minister of Finance for approval, with or without amendment, after 60 days have elapsed since its publication in the Bulletin of the Authority:

- *Regulation respecting the distribution of qualified syndicated mortgages*

Background

As part of the regulatory amendments relating to the distribution of syndicated mortgages published by the Canadian Securities Administrators (the "CSA") in section 6.2.2 of this Bulletin, the AMF is publishing for comment a local regulation governing the distribution of qualified syndicated mortgages within the jurisdiction of Québec.

"Syndicated mortgage" means a mortgage in which two or more persons participate, directly or indirectly, as a lender in a debt obligation that is secured by the mortgage. Syndicated mortgages are securities and are consequently subject to securities legislation. The prospectus and registration requirements therefore apply to their distribution.

Purpose of the Regulation

The proposed Regulation exempts the distribution of qualified syndicated mortgages from the prospectus requirement.

The Regulation proposes a definition of "qualified syndicated mortgage" that limits the scope of this type of mortgage to low-risk mortgages on property that is used primarily for residential purposes. Even though a qualified syndicated mortgage is a security, it more closely resembles a conventional mortgage than other, more complex syndicated mortgages. The proposed definition therefore excludes syndicated mortgages incurred for the construction or development of property. Similarly, the amount of the debt the syndicated mortgage secures, together with all other debt secured by mortgages on the same property that have priority over, or the same priority as, the syndicated mortgage cannot exceed 80% of the fair market value of the property.

Other considerations

Requirement to register as a securities dealer

The distribution of qualified syndicated mortgages will continue to be subject to the requirement to register as a securities dealer. The AMF framework for mortgage brokers was adopted on May 1, 2020, and it is the AMF's opinion that proposing any exemption from the registration requirement in connection with qualified syndicated mortgages would be premature. However the AMF will continue to evaluate the possibility of proposing an exemption from the requirement to register as a securities dealer.

Distribution of syndicated mortgages to permitted clients

In connection with the CSA publication, certain jurisdictions have also published local prospectus and registration exemptions, subject to various conditions, for the distribution of syndicated mortgages to “permitted clients” (within the meaning of *Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations*). Given Québec’s regulatory framework, the AMF has decided that this would not be an appropriate time to propose the adoption of these exemptions, particularly in light of the availability of other prospectus exemptions.

Request for comments

The AMF welcomes your comments on the proposed amendments. We would also like to know your opinion on the following questions:

1. Do you believe that the AMF should adopt a specific prospectus exemption for the distribution of syndicated mortgages to “permitted clients” in Québec. If so, why?
2. Do you believe that the AMF should adopt a registration exemption for the distribution of syndicated mortgages to “permitted clients” in Québec. If so, why?

Please submit your comments in writing on or before **October 9, 2020**, to:

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Unless otherwise noted, comments will be posted on the Authority’s website at www.lautorite.qc.ca. Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

Further information

Additional information is available from:

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