



Via Email

June 18, 2014

Ontario Securities Commission
c/o Secretary
20 Queen Street West
19th Floor, Box 55
Toronto, ON M5H 3S8
email: comments@osc.gov.on.ca

Dear Sir or Madam

Re: Request for Comment: Proposed Prospectus Exemptions, Proposed Reports of Exempt Distribution in Ontario and Consequential Amendments to National Instrument 45-106 – *Prospectus and Registration Exemptions* (“NI 45-106”), OSC Rule 45-101 Ontario Prospectus and Registration Exemptions (“OSC Rule 45-501”) and the Introduction of Multilateral Instrument 45-108 Crowdfunding (“ML 45-108”) (*collectively the “Proposed Prospectus Exemptions”*)

This comment letter is being submitted on behalf of RBC Dominion Securities Inc., RBC Phillips Hager & North Investment Counsel Inc. and RBC Global Asset Management Inc. (collectively “RBC”). We are writing in response to the Ontario Securities Commission’s (“OSC”) request for comment on the proposed new prospectus exemptions published on March 20, 2014. We welcome the opportunity to provide comments to the OSC in relation to the new capital raising exemptions.

General Comments

We understand that the OSC has published for comment the Proposed Prospectus Exemptions as part of the OSC’s broadened scope to determine whether new prospectus exemptions should be introduced that would facilitate capital raising for business enterprises in Ontario. Prior to implementing some of the Proposed Prospectus Exemptions, and in particular the crowdfunding exemption, we recommend that the OSC consider the experience and developments in other jurisdictions, such as the United States. In this regard, it will be critical to determine whether the proposed exemptions enhanced the capital raising mechanisms for small or medium enterprises in those jurisdictions and/or whether these exemptions have raised any adverse effects on investor protection.

Alongside the publication of the OSC Proposed Prospectus Exemptions, several members of the Canadian Securities Administrators (CSA) have also published amendments related to the review of the prospectus exemptions, including the introduction of a new crowdfunding prospectus exemption. We continue to believe that a fully harmonized and consistent set of prospectus exemptions across all jurisdictions will reduce confusion for both investors and market participants.

Specific Comments

We submitted comments related to the proposed amendments to NI-45-106, which were published on February 27, 2014, and OSC Staff Consultation Paper 45-710 – *Considerations for New Capital Raising Prospectus Exemptions (the “Consultation Paper”)*, which was published on December 14, 2012. We would like to take this opportunity to reiterate some of our comments outlined in our previous submissions.

1. *Offering Memorandum Exemption*

We do not object to the introduction of the Offering Memorandum (OM) exemption in Ontario. We believe harmonization of the exempt market across Canada is important to ensure that both investors and market participants have equal access to the exempt market regardless of the jurisdiction in which they reside. Nevertheless, we do not believe that harmonization should come at the expense of investor protection. As such, we agree with the OSC’s proposal that limits should be established as part of the OM exemption for retail investors and that investment thresholds are necessary to provide investor protection for less sophisticated investors who do not meet the accredited investor definition and who might not be able to withstand a loss in excess of the threshold amount.

2. *Family, Friends, and Business Associates Exemption*

The financial qualification criteria of the accredited investor exemption provides a bright line test and may demonstrate, to a certain extent, that an accredited investor has the ability to tolerate greater financial risk in the exempt market. Given that there is no limit to the amount of capital that an issuer could raise under the Family, Friends, and Business Associates Exemption, investors who make large investments may be putting themselves in a position of a greater risk. However, we do appreciate that the OSC is proposing to expand the guidance in the Companion Policy to 45-106 to provide clarification regarding the meaning of the terms “close personal friend” and “close business associate”. In our view, the lack of defined factors or criteria as to who constitutes a “close personal friend” or “close business associate” is problematic and increases the risk of non-compliance with the proposed exemption.

3. *Crowdfunding Exemption*

The prospect of introducing a crowdfunding exemption in Ontario, or in any other Canadian jurisdiction, raises general investor protection concerns. In our view, a crowdfunding exemption would provide a large number of unsophisticated investors with access to the exempt market. While the OSC’s crowdfunding proposal includes some investor protection safeguards, such as establishing limits on the amount of securities sold to an investor and requiring that the funding portal be a registrant, we would suggest that investors may be more vulnerable to fraud under this type of exemption. We would suggest that the involvement of a registrant would help to mitigate the risks associated with investing in the exempt market since registrants are subject to stringent rules and regulations when recommending products to clients, including know-your-client and suitability obligations.

4. *Reports of Exempt Distribution*

In February, the CSA proposed amendments to the reports for exempt trade distributions, specifically to Form 45-106F1 and, in BC, to form 45-106F6. Currently, the OSC and some other members of the CSA have proposed to introduce two new reports of exempt distribution: Form 45-106F10 and Form 45 -106F11. We would like to highlight to the OSC that introducing new forms would result in issuers being required to use a combination of up to four reporting forms, depending on the exemption relied upon, the type of security issued and the jurisdictions involved. We would recommend that the CSA consider implementing one consistent form that is

applicable to all jurisdictions and that collects only the information that is strictly necessary in order to simplify the filing process for market participants.

Thank you for the opportunity to provide comments on the Proposed Prospectus Exemptions. We would welcome the opportunity to discuss the foregoing with you in further detail. If you have any questions or require further information, please do not hesitate to contact the undersigned.

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cc: Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
Financial and Consumer Affairs Authority of New Brunswick
Nova Scotia Securities Commission
Autorité de marchés financiers
Financial and Consumer Services Authority of Saskatchewan