



January 2, 2019

Delivered via FSRA's Online Submission System

Financial Services Regulatory Authority of Ontario
Attention: Mark White & Cathy Mallove

Re: FSRA Rule 2019-001 Assessments & Fees

We are writing these comments in response to the request for feedback as part of FSRA's consultation process on the proposed fee rules. We appreciate the opportunity to be part of the consultation process.

As fiduciaries of investor capital we are committed to transparency and best practices and support FSRA's vision of acting as a self-funded, forward-looking, flexible regulator.

Below we break our comments into two sections. The first speaks specifically to the proposed fee rule and the second to general feedback for FSRA's consideration.

Fee comments

We do not have an issue with moving to an annual licensing cycle as opposed to bi-annual.

With respect to the \$200 fee for each non-qualified syndicated mortgage investment ("SMI") that requires disclosure under Ontario Regulation 188/0 we suggest that the fee should be payable within 5 days of the receipt of the first investment in the SMI as opposed to first receipt of disclosure documents by prospective investors. This will mitigate situations where, for whatever reason, the loan does not fund.

General comments

Syndicators, MICs and Mortgage Funds ("Alternative Lenders") should be better represented in the regulatory regime. The interests of the Alternative Lenders are not the same as mortgage brokers. Traditional mortgage brokers take loans and present them to various funding sources. Alternative Lenders source, underwrite and then fund loans either from captive pools (funds) or via syndication. Perhaps greater distinction should be made between those who represent the interests of borrowers versus those of lenders.

The Alternative Lender market fulfils a vital need in capital markets and care should be taken not to strangle this subset of the capital markets. For some Alternative Lenders syndication is a key tool in managing liquidity and concentration risk.

Overburden of regulation could force syndicators out of the space which would increase risk (ie a mortgage fund that syndicates part of a loan to reduce concentration risk in the fund). An example of complicated, unfair and inconsistent regulation is FSCO's new disclosure forms for SMIs which amount to almost 55 pages of paper per loan.



We suggest a separate registration category for Alternative Lenders and ask FSRA to establish an Industry Advisory Group (“IAG”) for Alternative Lenders to collaborate with FSRA to ensure that the principles of simple, fair and consistent regulation are applied to this sub-category. We further suggest revisiting the definition of SMIs to better diagnose the risk for which you are trying to protect against. This could be addressed in discussions between FSRA and the proposed IAG for Alternative Lenders. Consideration should be given to stratification of loans by risk profile to hold syndication of “equity like” loans to a higher standard of disclosure and regulatory scrutiny.

Thank you for the opportunity to provide feedback and we look forward to continuing to work with FSRA to formulate a regulatory regime that makes sense for the Alternative Lending space.

Kind regards,

A handwritten signature in black ink, appearing to be 'Ivan Stone'.

Ivan Stone
Founder, President

A handwritten signature in black ink, appearing to be 'Evan Cooperman'.

Evan Cooperman
Chief Executive Officer

A handwritten signature in black ink, appearing to be 'Ricky Dogon'.

Ricky Dogon
Chief Compliance Officer