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September 22, 2016

To: Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
The Manitoba Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Nova Scotia Securities Commission
Ontario Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan

Delivered To:

Josée Turcotte, Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario
M5H 3S8
E-mail: comments@osc.gov.on.ca

Dear Ms. Turcotte,

Re: CSA Consultation Paper 33-404: Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives toward their clients

This comment letter is being submitted on behalf of Equiton Capital Inc. We appreciate the opportunity to comment on the CSA Consultation Paper 33-404 dated April 28, 2016.

Equiton Capital Inc. is an independent full-service exempt market dealer specializing in private capital market investments. It focuses on providing high quality private capital market and alternative investments to clients.

We are concerned about the regulatory burden the targeted reforms and regulatory best interest standards will create for our firm. Although we agree with some of the proposals as outlined in the comments section of this letter, the majority of the proposals will not only increase regulatory burden, but will not create additional investor protection and may even raise confidentiality and privacy concerns within our investors. This in turn may discourage certain investors and market participants from participating in such transactions and have a negative impact on the overall industry.

Comments and Analysis of the Proposed Targeted Reforms

We have reviewed the list of sixty eight questions outlined in Appendix I of the proposal and have selected thirteen questions to answer which have the most relevancy to our firm and operations. We have divided these questions based on the eight categories outlined in the targeted reforms.

1. Conflicts of Interest

- *CSA Question # 2: Is the requirement to respond to conflicts "in a manner that prioritizes the interest of the client ahead of the interests of the firm and/or representatives" clear enough to provide a meaningful code of conduct? If not, how could the requirement be clarified?*

Generally, we believe this proposal is unclear and does not define what it means in practice for exempt market dealers. As per National Instrument 31-103, section 13.4, "the registered firm must disclose, in a timely manner, the nature and extent of the conflict of interest to the client whose interest conflicts with the interest identified". Any conflicts of interest at Equiton Capital are disclosed to clients through the relationship disclosure documents, clients are educated on the contents of this document prior to the transaction and provided a copy for reference. We believe this practice already prioritizes the interest of the client and it is unclear as to what the new proposal means in practice. In our opinion, additional clarification is required on this proposal.

2. Know Your Client

- *CSA Question # 5: Should the CSA also codify the specific form of the document, or new account application form, that is used to collect the prescribed KYC content?*

No, we believe the CSA should continue to only provide guidelines on what information must be collected in order to maintain consistency. Each firm should be responsible for creating their own internal forms to collect KYC information by adhering to the guidelines set by the CSA.

- *CSA Question # 6: Should the KYC form also be signed by the representative's supervisor?*

We believe the KYC form must be signed by the client, the dealing representative and the Chief Compliance Officer reviewing the forms. The CCO must approve and sign the KYC forms prior to processing the transaction. In addition, each transaction must contain a quality control checklist signed by the dealing representative and CCO.

- *CSA Question # 54: To what extent should the KYC obligation require registrants to collect tax information about the client? For example, what role should basic tax strategies have in respect of the suitability analysis conducted by registrants in respect of their clients?*

We believe that no tax information must be collected from the client in the KYC obligation. Collecting tax information will raise confidentiality and privacy concerns within our clients. In determining the client's net worth, any outstanding taxes must be considered as a liability, but the breakdown of the liabilities must not be gathered from the client. The KYC form must ask the client for total liabilities which should include outstanding taxes. In addition, we believe no tax advice must be provided to the client. The clients must always be advised to seek professional advice from a tax advisor and not the representatives of exempt market dealers; professional tax advisors have the required qualifications to provide the most appropriate advice.

- *CSA Question # 55: To what extent should a representative be allowed to open a new client account or move forward with a securities transaction if he or she is missing some or all of the client's KYC information? Should there be certain minimum elements of the KYC information that must be provided by the client without which a representative cannot open an account or process a securities transaction?*

We believe a representative should not be allowed to open a new client account until the KYC information has been collected. The KYC information is required in order to perform the suitability assessment and move forward with the securities transaction. The minimum elements of the KYC information that must be provided include the client's name, contact information including SIN, ID verification, investment objectives, time horizon, risk tolerance, income, net worth, investment experience/knowledge, and asset allocation.

3. Know Your Product

- *CSA Question # 14: Should proprietary firms be required to engage in a market investigation and product comparison process or to offer non-proprietary products?*

No, we believe proprietary firms should be allowed to offer products in line with their business model, comfort level and area of expertise. A market investigation to compare products is not relevant, as products are offered based on their own specific merits. The firm's investment committee must complete and approve a comprehensive due diligence report in the same manner and format that is used to complete non-proprietary products. If a firm offers both proprietary and non-proprietary products, the criteria used to evaluate the due diligence report must remain the same.

- *CSA Question # 15: Do you think that categorizing product lists as either proprietary and mixed/non-proprietary is an optimal distinction amongst firm types? Should there be other characteristics that differentiate firms that should be identified or taken into account in the requirements relating to product list development?*

We believe that this is not an optimal distinction amongst firm types and does not provide any added protection or benefits to the investors. Whether a firm's product shelf contains only proprietary or mixed/non-proprietary products will not impact the investors; the suitability process is much more important in determining the most suitable investment for the investor. The most crucial for registered firms is to implement a full training program to educate the representatives on the different product offerings. Each product offering must have a complete training program combined with examinations to ensure the representatives are knowledgeable and capable to recommend the appropriate product for each investor. The firms should be characterized by registration categories and not product list developments.

4. Suitability

- *CSA Question # 20: Will the requirement to perform a suitability analysis at least once every 12 months raise challenges for specific registrant categories or business models? For example, a client may only have a transactional relationship with a firm. In such cases, what would be a reasonable approach to determining whether a firm should perform ongoing suitability assessments?*

The requirement to perform a suitability analysis at least once every 12 months will not provide any benefits to investors or firms, especially when there is only a transactional relationship with the firm. A suitability assessment must only be completed at the time of the transaction and serves no benefit on an ongoing basis. The purpose of the suitability assessment is to ensure the purchase is suitable for the investor at the time of purchase when the transaction takes place. Upon completion of the transaction, no additional payments are required from the investor as these are illiquid long term investments. On an ongoing basis, only the KYC information must be updated in order to maintain accurate investor contact information.

5. Relationship Disclosure

- *CSA Question # 24: Do you agree with the proposed disclosure required for firms that offer only proprietary products? Why or why not?*

Although we strongly believe in the requirement to provide investors with a Relationship Disclosure document, we do not believe firms that have restricted categories of registration should be required to disclose that they only offer a limited range of products. Furthermore, such firms should not be required to indicate that "due to the limited registration, the suitability analysis does not consider: a full range of securities products; and whether other types of products are better, worse or equal in meeting the client's investments needs and objectives". This type of disclosure will not provide additional investor protection. The investors must perform their own research when making the decision to invest.

This proposal raises two concerns for us: 1. the meaning of "full range" securities products is not defined, and 2. we perform a due diligence only on our product offerings and not on those offered in the industry as a whole. We believe in the quality, return, and performance of our product offerings and do not have enough information to perform a thorough due diligence of all products offered in the industry.

6. Proficiency

- *CSA Question # 4: Do all registrants currently have the proficiency to understand their client's basic tax position? Would requiring collection of this information raise any issues or challenges for registrants or clients?*

We believe that the Dealing Representatives do not have the proficiency required to understand tax position and provide advice in this regard. In this case, an unqualified representative providing tax advice can be more harmful to the investor and have additional negative consequences. The investors are always advised to consult with a tax advisor regarding any tax matters when investing with us. Tax advice should only be provided by a professional who is trained in the area and has access to the client's financial circumstances. In addition, we believe collecting tax information from the investors will raise confidentiality and privacy concerns within our investors.

7. Titles and Designations

- *CSA Question # 30: Will more strictly regulating titles raise any issues or challenges for registrants or clients?*

We believe titles should not be differentiated based on a firm offering a proprietary vs. mixed/non-proprietary product list. The differentiation of these titles will create more confusion and will not provide any benefits to investors or the respective firms. In the case of a proprietary firm, changing the representatives title from "private wealth advisor" to "securities salesperson" will not only downgrade their titles but will be misleading because a "securities salesperson" indicates the person is licensed to sell all types of securities in the industry. We are an exempt market dealer and only sell prospective exempt products in the private market; and therefore a "securities salesperson" will not be appropriate. We believe the titles most appropriate are "private wealth advisor", "private market specialist", "private capital advisor", or "private capital professional".

8. Role of UDP and CCO

- *CSA Question # 34: Are these proposed clarifying reforms consistent with typical current UDP and CCO practices? If not, please explain.*

Yes, we believe these proposed clarifying reforms are consistent with our current UDP and CCO practices.

Comments and Analysis of the Best Interest Standard

- *CSA Question # 37: Please indicate whether you agree or disagree with any of the points raised in support of, or against, the introduction of a regulatory best interest standard and explain why.*

The first point raised in the best interest standard proposes to change the current standard "deal fairly, honestly and in good faith with clients" to "deal fairly, honestly and in good faith with clients AND act in the best interests of clients". We believe "the best interest of clients" has not been defined and is open to interpretation. Additional clarification is required to define this statement and expand on its attributes and requirements as to what constitutes a client's best interest. The suitability assessment considers the clients situation and determines the suitability of the transaction prior to execution. The client's best interest is too subjective to each individual and not definable in broad terms. The investors are protected by the current limits set per transaction in accordance with the concentration limits.

Furthermore, we agree with the BCSC, AMF, ASC, MSC, and NSSC's concerns in that the proposed best interest standard will create legal uncertainty and it does not create a clear standard for registrants to follow or for regulators to enforce. Additionally, the effectiveness of CRM2 and Point of Sale Initiatives should be measured prior to enforcing a best interest standard.

Conclusion

In this letter, we have chosen the CSA questions most relevant to our firm and answered them by stating our firm's opinion on the proposed targeted reforms and best interest standard. Although this proposal intends to enhance the obligations of advisers, dealers, and representatives toward their clients, we believe its implementation will create additional regulatory burden, raise confidentiality/privacy concerns, discourage certain investors and have a negative impact on the overall industry and participating firms. As an exempt market dealer, we follow all regulatory requirements as set in National Instruments 31-103 and 45-106 and run our business by holding high ethical standards and professionalism at all times.

We thank you for considering our submission and would be pleased to discuss our comments with you at any time or respond to any questions.

Yours sincerely,

Equiton Capital Inc.



Samira Khakpoor
Chief Compliance Officer