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The Secretary  
Ontario Securities Commission  
20 Queen Street West  
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**Re: CSA Proposed Amendments Relating to the Offering Memorandum Exemption**

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Dear Madams:

I am writing to comment on the proposed amendments to NI 45-106, in particular the proposed annual investment limits for non-accredited investors.

A restriction placed in this way would affect the livelihood and economic potential of Canadian individuals and businesses – substantially more so than losses caused by the occasional ill-advised investment or irresponsible decision by an investor.

On a deeper level, and aside from its insulting nature (to both investors and industry participants) and questionable constitutionality, the proposed restriction appears to be in **direct contrast to the role and mandates of the CSA**, OSC and the remaining provincial members.

I would like to outline some of the ways this change is not consistent with the mandate, and provide some insights into how the mandate could be effectively adhered to within the context of improving the exempt securities market.

Respectfully, the summarized mandate of the CSA and provincial regulators is as follows:

1. Protect investors from fraudulent, manipulative or misleading practices
  2. Education and full disclosure of information
  3. Fair, efficient and transparent markets
  4. The reduction of systemic risk where risk cannot be avoided
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1. The proposed annual caps **do not protect investors from fraudulent, manipulative or misleading practices**, and I believe it would *increase* this risk. As it becomes more difficult for small and mid-sized companies (SMEs) to raise capital and more difficult for industry participants to earn a living, the restriction could create pressure for issuers and registrants to cut

corners. For example, the income earning ability of registrants could be challenged to the point of registrants using bad practices out of necessity to earn a living. Any fraudulent, manipulative, or misleading practices that exist in the marketplace today would not only continue to exist, but be potentially magnified. I also propose that the investors most susceptible to these risks are those with little to invest in the first place.

2. With respect to the mandate of **education and full disclosure of information**, the proposed change is not consistent. It does nothing to educate the public about the exempt market, risks of investing, and their options as Canadians. It only places a restriction on their investment options, to the detriment of the entire marketplace and our economy.
3. When it comes to **fairness**, the proposed change is not consistent with that mandate and is more consistent with market interference. Investment capital naturally flows where there is a demand, and, in this case, the demand is created by SMEs. SMEs fuel the future growth of our economy, create jobs, tax revenue, and so on. On the supply side, investors win over time through a risk-adjusted return on investment and participation in the growth of this segment of the economy. By restricting the flow of exempt market capital, regulators are interfering with this natural and vital marketplace. *It is the role of the regulators to protect investors, not to interfere with the market or dictate where investor funds should flow – which could also be seen as providing investment advice.*

When we discuss **efficiency**, the proposed changes reduce efficiency. Efficiency in this context would be increasing the amount, availability, and distribution capacity of capital. The proposed restriction works in the opposite way, increasing the cost of capital per purchaser, increasing the time it takes to raise the same amount of capital as more purchasers are needed, and increased administrative costs for issuers. From the regulators standpoint, and to the detriment of taxpayers, there would be an increased cost of administering the changes, educating the public and intermediaries, and regulating this change going forward.

4. Finally, when seeking to **reduce systemic risk** and the risk of intermediary failure, the proposed changes only serve to increase the risk of failure by *increasing* the overall cost of capital, while *decreasing* the availability of capital. Given this more difficult environment, the quality and success potential of new and existing issuers going forward would become riskier to the same investors who regulators are trying to protect. The other concern is by limiting the size of an investor's exempt holdings, it reduces the asset base through which to diversify between offerings. *So the result is a less diverse portfolio of riskier securities.*

The proposed changes are fundamentally at odds with the goals of the CSA and provincial regulators. As an investor, I would find it difficult to have confidence in the securities marketplace if its regulators can't follow their own mandate.

Proposed alternatives for consideration:

1. Enforce ongoing quarterly reporting and filing for key business metrics, offering documents, financial statements and material changes. (Increase access to information, education, and transparency)

2. Increase the educational requirements (barrier to entry) of new Dealing Representatives. Perhaps blend key educational lessons on the exempt market into a new version of the Canadian Securities Course. (Supervising registrants and increasing the proficiency of registrants in the marketplace).
3. Support and work closely with the Private Capital Markets Association (PCMA) and the National Exempt Market Association (NEMA), who have made incredible progress for this market since National Instrument 31-103 was introduced.

This submission is being made on my own behalf.

If you would like further elaboration on my comments, please feel free to contact me at [andrew.zuyderduyn@pinnaclewealth.ca](mailto:andrew.zuyderduyn@pinnaclewealth.ca)

Regards,



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