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Dear Mr. Peng:

Re: Proposed Prospectus Exemption for Certain Distributions through an Investment Dealer (the “Proposed Exemption”)

The Investment Industry Association of Canada (“IIAC” or the “Association”) appreciates the opportunity to comment on the above noted Proposed Exemption. The Association supports regulatory efforts to create exemptions and policies that will assist Canadian companies in raising equity in a cost-efficient and timely manner, while still maintaining effective investor protection.

The Proposed Exemption represents a positive step in this direction. While the IIAC endorses the overall objectives of the Proposed Exemption, we have a few outstanding concerns, as well as some suggestions as to how to address issues that have been raised by particular members.

Availability of Proposed Exemption Based on Jurisdiction

The IIAC is pleased that the ASC, has joined the regulatory authorities in British Columbia, Saskatchewan and New Brunswick in considering the Proposed Exemption. We are, however, disappointed that the Proposed Exemption has not been proposed as

a uniform exemption that would be available nationally and equally to all Canadian issuers. The limited applicability of the Proposed Exemption to only four provinces severely limits its utility and potential impact. As we have stated on many previous occasions, implementation of exemptions on a piecemeal basis across jurisdictions contributes to regulatory and investor confusion, and discriminates against issuers and investors based solely on their location. In addition, inconsistent regulation ultimately creates unnecessary friction, increasing costs to the industry and all its constituents. Given the national nature of the market, it is essential that the members of the CSA act together to enact regulation that is consistent across all jurisdictions.

We also question the potential applicability of the Proposed Exemption once the Cooperative Capital Markets Regulatory System (“CCMRS”) is implemented. In its present form, the Proposed Exemption would apply in British Columbia, Saskatchewan, and New Brunswick, and Alberta. Three of the four provinces has already joined the CCMRS. Since it is presently unclear how participating jurisdictions will interact with non-participating jurisdictions, the potential impact of the Proposed Exemption in non-participating jurisdictions is also unclear. In the interests of preventing investor confusion and promoting efficient capital markets, the practical effects of the Proposed Exemption in the context of the CCMRS should be seriously considered.

Questions

1. If you are an issuer listed on one of the proposed exchanges, will you use the Proposed Exemption?

Our members believe that certain of their issuer clients will use the Proposed Exemption. However, given that the Proposed Exemption is only available in three jurisdictions, issuers are more likely to use other nationally available prospectus exemptions where possible. As such, unless other jurisdictions adopt the Proposed Exemption, it will likely be used for small financings of junior issuers with a concentration of local shareholders. If, however, the Proposed Exemption becomes available in other jurisdictions, (particularly Alberta, Ontario and Quebec), we anticipate that it would become a popular exemption for capital raising, both for junior, and more established issuers.

2. Should the proposed exemption be available to reporting issuers traded on other markets? Please support your response.

The exemption should be available to reporting issuers trading on other Canadian marketplaces. Investor protections in the form of disclosure requirements and IIROC dealer suitability assessments are applicable, regardless of the markets on which the securities trade.

- 3. One of the conditions of the Proposed Exemption is that the investor must receive suitability advice from a registered investment dealer. Should we consider expanding this provision so that investors could also receive suitability advice from a registered exempt market dealer?**

We do not believe it is appropriate to expand the provision to permit investors to receive suitability advice from exempt market dealers (“EMDs”). Given that potential investors under the Proposed Exemption are not required to meet any criteria related to their sophistication or ability to withstand loss, it is important that they receive suitability advice from dealers that are subject to the most comprehensive standards and oversight relating to proficiency, duty of care, suitability, know your client, and know your product. IIROC regulations and rigorous oversight ensure potential investors will receive appropriate advice in respect of securities issued under the Proposed Exemption. Given the results of audits of EMD activities undertaken by Ontario, Alberta and British Columbia, it is clear that EMDs do not consistently meet the standards necessary to provide the requisite amount of investor protection under the Proposed Exemption.

- 4. One of the benefits of the prospectus system is the due diligence process that the issuer and its underwriter undertakes in an effort to support the prospectus certificate in respect of full, true and plain disclosure of all material facts. An issuer using the exemption is required to state that there are no undisclosed material facts. Should we require the investment dealer to confirm this as well?**

While the distribution of securities without a disclosure document may introduce risks for any investor, we believe that the degree of investor protection afforded by the Proposed Exemption is consistent with, or higher than that provided by other exemptions that are relationship based, or based on income and asset thresholds, but do not require a suitability assessment to be performed by a qualified and accountable advisor.

Requiring dealers to confirm that there are no undisclosed material facts, will add significant costs, and time delays to the financing process, effectively nullifying the benefits associated with the use of this exemption. In order for the dealer to make this confirmation, a separate and independent due diligence process, likely involving counsel would generally be required. This would be costly and time consuming, to the extent that the exemption would not likely be widely used.

Part of the rationale for the Proposed Exemption is the recognition that investors can purchase securities on the secondary market through an investment dealer

without restrictions or such additional due diligence. Requiring this additional step would remove the comparability, as dealers can rely on the issuers' disclosure obligations when dealing in the secondary market. Given that there are statutory rights of action for rescission or damages available to purchasers in the event of a misrepresentation in the issuer's continuous disclosure, this additional certification is not necessary.

5. Are there additional conditions that should be considered to address investor protection?

The investor protection aspect of the Proposed Exemption is based on the quality of the suitability assessment. Given that the Proposed Exemption can only be utilized through a registered IROC dealer, the standard of care applicable to the suitability review provides investors with a high degree of protection.

6. Should there be a limit on the size of an offering under this condition?

Given the protections built into the Proposed Exemption, no restrictions on the size of the offering are necessary.

7. Should there be a limit on the amount of an investor's investment?

As noted, IROC dealers are required by regulation to undertake a robust suitability assessment for their clients in respect of the investment process. This assessment includes a determination of the appropriate investment in any particular security given the investor's specific profile and circumstances. As such, no limits in respect of the amount of an individual's investment are necessary.

Conclusion

We believe the Proposed Exemption as presented is a positive step in assisting issuers in raising capital, expanding the capital raising process to include more retail investors and appropriately protecting investors. In order for the Proposed Exemption to be truly effective, it must be available to all Canadian investors. The capital raising process for listed companies is typically national in scope, and providing investment opportunities only to certain investors on the basis of geography is illogical and unfair. This piecemeal approach to regulation adds unnecessary expense and complexity to the process without providing improved investor protection. We encourage the CSA to implement a uniform exemption so that the benefits can accrue to all Canadian listed issuers and investors.

Thank you for considering our comments. If you have any questions, please don't hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read "S. Copland". The signature is fluid and cursive, with a prominent loop at the end.

Susan Copland