

June 12, 2015

**BY EMAIL**

British Columbia Securities Commission  
Financial and Consumer Services Commission (New Brunswick)  
Financial and Consumer Affairs Authority of Saskatchewan

Leslie Rose, Senior Legal Counsel, Corporate Finance  
British Columbia Securities Commission  
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Dear Sirs/Mesdames:

**Re: Multilateral CSA Notice 45-315 - Proposed Prospectus Exemption for Certain Distributions through an Investment Dealer (the “Proposed Amendments”)**

The Canadian Advocacy Council<sup>1</sup> for Canadian CFA Institute<sup>2</sup> Societies (the CAC) appreciates the opportunity to comment on the Proposed Amendments.

We support the efforts made by the securities regulatory authorities across Canada to streamline access to capital by issuers of all market capitalizations at a lower cost while endeavouring to ensure that investor protection remains a high priority. The exemption may provide issuers with the ability to raise capital through a broader potential group of investors, albeit initially only in three provinces. We understand from the notice accompanying the Proposed Amendments that the proposed exemption is intended to reflect the fact that retail investors are permitted to invest in listed securities on the secondary market without the benefit of any specific disclosure document and to allow such investors to benefit from the ability to participate in primary offerings where there may be a discount to the market price or equity sweeteners offered.

We agree that certain provisions contained in the Proposed Amendments are helpful in safeguarding investor interests, particularly the required news release. Investors are

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<sup>1</sup>The CAC represents the 14,000 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>.

<sup>2</sup> 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 119,000 members in 147 countries and territories, including 112,000 CFA charterholders, and 143 member societies. For more information, visit [www.cfainstitute.org](http://www.cfainstitute.org).

generally familiar with the ability to access current information about an issuer from SEDAR, and the requirement for the issuer to indicate in the news release that there is no undisclosed material fact or material change about the issuer would help place all purchasers on the same informational level. We also support the four month hold period as well as the implementation of the exemption by blanket order, permitting the regulators to monitor that the exemption is being used appropriately (or if it is being used at all), and to make quick adjustments if and as required.

While we concur that the exemption should only be available if advice is received on the suitability of the investment from an investment dealer and should not be expanded to exempt market dealers, we note that even investment dealers would only be responsible for ensuring that their suitability, KYC and KYP obligations are fulfilled. We wish to stress the importance of implementing a statutory best interest standard on all registrants providing 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 finding investors.

Investor protection in the exempt market is best enhanced by providing clear risk disclosures, taking some steps to verify eligibility to participate in the market, and implementing a best interest standard on all registrants. 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. If the Proposed Amendments were to proceed, we would support the adoption of a similar exemption across Canada.

### **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](mailto:chair@cfaadvocacy.ca) on this or any other issue in future.

(Signed) *Cecilia Wong*

**Cecilia Wong, CFA**  
**Chair, Canadian Advocacy Council**