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The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8

Re: CSA Proposed Amendments Relating to the Offering Memorandum Exemption

Dear Madams:

First of all, I would like to congratulate and thank each of the provincial bodies as well as the CSA for the incredible work over the last few years to bring massive positive change to the Exempt Market. Investors are far more protected against fraud now than ever. The fact that we now **must** adhere to the Know Your Client, Know Your Product, and Suitability principals makes me proud to be a part of this young and exciting industry.

I am writing today to comment specifically on the amendments proposed to NI 45-106 around creating annual investment limits for non-accredited investors.

The proposal is confusing to me because in no other investment avenue (stocks, options, derivatives, bonds, precious metals, real estate) are there any such blanket caps that “protect” investors from the tremendous potential for risk.

It appears that this proposal is singling out the Exempt Market without regard for the merits of the systems that have already been implemented to create an increasingly secure industry.

There are numerous serious consequences if such a change were to go through:

1. There is a significant range of type of investors who qualify as “eligible.” They can be young with a very high level of income or they can have low incomes, high savings rates, and excellent investment acumen. There are also investors who barely make the cut to be “eligible” and others who are not too far away from qualifying as “accredited.” Placing a cap is a direct conflict to the very principal of suitability. In fact, I wonder if it might even be considered a form of discrimination.
2. Take the scenario of a household that has \$50,000 per year of savings. Let’s say they only invest \$15,000 per year for 10 years in the Exempt Market and experience an average 7% rate of return. Their money doubles in 10 years and in year 11 they receive \$30,000. In year 11, this household

can no longer adequately diversify their portfolio because now if they reinvest all their proceeds back into the Exempt Market, they still have \$50,000 of savings from year 11 and cannot direct \$15,000 of this to Exempt. In effect, this penalizes investors who are already utilizing the Exempt Market as part of a highly well thought out investment plan. In some cases, it may also force investors to invest in other vehicles they do not understand.

3. Limiting capital inflow to the exempt market will cause the high quality investments (many of which already pose a \$25,000 minimum investment limit) to remove themselves from the exempt market and seek capital elsewhere. This will have a negative impact on ALL investors by reducing choice and working directly against all the progress already made in the industry.
4. As an Exempt Market Representative, the cost of client acquisition is high and keeping clients means having the time to spend with each client making sure their needs are best met. With a \$30,000 per year limit for our clients, in order to remain in the industry, it would mean taking on more and more new clients in order to continue to make a good living. Personally, I do not believe in this approach as it is not a sustainable, long-term business model. Rather than attracting the best people to our industry, we will effectively ensure that the best people will move on and seek other opportunities.

I understand and fully support the intent of the proposal to reduce fraud in the Exempt Market and achieving this outcome is **paramount** to our success. I'm also highly supportive of continued dialogue to identify the real challenges we face today even with increased regulation and measures. However, as in any problem solving process, it is important to gather hard evidence to help define the problem properly, and then to engage closely with all stakeholders to find a solution that is a win for everyone.

These proposed changes are clearly not a win for anyone and I look forward to continued dialogue, and collective problem solving.

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 [REDACTED]

Regards,



Shyam Ganesh

CC:

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