

June 18, 2014

British Columbia Securities Commission  
P.O. Box 10142, Pacific Centre  
701 West Georgia Street4  
Vancouver, British Columbia V7Y 1L2

**Attention:** Leslie Rose  
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**Re: Response to British Columbia Notice 2014/03 – Proposed Start-Up Crowdfunding Exemption**

Dear Mss. Rose and Corrigan-Brown,

Please find attached our response on behalf of the National Crowdfunding Association of Canada (“**NCFA Canada**”) with respect to the British Columbia Notice 2014/03 – Proposed Start-Up Crowdfunding Exemption (the “**Start-Up Exemption**”) released on March 20, 2014.

We applaud the British Columbia Securities Commission (“**BCSC**”) for considering joining the provinces of Manitoba, New Brunswick, Nova Scotia, Quebec and Saskatchewan to harmonize this proposed crowdfunding exemption across these provinces. NCFA Canada and its members also thank the OSC for the opportunity to participate in the consultation process.

NCFA Canada is a grass roots and membership-driven not-for-profit trade association that is actively engaged with both social and investment crowdfunding stakeholders and communities across the country. Our mandate is to provide crowdfunding education, advocacy and networking opportunities for our growing national membership of over 870 members, ambassadors, advisors and board members.

We support innovation, small businesses and entrepreneurs seeking to make a difference, and believe that crowdfunding markets and the eco-systems around them can play a significant role in mobilizing start-up capital and resources to early stage projects and businesses in an efficient and cost effective manner.

We look forward to contributing ongoing input into the planning, implementation and operation of the proposed Startup crowdfunding exemption in BC. Please feel free to contact us at any time to discuss further.

Sincerely,



Craig Asano  
Founder and Executive Director  
NCFA Canada  
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Enclosure

# The National Crowdfunding Association



## Education, Awareness and Advocacy

*Fostering a dynamic, vibrant and inclusive Crowdfunding industry in Canada*

## Response to British Columbia Notice 2014/03 – Proposed Start-Up Crowdfunding Exemption

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## About NCFA Canada

- The National Crowdfunding Association of Canada (**NCFA Canada**) is a cross-Canada non-profit organization with a mandate to be inclusive in providing **education, awareness** and **advocacy** in the rapidly evolving crowdfunding industry.
- NCFA Canada is a community-based and membership-driven entity that was founded at a grass roots level to fill a national need in the marketplace.
- Members and prospective members are industry stakeholders (e.g., portals, experts, service providers and enablers), small businesses using crowdfunding to fund their initiatives and investors seeking to learn more and get connected with a relevant and national membership peer network.

## Overview

### The Importance of SMEs to the Canadian Economy

- Small to mid-sized enterprise businesses (**SMEs**) are the lifeblood of the Canadian economy. From the corner laundry mat to the emerging high tech software company there were a total of 1,138,761 SMEs in 2010 according to Industry Canada. By definition, SMEs include micro-enterprises (1-4 employees), small businesses (5-100) and medium sized businesses (101-500).
- In 2010, SMEs hired 48.3% of the entire workforce while 25% of the Canadian population was self employed entrepreneurs. Stated differently, almost one in every two persons is directly affected and reliant on the SMEs for their livelihood. In 2009, SMEs represented 28% of Canada's total GDP and also accounted for \$68 billion in exports, or 25% of Canada's total export value.<sup>1</sup>
- SMEs play a significant role as a feeder system. Successful smaller companies may grow, acquire other businesses or assets, and possibly become larger public companies.

### SME's Funding Challenge

- A funding gap exists for Canadian start-ups and SMEs to raise small amounts of capital (e.g., estimated by various industry professionals to be \$1 to \$5 million) that is not currently being satisfied by friends and family networks, angels, incubator/accelerator programs and venture capital (**VC**) groups.
- Traditional institutions and alternative lenders have strict lending requirements that most start-ups do not qualify for. Many small businesses cannot get a line of credit approved by their bank (or revive credit lines) due to poor sales or insufficient collateral to support their loan requests.
- Many small businesses are asked to front money to initiate a funding process or are advised to pay expensive financial and legal planners to develop detailed business plans and prospectus documents that exceed the budget and viability of many start-ups and SMEs.
- Incubators and accelerators are excellent options, however there are only a limited number of placements available (e.g., most programs are operating at maximum capacity) and they generally focus on a niche industry. VC has been on the decline. In 2000, \$5.9 billion was invested in 1,007 Canadian start-ups, according to Thomson Reuters, compared to just \$1.1 billion in 2010 that was raised by 357 Canadian firms representing an alarming decreasing trend in a ten year period. VCs are

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<sup>1</sup> <http://www.cbc.ca/news/business/smallbusiness/story/2011/10/04/f-smallbiz-by-the-numbers.html>

incentivized to participate in larger funding transactions and the average deal sizes are mismatched with the needs of SME issuers.<sup>2</sup>

### What's at Stake?

- Fundamentally there's a strong need to ensure SMEs have the proper access to capital to innovate and develop competitive products/services to bring to Canadian and global markets.
- Without a clear funding roadmap for small businesses or an efficient and legally viable capital formation process many valid business ideas will not get funded in Canada.
- Crowdfunding has gained a lot of momentum in North America and Europe. Equity crowdfunding is currently legally permitted in many countries, such as Australia, UK, Netherlands and the US will soon be added to the growing list with the passing of the [\*Jumpstart Our Business Start-ups Act \(JOBS Act\)\*](#)<sup>3</sup> last April 2012.
- Canada needs to review its securities laws to ensure they are current and suitably meet the needs of SME issuers and their ability to connect with prospective investors (funders) and successfully raise early stage capital from online market places.
- Otherwise, Canada risks losing its Canadian funded ideas and best entrepreneurs to countries with more supportive funding environments and access to capital (e.g., United States) that are keen to commercialize on Canadian start-up ventures.
- Canada will continue to slide down global innovation rankings and the economy will suffer as a result negatively impacting job creation and Canada's strategic social-economic advantages.<sup>4</sup>

### NCFCA Canada 2014 Conferences and Outreach

NCFCA Canada held four events across Canada (Toronto: April 16, 2014, Vancouver: May 21, 2014, Saskatoon: May 28, 2014, and Nova Scotia: Jun 19, 2014) to educate and receive feedback from various constituent groups interested in start-up capital in their communities. All of these events were held in association with strong community supporters such as the City of Toronto, the Saskatoon Chamber of Commerce, the Kolo Project, Vancouver Economic Commission, BC Technology Industry Association, Innovacorp and local angel groups. NCFCA Canada and all in attendance appreciated the participation by local securities regulators in each jurisdiction at these events

In addition to holding conferences, NCFCA Canada has fielded hundreds of questions from aspiring crowdfunding portal operators, issuers, investors and media by telephone, email and in person. We have participated in several federal and provincial government educational meetings with Industry Canada and Economic Social Development Canada (ESDC) and the Ontario Ministry of Economic Development, Trade and Employment.

We have worked towards building communities of crowdfunding practice across the country and have grown our national Crowdfunding Ambassadors program to over 20. We are working closely as community development partners in support of entrepreneurship with various organizational initiatives such as Startup Canada's Financial Literacy Committee and Fundica's cross-Canada funding road show to advance the level of Crowdfunding literacy amongst SMEs.

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<sup>2</sup> <http://www.theglobeandmail.com/report-on-business/streetwise/canadian-venture-capital-stuck-in-deep-rut/article616668/>

<sup>3</sup> [http://en.wikipedia.org/wiki/Jumpstart\\_Our\\_Business\\_Startups\\_Act](http://en.wikipedia.org/wiki/Jumpstart_Our_Business_Startups_Act)

<sup>4</sup> <http://www.ncfacanada.org/poor-innovation-ranking-dims-the-lights-on-canadas-competitiveness-and-prosperity/>

We have developed a significant amount of online educational content including webinars and we have published an equity crowdfunding FAQ on our website and provided articles summarizing the key elements of the proposed crowdfunding exemptions. We are also in the process of finalizing an e-book of a larger array of questions and answers on equity crowdfunding and investing in general.

## National Crowdfunding Survey in Canada

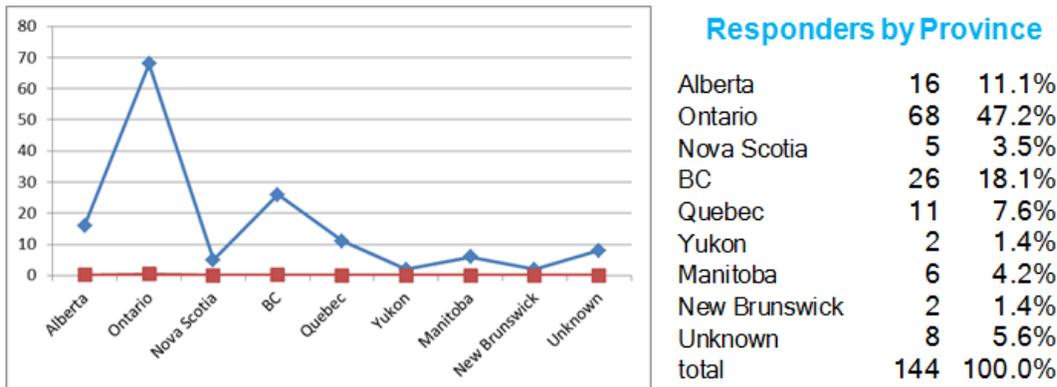
In 2013, NCFA Canada has collaborated with the Exempt Market Dealers Association of Canada to develop and host the National Canadian Crowdfunding Survey in Canada ([link to survey](#)). The purpose of the survey was to obtain a better understanding of the various stakeholder opinions on legalizing equity Crowdfunding in Canada and to provide Canadian securities regulators with feedback on many of the issues the OSC and the CSA are seeking input to.

NCFA Canada is planning to launch a similar survey in 2014 to gauge whether the opinions of various stakeholders has changed or evolved since 2013.

### Overview of Survey Responders

We received a total of 144 survey responders from NCFA Canada’s crowd:

- 100% of responders represented start-up and/or SME issuer views
- Almost 75% were a planned portal or service provider
- 70% / 25% identified themselves as non-accredited / accredited investors
- 12 self-identified as registrants including EMDs, investment dealers, or portfolio managers



### Selected Preliminary Survey Results

NCFA Canada is in the process of aggregating the survey data results into a research paper/report that will be prepared by newly joined NCFA Canada Advisory Board member, Douglas Cumming, Professor and Ontario Research Chair, York University – Schulich School of Business, and released shortly. Until then, based on the raw data responses, we can derive and share the following high level learnings:

### **Should we Adopt a Crowdfunding Exemption?**

- 95.7% of responders voted that Canada should adopt a crowdfunding exemption under applicable securities laws.
- 74.8% of survey participants were moderately to extremely familiar with crowdfunding.
- Overall, approximately 90% of survey responders agreed or strongly agreed that there would be significant benefits for both SME issuers and investors by adopting a crowdfunding exemption.

### **Investor Motivations to Make an Investment through Crowdfunding (Ranked in Order):**

1. Innovation and entrepreneurship
2. Financial incentives
3. Non-financial incentives
4. Direct access to entrepreneurs
5. Diversification
6. Networking

### **Should Canada Move Ahead or Follow the SEC and FINRA?**

- 60.6% of survey responders agreed or strongly agreed that Canada should move ahead and finalize crowdfunding rules and regulations (23.1% were undecided).

### **Pilot Project**

- 73.7% of survey responders believed that Canada should approve a crowdfunding exemption on a trial or limited basis initially.
- 43.3% or the majority of survey responders answered that the trial should be based on a limited period of time.
- A very low 5.6% clearly indicated that a crowdfunding pilot project should not be restricted to a particular industry or sector.

### **Investor Limits and Restrictions**

- 72.9% of the responders voted that the investment cap should be \$10,000-\$15,000 or more per investor in a 12-month period.
- 64.2% of responders indicated that there should not be any further caps on the funds that can be invested with a single crowdfunding issuer within a 12 month period.

### **Issuer Limits**

- 45% of responders voted that the aggregate amount of capital that an issuer should be able to raise in a 12 month period is up to \$2,000,000.
- 45% of responders indicated that there should not be a limit.

### **Secondary Market**

- 64.4% of survey responders believed that securities should be free-trading after a period of time.
- 83.7% of survey respondents indicated that crowdfunding securities should be eligible for second market trading after 12-24 months of the original purchase.
- Note, by way of comparison and under the US JOBS Act there is a moratorium on transferring shares within one year from the date of issuance, unless the transfer is to an accredited investor or back to the company.

## Prospective Crowdfunding Exemption

NCFA Canada advocates that a crowdfunding exemption in Canada will increase the awareness of Canadian start-ups, support innovation and entrepreneurship, create jobs and contribute to the total GDP and export base of the economy.

## Proposed Implementation Principles

To cultivate the benefits of investment crowdfunding frameworks, regulators must strike the right balance between protecting investors while ensuring efficient capital formation for SMEs. To assist with this task, NCFA Canada has developed eight (8) high-level implementation principles to be used as guidelines when considering the costs and benefits of a prospective crowdfunding exemption in Canada.

Principle	Concept	Description
1. Harmonious	Collaborative development	The collaborative development of a harmonized set of crowdfunding regulations to benefit Canada as a whole.
2. Inclusive	All sectors and industries	To be as inclusive as possible to a broad-based range of sectors and industries to encourage balanced growth in communities across the country.
3. Transparent	Disclosure rules and crowd intelligence	Support transparent disclosure and crowd intelligence as a means to help government and industry prevent, identify and report potential fraud and abuse to authorities within a timely manner.
4. Adaptive	Innovative market adaptation	To ensure crowdfunding regulations support market evolution enabling innovation to flourish.
5. Robust	Efficient capital formation	A regulatory framework that gives SME issuers and investors (funders) the confidence that there is a robust framework in place capable of efficient capital formation, and one that is collectively supported by the eco-system.
6. Open	No jurisdictional restrictions	Enable a vehicle to allow businesses to accept investment (and funding) from other jurisdictions on a limited basis encouraging competitiveness, collaboration and cross border participation.
7. Additive	New channels and source of funds	Ensure crowdfunding regulations are designed to open up largely a new source and channel of funds by minimizing the impact and overlap with existing exempt market exemptions.
8. Protective	Investment caps and reasonable due diligence	Protect investors by limiting investment exposure, promoting education, fraud detection and implementing a fair and reasonable amount of due diligence and compliance without overly burdening the process.

## NCFA Canada Responses to British Columbia Notice 2014/03 – Proposed Start-Up Crowdfunding Exemption: Questions and Answers

The table below highlights the content in the British Columbia Notice 2014/03 – Proposed Start-Up Crowdfunding Exemption with NCFA Canada’s position stated as (A)gree; (D)isagree or (M)ixed with additional commentary provided as appropriate.

#	Question and Answer
<b>General Questions</b>	
1.	<b>Is there a funding gap that prevents small and early-stage businesses from raising sufficient capital under our existing prospectus exemptions? If so, please describe where you think the gap exists and what causes it.</b>
	<p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>Yes. Please see the above sections ‘SMEs Funding Challenge’ and ‘The Importance of SMEs to the Canadian Economy’ for reference.</li> </ul>
2.	<b>Will the start-up crowdfunding exemption address this funding gap? Why or why not?</b>
	<p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>We believe a start-up crowdfunding exemption in British Columbia would help small businesses to raise startup capital from within British Columbia and within all participating jurisdictions’ borders. This would help prevent the flight risk of ideas, entrepreneurs and capital fleeing elsewhere, such as to an international jurisdiction where the capital raising environment may be more supportive and easier for an entrepreneur to commercialize an idea, product or venture.</li> <li>A Canadian only start-up crowdfunding exemption may attract entrepreneurial startups that face a funding gap in other areas of Canada to migrate to one of the participating jurisdictions. The influx of new minds would help propel these jurisdictions forward.</li> <li>While the crowdfunding industry is still in its infancy, much of the success thus far can be attributed to the advancements of technology and range/reach of social media to allow like-minded investors to pool funds and transact online beyond the limitation of their own geographic boundaries. With the proposed start-up crowdfunding exemption, the number of portals, issuers and investors will in fact be constrained by the capacity and participation within the participating jurisdictions. Put differently, the concept of crowdfunding is such that it requires the power of a ‘large crowd’ to derive the maximum benefit of ideation, distribution, and pooling of capital. Ideally, we would like to see the start-up crowdfunding exemption adopted right across Canada.</li> </ul>
3.	<b>Although the start-up crowdfunding exemption is intended to assist start-up and early stage businesses, it is not restricted to those issuers. Should we restrict the exemption to issuers that have raised less than a certain amount since their formation? Should we limit the total amount an issuer can raise under this exemption?</b>

	<p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>▪ Do not restrict the exemption to issuers who have raised less than a certain amount since their formation. There are a number of different funding gaps in the life cycle of businesses in Canada.</li> <li>▪ From various conversations and extrapolated from our survey data results, we recognize that the funding gap exists for many types and sizes and businesses. Over time, it is possible to conceive crowdfunding as a source of capital for many types of issuers and not just those requiring small and limited amounts of capital. Thousands of SMEs, many of which are well run and profitable, but have no access to capital may be one of the largest beneficiary of the start-up exemption.</li> <li>▪ Some companies requiring more significant amounts of capital (e.g., solar projects) may be deemed unsuitable investments by more conventional funding channels (e.g., banks) yet the same company may be widely supported and considered an attractive option to a different type of investor under the start-up crowdfunding exemption. In fact, serial projects by such companies may be well suited to the start-up crowdfunding exemption.</li> <li>▪ The start-up crowdfunding exemption is also suitable for companies launching a new products or funding research and development projects.</li> </ul>
<p><b>Portal Obligations</b></p>	
<p><b>4.</b></p>	<p><b>Do the requirements of the start-up crowdfunding exemption adequately protect investors?</b></p>
	<p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>▪ The crowd is an integral part of investor protection in crowdfunding campaigns.</li> <li>▪ Portals should be required to maintain investor forums after funding is complete, or else provide some easy way to move forums, including user identities and comment histories, to a new, permanent online location. Failing to do this will result in a loss of accountability and create an opening for fraud. On donation, perk and product presale crowdfunding portals, communities of supporters continue to give feedback on projects long after funding has closed, providing both a valuable resource and an important incentive for issuers to deliver.</li> <li>▪ Crowdfunding relies on the online as well as real world identities for issuers, commenters, and backers being transparent to one another. LinkedIn, Twitter, and Facebook are all useful methods to identifying individuals and discovering and verifying expertise. Portals and should be required to have issuers and other link their online profiles on these sites to their identity on the portal.</li> <li>▪ The rules should clarify that investors are free to share information about an equity crowdfunding investment they are interested in through their social media contacts. Ethan Mollick, a professor from Wharton University of Pennsylvania, studies crowdfunding extensively. He has found that investors play a critical role in detecting fraud. Investors look for signals of quality, and are more likely to fund projects that show signs of the ability to succeed – clear plans for future development, appropriate backgrounds, past experience, and outside endorsements. They discuss projects and their viability on the portals but also on social media sites where they can tap into the knowledge of outside experts, their extended network and the media. Projects improve because of the feedback from such discussions, fraud is made almost impossible, and the entire community of investors benefit. See:</li> </ul>

	<p>Mollick, Ethan. (2014), <a href="#">The Dynamics of Crowdfunding: An Exploratory Study</a>, <i>Journal of Business Venturing</i>, 29 (1), 1 – 16. Or video of Ethan Mollick discussing same topic: <a href="#">Youtube Video Link</a>.</p>
<b>5.</b>	<b>Should we require the portal to do due diligence on issuers and their principals? If so, what level of due diligence should we require?</b>
	<p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>▪ Background checks on issuers, directors, executive officers, promoters, and control persons should be limited to requiring portals access free public resources online. The TSX Venture Exchange charges \$500 for a domestic background search, which barely recoups their cost. International searches can cost up to \$5,000 per director and take up to three months to receive all information on the director.</li> <li>▪ We believe that undertaking an international background check on an issuer’s key stakeholders should not be required as it would impose a significant financial burden on both portal operators and issuers and provide little value in return.</li> <li>▪ Performing a quality international background check has many challenges. Language and regulation issues lie at the heart of these challenges and are a major driver of additional costs. Most developed countries have enacted legislation to protect the privacy of personal information and the ways in which this information is collected, transmitted and utilized.</li> <li>▪ Background verification companies have a duty of care to collect personal information in a manner which is consistent with the jurisdiction in which it is collected.</li> <li>▪ In Canada we are guided by the <i>Personal Information Protection and Electronic Documents Act (PIPEDA)</i>; in the US and Europe, <i>The Fair Credit Reporting Act (FCRA)</i>, and the EU’s Directive on Data Protection govern.</li> <li>▪ In many countries, however, laws governing background verification and personal information privacy are still under development. Additional translation and interpreter resources would have to be accessed in order to understand local protocols and to subsequently request the personal information required for the verification of the key stakeholders. The additional time required to properly perform this service across multiple time-zones would also add to the cost of verification.</li> </ul>
<b>6.</b>	<b>Should we impose any additional conditions on portals that rely on this exemption?</b>
	<p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>▪ We do not believe additional conditions should be imposed on portals relying on this exemption.</li> <li>▪ We believe registration as an investment dealer, exempt market dealer or restricted dealer is <b>not required</b> in order to protect investors. History has shown innovation in any market does not come from within the established pillars of that marketplace. Assumptions about one’s industry get in the way in seeing obvious innovations and opportunities.</li> <li>▪ In Canada, broker dealers have been able to set-up online equity crowdfunding portals relying on the accredited investor exemption or the offering memorandum exemption since 2004. They have also been allowed to advertise on and offline. Optimize Capital Markets was the first exempt market dealer in Canada to set up an online funding portal in 2009. It remained the sole online funding portal in Canada until 2013. Even now, Optimize Capital Markets</li> </ul>

	<p>stands alone in moving to a cross-border online funding portal model. In contrast, the U.S. Securities and Exchange Commission only recently (September 23, 2014) allowed advertising under its accredited investor exemption. Since that date, accredited investor portals established by registrants and through no-action letters from registration have proliferated in the U.S. A number of these portals have raised significant capital. For example: Circle-Up – US\$30,000,000; Crowdfunder - \$111,700,000; EquityNet - \$231, 748,700; Fundable - \$114,000,000; Microventures - \$36,600,000; RealtyMogul - \$18,000,000; Fundrise - \$10,000,000; and Rock-the-Post - \$30,698,452 are all active U.S. accredited investor equity portals. (All amounts approximates in U.S. dollars and as reported on their websites on May 14, 2014.) Most of the founders of these portals come from a mixed background and not solely the finance markets. Given our different experience with the development of accredited investor portals in Canada could be waiting a long time for a vibrant start-up equity crowdfunding market to emerge if we rely solely on Canadian registrants to develop these portals.</p> <ul style="list-style-type: none"> <li>▪ Crowdfunding portals are a business. They are driven by the same considerations as any other successful business: opportunity; ownership structure; funding; management; business model and relationships. Crowdfunding portals in the donation, perk, and product pre-sale market emerged without any structure or rules to guide them or protect campaign contributors. There has been less than 0.01% of fraud in this marketplace since its inception. Similarly, there has been no reported fraud on the equity crowdfunding platforms operating outside of Canada. Founders of a crowdfunding portal have high incentives to make their business as success.</li> <li>▪ We expect there will be significant sampling and attrition among equity crowdfunding portals in Canada similar to that experienced in the mutual fund and discount brokerage businesses in the early 1990s. The better operators are likely to utilize best practices from the non-equity crowdfunding marketplace and innovate in ways we cannot anticipate at this time. This innovation should be encouraged.</li> <li>▪ We caution there is a high risk of regulatory capture by an entrenched industry that wants to keep the status qua as it protects its economic interests. Requiring portals to register as an investment dealer, exempt market dealer or restricted dealer will not necessarily protect investors. Keeping the status quo will not benefit Canada in the short or long term as issuers and investors will seek out jurisdictions that advance their interests versus the interests of the established finance industry.</li> </ul>
<p><b>Limits on Investing</b></p>	
<p><b>7.</b></p>	<p><b>Under the start-up crowdfunding exemption, investors are limited to investing no more than \$1,500 per offering. Because of this limit, issuers may end up having many security holders holding small numbers of securities of the issuer. Is this amount a suitable limit?</b></p>
	<p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>▪ We believe the investor investment cap of \$1,500 per single investment should be raised to \$5,000 or \$10,000 per single investment in a calendar year. Investors also should not be subject to aggregate crowdfunding exemption investment cap. Investors should be allowed to invest in as many equity crowdfunding campaigns as they chose. 90% of the U.S. States which have adopted or are considering adopting an intrastate crowdfunding exemption have chosen a 12 month investor investment cap of either \$5,000 or \$10,000 per single investment, unless</li> </ul>

	<p>the investor is accredited. If the investor is accredited no investment caps are applicable. The crowdfunding prospectus exemption should follow these U.S. developing norms.</p> <ul style="list-style-type: none"> <li>▪ Issuers will have a difficult time raising the capital they need if the investment cap per investor remains at \$2,500 per single investment.</li> <li>▪ As of June 16, 2014, U.K. equity crowdfunding portal <a href="#">Crowdcube</a> has raised CD\$49,211,800 for 124 businesses. This means an average issuer raises CD\$396,869 in their equity crowdfunding campaign on Crowdcube. Only six of these campaigns have over 200 investors. <b>The majority of the successful campaigns on Crowdcube have under 100 investors</b> despite a minimum investment threshold of as little as a CD\$180, which means an average investment amount of \$4,000 per investor. Canada should expect similar investment trends under the crowdfunding prospectus exemption. As such, the investor investment cap should be raised to a much higher amount.</li> <li>▪ Accredited investors should be able to invest an unlimited amount in a crowdfunding campaign as they are allowed to invest an unlimited amount under the accredited investor exemption. The participation of accredited investors at higher levels will provide non-accredited investors with added value as they are more likely to do greater due diligence than if they were only investing the minimum threshold amount in a campaign.</li> </ul>
<p><b>8.</b></p>	<p><b>Should we impose an investment limit based on a percentage of the investor’s net assets or net income, instead of a fixed dollar amount? Would having this type of investment limit add complexity to the start-up crowdfunding exemption?</b></p>
	<p><b>Comments:</b>          No. A fixed dollar amount is much easier for portals and investors to implement, verify, track and manage.</p>
<p><b>9.</b></p>	<p><b>Should we add a requirement that issuers give investors a “cooling-off” period similar to the two-day right of rescission under the offering memorandum exemption?</b></p>
	<p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>▪ We support a cooling off period that allows investors a two-business day right of withdrawal <u>from the date of their initial investment decision</u>, as long as that investment is made 96 hours prior to closing date of the offering.</li> <li>▪ The need for a withdrawal right that allows an investor to withdraw their investment within 48 hours prior to the disclosed closing date of the offering is not necessary. Campaigns under the exemption may be online for as long six months. This form of capital raising is not a high-pressure sales approach with a salesperson creating urgency and the investor lacking full information.</li> <li>▪ The propose withdrawal period is also not workable in an all or nothing campaign unless over-subscription is allowed, as an issuer may believe they have the investors they need to complete their offering but because of the right of withdrawal they may find they are short. Issuers will have no or limited time in which to try to replace investors who have exercised their right of withdrawal. The lack of the ability to obtain certainty even when a campaign looks successful will deter issuers from using this exemption.</li> </ul>

<b>Improvements on Offering Memorandum Exemption</b>	
<b>10.</b>	<p><b>The offering memorandum exemption is not widely used by small and early-stage businesses. We have heard that the costs of complying with the financial statement requirements in the offering memorandum form may be prohibitive and we welcome suggestions on ways to adjust those requirements. Are there other issues with the offering memorandum exemption that we should reconsider in order to make it a more useful exemption for small businesses?</b></p>
	<p><b>Comments:</b></p> <ul style="list-style-type: none"> <li>▪ We are not providing specific comments on the offering memorandum exemption (<b>OM exemption</b>), or the proposed OM exemption being considered by the OSC and the amendments to the OM exemption being considered by the Alberta Securities Commission, Autorité des marchés financiers, Financial and Consumer Affairs Authority of Saskatchewan, and New Brunswick Financial and Consumer Services Commission (the <b>Amending Jurisdictions</b>). Instead, we are offering general comments.</li> <li>▪ NCFCA Canada supports the OSC adopting the OM exemption. This exemption is currently available in every province and territory in Canada but Ontario.</li> <li>▪ Harmonization of the capital-raising exemptions in Canada should be a top priority all Canadian securities regulators.</li> <li>▪ Canada however will have four different OM exemptions if the Amending Jurisdictions go forward with a new version of the OM exemption under consideration.</li> <li>▪ SMEs do not use the current OM exemption because it is too complicated and expensive as is. Making the use of the OM exemption even more complicated with more nuanced differences across Canada will make it completely unworkable for SMEs.</li> <li>▪ To the extent possible, the substantive and procedural components of all capital-raising exemptions should be identical across Canada. We can see no reason for an Ontario only version of the friends, family and business associate exemption, OM exemption or existing security holder exemption. Adopting a version of any of these three exemptions that is substantially or even moderately different from the version adopted in other jurisdictions in Canada is ill advised.</li> <li>▪ The OM exemption as it exists now should be the version adopted by the OSC and remain in place across the rest of Canada. No evidence has been put forward by any of the Amending Jurisdictions that the existing forms of the OM exemption are flawed or being abused. Instead, evidence seems to suggest the OM exemption is being under-utilized by SMEs. The proposed amendments to the OM exemption do not suggest the proposed changes will be ones that would make this exemption more attractive to SMEs. Instead, the amendments appear to be adding a layer of complexity and cost.</li> <li>▪ Issuers and investors no longer conduct business or investments in a territorial bubble. Technology advances continue to change the way people conduct business. The gathering and sharing of information is almost instantaneous and global. Work is decentralized. Companies can outsource production, and back-end functions worldwide. Securities rules that artificially restrict business and its ability to raise capital efficiently hurt the Canadian economy as a whole.</li> </ul>



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