

**British Columbia Securities Commission**

BC Instrument 32-517

***Exemption from Dealer Registration Requirement for Trades In Securities of  
Mortgage Investment Entities***

The British Columbia Securities Commission, considering that to do so would not be prejudicial to the public interest, orders that effective August 20, 2010, BC Instrument 32-517 entitled “Exemption from dealer registration requirement for trades in securities of mortgage investment entities” is made.

August 20, 2010

Brenda M. Leong  
Chair

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*(This part is for administrative purposes only and is not part of the Order)*

**Authority under which Order is made:**

Act and sections:- *Securities Act*, section 48(1)

BC Instrument 32-517

***Exemption from Dealer Registration Requirement for Trades In Securities of  
Mortgage Investment Entities***

*Order under section 48(1) of the Securities Act*

**Definitions**

1. Terms defined in the *Securities Act*, R.S.B.C. 1996, c. 418, as amended (the **Act**) or in National Instrument 14-101 *Definitions* have the same meaning in this order.
2. In this order, *mortgage investment entity* means a person whose purpose is to invest substantially all of its assets in debts owing to it that are secured by mortgages, hypothecs or in any other manner on real property, and whose other assets are limited to:
  - (a) deposits standing to its credit in the records of:
    - (i) a bank or other corporation whose deposits are insured by the Canada Deposit Insurance Corporation or the Régie de l'assurance-dépôts du Québec; or
    - (ii) a credit union;
  - (b) cash;
  - (c) securities listed in subsection (2) of Section 8.21 of NI 31-103 *Registration Requirements and Exemptions (NI 31-103)*; and
  - (d) instruments held to hedge specific risks relating to the debts owing to it that are secured by mortgages, hypothecs or in any other manner on real property.

**Background**

3. Persons trading the securities of a mortgage investment entity may be required to register pursuant to section 34 of the Act and comply with the requirements set out in NI 31-103.
4. NI 31-103 prescribes conditions of registration and other requirements and restrictions applicable to dealers.
5. National Instrument 45-106 *Prospectus and Registration Exemptions* provides exemptions from the prospectus requirement for certain transactions.

6. Mortgage investment entities have represented that many of the registration requirements in NI 31-103 are inappropriate for their business.
7. The Commission proposes to evaluate the impact of the dealer registration requirements on mortgage investment entities.
8. The Commission considers that limited relief from the dealer registration requirements for mortgage investment entities would not be prejudicial to the public interest.

### **Order**

9. The Commission orders, under sections 48(1) of the Act, that the dealer registration requirements do not apply to a trade in a security of a mortgage investment entity issued under an exemption from the prospectus requirements, provided that:
  - (a) the person is not registered under provincial or territorial securities legislation;
  - (b) the person is not registered under the securities legislation of a foreign jurisdiction;
  - (c) prior to the trade, the person does not advise, recommend or otherwise represent to the purchaser that the security being traded is suitable to the purchaser, with regard to the purchaser's:
    - (i) investment needs and objectives,
    - (ii) financial circumstances, or
    - (iii) risk tolerance; and
  - (d) at or before the time the purchaser enters into an agreement to purchase the security, the person obtains from the purchaser a signed Risk Acknowledgement Form in the form prescribed in Appendix A.
10. This order will come into effect on August 20, 2010 and will cease to have effect on December 31, 2010.

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