



Via E-mail

February 29, 2012

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

c/o Gordon Smith
British Columbia Securities Commission
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c/o Anne-Marie Beaudoin
Autorité des marchés financiers
800, square Victoria, 22nd Floor
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Montréal (Québec)
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Dear Mr. Smith and M^e. Beaudoin,

Re: CSA Staff Consultation Note 45-401 Review of Minimum Amount and Accredited Investor Exemptions – Public Consultation

This comment letter is being submitted on behalf of RBC Dominion Securities Inc. and RBC Phillips, Hager & North Investment Counsel Inc. (collectively “RBC”). We are writing in response to the Canadian Securities Administrators’ (“CSA”) request for comment on Staff Consultation Note 45-101 – *Review of Minimum Amount and Accredited Investor Exemptions* (the “Consultation Note”) published on November 11, 2011. We welcome the opportunity to provide comments to the CSA on their review of the minimum amount and accredited investor prospectus exemptions contained in National Instrument *45-106 Prospectus and Registration Exemptions* (“NI 45-106”).

General Comments

RBC is fully supportive of regulatory initiatives that promote investor protection while at the same time maintain a fair equitable marketplace for industry participants. We recognize that the CSA has identified a number of concerns with the existing exemptions, specifically the thresholds for minimum investment and income and assets as well as the qualification criteria which are used to determine an accredited investor. However, we continue to believe that the minimum amount and accredited investor exemptions are appropriate and should be available to both retail and institutional investors. We recommend periodic review of both the minimum amount and accredited investor exemptions to ensure that the thresholds are adjusted to reflect inflation.

We note that the CSA is seeking input on whether the involvement of a registrant required to meet suitability obligations would address any concerns relating to use of the exemptions. We submit that registrants, whether they be exempt market dealers or investment dealers, are subject to stringent rules and regulations, such as know-your-client, suitability and know your product obligations, when recommending products to clients. We believe that purchasing exempt products through a registrant further enhances the CSA's objectives of investor protection. We further believe that the consultation process undertaken by the CSA is a good opportunity to consider whether the objectives of market participants who use the exemptions to raise capital may be different. If so, the rules and regulations that pertain to venture capitalists may require a separate and distinct policy objective.

Lastly, we strongly encourage the CSA to harmonize the various exemptions available under 45-101, including the offering memorandum exemption and the managed account carve-out in Ontario. We continue to believe that a fully harmonized and consistent set of requirements across all jurisdictions will reduce confusion for both investors and market participants.

We have outlined below specific comments on the minimum amount and accredited investor exemptions.

Specific Comments

1. Minimum Amount (MA) Exemption

Minimum Amount Threshold

The justification of the minimum amount exemption has been premised to a certain extent on an investor's ability to withstand financial loss. While we do not solely rely on the minimum amount exemption for individual investors to participate in the exemption market, we believe that at minimum, the current threshold of \$150,000 should be adjusted for inflation. As the consultation document notes, the \$150,000 threshold set in 1987 is equivalent to over \$265,000 in 2011 dollars. We recommend that the CSA adjust the minimum accordingly.

2. Accredited Investor (AI) Exemption

Thresholds for Income and Assets

Further to our comments above, we believe that the thresholds for income and assets should also be adjusted to reflect inflation. For example, we recommend that the CSA raise the income threshold to \$245,000 to adjust for inflation since 2001, the year the Ontario Securities Commission first adopted the exemption.

Compliance with Qualification Criteria

We recognize that the CSA has noted that there have been some issues with the AI exemption, specifically in ensuring that firms comply with the qualification criteria outlined in NI 45-106. However, we do not agree with the CSA's proposal to introduce a new requirement that would require that an investor's AI status be certified by an independent third party, such as a lawyer or an accountant. We believe that the proposed requirement would impose a significant administrative burden in addition to increased costs to clients without appreciable improvements to investor protection. As stated above, a registrant is responsible for ensuring that investors qualify as accredited investors as part of their suitability and know-your-client obligations.

Type of Investors

We do not believe that the CSA should limit the use of the AI exemption strictly to institutional investors. Accordingly, individual investors should not be denied access to the exempt market. We further believe that the CSA should not limit the use of the AI exemption by introducing qualification criteria such as the ability of an investor to demonstrate a level of investment experience or education. In our view, adding a subjective element to the assessment of the accredited investor exemption will be difficult to implement with consistency and may prove to be challenging to assess on a case by case basis. The existing financial qualification criteria are a bright line test and we believe that introducing a subjective element may further complicate compliance in determining who qualifies as an accredited investor.

3. MA and AI Exemptions

Periodic Review of the Exemptions

We support periodic review of both the minimum amount and accredited investor exemptions, similar to the four-year review of the "accredited investor" definition mandated by the 2010 *Dodd-Frank Wall Street Reform and Consumer Protection Act*. As part of the CSA's review, the adjustments to reflect inflation over the review period should be incorporated in the revised thresholds.

Type of Products

We do not believe that the CSA should impose any investment limitations based on the novelty or complexity of a security on individual investors. By way of illustration, in April 2011, the CSA published for comment Proposed National Instrument 41-103 *Supplementary Prospectus Disclosure Requirements for Securitized Products* that, among other things, introduced a new Securitized Product Exemption which would limit the distribution of securitized products to a new class of investors, specifically an "eligible securitized product investor". We do not believe that the CSA should exclude investors from participating in the exempt market based on whether they would be an 'eligible investor' for a certain product. Furthermore, introducing a product-centred exemption may deter investment and overstate the level risk and complexity with certain types of products currently available in Canada, such as securitized products.

Concluding Remarks

Thank you for providing us with the opportunity to provide our comments. We would be pleased to discuss our comments further with you. If you have any questions or require further information, please do not hesitate to contact the undersigned.

Sincerely,

"David Agnew"
Chief Executive Officer
RBC Dominion Securities Inc.

"Vijay Parmar"
President
RBC Phillips, Hager & North Investment Counsel Inc.

- c. Russell Purre, Chief Compliance Officer, RBC Dominion Securities Inc. (Retail)
Shaine Pollock, Chief Compliance Officer, RBC Dominion Securities Inc, (Institutional)
Martha Rafuse, Chief Compliance Officer, RBC Phillips, Hager & North Investment
Counsel Inc.