

# CPI

## CROWN PROPERTIES INTERNATIONAL CORPORATION

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British Columbia Securities Commission  
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Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorite des marches financier  
New Brunswick Securities Commission  
Registrar of Securities, Prince Edward Island  
Nova Scotia Securities, Newfoundland and Labrador  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Yukon Territory  
Registrar of Securities Nunavut

Re: Proposed Changes resulting from the Registered Reform Project

Dear Sirs/Mesdames

We are an investment company interested in expressing our concern over the proposed changes introduced in the Registered Reform Project (RRP)/National Instrument 31-103. We believe that increasing regulation will be harmful to investors as it increases the cost of doing business and reduces competition by raising barriers to entry for new traders and provides limited if no protection or benefits to the general public.

Our main concerns arise from the proposed changes/rules:

**Required \$50 000 to \$200 000 working capital**  
**Sales Representatives required to undertake the Canadian Securities Course**  
**Know your Client Forms**

**Required \$50 000 to \$200 000 working capital**

This requirement is proposed as a regulatory rule to protect against insolvency and gives alleged indications that a firm is "adequately capitalized and able to manage their business on an ongoing concern basis." We ask; why the need for working capital? The specialty dealer should not be holding any cash. If the specialty dealer is in the business of raising money for issuers using the OM exemption, why should there be a capital requirement? How many companies would want to keep that amount of money on hand rather than have it invested and actually working to make money for itself?

*A Publicly traded company as "CWN" on the TSX*

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### **Sales representatives required to pass Canadian Securities Course**

We believe that all salespeople involved should have as much knowledge as possible; however, the course does not meet the needs of Alberta salespeople. In Alberta the majority of investments are real estate transactions. The securities commission's course only provides for a small section which references real estate. Most investors of real estate are not looking for a financial planner, the salesperson is selling real estate and a vast knowledge in this area is what the investor is looking for, they want to know that their salesperson knows the real estate market in their area. The concept of their realtor advising investors in regards to brokerage stock or which mutual fund to invest in is a role that realtor do not want to play and investors understand this distinction. The Canadian Securities course is designed for people who wish to be in the securities business as stock brokers, financial planners or investment advisors.

### **Know you Clients ("KYC") Forms**

It has been suggested that it is important to know and understand the financial picture of a client. As real estate investment firms, which cover 90% of investment firms in Alberta we are selling a product, real estate. If the client has the money, they buy it; we are not interested in giving anymore financial advice than purchasing our product. The public understands the difference between a RRSP, or brokerage deal and a real estate investment, this needs to be clear to the commission. Investors will not want to provide information that is private and confidential and this will eventually bring a huge loss to the industry.

In conclusion it is our firm belief that these proposed changes do not address the issues at hand. They do not improve investment opportunities for the public or for companies. They are restrictive, intrusive and limit competition and will inevitably cost consumers and companies more money. Increasing costs and consequently reducing investor's returns will make Canadian capital markets less attractive.

Perhaps rather than trying to increase the barriers of entry to this industry by requiring higher working capitals effort should be made to encourage more competition in the industry with the hope that competition would put downward pressure on fees. The result of this legislation may be that we may all regulate ourselves out of a job.

Regards,

Norm Minor