

May 26, 2008

*Via Email*

Mr. John Stevenson  
Secretary  
Ontario Securities Commission

The Honorable Iris Evans  
Minister of Finance, Province of Alberta

**Re: Proposed National Instrument 31-103 / Registration Reform Project**

Thank you for taking the time to address the concerns of this letter that surround the proposed National Instrument 31-103 ("NI 31-103").

As a proud representative of exempt market securities, I applaud the work that went into the National Instrument 45-106 ("NI 45-106"), as the effects have afforded some much needed competition in the capital markets. The proven success of NI 45-106 is more than apparent with the amount of company and investor interest that has been shown since its inception. A question that quickly then comes to mind is – 'why change it?'

Two issues of more immediate concern with the above noted 'Reform Project' is the proposal of implementing Know Your Client ("KYC") forms, along with the proposed educational requirement of the Canadian Securities Course ("CSC") becoming mandatory to those representing the product.

To add to these issues is why the British Columbia Securities Commission chose to opt out of the above. It would appear that they understand our concerns, and feel as though the proposed NI 31-103 does not cater to the needs of our industry, and that the current NI 45-106 is more than sufficient.

I have detailed some of these concerns as follows:

**KYC Forms / Risk Acknowledgement**

As a representative of product in this industry, it is NOT my job to submit advice or opinion. It is my role to provide factual data to the investor with regards to the current opportunity.

A KYC form is designed to allow financial planners a platform on which to offer 'opinion'. We are not selling 'opinions', we are selling a product.

To date, we require that investors fill out the Risk Acknowledgement form pursuant to NI 45-106, which clearly indicates that the investor could lose all their money. Having said that, when was the last time real estate was worth nothing? We have accepted the Risk Acknowledgement Form to date, as we agree that investing in anything has risks associated with it, therefore it should be made clear to the investor that ALL investments have risks. I find however, that adding to this document by then asking for the client's complete financial history is completely unnecessary.

Investors themselves have written in many letters indicating that this would be a violation of their privacy as again, they are not looking for advice, they are looking for product.

To add to this, it has been defined that exempt market securities are 'high risk'. Theoretically this would then indicate that unless an investor's risk tolerance is anything but high, they are then not allowed to invest in this market.

## **CSC**

Now while I will always endorse education, the CSC does not reflect the appropriate level of education required for this industry. In fact, there are only four pages even relative to real estate, which makes up most of the exempt market.

I would applaud an attempt made by the Canadian Securities Administrators to establish a program designed to educate those who represent exempt market securities, which ultimately focuses on that which makes up close to 90% - real estate.

## **Conclusion**

In conclusion, I am greatly concerned with the proposed changes as it does not appear to be in the best interest of the investor nor to capital markets. It has been made clear to the Canadian Securities Administrators on current meetings held in Alberta, as well as hundreds of letters submitted that were against the new Reform Project. Why is it that these concerns are then still in question?

There is no problem. None has been proven, and none has existed.

As mentioned above, this industry has provided some much needed competition to the Capital Markets. It unfortunately appears that this 'Reform Project' is in reaction to the competitive opponent that exempt market securities have become.

I strongly encourage those in question listen to the FAIR compromises offered by those IN this industry as opposed to moving forward with an idea that clearly does not make sense.

Attentions should be re-focused upon enforcing existing rules provided by NI 45-106, and to recognize its continued success. Canadian Securities Administrators' should strongly reject to the proposal of NI 31-103.

Thank you again for your considerations.

Regards,

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