

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 15, 2018, BC Instrument 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities* is revoked and replaced, so that the instrument reads as attached.

August 15, 2018

Brenda M. Leong
Chair

(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), 171 and 172

***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. Commencing December 3, 2010, the Commission granted limited relief from the dealer registration requirements for mortgage investment entities.
7. The Commission intends to revoke that limited relief and give transitional relief to persons or companies required to seek registration as a result of the revocation.

Order

8. 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.
9. The dealer registration exemption in section 8 will expire February 15, 2019, except for a person that satisfies the following conditions:
 - (a) by February 15, 2019, for that person, the Commission has received:

- (i) where the person is not an individual, a substantially complete 33-109F6 *Firm Registration* (including fees) seeking registration as a dealer, or
- (ii) where the person is an individual, a substantially complete Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* (including fees) seeking registration in the category of dealing representative, in combination with an application referred to in (i);
- (b) the Commission has not yet accepted or refused the person's registration application referred to in subsection 9(a);
- (c) on February 15, 2019, the person was relying on, and in compliance with, the dealer registration exemption in section 8; and
- (d) the person is in compliance with the dealer registration exemption in section 8.

10. This order will expire February 18, 2020.

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

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

[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

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Telephone: (604) 899-6500 or (800) 373-6393