



Canadian Securities  
Administrators

Autorités canadiennes  
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## CSA Staff Notice 31-318

### **Omnibus/blanket order exempting mortgage investment entities from the requirement to register as investment fund managers and advisers**

Since the coming into force of National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103), the Canadian Securities Administrators (the CSA or we) have received a number of inquiries about the impact of NI 31-103 on the obligations of mortgage syndicators, mortgage investment corporations and other entities operating with similar business models (collectively “mortgage investment entities”). Representatives of mortgage investment entities in some jurisdictions have represented that many of the requirements of NI 31-103 are not applicable to their businesses and would not provide additional investor protection, particularly in view of local legislation that may already apply.

Each of the CSA members has agreed to review the requirement for mortgage investment entities to register as investment fund managers and advisers. As a result, CSA members have issued parallel orders (the “order”) that provides relief from investment fund manager registration requirements and adviser registration requirements until December 31, 2010. The order does not provide relief from the dealer registration requirement. We encourage mortgage investment entities to speak with their legal counsel with respect to any dealer registration requirements that may apply.

In the order, a mortgage investment entity means a person or company whose purpose is to invest substantially all of its assets in debts owing to it that are secured by mortgages, hypothecs or in any other manner on real property, and whose other assets are limited to:

- deposits with a bank or other financial institution;
- cash;
- debt securities referenced in section 8.21 [*Specified debt*] of NI 31-103; or
- instruments used to hedge specific risks relating to the debts owing to it that are secured by mortgages, hypothecs or in any other manner on real property.

The exemption from the adviser registration requirement and the investment fund manager registration requirement is available to a person or company that:

- does not act as an adviser other than in respect to securities issued by or owned by a mortgage investment entity;
- does not act as an investment fund manager in relation to the business, operations or affairs of a mortgage investment entity; or
- does not carry out activities that would require registration under securities legislation for a person or company that is not a mortgage investment entity.

Note that in Ontario, an additional condition on the exemption is that it is only available to those licensed under the *Mortgage Brokerages, Lenders and Administrators Act, 2006*.

This order is effective on August 20, 2010 and will cease to have effect on December 31, 2010.

We are publishing the order with this Notice. The order is also available on websites of CSA members, including:

[www.lautorite.qc.ca](http://www.lautorite.qc.ca)  
[www.albertasecurities.com](http://www.albertasecurities.com)  
[www.bcsc.bc.ca](http://www.bcsc.bc.ca)  
[www.msc.gov.mb.ca](http://www.msc.gov.mb.ca)  
[www.gov.ns.ca/nssc](http://www.gov.ns.ca/nssc)  
[www.nbsc-cvmnb.ca](http://www.nbsc-cvmnb.ca)  
[www.osc.gov.on.ca](http://www.osc.gov.on.ca)  
[www.sfsc.gov.sk.ca](http://www.sfsc.gov.sk.ca)

## Questions

If you have questions regarding this Notice or the orders please direct them to any of the following:

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**August 20, 2010**

IN THE MATTER OF THE SECURITIES ACT S.N.B. C. S-5.5 (the *Act*)

AND

IN THE MATTER OF

EXEMPTION FOR MORTGAGE INVESTMENT ENTITIES FROM THE REQUIREMENT TO REGISTER  
AS INVESTMENT FUND MANAGERS AND ADVISERS

Blanket Order 31-511

Section 208

**WHEREAS:**

1. Unless otherwise defined in this decision or the context otherwise requires, terms used that are defined in NI 31-103 *Registration Requirements and Exemptions* (NI 31-103) or National Instrument 14-101 *Definitions* have the same meaning in this decision.
2. In this decision:
  - (a) “mortgage investment entity” means a person or company whose purpose is to invest substantially all of its assets in debts owing to it that are secured by mortgages, hypothecs or in any other manner on real property, and whose other assets are limited to:
    - (i) deposits standing to its credit in the records of:
      - (A) a bank or other corporation whose deposits are insured by the Canada Deposit Insurance Corporation or the Régie de l’assurance-dépôts du Québec; or
      - (B) a credit union;
    - (ii) cash;
    - (iii) securities listed in subsection (2) of Section 8.21 of NI 31-103; and
    - (iv) instruments held to hedge specific risks relating to the debts owing to it that are secured by mortgages, hypothecs or in any other manner on real property.
3. A mortgage investment entity or a person or company providing services relating to the business, operations or affairs of a mortgage investment entity may be required to register as an investment fund manager, adviser or exempt market dealer and comply with all requirements applicable to such categories pursuant to the requirements of NI 31-103.
4. Each of the members of the Canadian Securities Administrators has agreed to review the applicability of the requirement for entities referred to in paragraph 3 to register as investment fund managers or advisers.

**IT IS ORDERED** pursuant to section 208 of the *Act* that:

- A. The adviser registration requirement does not apply to a person or company so long as the person or company
  - I. does not act as an adviser other than in respect of the securities issued by or owned by a mortgage investment entity, and
  - II. does not carry out activities that would require registration under securities legislation for a person or company that is not a mortgage investment entity.
- B. The investment fund manager registration requirement does not apply to a person or company so long as that person or company
  - I. does not act as an investment fund manager other than in respect of the business, operations or affairs of a mortgage investment entity, and
  - II. does not carry out activities that would require registration under securities legislation for a person or company that is not a mortgage investment entity.
- C. This order will come into effect on 20 August 2010 and will cease to have effect on 31 December 31 2010.

**DATED** at Saint John, New Brunswick this 18th day of August 2010.

"original signed by"

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David G. Barry, Q.C., Panel Member

"original signed by"

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Kenneth Savage, Panel Member