



February 20, 2014

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8

and

Me Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec H4Z 1G3

**Re: Response to CSA Notice and Request for Comment: Proposed Amendments on NI 31-103
Registration Requirements, Exemptions and Ongoing Registrant Obligations Published December
5, 2013**

Dear Sir and Madam:

The National Exempt Market Association (NEMA) appreciates the opportunity to comment on the referenced proposed amendments to NI 31-103. Our membership feels that one more amendment should be made: the ability for Dealing Representatives to have the option to receive compensation to their corporation.

As background, the National Exempt Market Association was originally named the Western Exempt Market Association; it was founded in 2011 by a number of key participants in the exempt market securities industry, who saw a need for a collective voice to preserve the flexibility and unique culture of the Canadian capital markets and the exempt market in general. Our association grew to include national representation, and so we changed our name to the National Exempt Market Association in 2013 to better reflect our mandate and membership base. We are now approximately 285 members nationwide, comprised of issuers, exempt market dealers, individual dealing representatives, and their service providers. For more information on our association and its mandates, please visit <http://www.nemaonline.ca/>.

NI 31-103 came into being September 28, 2009. A little over a year later, on December 20, 2010 a consultation paper was published named “Consultation on Possible Options for the Incorporation of Individual Representatives of Registered Dealers and Advisors in Canada.”¹ This comment period was open until February 25, 2011. A “Summary of Consultation Responses” was then published in June 2011, of the where 63 stakeholders who wrote in, 59 of them were in favor of adopting a statutory incorporation

¹ Consultation Paper: Consultation on Possible Options for the Incorporation of Individual Representatives of Registered Dealers and Advisors in Canada. December 20, 2010.
<http://www.finance.alberta.ca/publications/other/2010-1220-consultation-incorporation-dealers.pdf>

model for Dealing Representatives. The next steps were for the “working group plans to report back to the Ministers responsible for securities regulation across Canada early this summer on results of the consultation together with recommendations for proceeding.” The results are quoted directly below:²

Seven common themes emerging from submissions received are:

1. The importance of moving forward with an incorporation proposal to resolve this long-standing issue in a timely manner as the discussion and debate on this issue have been exhaustive and it is now time to act.
2. Recognition that incorporation is not a suitable alternative business structure for all, but provides an individual representative with additional flexibility and choice.
3. The need for an incorporation model that is consistent with the principles outlined in the consultation paper, addresses identified regulatory and accountability issues, and ensures the protection of the investing public.
4. The clear preference for a legislative incorporation model over a directed commission model.
5. The importance of a consistent, harmonized approach to incorporation for all dealing and advising representatives without differentiating between representatives of the Investment Industry Regulatory Organization of Canada (IIROC), the Mutual Fund Dealers Association of Canada (MFDA) or non-self regulatory organization firms (like Québec mutual fund dealers, exempt market and scholarship plan dealers) or the products they provide.
6. The need to clarify whether these corporations should be a single-purpose vehicle limited to securities-related activities or multiple purpose vehicles to accommodate a wider variety of activities (related to securities, insurance or financial planning).
7. The need for further consultation on the details of an appropriate legislative model and supporting legislative framework.

NEMA supports these findings and recommends that NI 31-103 be amended to accommodate for incorporation of individual representatives (Dealing Representatives) of Registered Dealers and Advisors in Canada.

The benefits of Incorporation of Dealing Representatives are numerous, including more effective business, taxation and legacy planning. In particular, allowing incorporation would:

- Encourage Dealing Representatives to serve investors better through the long term business perspective that we believe incorporation fosters;
- Assist in harmonizing the application of NI 31-103 as some provinces allow incorporation and others do not;
- Reduce the conflicts and regulatory confusion created around this issue when Dealing Representatives are registered in multiple jurisdictions; and
- Harmonize Dealing Representatives with other professional financial services categories such as MFDA and Insurance that already allow compensation to an Advisors Corporation (IIROC is the only category that currently does not allow it).

² *Consultation on Possible Options for the Incorporation of Individual Representatives of Registered Dealers and Advisors in Canada: Summary of Consultation Responses*. June 2011. p 3.
<http://www.finance.alberta.ca/publications/other/2011-0728-consultation-incorporation-dealers-summary-of-responses.pdf>

If you would like further elaboration on NEMA's comments, please feel free to contact Cora Pettipas at cora@nemaonline.ca or at (403) 992-9809.

Regards,

National Exempt Market Association



Craig Skauge
President, NEMA



Cora Pettipas
Vice President, NEMA

CC:

British Columbia Securities Commission

Alberta Securities Commission

Financial and Consumer Affairs Authority of Saskatchewan

Manitoba Securities Commission

Ontario Securities Commission

Autorité des marchés financiers

New Brunswick Securities Commission

Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

Nova Scotia Securities Commission

Office of the Superintendent of Securities, Newfoundland and Labrador

Superintendent of Securities, Northwest Territories

Superintendent of Securities, Yukon

Superintendent of Securities, Nunavut