September 3, 2019

Financial Services Regulatory Authority (FSRA)
5160 Yonge Street, 4th Floor
Toronto, Ontario M2N 6L9

Attn: **Mortgage Brokering Sector**

Via; On Line Submission

Re: Proposed Supervision Approach for High-Risk Syndicated Mortgage Investments

Background:

Vector Financial Services Limited (VFSL) has been licenced by FSRA and its predecessors since the mid-1980's in the business of origination, underwriting and providing bridge financing mortgages in and around the GTA on behalf of it's clients. Almost all VFSL client-lenders-investors are members of management, high net worth designated individuals and sophisticated family offices or other licenced FSRA entities (whereby syndicated loans are shared). While almost 100% of its loans are syndicated mortgages VFSL does not syndicate high risk mortgages (as recently defined by FSRA) to it's clients nor to any retail investor.

Form 3.2.1

I have also attached a form 3.2.1 with comments made directly on the form in the following sections:
2nd paragraph – What is a Syndicated Mortgage?
1st bullet point "Factors to consider in a syndicated mortgage that may limit your protection"
Point 2 "Definition: High Risk Syndicated Mortgage"

In general, VFSL believes the form is well conceived subject to it's comments above. Given we generally never make loans in excess of 75% loan to value it is unlikely we'll ever have to submit it.

Other Comments:

In order to reduce unnecessary paperwork, we suggest that FSRA consider the following:

Form 3.0 KYC – Should only be filled out at the opening of the client account and reviewed no more than once per 12-month period. Our investors participate in 15 – 20 loans per year and preparing a KYC each time (when nothing has changed from the previous version) is redundant.

Form 3.1 Suitability – again – it would make sense that once a client is on boarded (and generally almost 100% of VFSL's investors are of a designated class) and their suitability established to invest in syndicated mortgages generally, there is no additional benefit to providing the suitability each and every time a loan is entered into. Consider a high net worth designated individual with $1 mm in assets to invest in syndicated mortgages. The prudent course would be to spread this amount over 10 - 15 different loans over a 9 to 12-month period to achieve borrower/project diversification. Providing a suitability disclosure each time seems redundant. Also, we suggest combining 3.1 with 3.0 and reviewing at least every 12 months.

Thank you for giving us the opportunity to submit our thoughts on this initiative.

Yours very truly,

VECTOR FINANCIAL SERVICES LIMITED

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