



5th Floor-1508 West Broadway  
Vancouver, BC V6J 1W8  
Phone: 604.739.6450  
Fax: 604.739.6451  
Toll Free: 1.800.219.8032  
[www.nicolawealth.com](http://www.nicolawealth.com)

October 7, 2015

TO:

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Financial and Consumer Services Commission (New Brunswick)  
Nova Scotia Securities Commission  
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
Superintendent of Securities, Yukon Territory  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Nunavut

Care of:

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
22nd Floor  
Toronto, Ontario M5H 3S8  
Fax: 416-593-2318  
[comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

Me Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22e étage  
C.P. 246, tour de la Bourse  
Montréal, Québec H4Z 1G3  
Fax: 514-864-6381  
[consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

Dear Sirs/Mesdames:

**Re: Comments on Proposed Amendments (the Proposed Amendments) to NI 45-106 by introducing a new harmonized report of exempt distribution (Proposed Form 45-106F1)**

We are a Portfolio Manager whose head office is in B.C. We are also an Exempt Market Dealer and an Investment Fund Manager in several provinces. Our NRD number is #14790. We market

different classes of securities of a number of proprietary non-reporting investment funds to our clients and the clients of a registrant in which we have an equity interest. The overwhelming majority of the purchasers of these securities are fully managed accounts.

The following comments should be considered with the foregoing in mind. Our specific comments (and some questions) relating to the form itself follow below. We have referenced the specific Item in the Proposed Form 45-106F1 upon which we are commenting:

## **ITEM 5: DIRECTORS, EXECUTIVE OFFICERS, CONTROL PERSONS AND PROMOTERS OF THE ISSUER**

### **b) CORPORATE CONTROL PERSONS OR PROMOTER INFORMATION**

#### **COMMENTS**

- If the issuer is a limited partnership, it has no control person or promoter per se, except for the general partner, in most standard cases. If this assumption is correct, then one would disclose the names and other required particulars of the directors and executive officers of the general partner. Is this correct? Further many limited partnerships contain provisions that require one or more committees to oversee and/or recommend investments to be made by the general partner. These individuals arguably are de facto "executive officers" of the limited partnership. Clarity is needed on this matter. It is our recommendation that in this situation, only the names and other particulars of the duly elected directors and executive officers of the general partner need be disclosed, subject to the comment that follows below.
- There are likely some registrants who control entities whose securities may be distributed in the exempt market but are not technically investment funds. On page 4 of your Notice, under the heading "Framework of the Proposed Report", you state:

"We have streamlined the Proposed Report not to require certain information that can be gathered through...a registrant's Firm's National Registration Database (NRD) profile."

It would seem logical therefore, that Items 5 (a), (b) and (c) should be qualified to state that this information is not required to be completed if the control person and/or promoter of the issuer is a registrant. If you disagree, then we would like to ensure that any private information provided to you about a registrant is information we are compelled to provide to you and that in doing so, this complies with PIPEDA, that such information is protected under privacy legislation, that it's requirement is verified on a regular basis as being necessary for the purpose of the report, and that its security will be given the appropriate priority.

## **ITEM 7: INFORMATION ABOUT THE DISTRIBUTION**

### **a) FOREIGN CURRENCY**

#### **COMMENTS:**

- It is unclear whether a single fund is able to choose both CDN and another currency. This needs to be clarified, because we distribute securities of a single fund (a single

legal entity) in both CDN and USD, using two separate fund codes. If only one currency can be chosen, it will be necessary for us to file two reports for the same fund.

## **f) SUMMARY OF DISTRIBUTION BY JURISDICTION AND EXEMPTION**

### **COMMENTS:**

- Can you please clarify the definition of “unique purchaser”?

Our clients usually maintain several different accounts - RRSPs, TFSAs, RESPs, joint accounts, corporate and trust accounts, etc. In some cases, formal trust accounts name one person as a trustee, and another as a beneficiary.

If this beneficiary has other accounts in his or her own name, is a distribution to such a formal trust account considered to be part of a distribution to that unique purchaser?

The same issue arises regarding corporate accounts. Is an individual who controls a corporation the same unique purchaser?

This process may impose a significant amount of additional work and expense on firms.

- Our funds distribute different classes of securities of the same fund. Reconciling “unique purchasers” across different unit classes, different currencies, and different categories (personal, corporate, trust beneficiary) will require extensive manual processing at an estimated additional expense of \$12,000 per year.

## **SCHEDULE 2**

### **COMMENTS:**

- In Section 4 of the Instructions, the following instruction is given:

“If a trust company, trust corporation, or registered adviser has purchased the securities on behalf of a fully managed account under subsections 2.3(2) and (4) {*Accredited Investor*} of NI 45-106, provide information about both the trust company, trust corporation, or registered adviser and the beneficial owner of the fully managed account”.

Schedule 2 provides no guidance on what “information” is required, nor does it provide any guidance as to how that information is to be formatted.

- Given that when a trade of an investment fund security is made to a fully managed account the “person” managing that account is deemed to be purchasing as principal, why is it necessary to give any information other than the name, address, and contact particulars of the “person”?

This “person” is a registrant, a regulated entity that acts as a gatekeeper for its managed account clients. Along with its KYC/ KYP obligations, it also has AML and other regulatory obligations that must be met to protect the integrity of the capital

markets, so we question the need to provide the names, addresses and contact particulars of the clients whose accounts are managed, essentially every year. If a regulator wants particulars of a registrant's managed account clients and particulars of exempt distributions in a certain time period, they could ask for it and the registrant is obliged to provide it. This seems to us to be a more efficient way of providing personal information about a particular registrant's managed account clients, rather than having to repeat the information every year in what is already a highly complex form.

Our primary regulator, the BCSC currently requires the filing of a Form 45-105F6 to disclose exempt distributions in British Columbia. This form does not require the provision of the names and various contact information data of each managed account client for the reasons stated. Given the number of transactions we conduct, the volume of data required to be reported under this new streamlined process would increase by thousands of records.

**GENERAL COMMENTS:**

- **TIME FRAME**

If it is your objective to require the use of Proposed Form 45-106F1 beginning in January 2016, it is our view that this time frame is very tight. We gather and format data throughout the year to prepare our annual reports of exempt distributions and could not easily implement such a significant change in the manner in which we report by the end of this calendar year. We will be filing Form 45-505F1, and Form 45-505F2 in B. C., to take advantage of the reduced filing fees that apply to net distributions of securities of eligible pooled funds in B. C.. This places additional time pressure on B.C. registrants that are entitled to file these additional forms. The CSA should consider implementing Proposed Form 45-106F1 after January 30, 2016..

- **FORMAT**

We suggest that if we are to provide detailed information about all of our managed account clients, the form of Schedule 2 should be similar to the OSC's current Schedule 1 in Excel, with any additional data requirements being added as new columns to be populated so we do not need to format every trade to include "(firm name) on behalf of", instead having the option to auto-populate a column.

Sincerely,



**Dannielle H. MacDonald, FCSI CAMS**  
Deputy Chief Compliance Officer

Direct: 604.235.2549  
dmacdonald@nicolawealth.com  
www.nicolawealth.com  
Vancouver Office:  
5th Floor 1508 W. Broadway  
Vancouver, BC V6J 1W8