

April 3, 2018

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British Columbia Securities Commission
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RE: British Columbia Securities Commission Notice 2018/01 – Consulting on the Securities Law Framework for Fintech Regulation

FAIR Canada is pleased to offer comments on British Columbia Securities Commission (“BCSC”) Notice 2018/01 – Consulting on the Securities Law Framework for Fintech Regulation (the “consultation paper”).

FAIR Canada is a national, charitable organization dedicated to putting investors first. As a voice for Canadian investors, FAIR Canada is committed to advocating for stronger investor protections in securities regulation. Visit www.faircanada.ca for more information.

1. Possible Changes to the Start-Up Crowdfunding Exemption:

- 1.1. FAIR Canada appreciates the commentary provided by the BCSC summarizing some feedback obtained through stakeholder consultations in 2017 (breakfast meetings, tech survey and in-person and telephone consultations). FAIR Canada however, believes that before considering the expansion of the start-up crowdfunding exemption, the BCSC should disclose more granular information about the use of the exemption in BC (and in other provinces). For example, while the consultation paper indicates that \$1.8 million has been raised by businesses under the start-up crowdfunding exemption, it does not reveal if these are BC issuers and in respect of BC investors or investors in other provinces. Moreover, it does not reveal whether BC investors have had a positive return on their investments in these early stage businesses.
- 1.2. A fulsome analysis of stakeholder experiences pursuant to this exemption should be undertaken so that proposed amendments can be assessed. Multilateral Instrument 45-316 has a sunset clause and will expire on May 13, 2020. Such an analysis should be performed as we move closer to that date.

Question 1(a) Moving from an Offering Limit of \$250,000 per offering and no more than two per calendar year to a lifetime cap of \$1,000,000 and whether it would improve the effectiveness of the exemption

- 1.3. FAIR Canada believes that, if issuers wish to raise a greater amount of funds, then the BCSC should adopt Multilateral Instrument 45-108 which permits the raising of \$1,500,000 rather than deviating from Multilateral Instrument 45-316.

Question 1(b) Removing the requirement for “eligible securities”

- 1.4. FAIR Canada’s understanding is that only certain “eligible securities” were permitted to be used with the start-up crowdfunding exemption given that it was determined that more novel or complex securities should not be sold to retail investors in the absence of the investor protections afforded by a prospectus. Keeping costs down for start-ups and early stage issuers may also have been another reason for limiting the types of securities that could be offered. FAIR Canada does not support removing this requirement given that more novel or complex securities will not be easily understood by most retail investors.

Question 1(c) Other Changes to the Start-up Crowdfunding Exemption

- 1.5. FAIR Canada believes that potential reforms should be empirically based. Possible changes should be considered in light of empirical data gathered. We look forward to reviewing such information. FAIR Canada and others have highlighted in the past the need for information on how individuals and firms are using the exempt market or their experience in it.¹
- 1.6. FAIR Canada continues to be concerned that many investors will not understand the liquidity constraints of crowdfunding investments and will be ‘squeezed out’ of any profits in the rare event that they manage to invest in a successful equity crowdfunding offering. We recommend that basic mandatory protections for crowdfunding investors be required, including tagalong and pre-emptive rights.

Question 2: Should the BCSC implement particular amendments even it may cause further disharmony and result in only local changes?

- 1.7. **FAIR Canada believes that securities regulators should be undertaking fundamental reform of the exempt market in order to adequately protect investors and foster fair and efficient capital markets and confidence in those markets.** We urge securities regulators to work together to implement proper reforms to the accredited investor exemption and other prospectus exemptions so that the various jurisdictions in Canada have a regulatory regime in which businesses are able to raise sufficient capital while investors are adequately protected.
- 1.8. FAIR Canada urges regulators and governments to approach the harmonization of rules regarding the exempt market with the goal of furthering the key mandate of investor protection; and to not engage in a harmonization process at the expense of adequate investor protection.
- 1.9. Reforms are needed in light of widespread deficiencies with disclosure requirements in the exempt market (for example, regarding the Offering Memorandum), a lack of compliance by exempt market dealers (“EMDs”) with their regulatory obligations (including know-your-client and know-your-product suitability obligations), and serious conflicts of interest not being avoided, managed or

¹ See: FAIR Canada comments on OSC Notice and Request for Comments on Introduction of Proposed Prospectus Exemptions and proposed Reports of Exempt Distribution in Ontario (18 June 2014) at para 1.40, online: <<http://faircanada.ca/wp-content/uploads/2011/01/FAIR-Canada-submission-re-OSC-Proposed-Prospectus-Exemptions-v1.pdf>>; FAIR Canada comments on CSA Proposed Amendments to AI and MA Exemptions (28 May 2014) at para 4.2, online: <<https://faircanada.ca/submissions/csa-proposed-amendments-to-ai-ma-exemptions/>>; OSC Exempt Market Review: OSC Staff consultation Paper 45-710 Consideration for New Capital Raising Prospectus Exemptions (8 March 2013) at section 2, online: <<http://faircanada.ca/wp-content/uploads/2013/03/130308.2-draft-submission-re-OSC-exempt-market-review.pdf>>; see also Vijay Jog, “The Exempt Market in Canada: Empirics, Observations and Recommendations”, Vol 8: Issue 10 (March 2015), online: <<http://www.policyschool.ca/wp-content/uploads/2016/03/exempt-markets-jog.pdf>>.

disclosed by the seller.

- 1.10. FAIR Canada noted in its 2014 Fraud Report that there is a lack of empirical data to determine the incidence of fraud, misrepresentation and resulting losses suffered by investors whose purchases are made through prospectus exemptions.² Nonetheless, based on media reports³, reported cases⁴ and notices from securities regulators,⁵ there appears to be serious and significant fraud and financial loss linked to investments made through prospectus exemptions.
- 1.11. We recommend that securities regulators consider gathering more data on the exempt market and on investment fraud perpetrated in Canada. We also recommend that regulators make such data public in order to determine the relationship between prospectus exemptions and investment fraud with a view to developing better investor protection. It is essential to ask and try to answer how investors can differentiate between legitimate prospectus-exempt investments and fraudulent investments. If this is not possible, tools to better protect investors should be developed, including clearer warnings about the correlation of fraud and exempt market investing.
- 1.12. Exemptions should only be permitted if there is adequate investor protection; otherwise real capital formation – where monies are invested in productive assets (leading to increased jobs and economic growth) – will not occur. Investor protection mechanisms are not an impediment to efforts to raise capital, but rather an essential feature of an efficient and effective market in which investors have confidence. Ignoring the need for investor protection will only make the exempt market more inefficient and further reduce investor confidence in our capital markets, thereby adversely affecting economic growth.
- 1.13. FAIR Canada has voiced, on behalf of retail investors, its opposition to and/or made recommendations to help protect investors in respect of the following:
- (i) the Crowdfunding Exemption (MI 45-108)⁶;
 - (ii) the Start-up Crowdfunding Exemption (MI 45-316)⁷;

² A Report on A Canadian Strategy to Combat Investment Fraud (August 2014), online: <<http://faircanada.ca/wp-content/uploads/2014/08/FINAL-A-Canadian-Strategy-to-Combat-Investment-Fraud-August-2014-0810.pdf>>.

³ Gordon Hoekstra, "Fraudster's condo transfer to wife shows difficulty B.C. securities commission has collecting fines", *Vancouver Sun* (15 December 2017), online: <<http://vancouversun.com/business/local-business/condo-case-shows-difficulty-b-c-securities-commission-has-collecting-fines>>; FAIR Canada highlighted media reports on exempt market related frauds in a 2013 FAIR Canada Newsletter, available online here: <<http://archive.constantcontact.com/fs123/1102284477892/archive/1114331931909.html>>.

⁴ FAIR Canada "A Canadian Strategy to Combat Investment Fraud", (August 2014), online: <http://faircanada.ca/wp-content/uploads/2014/08/FINAL-A-Canadian-Strategy-to-Combat-Investment-Fraud-August-2014-0810.pdf?utm_source=August+Newsflash+2014&utm_campaign=August+Newsflash&utm_medium=email>.

⁵ ASC Notice 33-705, "Exempt market dealer sweep" (10 May 2017), online: <[http://www.albertasecurities.com/Regulatory%20Instruments/5331553%20%20EMD Project Staff Notice%2033-705.pdf](http://www.albertasecurities.com/Regulatory%20Instruments/5331553%20%20EMD%20Project%20Staff%20Notice%2033-705.pdf)>. The Alberta Securities Commission states that there have been "...numerous complaints from investors that have invested significant amounts under the OM Exemption and incurred significant losses." Multilateral CSA Notice of Publication and Request for Comment Proposed Amendments to National Instrument 45-106 Prospectus and Registration Exemptions Relating to the Offering Memorandum Exemption (20 March 2014) at Annex B; online: <<http://www.lautorite.gc.ca/files/pdf/reglementation/valeurs-mobilieres/45-106/2014-03-20/2014mars20-45-106-avis-cons-om-en.pdf>>.

⁶ FAIR Canada's letter to the CSA regarding Regulation 45-108 Respecting Crowdfunding (18 June 2015), online: <<http://faircanada.ca/submissions/csa-crowdfunding-and-start-up-exemptions/>>.

⁷ FAIR Canada's letter to the BCSC regarding BC Notice 2014/03 – Notice and Request for Comment on Start-Up Crowdfunding, (18 June 2014), online: <<http://faircanada.ca/submissions/bcsc-start-up-crowdfunding/>>.

- (iii) the Offering Memorandum Exemption (NI 45-106);⁸ and
- (iv) 2014 Proposed Amendments to the Minimum Amount and Accredited Investor Prospectus Exemption.⁹

1.14. In our comments on those proposed exemptions (or amendments to existing prospectus exemptions), we have made numerous recommendations so that investors will be better protected, capital markets will be more efficient, and investors will have more confidence in those markets. We urge the BCSC to give serious consideration to our recommendations if it intends on proceeding with any changes to the crowdfunding regime in BC. We urge that implementation of any changes be done in a way that affords the highest level of investor protection possible. This is the best chance of serving the interests of both investors and issuers.

Question 3: What is the likely impact that initial coin offerings (“ICOs”) will have on existing crowdfunding opportunities?

1.15. In the absence of empirical data and given that the regulatory framework for ICOs is in its nascent stages, FAIR Canada is not in a position to assess the impact on crowdfunding opportunities.

2. Online Advisers or Robo-Advisors

- 2.1. Fintech presents potential benefits and opportunities for consumers (more empowerment through the use of open data, greater transparency and disintermediation, and lower cost investor options) but may also present risks to investor protection that should be examined and addressed.
- 2.2. The risks associated with fintech should not be overlooked: (i) technological errors such as deficient algorithms; (ii) failure to account in a timely fashion to changing financial circumstances of consumers; (iii) risk of platforms being operated by an unregistered entity; (iv) failure to prevent money laundering through failure to know your client; (v) financial exploitation of older investors through the accessing of funds online; and (vi) lack of transparency regarding fees and (vii) conflicts of interest.
- 2.3. This view is supported by a recent survey on fintech and technological innovations shaping new investment and financial products conducted by the North American Securities Administrators Association (“NASAA”) members – state and provincial securities regulators in the United States, Canada and Mexico – about the challenges of adapting to new financial technology products and changes in how financial services are delivered to investors:

“One-third (34 percent) of securities regulators said the rapid development of financial technology is a positive development for investors, while 20 percent expressed concern with the potential negative impact of fintech on investors. Almost one-half (46 percent) said it is too soon to tell, citing benefits such as lower costs and greater accessibility to investments among

⁸ FAIR Canada’s letter to the CSA regarding NI 45-106, and FAIR Canada’s letter to the OSC regarding OSC Notice and Request for Comments on the Introduction of Proposed Prospectus Exemptions and Proposed Reports of Exempt Distribution in Ontario (18 June 2014), online: <<http://faircanada.ca/submissions/osc-proposed-prospectus-exemptions/>>.

⁹ FAIR Canada’s letter to the CSA regarding the Minimum Amount and Accredited Investor Prospectus Exemptions (28 May 2014), online: <<http://faircanada.ca/wp-content/uploads/2011/01/FAIR-Canada-comments-re-Proposed-Amendments-to-AI-MA-Exemptions.pdf>>.

groups not previously reached by traditional methods, but cautioning that sufficient investor protections must be in place so that easier access does not translate into greater exposure to risk or fraud.”¹⁰

- 2.4. Notably, the NASAA fintech survey found that robo-advice was most often seen as having a moderate risk of fraud (by 66 percent of respondents versus high risk by only 3 percent and a low risk by 31 percent) and 75 percent of respondents felt that preventing fintech fraud is getting more difficult. Investors are also seen as the least knowledgeable about these risks (94 percent) versus more than half of regulators (56 percent) who viewed fraudsters as the most knowledgeable about the risks of fintech.¹¹
- 2.5. In addition, fintech may seek to take advantage of behavioural biases of financial consumers or may unwittingly accentuate them. We need to be mindful that fintech is congruent or advances investor outcomes rather than results in detriment due to targeting of investor segments which is of benefit to the business but is suboptimal to financial consumers.
- 2.6. In addition, while innovation and technology can be good for the capital markets, a focus on lowering standards to encourage innovation and technology can also be detrimental for the capital markets. FAIR Canada encourages the BCSC to keep on top of issues affecting – or that may affect – financial consumers adversely in the area of fintech in order to further inform policy development and investor protections.¹²
- 2.7. Regulators should examine what role they can play in fostering the use of fintech for the benefit of financial consumers.
- 2.8. Finally, regulators and governments themselves can use fintech to benefit their own activities. Regulators could use the increase in available data and greater ability to access and process the data, and thereby improve their compliance, surveillance tools and enforcement program.

Question 5: What future centralized or other third party information sources do you envision occurring that would help registrants comply with KYC and suitability obligations?

Question 7: How would registrants use information from a third party and ensure its ongoing accuracy, and how would it affect their KYC and suitability procedures?

- 2.9. FAIR Canada believes that the CSA was correct to set technology neutral obligations so that the obligations of traditional Portfolio Managers (“PMs”) and online advisers are the same. How obligations are achieved may be different but what those obligations are should not be different depending on whether the firm is a fintech firm or not.
- 2.10. FAIR Canada also believes it is imperative that registrants remain responsible for compliance with their regulatory obligations. Delegation should only be permitted if responsibility (and potential

¹⁰ North American Securities Administrators Association, *Rise of Fintech Raises New Concerns for Securities Regulators* (15 February 2018), online: <<http://www.nasaa.org/44336/rise-fintech-raises-new-concerns-securities-regulators/>> and NASAA, February 2018 Pulse Poll: Fintech (February 2018), online: <<http://nasaa.cdn.s3.amazonaws.com/wp-content/uploads/2018/02/NASAA-Fintech-Poll-Results.pdf>>.

¹¹ See footnote 10, above.

¹² International Organization of Securities Commissions, *IOSCO Research Report on Financial Technologies (FINTECH)*, online: <<https://www.iosco.org/library/pubdocs/pdf/IOSCOPD554.pdf>>.

liability) for those tasks rests with the PM (robo-advisor).

- 2.11. As PMs with discretionary authority, robo-advisors will need extensive KYC information in order to discharge their regulatory obligations under NI 31-103 (see section 13.3 of NI31-103CP) as well as their common law fiduciary obligations. As set out in NI 31-103, the registrant's suitability obligations require that "[T]he registrant should have a comprehensive understanding of the client's:
- investment needs and objectives, including the client's time horizon for their investments
 - overall financial circumstances, including net worth, income, current investment holdings and employment status, and
 - risk tolerance for various types of securities and investment portfolios, taking into account the client's investment knowledge."

Question 8: What new risks would such reliance create for online advisers or their clients and how could online advisers and regulators manage those risks?

- 2.12. While third parties may offer data analysis capabilities that improve the KYC and suitability process, it should still be the obligation of advising representatives to be responsible for the process and reviewing the information generated and come to their own suitability determinations.
- 2.13. It may be technically possible for investors' core information and identifying data to be centrally located and secured - for example, investors may be able to store, maintain and own their own suitability profiles in blockchain technology. However, while this may create efficiencies in that investors will not have to fill out more forms when they work with a new dealer, there are other potential issues and concerns (and inefficiencies) that may arise as a result. For example, the investor may not keep the information up-to-date or the investor may not provide the correct information given their misunderstanding of some of the terms (such as net financial assets versus total net worth). Without direct human contact, this may be not caught. In addition, the risk tolerance of the individual may be poorly assessed depending on the choice architecture, or current or recent market conditions, amongst other factors. Accordingly, regulators should be hesitant to downplay the important role that direct contact (which can occur through technology or in-person) has in generating a meaningful discussion so that KYC information is reliable and suitability determinations are robust.
- 2.14. Potential concerns include privacy and security challenges as well as developing the ability to assess the algorithms and data; the choice architecture through which the advice is presented and investors make their choices; the information technology; and the risk resulting from the large scale that may result from automation.

Question 9: What measures could be taken to ensure that where an AR has not directly followed up with a client, that no-call advisor has responsibly determined that the client is capable of making more complex investments?

- 2.15. FAIR Canada's understanding is that, to date in Canada, robo-advisors use relatively simple product offerings such as portfolios with uncomplicated asset allocation models made up of low-cost plain vanilla ETFs or mutual funds. Whether such portfolios are suitable for a given individual is comparatively easier than one involving complex investments. While CSA Staff Notice 31-342 states

that such simple portfolios are “readily understood by most investors”¹³, the reality is that most investors have low financial literacy and their understanding of even basic investment products such as mutual funds and ETFs is low.¹⁴ A significant number of investors would not necessarily be capable of understanding more complex investments.

- 2.16. FAIR Canada believes that regulators should proceed cautiously - a careful analysis must be undertaken to ensure that more complex investments or portfolios are understood by investors (and advising representatives) and are suitable for a given investor. Factors to consider include: (a) the absence of any conflicts of interest or referral fees in respect of the PM/AR and the investment product recommendations for the portfolio; and (b) the degree to which the increased complexity increases the risk and/or the costs and the likely real return and (c) whether the complex investment is in the best interest of investors?

Question 11: What alternative safeguards could mitigate risks associated with using a fully automated recommendation and suitability process (other than restricting investment actions to relatively simple investments, such as ETFs)?

- 2.17. It is not clear if there are alternative safeguards which could adequately mitigate the risks. Is there the capacity and ability to ensure that the robo-advisor chooses the algorithm (and products) and choice architecture that are best for consumers rather than are best for the intermediaries?

Flow of Capital

- 2.18. FAIR Canada recommends that securities regulators require the types of advice options and the services and types of investment products available at a dealer be disclosed in plain language on the main page of the dealer’s website so that consumers can easily comparison shop. In addition, regulators could play a role here in providing an app or other fintech tool that could help simplify the comparison process.
- 2.19. FAIR Canada recommends that securities regulators review whether asset management firms should be prohibited from offering investment products which are not transferrable to another dealer in-kind.
- 2.20. FAIR Canada recommends that securities regulators review the experiences of investors who transfer their account from one firm to another to determine, from the investor’s perspective, the concerns in this process. FAIR Canada also recommends that requirements for transfers of funds take into account the potential for elder financial abuse, financial exploitation, undue influence or diminished mental capacity and the role that firms can play in addressing this issue.

3. Cryptocurrencies

- 3.1. FAIR Canada wishes to reiterate that despite the increasing popularity of cryptocurrencies, they remain extremely speculative, high-risk investments that are not suitable for most people.

¹³ CSA Staff Notice 31-342 – Guidance for Portfolio Managers Regarding Online Advice.

¹⁴ See a discussion about this in FAIR Canada’s letter dated September 15, 2015 to the CSA on mandating a summary disclosure document for exchange-trade mutual funds, online: <https://faircanada.ca/wp-content/uploads/2015/09/150916-Final-draft-etf-submission_signed.pdf>.

Cryptocurrencies can also be vehicles for individuals to carry out fraud and manipulation. As stated in CSA Staff Notice 46-307, cryptocurrencies raise investor protection concerns “due to issues around volatility, transparency, valuation, custody and liquidity, as well as the use of unregulated exchanges. Also investors may be harmed by unethical practices or illegal schemes, and may not understand the properties of the investment products that they are purchasing.”

- 3.2. FAIR Canada agrees with the BCSC that the risks with cryptocurrencies range from operational (e.g. risks associated with using specific cryptocurrency exchanges), to informational technology related (susceptible to cybersecurity breaches or hacks, need to rely on computer security system or third party security systems to protect purchased cryptocurrencies from theft) to systemic (e.g. the lack of regulation of cryptocurrencies). The risks associated with cryptocurrencies have been noted by regulators within and outside of Canada. Recently, the North American Securities Administrators Association (NASAA) identified Initial Coin Offerings (ICOs) and cryptocurrency-related investment products as an emerging investor threat for 2018.¹⁵

Cryptocurrency Funds

- 3.3. FAIR Canada believes that at the moment, it is unwise to encourage the operation of cryptocurrency funds due to serious investor protection concerns and doubts regarding whether such a fund can meet suitability requirements. As mentioned above, cryptocurrencies are extremely speculative, high-risk and highly volatile and therefore, are not suitable for most people, especially those with long-term goals. There are a number of variables that are important to consider, which include the risks associated with cryptocurrency exchanges, how the value of cryptocurrencies in an investment fund portfolio will be calculated, and the general risks associated with a highly volatile investment.

Initial Coin Offerings/Initial Token Offerings

- 3.4. The International Organization of Securities Regulators (IOSCO) stated in a communication from January 2018 that there are clear risks associated with ICOs, and the growing usage of ICOs to raise capital is an area of concern.¹⁶ FAIR Canada is pleased that regulators are attempting to address the use of ICOs to raise funds, as these offerings should generally be categorized as securities and registered with securities regulators.¹⁷
- 3.5. FAIR Canada has two general concerns however with proposals for a “flexible approach” to be taken by regulators when considering whether companies can raise capital through an ICO. The first is that purchasing a cryptocurrency in and of itself is highly speculative and risky. For example, if a business does not successfully complete a project, the coins and tokens it issued may have no use or value. Furthermore, if an investor purchases a coin, the investor “may be buying nothing more than a promise that the business will deliver a service or product in the future. You may need to wait months or even years before the coins/tokens can be used or provide a return on investment, if

¹⁵ North American Securities Administrators Association (NASAA), “NASAA Reminds Investors to Approach Cryptocurrencies, Initial Coin Offerings and Other Cryptocurrency-Related Investment Products with Caution” (4 January 2018), online: <<http://www.nasaa.org/44073/nasaa-reminds-investors-approach-cryptocurrencies-initial-coin-offerings-cryptocurrency-related-investment-products-caution/>>.

¹⁶ International Organization of Securities Commissions (IOSCO), “IOSCO Board Communication on Concerns Related to Initial Coin Offerings (ICOs)” (18 January 2018), online: <<http://www.iosco.org/news/pdf/IOSCONEWS485.pdf>>.

¹⁷ For example. There were recent reports that the Securities and Exchange Commission in the United States sent subpoenas to dozens of people and companies behind ICOs that were not categorized as securities and registered with regulators. See Nathaniel Popper, “Subpoenas Signal S.E.C. Crackdown on Initial Coin Offerings” *New York Times* (28 February 2018), online: <<https://www.nytimes.com/2018/02/28/technology/initial-coin-offerings-sec.html>>.

any.”¹⁸

- 3.6. Second, FAIR Canada is concerned about exemptive relief for highly risky and speculative investments, particularly considering regulators’ own warnings regarding cryptocurrencies. The consultation paper cites exemptive relief decisions and states that these cases demonstrate “regulators’ willingness to consider a flexible approach to tokens with unique characteristics, if investor protection concerns are adequately addressed.”¹⁹ However, it makes little sense from an investor protection perspective that regulatory burden be reduced in this area, particularly since there have already been well-documented and significant problems and losses related to cryptocurrencies.

Securities Regulatory Approach

- 3.7. FAIR Canada supports securities regulators’ efforts to ensure that cryptocurrency investments are treated – and therefore regulated – as securities. FAIR Canada also believes that securities regulators should do more to regulate the use of cryptocurrencies due to their increasing prevalence and well-documented risks.
- 3.8. Securities regulators should err on the side of caution when considering applications from firms related to cryptocurrency investments, particularly since cryptocurrency investments are an area that regulators themselves have viewed as highly risky and ripe for fraud. According to NASAA, cryptocurrencies “and investments tied to them are high-risk products with an unproven track record and high price volatility. Combined with a high risk of fraud, investing in cryptocurrencies is not for the faint of heart.”²⁰ NASAA also surveyed securities regulators of which 94% viewed cryptocurrencies and ICOs as having a high risk of fraud, with all regulators surveyed agreeing that more regulation is needed for cryptocurrencies, in order to provide greater investor protection.²¹
- 3.9. At the moment, there is little data regarding how Canadian investors are being impacted by cryptocurrencies, and no public analysis on the implications of cryptocurrency growth under Canadian securities regulation. Securities regulators should examine the behavioral economics so as to better understand the growing popularity of cryptocurrencies and risks to the capital markets and to individual investors. To many, investor interest in cryptocurrencies demonstrates herd behaviour. It is imperative that regulators research and obtain more concrete information and data regarding the impact of cryptocurrencies, so that they can make more informed policy decisions regarding cryptocurrency investments.

¹⁸ Ontario Securities Commission, Get Smarter About Money, “Cryptocurrency Offerings”, online: <<https://www.getsmarteraboutmoney.ca/invest/investment-products/complex-investments/cryptocurrency-offerings/>>.

¹⁹ Consultation Paper, p 15.

²⁰ North American Securities Administrators Association (NASAA), “NASAA Reminds Investors to Approach Cryptocurrencies, Initial Coin Offerings and Other Cryptocurrency-Related Investment Products with Caution” (4 January 2018), online: <<http://www.nasaa.org/44073/nasaa-reminds-investors-approach-cryptocurrencies-initial-coin-offerings-cryptocurrency-related-investment-products-caution/>>.

²¹ Ibid. See also, NAASA “February 2018 Pulse Poll: Fintech” (February 2018), online: <<http://nasaa.cdn.s3.amazonaws.com/wp-content/uploads/2018/02/NASAA-Fintech-Poll-Results.pdf>>.

We thank you for the opportunity to provide our comments and views in this submission. We welcome its public posting and would be pleased to discuss this letter with you at your convenience. Feel free to contact Frank Allen [647-256-6693](tel:647-256-6693)/frank.allen@faircanada.ca, Marian Passmore at [647-256-6691](tel:647-256-6691)/marian.passmore@faircanada.ca or Samreen Beg at [647-256-6692](tel:647-256-6692)/samreen.beg@faircanada.ca.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank Allen". The signature is written in a cursive, slightly stylized font.

Canadian Foundation for the Advancement of Investor Rights