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To:

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

Re: CSA Notice and Request for Comment
Proposed National Instrument 45-110: Start-up Crowdfunding Registration and Prospectus
Exemptions (the "Proposed Instrument")

Thank you for the opportunity to comment on the Proposed Instrument.

Equivesto Canada Inc. (Equivesto) is an exempt market dealer recently registered in Ontario that has been established in order to operate an equity crowdfunding portal. As an exempt market dealer, Equivesto will conduct due diligence on issuers offering their securities through its portal as well as suitability assessments for prospective investors.

Equivesto welcomes the Canadian Securities Administrators' effort to harmonize regulation of start-up equity crowdfunding through the Proposed Instrument. While many equity crowdfunding offerings are directed at local investors, the associated issues are of interest to investors in multiple jurisdictions. The goal of keeping legal and regulatory costs low for issuers raising small amounts makes it important that there be one uniform set of rules across jurisdictions. Simply having one instrument with all the rules in it reduces the burden of those coming to the market for the first time.

Equivesto wishes to comment on two of the questions raised in the request for comments, individual investment limits and limits on the amount raised in a calendar.

Individual investment limits

The Proposed Instrument would limit the investment by an investor in any one issue to \$2,500 or \$5,000 if the investor has obtained advice from a registered dealer that the investment is suitable.

Equivesto suggests that the investment limit for an investor who receives suitability advice from a registered dealer should be \$10,000.

The two-tiered investment limit is similar in approach to the investment limits under the offering memorandum exemption in section 2.9 of National Instrument 45-106: *Prospectus Exemptions* for eligible investors receiving suitability advice from a registered dealer. In that instrument the investment limit for a non-eligible investor is \$10,000 in five jurisdictions¹, and effectively \$10,000 provided the investor is an individual and invests in only one issue under the exemption in a calendar year in six jurisdictions².

Equivesto recognizes that there are differences in the disclosure regimes between the Proposed Instrument and National Instrument 45-106, such as the lack of a requirement for audited financial statements. Equivesto suggests that the differences support the low investment limit for an investor not receiving suitability advice, but that the involvement of a registered dealer provides a level of investor protection at least equal to and probably higher than that provided to a non-eligible investor under National Instrument 45-106 that receives no suitability advice. We therefore suggest that a \$10,000 investment limit is appropriate.

Total raise amounts

The Proposed Instrument proposes a limit of \$1,000,000 on the amount an issuer can raise using the crowdfunding exemption and requests comments on whether the limit should be higher.

Equivesto suggests that a two-tier approach would be appropriate for the issuer limit.

The limit on the amount of a raise is based on investor protection considerations. Under the exemption, an unregistered portal can sell securities based on an offering document prepared by the issuer. While there are bases on which an entity may be disqualified from acting as a funding portal, the lack of a registration requirement means that there is no "fit and proper" review of a funding portal and its principals like there is for registered firms.

Equivesto suggests that where the offering is being made through a registered dealer that is subject to the requirements of National Instrument 31-103: Registration Requirements, Exemptions and Ongoing

¹ Manitoba, Northwest Territories, Nunavut, Prince Edward Island and Yukon

² Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan

Registrant Obligations, there is additional layer of investor protection that we suggest supports a higher offering limit. We suggest that a limit of \$2,000,000 would be appropriate where the offering is made through a portal operated by a registered dealer. The issuer will continue to benefit from the lower costs of crowdfunding while investors receive the greater protections offered by a registered dealer.

We also suggest that where there is a higher limit on the amount invested it is important that the instrument include statutory liability for a misrepresentation in the offering document. We suggest that such a provision will not deter issuers, but will make them careful about their disclosure obligations.

Instruments Offered

The Proposed Instrument lists the types of securities that can be offered through crowdfunding. The commentary notes the goal of keeping crowdfunding offerings to straightforward securities and preventing the offering of more complex instruments such as asset-back securities and structured products.

Equivesto agrees with the objective of the definition of “eligible securities” and the notion that there may be other types of securities that would meet the objective of the definition. In general, we suggest that the objectives of the Proposed Instrument can be met without limiting the types of securities based on the corporate form.

We suggest that this could be accomplished through a general definition of “eligible securities” that captures the purpose of the Proposed Instrument, such as “instruments providing direct equity or debt capital to an operating business” with specific examples such as those listed in the Proposed Instrument. This would enable the sale of similar instruments such as trust units where there is a different corporate form than foreseen by the instruments.

We suggest that it would also be appropriate to specifically exclude some types of issuers such as investment funds, blind pools, asset-backed securities and structured products because they do not fit with the purposes of the Proposed Instruments.

Respectfully submitted



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