



Sheila A. Murray
Executive Vice-President
2 Queen Street East, Twentieth Floor
Toronto, Ontario M5C 3G7
T: 416-681-1731
F: 416-365-0501
E: smurray@ci.com

Delivered by Email

August 23, 2014

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, ON M5H 3S8
comments@osc.gov.on.ca

Dear Sirs and Mesdames:

RE: Request for Comment – Proposed Amendments to National Instrument 45-106 Prospectus and Registration Exemptions... and Proposed Form 45-106F10 Report of Exempt Distribution for Investment Fund Issuers (Alberta, New Brunswick, Ontario and Saskatchewan) and Form 45-106F11 Report of Exempt Distribution for Issuers Other Than Investment Funds (Alberta, New Brunswick, Ontario and Saskatchewan)

This letter is provided to you in response to the OSC Notice and Request for Comment – Proposed Prospectus Exemptions and Proposed Reports of Exempt Distribution in Ontario, published on March 20, 2014 (the “**March Proposed Amendments**”).

Thank you for the opportunity to provide comments to you regarding the March Proposed Amendments. I apologize for not responding within the timeframe that you had allotted for comments; however we have only recently become aware of the impact that certain of the March Proposed Amendments would have on the ability of our mutual funds to participate in offerings by foreign issuers.

CI Investments Inc.

CI Investments Inc. (“**CII**”) is a corporation established under the laws of Ontario and its head office is located in Toronto, Ontario. CII is registered with the Ontario Securities Commission, and the securities commissions of the other provinces of Canada, as an investment fund manager, within the meaning of National Instrument 31-103. CII is one of Canada’s largest independent investment fund companies. It manages over 200 publicly distributed mutual funds and closed end funds. CII’s assets under management were over \$100 billion as of July 31, 2014.

A meaningful portion of the assets that are managed by CII may at any one time be invested in securities of foreign issuers. Some of our funds specialize in investments in high yield debt instruments, many issued by US entities. At the present time, CII funds have almost \$10 billion

in investments in high yield debt, over 80% of which has been issued by US issuers. Typically high yield debt is offered to Canadian investors on a prospectus exempt basis.

We have been advised by US capital market participants that the Proposed Amendments and in particular the changes to the exempt distribution reporting requirements, will likely compromise CII's ability to invest in US high yield debt and other securities of foreign issuers. I expect that this is an unintended consequence of the March Proposed Amendments; however it is significant. It is conceivable that the new reporting requirements may also negatively impact the Canadian debt capital markets. The specific concerns with the March Proposed Amendments and in particular the new post-trade reporting requirements, are discussed below.

Lack of Harmonization

Before discussing our specific comments, I would like to express my disappointment that the Canadian securities regulators have not been able to agree on a consistent framework of prospectus exemptions and exempt reporting. It is understandable that domestic and foreign issuers are frustrated when confronted with this patchwork of securities regulatory requirements. This impacts the efficient operation of our capital markets and, in the case of CII, has the potential to impact its ability to pursue the best investments for the assets under our management.

National Instrument 45-106- *Prospectus and Registration Exemptions* includes a requirement to file a report on exempt distributions. This report must be prepared in accordance with Form 45-106F1- *Report of Exempt Distributions* for exempt distributions made in all provinces of Canada other than British Columbia. A separate form, Form 45-106F6 must be filed for exempt distributions made in British Columbia.

In February, the Canadian Securities Administrators published proposed amendments to National Instrument 45-106 which include substantial changes to Form 45-106F1 (the "**February Amendments**"). Then on March 20th Ontario, Alberta, Saskatchewan and New Brunswick published the March Proposed Amendments introducing two new forms to be used for reporting exempt trades. If these amendments are all enacted, it is possible that issuers and dealers may have to file three different forms in Canada in respect of a particular distribution. This is unnecessarily confusing and imposes significant additional compliance costs on issuers and other market participants.

Enhanced Requirements for Post-Trade Reporting

The reporting changes proposed in both the February Amendments and the March Proposed Amendments (together the "**Proposed Amendments**") require enhanced disclosure regarding the issuer and the investors, some of which may not be readily available and some of which issuers may be understandably reluctant to provide.

In the Notice and Request for Comment the Ontario Securities Commission states that "there is a need to obtain better information on exempt market activity than is presently provided through the current [45-106F1]." This comment is not explained and so we don't know why the regulators feel that they need better information.

New Post-Trade Reporting Requirements Impose Compliance Burden

The Ontario Securities Commission has asked for comments on whether the changes to the reporting requirements strike an appropriate balance between: (i) the benefits of collecting information that will enhance [your] understanding of exempt market activity and as a result, facilitate more effective regulatory oversight of the exempt market and inform [your] decisions

about regulatory changes to the exempt market, and (ii) the compliance burden that may result for issuers and underwriters. With respect, I do not believe that the Proposed Amendments do strike the appropriate balance. In this regard I am expressing a concern not just of CII but of its parent CI Financial Corp. which is a public company with a \$10 billion market capitalization and issues both debt and equity securities to the public.

It is hard to comprehend how information about the size of the company and how many employees it has, or personal information about the directors and executive officers will help the Ontario Securities Commission regulate the exempt markets more effectively. I am not convinced that the extra information will actually help you achieve your stated purpose and to the extent that it does, the costs of obtaining that information far outweigh any benefits. The enhanced reporting will make exempt distributions more expensive for issuers because of the necessity of involving lawyers and others to interpret and address the myriad of regulatory requirements. The compliance burden will be greatly increased and it will be difficult to comply with the new reporting requirements within the ten day time period.

New Post-Trade Reporting Requirement Will Limit Foreign Investment Opportunities

CII has been contacted by a number of major US investment banks (the “**Dealers**”) who act as international dealers, or private placement agents on global offerings by US and other non-Canadian issuers. They have told us that the proposed new exempt reporting requirements are so onerous that if they are enacted, the Dealers will not be offering securities on an exempt basis into Canada. In many cases the Dealers complete the reports and in particular, they note the following information that will be difficult for them to obtain:

- *The name of the issuer’s parent.* This may not be readily available to the Dealer and would only be known to the issuer.
- *The business email of the issuer’s Chief Executive Officer* I have to wonder why this is necessary or relevant. Most companies are reluctant to share this information with anyone.
- *The year of the issuer’s formation.* The Dealer will not generally have this information and if the issuer is an old established corporate that has gone through many mergers and transformative business transactions, it may not really be relevant to an investment decision and so not disclosed in offering documents. Why would it be helpful to the regulators?
- *The number of employees of the issuer* The Dealer will not have access to this information as again it is not generally relevant to investors.
- *The list of all directors and officers and their titles and jurisdiction of residence.* The Dealer will not have access to this information and will have to get it from the issuer. It may not be readily available.
- *Copies of all marketing materials.* In a global transaction it may not be possible to identify all documents that have been delivered in specific provinces.
- *The specific exemption relied on.* In a cross border, global offering the Dealer and Issuer may not have access to this information. The issuer will have to rely on local legal advice and would be in compliance with provincial securities laws as long as the investor is in one of the exempt categories.

We have been told that these additional requirements and the complexity of dealing with the different Canadian jurisdictions will discourage the Dealers and their foreign issuer clients from offering securities on an exempt basis in Canada. As a result, CII’s mutual funds will not have the ability to participate in offerings that could be attractive.

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The post-trade reporting requirements are only a small portion of the enormous initiative undertaken by the Ontario Securities Commission, along with the securities commissions in Alberta, Saskatchewan and New Brunswick, to reform the regulation of the exempt markets and introduce new prospectus exemptions to facilitate capital-raising. I respect and support the improvements that have been proposed and do not want to suggest otherwise with these comments. My concerns are simply with regard to the proposed changes to the post-trading reporting which I feel impose too great a compliance burden on issuers and underwriters and may have unintended consequences for access to foreign offerings.

If you have any questions or wish for us to clarify any comments, please do not hesitate to contact me.

Yours very truly,

Sheila A. Murray

Executive Vice President

CI Investments Inc.

-and-

Executive Vice President, General Counsel and Secretary

CI Financial Corp.