

**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 September 29, 2016, BC Instrument 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities* is varied as follows:

**1. *section 2 is amended by***

***a. replacing subsection 2(c) with the following:***

(a) securities listed in subsection 8.21(2) of NI 31-103;

***b. replacing subsection 2(d) with the following:***

(b) instruments held solely 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; and

***c. adding the following section after subsection 2(d):***

(c) real property in Canada which is directly or indirectly held on a temporary basis as a result of action taken to enforce its rights as a secured lender.

**2. *section 9 is amended by replacing the words “dealer registration requirements do” with “dealer registration requirement does”;***

**3. *section 9 is amended by replacing the words “prospectus requirements” with “prospectus requirement”; and***

**4. *section 10 is amended by replacing “2016” with “2018”,***

so that the instrument reads as attached.

September 29, 2016

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*, sections 48(1) and 171

***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* and National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) will 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 Autorité des marchés financiers;or
    - (ii) a credit union;
  - (b) cash;
  - (c) securities listed in subsection 8.21(2) of NI 31-103;
  - (d) real property in Canada which is directly or indirectly held on a temporary basis as a result of action taken to enforce its rights as a secured lender; and
  - (e) instruments held solely 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 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 section 48(1) of the Act, that the dealer registration requirement does not apply to a trade in a security of a mortgage investment entity issued under an exemption from the prospectus requirement, 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
  - (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, and
  - (e) the person has electronically filed with the Commission a current information report in the form prescribed in Appendix B, or has filed an update of a previously filed information report, on or before the 10th day after the prospectus-exempt distribution.
10. This order will expire December 31, 2018.

**Appendix A to BCI 32-517**

**Risk Acknowledgement under BCI 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities***

**Name of Issuer:** \_\_\_\_\_

**Name of Seller:** \_\_\_\_\_

**I acknowledge that**

- the person selling me these securities is not registered with a securities regulatory authority and is prohibited from telling me that this investment is suitable for me;
- the person selling me these securities does not act for me;
- this is a risky investment and I could lose all of my money;
- I am investing entirely at my own risk.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Purchaser

\_\_\_\_\_  
Print Name of Purchaser

\_\_\_\_\_  
Name of salesperson  
acting on behalf of the seller

Sign two copies of this document. Keep one for your records.

National Instrument 45-106 *Prospectus Exemptions* may require you to sign an additional risk acknowledgement form.

If you want advice about the merits of this investment and whether these securities are a suitable investment for you, contact a registered adviser or dealer.

**Appendix B to BCI 32-517**

**Information report under BC Instrument 32-517**  
***Exemption from Dealer Registration Requirement for Trades in Securities of***  
***Mortgage Investment Entities***

[Date]

To: British Columbia Securities Commission

\_\_\_\_\_  
[Name of firm or, if a sole proprietor, individual owner's name and any related trade names]

INSTRUCTION: State the full name of the firm or individual. Add "32-517" after the firm name.

\_\_\_\_\_  
[Street address]

INSTRUCTION: State the street office for the head office of the firm or proprietorship. Do not include a P.O. box or agent for service.

\_\_\_\_\_  
[Website address for firm]

INSTRUCTION: State the website address for the firm. If there is no website address, state "not applicable".

\_\_\_\_\_  
[Telephone number for firm or, if sole proprietor, individual]

\_\_\_\_\_  
[Name of individual responsible for ensuring conditions to use this registration exemption are met]

INSTRUCTION: State the name of the individual who may be contacted with respect to any questions regarding the contents of this report. This individual should be a senior executive for the firm.

\_\_\_\_\_  
[Telephone number for responsible individual named above]

\_\_\_\_\_  
[E-mail address for responsible individual named above]

Does the firm also carry on business at other office locations? \_\_Yes \_\_No

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[Names of salespersons employed by the firm to sell securities]

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[Date]

**Collection and use of personal information**

The personal information submitted in this report is collected on behalf of and used by the securities regulatory authorities or, where applicable, the regulators under the authority granted in securities legislation for the purposes of its administration and enforcement of the securities legislation.

If anyone referred to in this report has any questions about the collection and use of their personal information, they can contact the British Columbia Securities Commission at the address listed below.

**British Columbia**

British Columbia Securities Commission  
P.O. Box 10142, Pacific Centre  
701 West Georgia Street  
Vancouver, BC V7Y 1L2  
Attention: Freedom of Information Officer  
Telephone: (604) 899-6500 or (800) 373-6393