

27 Jan 2019
Minister of Economic Development, Job Creation and Trade
College Park 18th Flr, 777 Bay St, Toronto, ON M7A 1S5

Dear Minister

Regulatory Burden on Innovation and Start-ups

The Ontario Premier the Hon Doug Ford has invited submissions on regulatory burden. We wholeheartedly support this initiative. The National Crowdfunding & Fintech Association of Canada appreciates the opportunity essentially to summarize submissions it has already made to the Ontario Securities Commission and the Ontario Ministry of Finance in 2017.

As the lead Minister on reducing regulatory burden, we understand that we should send these submissions to you – <https://news.ontario.ca/medg/en/2018/12/ontarios-government-for-the-people-cutting-red-tape-to-help-create-jobs.html>.

We are aware of the OSC's recent request for input on regulatory burden; we are preparing a detailed submission for them that updates and adds to our earlier submissions. We will copy your office.

The NCFA submissions to the OSC (Aug 2017) and the Minister of Finance (Sept 2017) are **attached**. So far as we know, none of our recommendations has been accepted.

Our **key takeaways** continue to be:

1. Compared to Canada's global competitors, equity and debt crowdfunding is being stifled by a combination of regulatory burden (not just in the capital markets sector) and lack of coordinated government support (financial and otherwise). Our 2000 members tell us that many start-ups are leaving Ontario and Canada and seeking capital elsewhere, while many fail even to get off the ground. Alternatively, to scale up, innovators are often (in effect) forced to sell to larger companies usually established elsewhere. In the result, Canada continues to be a branch plant economy, and we are falling further behind.

2. The crowdfunding and fintech sectors urgently need:

- Harmonized offering memorandum exemptions across provincial and territorial jurisdictions;
- Harmonized start up exemptions with higher caps – the OSC exemption has not been used;
- Proportionate, risk based, outcomes focused regulation (and supervision) with an end to prescriptive regulatory requirements that are not justified by ongoing cost benefit analyses;
- More education for stakeholders, and the research/data needed by regulators, governments, and the industry: to keep up-to-date with very quickly changing markets, to make better decisions, and to more quickly correct roadblocks to success;
- Government support equivalent to that provided in jurisdictions like the UK and Singapore.

You will be well aware that SMEs and their entrepreneurial spirit are the backbone of the economy, employing millions of Canadians. But there is a well-documented funding gap, especially for innovators, and female, First Nations and rural founders.

We know that small business is struggling in Ontario. We know that very little use is being made of the crowdfunding exemption. We know that companies are generally short of capital, especially when compared to their US counterparts. And we need more data than are presently available.

Ontario needs to make it easier for SMEs to start up, grow and flourish by making it easier for them to access finance and support. Innovative capital raising options for early stage ventures (in many cases not suitable for an IPO) are more important than ever. And it should be easier for small investors to invest in the higher risk small businesses that matter to them.

There are significant economic and social benefits to be won.

We would welcome a meeting to discuss this and other issues and opportunities in the alternative finance and fintech sectors in Ontario.

Sincerely

NCFA Regulatory Burden Reduction
Steering Committee

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Cabinet Office (Att: Steve Orsini)
Ontario Securities Commission