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BY EMAIL

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Dear Sirs/Mesdames:

Re: Notice and Request for Comments on the Proposed Amendments to NI 45-106 *Prospectus and Registration Exemptions* Relating to the Short-term Debt Prospectus Exemption and Proposed Securitized Products Amendments (the “Proposed Amendments”)

We are writing in response to the request of the Canadian Securities Administrators (the “CSA”) for comments regarding the Proposed Amendments. First National Financial LP is a Canadian-based originator, underwriter and servicer, of predominantly prime single family residential, multi-unit residential and commercial mortgages, with mortgages under administration of \$75.6 billion as at December 31, 2013. We are active users of ABCP conduits in our capacity as an originator, seller and servicer (collectively the “Seller”). We understand that a number of industry participants are submitting comprehensive comments and we are focusing our response on certain disclosures in the Proposed Amendments.

We have three principal concerns with the Proposed Amendments.

1. The definition of “significant party” would include any Seller to an ABCP conduit.
 - i. We believe that disclosure of Sellers would increase the probability and severity of disruptions in the ABCP market by introducing a risk that does not exist now. The period after the ABCP Market Disruption was characterized by a sudden and significant withdrawal of credit to businesses—and entire industries—as the market demonstrated how reactive it could be to “headline risk” and “contagion” effects.
 - ii. This disclosure would put the Seller at a disadvantage when negotiating terms of future securitization transactions and other lending arrangements among their various banking relationships. In context, access to bank-sponsored ABCP conduits should be viewed as one component of the overall lending relationship between a business and its banks rather than purely a securities market concern. This proposal may affect the Seller’s use of ABCP conduits and its ability to offer competitive products and choice to its customers.
 - iii. This disclosure would put the Seller at a competitive disadvantage as sources of funding for its business are considered proprietary and are closely guarded secrets. Competitors would have full transparency on volumes funded using ABCP providing insight into margins and pricing; they would also know which banks the Seller uses. This proposal may affect the Seller’s use of ABCP conduits and its ability to offer competitive products and choice to its customers.
2. Timely disclosure reports should be for material changes only. The goal of investor protection should be balanced against the potential risks of disclosure. Investors may place undue weight on disclosures and thereby incite a market disruption.
3. Disclosures of “principal obligor” may violate privacy laws, contractual confidentiality between the Seller and the obligor, and may compromise the competitive position of the obligor. This proposal may affect the Seller’s use of ABCP conduits and its ability to offer competitive products and choice to its customers.

We have two general comments.

1. We disagree with the portrayal of ABCP as riskier than CP. While admittedly more complex, ABCP investors are currently exposed to short term credit risk on a diversified pool of retail and commercial receivables as compared to the general obligation of a single corporation. The transaction is credit enhanced such that the potential for actual losses is remote in the opinion of two rating agencies and the sponsoring bank. Liquidity is guaranteed by an OSFI-regulated bank. In a stressed economic period, while a corporation may require more short term funds, the notional risk in a conduit should naturally decline as assets pay out of the pool. This is true for scenarios where new asset sales to the conduit decline in sympathy with sales of homes, cars, tractors, etc.

2. As the CSA moves forward, we respectfully urge caution about unintended consequences to the real economy. ABCP is an important source of funding for many businesses and allows them to offer competitive products and choice to their customers.

We are grateful for the opportunity to comment on the Proposed Amendments. Please address any questions or comments to Thomas Kim, Director Capital Markets, at 416-597-5799 or via email at Thomas.Kim@FirstNational.ca.

Sincerely,

Stephen Smith
Chairman, President and CEO