

February 26, 2013

Mark Wang
Manager, Legal Services
Capital Markets Regulation
British Columbia Securities Commission
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Dear Sirs/Mesdames:

Re: BCN 2013/01 Notice and Request for Comment – Proposed Revocation of BC Instrument 32-513 *Registration Exemption for Trades in Connection with Certain Prospectus-Exempt Distributions* and BC Instrument 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities* (the “Notice”)

The Canadian Advocacy Council¹ for Canadian CFA Institute² Societies (the CAC) appreciates the opportunity to comment on the Notice. The CAC generally supports the proposed removal of the two dealer registration exemptions set out in the Notice as an investor protection measure.

Securities that are distributed in the exempt market carry unique risks, most notably (i) their illiquid nature, and (ii) the fact they are often distributed in reliance on prospectus exemptions that require little, if any, disclosure about the issuer and the risks of the investment. As set out in the Notice, it would appear as though the required risk disclosure statement, which provides only minimal information about risks, is not being delivered to investors. Without even minimal information about the risks of an investment being provided, it is essential that such securities be distributed through a trained registrant. At a minimum, such registrant would have know-your-

¹The CAC represents the 13,000 Canadian members of CFA Institute and its 12 Member Societies across Canada. The CAC membership includes portfolio managers, analysts and other investment professionals in Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. See the CAC's website at <http://www.cfasociety.org/cac>. Our Code of Ethics and Standards of Professional Conduct can be found at <http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx>.

² CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors' interests come first, markets function at their best, and economies grow. CFA Institute has more than 113,000 members in 140 countries and territories, including 102,000 CFA charterholders, and 137 member societies. For more information, visit <http://www.cfainstitute.org/>.

client, suitability and know-your-product obligations. We support the CSA initiative that is currently underway with respect to potentially imposing a fiduciary duty on registrants, and strongly support imposing a statutory best interest standard on registered dealers providing advice to clients, including advice on privately placed securities. Such a standard would help to ensure that an investment in privately placed securities is in fact in a client's best interests.

We also wish to note that the implementation of the proposals to remove the dealer registration exemptions would help harmonize the dealer registration requirements across Canada, which would assist investors in understanding what they can expect from their financial advisors.

Concluding Remarks

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have and appreciate the time you are taking to consider our points of view. Please feel free to contact us at chair@cfaadvocacy.ca on this or any other issue in future.

(Signed) *Ada Litvinov*

Ada Litvinov, CFA
Chair, Canadian Advocacy Council