

## ANNEX G

### Local Matters (British Columbia)

#### **Required Form of Offering Memorandum for Syndicated Mortgages**

Currently in British Columbia, BC Form 45-901F *Offering Memorandum for Syndicated Mortgages* is the required form of offering memorandum for the distribution of syndicated mortgages using the offering memorandum exemption in section 2.9 of National Instrument 45-106 *Prospectus Exemptions*.

If the Proposed Amendments are adopted, the required form will be Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers* and Form 45-106F18 *Supplemental Offering Memorandum Disclosure for Syndicated Mortgages*.

#### **British Columbia Rule 45-501 Mortgages**

British Columbia Rule 45-501 *Mortgages* provides two exemptions from the dealer registration requirement and the prospectus requirement specifically for trades of syndicated mortgages:

- The “qualified syndicated mortgage” exemption, which is available for a syndicated mortgage that is limited to one identified debt obligation, is on property used solely for residential purposes and contains no more than four residential dwelling units, amongst other conditions. The exemption requires that a registered mortgage broker trades the syndicated mortgage and the purchaser must receive the investor disclosure required under the *Mortgage Brokers Act*.
- The “institutional investor” exemption, which is available for trades and distributions of a syndicated mortgage made to an institutional investor.

In the March 2018 Proposal, the British Columbia Securities Commission proposed to amend these two exemptions to require the filing of a report of exempt distribution in Form 45-106F1 *Report of Exempt Distribution*.

The Commission proposes no changes to this approach at this time. Receiving reports of exempt distribution when syndicated mortgages are distributed under the prospectus exemptions in BC Rule 45-501 will provide the Commission with information to better understand the extent of the syndicated mortgage market in Canada. This information will also inform Commission staff about how frequently these exemptions are being used and who is being compensated for selling syndicated mortgages. This information will assist staff in developing additional exemptions in the future.

The Commission proposes additional drafting changes to the exemptions in BC Rule 45-501 to make the intention of the exemptions clearer. The proposed amendments are in Annex G-1.

## ANNEX G-1

### Local Matters (British Columbia)

#### Proposed Amendments to British Columbia Rule 45-501 Mortgages

1. ***British Columbia Rule 45-501 Mortgages is amended by this Instrument.***
2. ***Section 3 is repealed and replaced with the following section:***
  - 3.1 The dealer registration requirement does not apply in respect of a trade in a syndicated mortgage offered for sale by a person who is registered or licensed, or exempted from registration or licensing, under the *Mortgage Brokers Act* if the trade is made to an institutional investor.
3. ***Section 4 is repealed and replaced with the following two sections:***
  - 4.1 The prospectus requirement does not apply to a distribution of a syndicated mortgage offered for sale by a person who is registered or licensed, or exempt from registration or licensing, under the *Mortgage Brokers Act* if the distribution is made to an institutional investor.
  - 4.2 An issuer that distributes a syndicated mortgage under section 4.1 must, no later than 10 days after the distribution, file a report in Form 45-106F1 *Report of Exempt Distribution* and pay the fees required under section 22, item 16 of *Securities Regulation*, B.C. Reg. 196/97.
4. ***Section 5 is repealed and replaced with the following three sections:***
  - 5.1 The dealer registration requirement does not apply to a trade in a qualified syndicated mortgage if, before the agreement of purchase and sale is entered into, the purchaser is provided with the form of investor disclosure required by the *Mortgage Brokers Act*.
  - 5.2 The prospectus requirement does not apply to a distribution of a qualified syndicated mortgage if, before the agreement of purchase and sale is entered into, the purchaser is provided with the form of investor disclosure required by the *Mortgage Brokers Act*.
  - 5.3 An issuer that distributes a syndicated mortgage under section 5.2 must, no later than 10 days after the distribution, file a report in Form 45-106F1 *Report of Exempt Distribution* and pay the fees required under section 22, item 16 of *Securities Regulation*, B.C. Reg. 196/97.
5. ***This Instrument comes into force on \*.***