

December 17, 2015

BY EMAIL

Alberta Securities Commission
Superintendent of Securities, Nunavut

Alberta Securities Commission
Suite 600, 250 – 5th Street SW
Calgary, AB, T2P 0R4

Attention: Jessie Gill Legal Counsel, Corporate Finance
Email: Jessie.gill@asc.ca

Dear Sirs/Mesdames:

**Re: Multilateral CSA Notice of Publication and Request for Comment
Proposed Multilateral Instrument 45-109 *Prospectus Exemption*
for Start-up Businesses (the “Proposed MI”)**

The Canadian Advocacy Council¹ for Canadian CFA Institute² Societies (the CAC) appreciates the opportunity to respond to the Proposed MI.

We support the efforts made by the Alberta Securities Commission, Superintendent of Securities, Nunavut and other securities regulatory authorities across Canada to streamline access to capital by issuers at a lower cost, while endeavouring to ensure that investor protection remains a high priority.

We understand from the notice accompanying the Proposed MI that the Start-Up Business Exemption is intended to be used by issuers that can not (or do not wish to) utilize the offering memorandum prospectus exemption. However, given the availability of other exemptions (such as the private issuer exemption and the accredited investor exemption) where an offering memorandum is not required to be delivered, we do not see a compelling rationale for an additional prospectus exemption at this time.

Issuers finding the exemption attractive will likely be those that have already been rejected by traditional lenders, and possibly used all available capital from family and friends. There is a probability that the management of an issuer choosing to raise money through the start-up business

¹The CAC represents more than 15,000 Canadian members of the 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.cfainstitute.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 135,000 members in 151 countries and territories, including 128,000 CFA charterholders, and 145 member societies. For more information, visit www.cfainstitute.org.

exemption will not have adequate experience and qualifications to run a business raising money from the public. They may not have any financial background or ability to assess the financial risks attributable to their business, or the ability or desire to maintain investor relations with numerous unsophisticated investors. If the exemption is adopted, investors may not exercise sufficient diligence with respect to a particular investment, mistakenly believing that if the investment is permitted by the regulators, it must be safe. If the start-up business exemption is adopted, strict monitoring, enforcement of transgressions and investor education will be extremely important factors in limiting its potential negative impact.

As we have noted in previous submissions, we wish to stress the importance of implementing a statutory best interest standard on all persons providing investment advice. Such a standard would help ensure that an investment under the proposed exemption is in fact in a client's best interests, and would help mitigate concerns relating to potential conflicts of interest in a private placement where the issuer is compensating the dealer for locating investors. Investor protection in the exempt market is best enhanced by providing clear risk disclosures, taking steps to verify eligibility to participate in the market, and implementing a best interest standard on all registrants.

Similarly, we remain of the view that it is important, to the extent possible, to harmonize the capital raising exemptions across all Canadian jurisdictions. It is becoming increasingly confusing for issuers, advisors, dealers and investors to determine whether or not a prospectus exemption is available to an issuer or purchaser in a particular province or territory, which has a negative impact on the efficiency of our markets. Given the small amounts of capital that can be raised by issuers and the individual limits placed on investors themselves, we do not think it will be economically feasible for issuers to raise capital based on the proposed exemption, particularly as it would only be available in two jurisdictions. It may be helpful to instead help educate smaller issuers (through outreach or other regulatory programs) on the availability of existing exemptions which may be most cost efficient for issuers to utilize and which would not have the quantitative capital raising limitations of the proposed start-up business exemption.

Concluding Remarks

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have or to meet with you to discuss these and related issues in greater detail. We 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) *Michael Thom*

Michael Thom, CFA
Chair, Canadian Advocacy Council