November 6, 2013

Dean Murrison
Director, Securities Division
Financial and Consumer Affairs Authority
Suite 601 – 1919 Saskatchewan Drive
Regina, SK S4P 1C2

Re: Response to FCAA General Order 45-925

Dear Mr. Murrison,

Please find attached our response on behalf of the National Crowdfunding Association of Canada (NCFA Canada) with respect to the FCAA Request for Comments on General Order 45-925 ‘Saskatchewan Equity Crowdfunding Exemption’ released on October 7, 2013.

We applaud the Financial and Consumer Affairs Authority (FCAA) for leading this initiative within the province of Saskatchewan and providing NCFA Canada and its members 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 530 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 crowdfunding exemption in Saskatchewan. Please feel free to contact us at any time to discuss further.

Sincerely,

Craig Asano
Founder and Executive Director
NCFA Canada
+1 (416) 618-0254

Enclosure
The National Crowdfunding Association

Education, Advocacy, Collaboration

Fostering a dynamic, vibrant and inclusive Crowdfunding industry in Canada

FCAA Consultation General Order 45-925

NCFA Canada Board
November 6, 2013
## Table of Contents

About NCFA Canada ................................................................................................................................. 3

Community Participation ........................................................................................................................... 3

Overview .................................................................................................................................................. 3

The Importance of SMEs to the Canadian Economy ............................................................................... 3

SME's Funding Challenge ....................................................................................................................... 4

What’s at Stake? ....................................................................................................................................... 4

Prospective Crowdfunding Exemption .................................................................................................... 5

Proposed Implementation Principles ..................................................................................................... 5

NCFA Canada Responses to FCAA Consultation on General Order 45-925 ........................................... 6

Contact Information .................................................................................................................................. 13
About NCFA Canada

- The National Crowdfunding Association of Canada (NCFA Canada) is a cross-Canada crowdfunding hub providing education, advocacy and networking opportunities 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.
- As of Nov 1, 2013, NCFA Canada has over 530 members across the country representing (1) industry stakeholders (portal operators, experts and service providers); (2) small businesses and innovators using crowdfunding to fund their initiatives; and (3) a growing number of investors (backers/contributors) seeking to support and fund early stage ventures and projects. For more information please visit About Us.

Community Participation

- NCFA Canada has participated in and hosted a number of crowdfunding events, conferences and educational webinars across the country.
- We’re active both online and offline and strive to educate stakeholders and members on crowdfunding trends, initiatives, regulations and emerging best practices through a regular stream of communications, PR/media interviews, blog posts and a bi-weekly newsletter.
- We host regular calls with our active advisory and board to discuss crowdfunding news and NCFA initiatives.
- In December, the OSC released a proposed crowdfunding equity framework for public consultation. To facilitate member feedback, the NCFA partnered with the EMDA to host a national crowdfunding survey to which we received 144 responses. View results: raw data | demand driven securities.
- NCFA members in Toronto met with the OSC staff at the end of February to provide feedback on behalf of our members. We submitted a detailed written response that can be found here and on the OSC website.
- In response to the regular stream of calls we get from interested parties, NCFA crowdfunding hub has provided numerous of business introductions to our growing network of crowdfunding front runners.
- We have a number of exciting projects currently in development including a (1) 100% crowdsourced and crowdfunded book titled ‘How Crowdfunding is Transforming Canada: Stories from the Edge’ and (2) National research initiative to track, aggregate and analyze industry data and trends with qualified research partners.
- NCFA Canada relies on sponsorship and member support for sustainability.

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% or a quarter 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.\(^1\)

- 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

- There is a funding gap that exists for Canadian start-ups and SMEs to raise small amounts of capital (i.e., up to $1-2 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 for 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 incentivized to participate in larger funding transactions and the average deal sizes are mismatched with the needs of SME issuers.\(^2\)

### 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, Italy and the US will soon be added to the growing list with the passing of the Jumpstart Our Business Start-ups Act (JOBS Act)\(^3\) last April 2012.
- Equity-crowdfunding markets in Canada are nascent and a ‘call to action’ needs to be ignited. 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) to legally 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.\(^4\)

---

Prospective Crowdfunding Exemption

NCFA Canada advocates that a crowdfunding exemption in Canada will increase the awareness of Canadian start-ups, support innovation and entrepreneurism, 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.

<table>
<thead>
<tr>
<th>Principle</th>
<th>Concept</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Harmonious</td>
<td>Collaborative development</td>
<td>The collaborative development of a harmonized set of crowdfunding regulations to benefit Canada as a whole.</td>
</tr>
<tr>
<td>2. Inclusive</td>
<td>All sectors and industries</td>
<td>To be as inclusive as possible to a broad-based range of sectors and industries to encourage balanced growth in communities across the country.</td>
</tr>
<tr>
<td>3. Transparent</td>
<td>Disclosure rules and crowd intelligence</td>
<td>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.</td>
</tr>
<tr>
<td>4. Adaptive</td>
<td>Innovative market adaptation</td>
<td>To ensure crowdfunding regulations support market evolution enabling innovation to flourish.</td>
</tr>
<tr>
<td>5. Robust</td>
<td>Efficient capital formation</td>
<td>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.</td>
</tr>
<tr>
<td>6. Open</td>
<td>No jurisdictional restrictions</td>
<td>Enable a vehicle to allow businesses to accept investment (and funding) from other jurisdictions on a limited basis encouraging competiveness, collaboration and cross border participation.</td>
</tr>
<tr>
<td>7. Additive</td>
<td>New channels and source of funds</td>
<td>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.</td>
</tr>
<tr>
<td>8. Protective</td>
<td>Investment caps and reasonable due diligence</td>
<td>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.</td>
</tr>
</tbody>
</table>
NCFA Canada Responses to FCAA Consultation on General Order 45-925

The table below highlights the content in the proposed General Order 45-925 with NCFA Canada’s position stated as (A)gree; (D)isagree or (M)ixed with additional commentary provided as appropriate.

<table>
<thead>
<tr>
<th>General Order 45-925 – Saskatchewan Equity Crowdfunding Exemption</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHEREAS the Financial and Consumer Affairs Authority of Saskatchewan (the Authority) has assigned to the Director of the Securities Division the power to make exemption orders under provisions of The Securities Act, 1988 (the Act) including orders of general application;</td>
<td>A</td>
</tr>
<tr>
<td>AND WHEREAS an application has been received from the staff (the Staff) of the Authority pursuant to section 83 of the Act for an order that the registration requirements in section 27 of the Act and the prospectus requirements in of section 58 of the Act do not apply to certain trades made through online funding portals (the Portals) (the crowdfunding trades);</td>
<td>A</td>
</tr>
<tr>
<td>Comments:</td>
<td></td>
</tr>
<tr>
<td>▪ Clarity on the definition of funding portals (the Portals) may be beneficial to industry participants given the wide variety of portal business models, features and transactions that exist today and will no doubt continue to evolve. For example, does the General Order 45-925 apply to individual companies who wish to sell securities directly from their website to investors under this exemption without intent to represent any other issuer’s securities?</td>
<td></td>
</tr>
<tr>
<td>AND WHEREAS it has been represented to the Authority that:</td>
<td></td>
</tr>
<tr>
<td>1. There may currently be a gap in the exemption regime under the Act that makes it burdensome for start-up and small business to raise capital;</td>
<td>A</td>
</tr>
<tr>
<td>Comments:</td>
<td></td>
</tr>
<tr>
<td>▪ Please see the above sections ‘SMEs Funding Challenge’ and ‘The Importance of SMEs to the Canadian Economy’ for reference</td>
<td></td>
</tr>
<tr>
<td>2. Small businesses or creative projects are currently raising funds from the public in Saskatchewan through Portals from donations or the pre-selling of products (crowdfunding);</td>
<td>A</td>
</tr>
<tr>
<td>3. Small businesses or creative projects could benefit from being able to raise capital in Saskatchewan through Portals by selling securities like shares, limited partnership units and promissory notes (equity crowdfunding); and</td>
<td>M</td>
</tr>
<tr>
<td>Comments:</td>
<td></td>
</tr>
<tr>
<td>▪ An equity-crowdfunding exemption in Saskatchewan would help small businesses to raise startup capital from within Saskatchewan’s 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.</td>
<td></td>
</tr>
<tr>
<td>▪ A Saskatchewan only crowdfunding exemption may attract entrepreneurial start ups who face the funding gap in other jurisdictions to migrate to the province of Saskatchewan. The influx of new minds would help propel Saskatchewan forward.</td>
<td></td>
</tr>
</tbody>
</table>
While the crowdfunding industry is still in its infancy, much of the success thus far can be attributed to the advancements of technology and 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 Saskatchewan equity-crowdfunding exemption, the number of portals, issuers and investors will in fact be constrained by the capacity and participation within the province of Saskatchewan. 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.

There would be significant data, research and general learnings that come out of the Saskatchewan proposal that may be beneficial to other securities regulators who are considering adopting a similar exemption.

4. It is possible to allow equity crowdfunding and adequately protect the public interest by placing conditions on such an exemption that limits the risk to investors;

**Comments:**
- NCFA Canada is in agreement that it is possible to adequately protect investors by limiting risk while also ensuring a cost effective and streamlined process for raising small amounts of capital. Below are a number of methods the FCAA may wish to explore to reduce risk to investors:

  a) **Statutory Declarations:**
  - Statutory declarations are used in other forums including the insurance industry to protect against fraud. In some cases, the purpose of a declaration is to make it easier to convict or successfully bring a civil suit for perjury (lying under oath in a sworn statement) or misrepresentation as opposed to obtaining a judgment for criminal or civil fraud.
  - In the crowdfunding context, management/directors/sponsors of SME issuers, portals and investors must not submit false or misleading representations (including representations via social media).

  b) **Statutory Civil Remedies:**
  - There must be clear statutory remedies for crowd investors including restitution of benefits and monies paid by investors as a result of wilful misrepresentations, fraud or, as above, lying under oath in a statutory declaration.\(^5\)

  c) **Spot Audits:**
  - The FCAA or an equivalent industry supported regulatory organization should be entitled to conduct a reasonable number of spot audits annually of portals and issuers with an obligation to report and address any suspicions of fraud to the appropriate authorities.

  d) **Education and Risk Acknowledgement from the Purchaser:**
  - Industry best practices and standards should be developed and offered to crowdfunding participants by way of online media including tutorials, webinars, videos, podcasts, articles and whitepapers.
  - Industry associations and financial and academic institutions should offer industry recognized non-mandatory courses to those interested in pursuing crowdfunding education via course work.
  - Portals should provide robust FAQs (how to’s) and administer purchase risk acknowledgement forms in a clear and transparent manner.

\(^5\) Similar to the Insurance Act, R.S.O. 1990, C.I.8, s. 447(5).
### e) Background Checks:
- Criminal background and identify checks should be conducted for directors and management of SME issuers and portals (if appropriate for the circumstance and not overly burdensome or expensive for participants).

### f) Disclosure (at the time of purchase):
- Investors should have access to a reasonable amount of information pertaining to the investment allowing them to make a suitable decision to participate in the offering or not, without being overly burdensome or expensive to the process at hand.
- SME and Portal Directors should disclose personal information required to conduct a criminal background check.

### g) Non-Compete Clauses
- Whether by way of a shareholders’ agreement or FCAA rules, there should be restrictions or regulations on the company’s founders, management and directors from competing in the same line of business during and for a reasonable time after their employment.
- Investors will lose faith and confidence in the process if management and founders abandon the company and compete with them.

### h) Fraud Detection:
- Collectively, the eco-system needs to ensure that fraud is swiftly detected and the appropriate deterrents are in place.
- Industry should support a self-regulating environment that allows crowd intelligence to play a significant role in the fraud detection process using advanced algorithms and practices in research/beta today.
- A centralized shared database could be established to track and protect the interests of the entire industry from potential cases of fraud and abuse. All occurrences of fraud and potential red flags should be maintained and cross referenced, protecting the reputation of regulators, portal operators, service providers and investors associated with crowdfunding industry.

### i) Portal Duty and Obligation to Report Fraud:
- Portals should have a legal duty and obligation to report suspicions of fraud to the FCAA or related governing body that they become aware of during the normal course of business operations.
- Investors should have a statutory or rule based cause of action against portals where they knew or ought to have known of fraud or suspicious conduct that goes unreported.
- Investors and Portals should not be liable (civilly) (ex. for slander) for reporting suspicions of fraud to the FCAA for further investigation.

### j) On-going Disclosure:
- Successfully funded SME issuers should provide shareholders with an annual snapshot of unaudited financial statements, and brief business update summarizing historical performance and future plans.
- Issuers should also be responsible for maintaining the company’s basic share registry information once this information has been received from a facilitating portal or qualifying third party service provider.

### k) Investment Limits:
• Limiting unsophisticated investors to an aggregate cap ‘$x’ per 12 month calendar period is the simplest and most effective way to protect investors. From the survey NCFA Canada administered, 72.9% of survey responders reported that investor caps should be set above $10,000. Investors who are accredited or deemed ‘sophisticated’ should not be limited to the same caps as general crowdfunding investors.

1) Escrow Account and Disbursement of Funds:
• Funds should be held in a third party escrow account and only released if the full funding target is achieved (and minimal cooling off period surpassed) with a maximum of 25% subscription overrun allowed before the offering is closed.
• Portals wishing to provide escrow account services must meet the qualifications of a compliant escrow account services provider.

m) Withdrawal Right:
• A cooling off period that allows investors a two business day right of withdrawal from the date of their investment decision. Portals must ensure escrow payment services implement and administer these rules. Note: any gaming of the system to artificially inflate purchases needs to be monitored and addressed accordingly.
• Applicable withdrawal fees should be allowed (e.g., chargeable to the purchaser to cover expenses).

n) Effective Dispute Resolution:
• Any dispute or individual claim arising from an investment would not be large enough to warrant independent legal action. However, a claim on behalf of all, or a group of investors may warrant legal action.
• The crowdfunding model would greatly benefit from a streamlined template (e.g., shareholders agreement) or legislation to the effect that all disputes be settled by way of private arbitration and expressly allow for investors to commence arbitration as a class.

AND WHERAS the Authority is of the opinion that it is not prejudicial to the public interest to make this Order; IT IS HEREBY ORDERED pursuant to section 83 of the Act that section 58 of the Act does not apply to the crowdfunding trades provided that:
1. The trade is carried out through a Portal and payment for the securities is made through the Portal;

   Comments:
   • Most donation or reward-based portals use third party payment integration services, such as PayPal to hold/release funds on behalf of the portals that are at ‘arms length’.
   • Portals wishing to provide escrow account services ‘in-house’ should they be required to meet the qualifications of a compliant escrow account service provider or deposit taking trust company.

2. The trade is a trade by the issuer in securities of its own issue facilitated by the Portal;

   As discussed, one of the cornerstones of crowdfunding is investor protection, as indicated in the comment letter on numerous occasions. To provide the best chance of proper underwriting and due diligence on behalf of investors, it is imperative that portals CANNOT be associated with issuers. Common sense dictates that if the underwriter (portal) is the same party as the
The due diligence is moot. If we don’t have at least some semblance of due diligence from the portal, as an industry we risk being perceived as just flogging snake oil campaigns.

**Comments:**
- To build a sustainable industry and encourage high quality crowdfund offerings, portals and issuers should always remain independent entities. This is to minimize conflicts of interest that may arise where a portal may inaccurately misrepresent the true offerings of an issuer or in a biased fashion promote their products ahead of others. It is argued that the portal should have the responsibility to vet deals, and not the FCAA.

<table>
<thead>
<tr>
<th>3. The issuer is not a reporting issuer or an investment fund;</th>
<th>A</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. The issuer files a Form GO45-925F1 Issuer Information ten business days prior to beginning to trade;</td>
<td>A</td>
</tr>
<tr>
<td><strong>Comments:</strong></td>
<td></td>
</tr>
<tr>
<td>- To improve tracking and help streamline the process of form filings, updates and communications (closed loop), we advise that an online document management system be used to manage the receipt, approval and flow of documents.</td>
<td></td>
</tr>
<tr>
<td>5. The offering size is no more than $150,000;</td>
<td>D</td>
</tr>
<tr>
<td><strong>Comments:</strong></td>
<td></td>
</tr>
<tr>
<td>- We acknowledge that $150,000 can assist a small business to advance the development of a prototype or help an entrepreneur develop a market presence on a small scale, assuming the cost of administering this capital raise is kept to a minimum; however the offering size is too low.</td>
<td></td>
</tr>
<tr>
<td>- We advocate that the offering size cap should be raised to $1 million (within a 12 month period) so that the crowdfunding exemption would help a significant number of more small businesses and creative projects, and the exemption would be in line with other proposals including the Ontario Securities Commission and the SEC/FINRA in the US who are proposing equity crowdfunding frameworks of $1m+.</td>
<td></td>
</tr>
<tr>
<td>- According to the global industry research report from Massolution in 2012, 21% of all surveyed equity transactions were greater than $250,000.</td>
<td></td>
</tr>
<tr>
<td>6. The securities being offered are not derivatives;</td>
<td>A</td>
</tr>
<tr>
<td>7. The issuer and its promoters, directors, officers and control persons do not use this exemption anymore than two times in a calendar year;</td>
<td>D</td>
</tr>
<tr>
<td><strong>Comments:</strong></td>
<td></td>
</tr>
<tr>
<td>- We advise the simplest and most cost effective way to implement an issuer cap is via a single offering size cap within a 12 month period. We advocate that issuers should be allowed to raise $1 million from a single raise.</td>
<td></td>
</tr>
<tr>
<td>- Based on Massolution’s 2012 global industry report, the average completion time for equity-crowdfunding campaigns (launch to completion) was 8.2 weeks.</td>
<td></td>
</tr>
<tr>
<td>- Only successful companies with demonstrated traction and great investment prospects would launch back-to-back subscriptions (twice within 12 months) under the proposed crowdfunding exemption. Does it make sense to limit successful companies raising capital using this method to 6 month blocks?</td>
<td></td>
</tr>
</tbody>
</table>
8. Each promoter, director, officer and control person of the issuer file a Form GO45-925F2 *Individual Information* ten business days prior to beginning to trade;

**Comments:**
- To improve tracking and help streamline the process of form filings, updates and communications (closed loop), we advise that an online document management system be used to manage the receipt, approval and flow of documents.
- Key control persons should be required to disclosure prior bankruptcies (similar to the Offering Memorandum)

9. The offering period is no longer than six months;

**Comments:**

9. The issuer uses an offering document following Form GO45-925F3 *Offering Document* to conduct the trade, such to be made available through the Portal to investors, and files the offering document ten business days prior to beginning to trade;

**Comments:**
- All Offering Documents should be posted on the FCAA website.

11. The offering document must disclose how the funds raised will be used and set a minimum offering amount to close the offering, which must be equal to the amount needed to carry out the purpose for which the funds are sought as set out in the offering document;

12. The minimum amount to close the offering set in paragraph 11 may be reduced by any other amount available for the purpose set out in the offering document, as long as the offering document discloses that these other funds are unconditionally available to the issuer;

13. There can be no concurrent offering by the issuer or other issuer for the same project;

14. No commission or other amounts are paid to the issuer or its promoters, directors, officers, control persons, employees or agents with respect to the trade;

15. No person may invest more than $1,500 in any offering made under this Order;

**Comments:**
We feel that investors should be able to invest no more than $5,000 (Please see #7 above -

16. The issuer files a report of trades in Form GO45-925F4 *Report of Trades* within 30 days after the offering closes; and

**Comments:**
- We advise that the shareholder’s registry be automatically generated by the portal and attached as an appendix to the manual form, in the event an online document management system isn’t used.

17. The first trade of securities traded pursuant to this Order are subject to the provisions of National Instrument 45-102 *Resale of Securities* as if they were acquired under section 2.5 of National Instrument 45-106 *Prospectus and Registration Exemptions*;

**Comments:**
One of the primary concerns with crowdfunding is the potential illiquid nature of crowdfunding securities. The idea of having crowdfunding securities eligible for second market trading after a predefined period of time (i.e., 12-24 months) after original purchase would serve as a financial incentive to participating in crowdfunding markets.

87.3% of 144 survey responders in an NCFA hosted National Crowdfunding Survey indicated crowdfunding securities should be eligible for second market trading (view)

**IT IS HEREBY FURTHER ORDERED** pursuant to section 83 of the Act that section 27 of the Act does not apply to a Portal facilitating crowdfunding trades provided that:

1. The Portal files Form GO 45-925F5 Portal Information thirty days prior to beginning to facilitate crowdfunding trades;  

2. Each promoter, director, officer and control person of the owner of the Portal files a Form GO45-925F6 Portal Individual Information thirty days prior to the Portal beginning to facilitate crowdfunding trades;  

3. The Portal provides no advice; and  

4. The Portal:
   a. Makes the offering document of the issuer and the *Important Risk Warnings* set out in Schedule A to this Order separately available to investors electronically online;  

   **Comments:**
   - We advise that it should be made clear whether the *Important Risk Warning* is to be physically checked (investors must click or accept) and also made a requirement upon every sale transaction, or is it only a one time requirement.
   - Consider using exempt market form 45-106F4

   b. Does not allow an investment until the investor confirms online they have read and understood the offering document and *Important Risk Warnings*;  

   c. Does not release funds to the issuer until the minimum amount to close the offering has been reached and until that time ensures that all the funds received for the offering are held in trust for the investors;  

   d. When the offering is closed, provides the issuer with the details of the investors (name, address, telephone number, email address, details of purchase) within 15 days of closing of the offering;  

   e. Ensure issuers and investors have an address in Saskatchewan;  

   **Comments:**
   - Is this an automated check or are portals required to perform a physical due diligence check?
   - Are PO Boxes and virtual office addresses restricted?
   - Do issuers and investors also have to be residing in Saskatchewan or only have a registered address?
IT IS HEREBY FURTHER ORDERED pursuant to section 83 of the Act that this Order expires three years from the date of this Order;

Comments:
- We feel that a 3 year trial period is sufficient time to work through any implementation challenges while giving pilot participants, such as portal operators, a fair chance to develop their respective operating models and recoup their pilot investments.
- Clearly defined pilot project goals and milestones should be defined, such that all parties understand their level of participation and risk/reward.

Contact Information

Craig Asano
Founder and Executive Director
NCFA Canada
+1 (416) 618-0254