



ONTARIO
SECURITIES
COMMISSION

OSC Staff Notice 11-784 Burden Reduction

The OSC is seeking suggestions on ways to further reduce unnecessary regulatory burden, as provided in OSC Staff Notice 11-784.

We invite your comments on the Staff Notice through the survey below. Please note that each question has a 4000 character response limit.

Closing date: March 1, 2019

Thank you for sharing your thoughts with the OSC Burden Reduction Task Force.

* Required

1. Please provide your name. *

Ricky Dogon

2. What is the name of your firm or company, if applicable?

Foremost Financial

3. What is your role in the capital markets? *

Registrant

4. Do you have any general comments on the topic of regulatory burden reduction related to securities regulation? If so, please enter only the legislative reference for your suggestions in the box below (for example 31-103 1.1)

(1) 31-103 14.19 (2) 188/08 FSCO Forms 3.0, 3.1 and 3.2 (3) 13-502

5. Please use the space below to provide your general comments.

(1) 31-103 14.19:

The requirements to provide investors with an annual report of investment performance, as well as an annual report on charges and compensation, has helped increase transparency for investors which we commend. However, the prescriptive nature of 14.19 has made the production of these investment performance reports unnecessarily costly and burdensome, often requiring the implementation of costly custom software programs. The requirement to include pictures and graphics is particularly difficult to adhere to without the implementation of custom software and, even in the example included in NI 31-103 Appendix E, provides no additional value to investors. We believe allowing for more flexibility in the format, content and creation of these reports would decrease the burden on registrants, without decreasing the value these reports provide to investors.

(2) 188/08 FSCO Forms 3.0, 3.1 and 3.2:

While these regulations may currently fall outside the jurisdiction of the OSC and outside the scope of the Burden Reduction Task Force, we want to raise the issue of these forms as regulation of some or all syndicated mortgage trading will be transferred to the OSC in the future. The current disclosure forms (Forms 3.0, 3.1 & 3.2) are not sustainable or sensible. They do not reflect the spirit of simple, fair and consistent regulation. The forms amount to over 55 pages and do not achieve the intent of providing transparent and simple disclosures. In fact, it may be the case that investors are not reading such vast amounts of paper. An investor who participated in 10 loans would need to review over 550 pages of documentation. In these circumstances, the investor could reduce the number of loans in their portfolio to avoid the paperwork, thereby reducing diversification and enhancing risk, or simply not read the disclosures. We strongly urge that when the OSC does take over regulation of syndicated mortgages that the suitability and disclosure requirements of any other exempt market product be applied and the requirement to complete the current prescriptive forms be repealed.

(3) 13-502:

In the 2017-18 CRR Annual Report it was confirmed that registrants are unable to deduct revenue from origination fees and renewal fees paid to registered firms in connection with mortgage financings. This is despite the fact that there are exemptions from the registration requirements for trades in mortgages or real property and that mortgage investments are currently regulated by a different entity. The purpose of the capital markets participation fee is to cover the costs borne by the OSC in regulating the capital markets. As they are not regulating mortgage activities, they bear no associated regulatory costs and the inclusion of mortgage origination and renewal revenue in the fee calculation is a perfect example of unfair and burdensome interpretation of a regulation. We strongly urge the OSC to reconsider its interpretation and guidance on the matter.

6. Are there operational or procedural changes that would make market participants' day-to-day interaction with the OSC easier or less costly? If so, please enter only the legislative reference for your suggestions in the box below.

7. Please use the space below to provide your suggestions for operational or procedural changes.

8. Are there ways in which we can provide greater certainty regarding regulatory requirements or outcomes to market participants? If so, please enter only the legislative reference for your suggestions in the box below.

9. Please use the space below to provide your suggestions regarding how the OSC could provide greater certainty regarding regulatory requirements or outcomes.

In general, we believe the OSC could provide better guidance where there is regulatory uncertainty caused by regulatory overlap and shifts in responsibilities of specific regulators. Over the last 2 years there have been numerous proposals and regulatory changes with regards to the regulation of syndicated mortgage investments, as well as the formation of FSRA. This has caused a great deal of regulatory uncertainty. The proposals and regulation changes do not reference those of other regulators, and from the outside there does not seem to be any cooperation between the various regulators on these matters. We have had to make many changes to our operations as a result of the recent revisions to the MBLAA, without understanding whether these are stop-gap measures or whether they are regulations that would remain under OSC regulation. We would greatly encourage the OSC to issue joint guidance with other regulators in these situations to help registrants better understand the full regulatory picture.

10. Are there forms and filings that issuers, registrants or other market participants are required to submit that should be streamlined or required less frequently? If so, please enter only the legislative reference for your suggestions in the box below.

45-106F1

11. Please use the space below to provide your suggestions regarding forms and filings.

We believe the requirement for non-investment funds to file a 45-106F1 within 10 days of placing a trade is unnecessarily burdensome. It is often logistically challenging to ensure all capital is received within the 10-day window, and the result is that often multiple filings are required.

We recommend Increasing the allowable time to 30 days, or perhaps even harmonizing with the requirements for investment funds and allowing annual

filing of 45-106F1 for non-investment funds. This will reduce the duplication of work for both issuers, and the OSC and will significantly decrease the fee burden on issuers.

12. Are there particular filings with the OSC that are unnecessary or unduly burdensome? If so, please enter only the legislative reference for your suggestions in the box below.

31-103 13.4

13. Please use the space below to provide your comments regarding burdensome filings.

We strongly believe that the Outside Business Activities ("OBA") regulations have had negative societal effects that far outweigh any minimal investor protection they provide. Anecdotally, the regulations and associated filings have become onerous enough that registrants have left or declined to sit on the boards of charitable organizations.

We feel the current OBA regime should be eliminated and replaced with regulations that more directly address the regulatory goal of ensuring that outside business activities do not create conflicts of interest. This should be done through required disclosures made directly to investors where conflicts actually exist, rather than when an OBA has the possibility of leading to a conflict of interest.

14. Is there information that the OSC provides to market participants that could be provided more efficiently?

15. Are there requirements under the OSC rules that are inconsistent with the rules of other jurisdictions and that could be harmonized? If so, please enter only the legislative reference for your suggestions in the box below.

45-106 2.9

16. Please use the space below to provide your comments and suggestions around harmonization of rules.

The Offering Memorandum exemption has not been used in Ontario to the extent it has in B.C. Labrador and Newfoundland. We believe harmonizing the exemption across all provinces, using the B.C. model, would increase the number of issuers using the exemption and in turn would increase investment options and add value for investors.

17. Are there specific requirements that no longer serve a valid purpose? If so, please enter only the legislative reference for your suggestions in the box below.

18. Please use the space below to provide your comments and suggestions around requirements that may no longer serve a valid purpose.

19. Are there ways to enhance and improve how investors experience disclosure provided: (i) before they invest; (ii) as part of ongoing public disclosure; and (iii) by registrants?

20. Please use the space below to provide your suggestions for modernizing information provided to investors because of regulatory requirements. For example, specific areas where we could promote the use of plain language?

21. Do you have any other comments for the OSC Burden Reduction Task Force?

22. If you don't have enough space for your response to any question above, please use the space below to continue your comments. Please indicate which question these comments relate to.