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Ontario Securities Commission
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Fax: 416-593-2318
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Attention: Secretary

Re: OSC Staff Notice 11-784 Burden Reduction and Suggestions to Reduce Regulatory Burden (the "OSC Burden Reduction Initiative")

Pinnacle Wealth Brokers Inc. ("**Pinnacle**") thanks the Ontario Securities Commission (the "**OSC**") for the opportunity to provide our comments and recommendations relating to OSC Burden Reduction Initiative, as set out below.

About Pinnacle

Pinnacle is a corporation established under the Alberta *Business Corporations Act* and registered as an Exempt Market Dealer ("**EMD**") in all provinces of Canada except Prince Edward Island. Pinnacle is also registered as a Portfolio Manager in Alberta and Ontario and as an Investment Fund Manager in Alberta and Ontario, Newfoundland & Labrador and Quebec.

Pinnacle supports the OSC and Ministry of Finance initiative to establish a Burden Reduction Task Force.

I, [Brian Koscak], as Co-Chair of the Comment Committee of the Private Capital Markets Association of Canada ("**PCMA**") and current PCMA, Vice-Chair, was involved in the drafting of the PCMA's comment letter involving the OSC Burden Reduction Initiative. Accordingly, Pinnacle supports the PCMA comment letter and those comments will not be repeated in our

submission. However, Pinnacle seeks to provide additional comments, as set out below, for the OSC's review and consideration.

1. Are there operational or procedural changes that would make market participants' day-to-day interaction with the OSC easier or less costly?

(a) Registrant Portal & Co-Ordination of OSC Reviews with Other CSA Members

The OSC should create and maintain a secure registrant portal where all letters from the OSC and responses, as well as any submissions from a registrant, are easily available to both the OSC and registrant. This would allow all parties to have a repository of information that would be available over time. This would be very useful in light of staff changes at both the OSC and the registrant.

This could be expanded to be a CSA initiative where CSA members can have access to all such information and benefit from any reviews undertaken by other CSA members. It would also avoid duplication and provide more transparency and efficiency. Pinnacle, as other registrants, are subject to various reviews and this would foster the sharing of information among CSA members.

For example, a registrant could upload their policies and procedures manual and, if there is a new OSC review [or CSA member review], that CSA member would have access to such information on the portal. In the face of a new review by the OSC or other CSA member, a registrant, would simply be asked to provide any updates rather than requiring the registrant to send all the documentation again. This is extremely burdensome on a registrant especially when they can be reviewed by various CSA members within the same year and have to provide the same information multiple times.

We also believe there should be better co-ordination among the OSC and all CSA members in connection with any registrant field, desk or other review. **The burden placed on a registrant is significant when having to undergo multiple CSA members reviews during the course of a calendar year.** We respectfully submit that a major review be undertaken once every few years by a registrant's principal regulator and shared with other CSA members. This would allow other CSA members to undertake more focussed reviews, such as a desk review on matters outside the principal regulator's review. We believe the OSC can and should take a lead role in such matters among the CSA. If a registrant has many 'ordinary course' reviews, the burden to keep up with them, let alone effect the requested changes by CSA members is daunting and prevents a registrant from effectively running and staying in business. We simply suggest that a better balance should be struck by the OSC and other CSA members involving field and other reviews and this should be transparent and publicly available.

2. Are there ways in which we can provide greater certainty regarding regulatory requirements or outcomes to market participants?

(a) Principles versus Rules – The need for More Rules

There is a longstanding debate on whether *principles versus rules* are a better way to regulate registrants. We believe the publication of more rules for EMDs would ensure more consistent and compliant conduct and at least ensure that an EMD follows certain prescribed requirements. This is not a request for “check the box” compliance, rather a recommendation to consider adding rules to increase desired regulatory outcomes.

Both IIROC and the MFDA have rules for their members so this request would not be inconsistent with the practices of those SROs.

(b) CRM2 and Client Account Statements

EMDs and investors need a re-examination of Client Account Statements and CRM2. EMDs and investors want understandable and accurate Client Account Statements. The current requirements do not work since EMDs, trust companies and issuers do not have and share the same information since there is no integrated system in the exempt market, such as FUNDSERV or CDS. Therefore, the number of securities owned by an investor may be reported differently since EMDs may not have access to changes since they do not receive information about redemptions [decreases in securities owned by an investor] or distribution reinvestment plans [increases in securities owned by an investor]. Even if such information was available, it may not be voluntarily shared by issuers with an EMD.

Pinnacle recommends that the OSC needs to work with EMDs and investors to find out what information is useful and meaningful to investors and the time, money and effort required to obtain such information and prepare a Client Account Statement uniquely tailored for the exempt market.

The frequency of providing Client Account Statements should also be re-examined where information changes less frequently than in the public markets; perhaps semi-annual reporting of investments in a Client Account Statements is more appropriate.

Many EMDs do not have the requisite expertise to properly make such calculations and often report that the value of a security is “Not Determinable”. Clients are confused and often contact EMDs and their dealing representatives every quarter in fear thinking they have lost the entire value of their investment.

An EMD may have also sold securities of an issuer that are no longer in distribution. Accordingly, it is cost prohibitive to undertake any such value calculations let alone assumes that issuers will cooperate in providing such information in a timely manner or at all.

It is submitted that the *issuer is in the best position* to calculate the net asset value or other value of their securities and should be legally required to provide Client Account Statement information relative to that issuer and its investors to all EMDs who sold its securities. Such information should be provided within a prescribed period of time after the end of reporting period under certain prospectus exemptions or conditions, such as the Offering Memorandum Exemption, so it can be accurately reported on an EMD's Client Account Statements. EMDs can review the information an issuer used and relied on to determine any such calculations but the initial onus should be on the issuer. This would ensure that an EMD, issuer and trust company all have the same information in their respective Client Account Statements.

(c) Increase Investor Education About EMDs and the Private Markets

Part of the OSC's mandate involves investor protection which includes investor education.

Pinnacle believes that the OSC needs to provide more information, webinars, videos, brochures etc. about what EMDs do and do not do and about the private markets generally.

Many investors do not understand an EMD's role and how private market investments fit into their overall portfolio or the role of an EMD, especially in the face of a failed offering.

Based on over 16 years of practice at a major law firm, my experience as a former Chair of the PCMA and while working at a registrant, it is respectfully submitted that many investors *wrongfully believe* an EMD is responsible for the actions of an issuer's management team in the event of a failed offering or that an EMD controls management's decisions or actions or lack thereof. There are limits on what an EMD can and cannot do just as there are limits on what CSA members can do in such circumstances.

For example, if an investor lodges a complaint with the OSC or other CSA member in the face of a failed offering, there is no follow-up for confidentiality and other reasons, however, to that investor the OSC or other CSA member is not taking any action. In fact, the OSC or other CSA member could be actively pursuing the matter behind the scenes, but an investor has no such information to see what is being done and, if anything, it could be many years later when, for example, there is a hearing and ultimate decision. We are often told by investors that this is 'too late and too little'. Unfortunately, investors then put added pressure on an EMD to take action to seek redress when EMDs have insufficient resources to undertake such matters especially when they see no action being taken by the OSC or other CSA member.

There must be a further review of investor rights in the context of a failed offering since the current system is non-transparent or investor friendly which exacerbates matters for an EMD since investors often have an incorrect view of what an EMD can or should do, and cannot or does not do, for various reasons.

Again, we respectfully submit that there needs to be a lot more investor education about what EMDs do and do not do, generally as a registrant, and in particular in the face of a failed offering. Investor protection and investor education go hand-in-hand.

Other Matters

We were not clear which question our comments below would best fit under the questions have asked in its Regulatory Burden Reduction Initiative and accordingly, have placed them under this 'Other' category since they are aimed at reducing the burden placed on registrants.

(a) Permitting Different CCOs in the Same Firm

Often a single registrant may be registered in multiple registration categories, such as EMD, portfolio manager (“**PM**”) and investment fund manager (“**IFM**”). We understand that the OSC and other CSA members will only allow a registrant to have a single chief compliance officer (“**CCO**”) in one firm who satisfies all three CCO registration requirements.

In order to permit different CCOs, the firm would have to, for example, set up a holding company structure that would own one or two different subsidiaries such as a separate EMD entity and a separate PM/IFM entity. The cost of restructuring is too great and unnecessary.

It is submitted that each registration category should have the best qualified individuals who fulfils that role. Furthermore, the proficiency, knowledge and training of a CCO for an EMD may be different than for a CCO of an IFM/PM.

Accordingly, it is submitted that a single registrant that is registered in multiple categories should be permitted have a different CCO for their EMD relative to their PM/IFM registration. Pinnacle submits this would provide greater investor protection by having the right experienced CCO per registration category and avoid a costly reorganization or restructuring.

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(b) EMD CCO Course

As a condition for approving a CCO for an EMD, the individual is required to have the requisite industry experience. This is often difficult since the pool of available candidates is limited and from other industries that may be less familiar with the private markets.

It is submitted that a special CCO Course should be created that may act as a substitute for the requisite industry experience since a course that is detailed and tailored to the roles and responsibilities of a CCO for an EMD may increase the desired regulatory outcomes that the OSC and other CSA members expect for individuals who act as a CCO for an EMD.

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We thank you for considering our submissions.

Yours truly,

"Brian Koscak" [signed]

Pinnacle Wealth Brokers Inc.
President, Chief Compliance Officer and General Counsel

cc: Darvin Zurfluh, Chair, CEO, UDP and Founder
Brian Koscak, Director, President, CCO and General Counsel
Michael Edwards, Director