

1. General Observations and Comments:
 - Mortgages require to be treated in a “special category” as they relate to “a security instrument”. The only similarity is that it is a “debt instrument” the differences are:
 - (a) There are specific laws and rules for mortgages regarding enforcement.
 - (b) Registrations rules.
 - (c) the need for lawyers in the process etc.
 - (d) It is not that clear that a Mortgage should be treated as an “Exempt Product”. The fact is that there is no opportunity or way to file a Prospectus or take advantage of becoming a “reporting entity”. By the nature of the mortgage, there are numerous built in protections that would not require a “prospectus” (mortgage brokers and lawyers involved in the process).

- Not all mortgages are the same:

A mortgage on an existing residential or commercial structure is not the same as mortgages for land and developments. The issue is “change in value”. The underlying asset in one case is constantly changing in value due to business decisions of the borrower (keeping market values out of the formula). So mortgages to finance developments are actually an investment in a business. Not so for mortgages for existing residential or commercial properties.

- Why allow an individual to invest in a mortgage without Security Commissions’ involvement BUT if one more person joins the party and invests in the same mortgages, it becomes off-side. The “security” is the same.

2. Recommendations:

- There is no need for further regulatory oversight for existing residential or commercial properties. The present regime that exists is sufficient. There are lawyers, appraisers, and mortgage brokers involved in every deal right now. At most maybe limit the number of investors allowed to participate in a given mortgage. Additional oversight is redundant.
- There is definitely a need for additional regulations for “development” financing. These deals are a “business” venture and should fall directly under Security Commissions regulations, as recommended by these changes.

I greatly value the efforts and vigilance of our regulators. The investor protection requirements should never be understated. However, in this case the proposed changes as they stand, is using a “sledge hammer” when a “hard shoe” will do. Do not fix certain things if they are not broken!

Regards,

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