

**BY ELECTRONIC MAIL:** [comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

June 17, 2014

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

Dear Secretary,

RE: Consultation Paper 45-108: Crowdfunding (Introduction of proposed prospectus exemptions and proposed reports of exempt distribution in Ontario)

I write in response to the Ontario Securities Commission Consultation Paper 45-108 published for comment on March 20, 2014.

I am an individual investor with a particular interest in this new asset class. If implemented correctly, crowdfunding of SMEs and start-ups represents an excellent opportunity for Canadians to diversify their portfolio, while supporting economic growth.

Thank you for the opportunity to submit comments. In general, I agree with the crowdfunding framework being proposed.

My comments below are mostly offered from an investor protection and education perspective:

- 1- I like the limit of \$2,500 per investment (to minimize the risk of selection errors). However, I would rather see the fixed overall limit of \$10,000 be calibrated based on a percentage of the overall investment portfolio. Is an investor with \$50,000 well served by being able to invest \$10,000 into this high risk asset class—I do not think so. My view is different for an investor with an overall portfolio of \$500,000- \$1,000,000 (for example). In that case, a limit of \$10,000 (less than 1%) is too low. For crowdfunding to be an economic engine, as well as an asset class “worth consideration”, I suggest that a percentage of 5% is a better balance between investor protection and capital flow.
- 2- Investment diversification is an important component to capital protection. This is particularly true for this asset class, which itself should represent a small fraction of an overall portfolio. Given the need for diversification and building a portfolio over time, I suggest that the \$10,000 limit can be carried forward for one year if not used in the previous year. I would not suggest this mechanism if the limit was not so restrictive as to cause an “invest or lose the opportunity” mentality.
- 3- Compliance to investment limits is through investor self-certification. Of course, this opens the door to abuse from investors using multiple portals. I like the language around capital risks as a mitigation mechanism, but there is a lack of clarity on consequence should an investor

fraudulently self-certify. I suggest that clarity be provided and that investor education in that area be strengthened.

- 4- Annual disclose for non-reporting issuers is not sufficient. I suggest that more regular updates, even of a non-financial nature, are required to align with the ideal concept of crowd engagement.
- 5- Portal registration is an area of concern, as it relates to investor protection. With globalization and the use of the internet as the platform, many investment opportunities will be available to Ontarians at a global level—without local registration. Given the OSC cannot realistically prevent the investment from an Ontarian through an out-of-province and country portal; what mechanism could be implemented to mitigate the risk? I suggest that the value of a registered portal (versus not) be clarified and be further communicated through investor education.
- 6- I suggest that the crowdfunding offering be structured to be eligible for inclusion in tax deferred accounts, such as RRSP and TFSA.
- 7- With a view of simplification and investor understanding of the issued security (which would help in minimizing fraud), I suggest that a crowdfund shares with standard terms & conditions be created.

This submission is being made on my own behalf.

Thank you for taking the time to review my comments. If you want like further elaboration, please feel free to contact me at [pierreecyr@outlook.com](mailto:pierreecyr@outlook.com).

Regards,

*(signed) Pierre Cyr*

Pierre Cyr