The Ontario Securities Commission

OSC Bulletin

August 1, 2024

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The Ontario Securities Commission carries out the powers, duties and functions given to it pursuant to the *Securities Commission Act, 2021* (S.O. 2021, c. 8, Sched. 9).

The Ontario Securities Commission exercises its regulatory oversight function through the administration and enforcement of Ontario's *Securities Act* (R.S.O. 1990, c. S.5) and *Commodity Futures Act* (R.S.O. 1990, c. C.20), and administration of certain provisions of the *Business Corporations Act* (R.S.O. 1990, c. B.16).

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FOR IMMEDIATE RELEASE
July 24, 2024

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ZHEN (STEVEN) PANG, AND
RIKESH MODI,
File No. 2023-38

TORONTO – The Tribunal issued an Order in the above-named matter.

A copy of the Order dated July 24, 2024 is available at capitalmarketstribunal.ca.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

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https://www.capitalmarketstribunal.ca/en/news/subscribe

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media_inquiries@osc.gov.on.ca

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1-877-785-1555 (Toll Free)
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A.2.2 Go-To Developments Holdings Inc. et al.

FOR IMMEDIATE RELEASE
July 24, 2024

GO-TO DEVELOPMENTS HOLDINGS INC.,
GO-TO SPADINA ADELAIDE SQUARE INC.,
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File No. 2022-8

TORONTO – The merits hearing in the above-named matter scheduled to be heard on July 25 and 26, 2024 at 10:00 a.m. on each day, will instead be heard on July 25 and 26, 2024 at 9:30 a.m. on each day. The hearing will be held by videoconference.

Members of the public may observe the hearing by videoconference, by selecting the "Register to attend" link on the Tribunal's hearing schedule, at capitalmarketstribunal.ca/en/hearing-schedule.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

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inquiries@osc.gov.on.ca

A.2.3 Riot Platforms, Inc v Bitfarms Ltd

FOR IMMEDIATE RELEASE
July 24, 2024

RIOT PLATFORMS, INC v
BITFARMS LTD,
File No. 2024-11

TORONTO – The Tribunal issued an Order in the above-named matter.

A copy of the Order dated July 24, 2024 is available at capitalmarketstribunal.ca.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

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inquiries@osc.gov.on.ca

A.2.4 Nova Tech Ltd and Cynthia Petion

FOR IMMEDIATE RELEASE
July 25, 2024

NOVA TECH LTD AND
CYNTHIA PETION,
File No. 2023-20

TORONTO – A case management hearing in the above-named matter is scheduled to be heard on August 12, 2024 at 10:00 a.m. by videoconference.

Members of the public may observe the hearing by videoconference, by selecting the "Register to attend" link on the Tribunal's hearing schedule, at capitalmarketstribunal.ca/en/hearing-schedule.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

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inquiries@osc.gov.on.ca

A.2.5 Leszek Dziadecki et al.

FOR IMMEDIATE RELEASE
July 29, 2024

LESZEK DZIADECKI AND
CANADIAN INVESTMENT REGULATORY ORGANIZATION AND
ONTARIO SECURITIES COMMISSION,
File No. 2024-4

TORONTO – The previously scheduled day of July 30, 2024 will not be used for the hearing of the application in the above-named matter.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

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inquiries@osc.gov.on.ca

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A.3
Orders

A.3.1 Oasis World Trading Inc. et al.

IN THE MATTER OF
OASIS WORLD TRADING INC.,
ZEHN (STEVEN) PANG, AND
RIKESH MODI

File No. 2023-38

Adjudicators: Mary Condon (chair of the panel)
Timothy Moseley

July 24, 2024

ORDER

WHEREAS the Capital Markets Tribunal held a hearing by videoconference and in writing;

ON HEARING the submissions of the representatives for the Ontario Securities Commission and for the respondents, and on reviewing email correspondence from the parties;

IT IS ORDERED THAT:

1. each party shall serve the other parties with a book of documents containing copies of the documents, and identifying the other things, that the party intends to produce or enter as evidence at the merits hearing by 4:30 p.m. on November 20, 2024;

2. each party shall advise all other parties of any issues about the authenticity or admissibility of documents contained in the books of documents by 4:30 p.m. on November 28, 2024;

3. each party shall provide to the Registrar a completed copy of the *Hearing Participant Checklist* by 4:30 p.m. on November 28, 2024;

4. a further case management hearing in this matter is scheduled for December 5, 2024, at 10:00 a.m., by videoconference, or as may be agreed to by the parties and set by the Governance & Tribunal Secretariat;

5. the Commission shall serve and file the affidavit of Yu Chen by 4:30 p.m. on December 23, 2024; and

6. the merits hearing shall commence on January 6, 2025, at 10:00 a.m., at the Capital Markets Tribunal located at 20 Queen Street West, 17th Floor, Toronto, Ontario, and continue on January 7, 8, 9, 13, 14, 15, 17, 20, 21, 22, 23, 30 and 31, and February 3, 4, 5, 6, 7, 27 and 28, 2025, starting at 10:00 a.m. on each day, or as may be agreed to by the parties and set by the Governance & Tribunal Secretariat.

“Mary Condon”

“Timothy Moseley”

A.3.2 Riot Platforms, Inc. et al. – s. 127(1)

RIOT PLATFORMS, INC.

Applicant

AND

BITFARMS LTD. &
ONTARIO SECURITIES COMMISSION

Respondents

File No. 2024-11

Adjudicators: Timothy Moseley (chair of the panel)
Mary Condon
Dale R. Ponder

July 24, 2024

ORDER
(Subsection 127(1) of the *Securities Act*, RSO 1990, c S.5)

WHEREAS on July 22 and 23, 2024, the Capital Markets Tribunal held a hearing at 20 Queen Street West, 17th Floor, Toronto, Ontario, to consider the application filed by Riot Platforms, Inc. dated June 24, 2024, seeking an order cease trading securities that are or may be issued pursuant to the shareholder rights plan agreement adopted by Bitfarms Ltd. on June 10, 2024 (the **Rights Plan**);

ON READING the materials filed by Riot Platforms, the Special Committee of Bitfarms (previously granted intervenor status in this proceeding), and the Ontario Securities Commission, and on hearing the submissions of the representatives of each of these parties;

IT IS ORDERED, for reasons to follow, that the application is granted, such that pursuant to paragraph 2 of subsection 127(1) of the *Securities Act*, all trading shall permanently cease in respect of any securities issued, or that may be issued, in connection with or pursuant to the Rights Plan.

“Timothy Moseley”

“Mary Condon”

“Dale R. Ponder”

B. Ontario Securities Commission

B.1
Notices

B.1.1 Notice of Ministerial Approval of Amendments to National Instrument 81-102 Investment Funds to Accommodate a Range of Settlement Cycles for Mutual Funds

NOTICE OF
MINISTERIAL APPROVAL OF
AMENDMENTS TO NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS*
TO ACCOMMODATE A RANGE OF SETTLEMENT CYCLES FOR MUTUAL FUNDS

The Minister of Finance has approved, pursuant to section 143.3 of the *Securities Act* (Ontario), amendments made by the Ontario Securities Commission to National Instrument 81-102 *Investment Funds* (the **Amendments**). The Amendments were published in the OSC Bulletin at (2024), 47 OSCB 4291 and on the OSC website at www.osc.ca on May 23, 2024, and are reproduced in Chapter B.5 of this Bulletin. The Amendments will come into force on August 31, 2024.

B.1.2 OSC Staff Notice 33-756 – Registration, Inspections and Examinations Division – Summary Report for Dealers, Advisers and Investment Fund Managers

OSC Staff Notice 33-756 – Registration, Inspections and Examinations Division – Summary Report for Dealers, Advisers and Investment Fund Managers is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Staff Notice.

ONTARIO SECURITIES COMMISSION

OSC Staff Notice 33-756

Registration, Inspections and Examinations Division

Summary Report for Dealers, Advisers and Investment Fund Managers

July 26, 2024

Ontario

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Message from Sonny Randhawa
Executive Vice President, Regulatory Operations

We are pleased to share this year's Summary Report for Dealers, Advisers and Investment Fund Managers (**Summary Report**) under our new name, Registration, Inspections and Examinations Division (**RIE**). While our name and division structure are new, this Summary Report follows the purpose and format of previous years' and provides an overview of our compliance and registration work for the 2023-2024 fiscal year.

In May 2024, the OSC released its strategic plan detailing how it will approach its work over the next six years. With six strategic goals at its core, the plan sets out how a modernized OSC aims to work together with our regulatory partners and stakeholders to make Ontario's capital markets inviting, thriving and secure. The strategic plan includes how the OSC will mobilize its resources and expertise in a way that is responsive to the changes, opportunities and risks of today's rapidly evolving capital markets.

To better deliver on our strategic goals, the OSC re-organized its structure, including the Compliance and Registrant Regulation Branch becoming RIE. RIE's focus remains on operating a robust, yet balanced, gateway for Ontario's capital markets, and providing efficient and effective compliance oversight of our market participants. In our new operating structure, RIE will work closely with our Investment Management and Trading and Markets Divisions to advance the OSC's mandate by using a risk-based approach to conduct inspections, targeted sweeps, and examinations to support a timely response to emerging issues. Employing an approach that involves analysis of data, market trends and input from other regulatory divisions to identify areas of heightened risk, RIE's renewed focus will proactively promote compliance through more frequent external communications to prevent and course correct bad practice and by working closely with our Enforcement Division.

In addition to our "Registration as the First Compliance Review" program, compliance priorities for 2024-2025 include:

- compliance reviews of high-risk firms, following the analysis of the data collected in response to the Risk Assessment Questionnaire (**RAQ**)
- compliance reviews of high-impact firms (the largest firms by assets under management)
- reviews of specialized dealers and derivatives dealers

As the OSC continues to embed its six-year strategic plan, we will keep under review the work we are doing to ensure it aligns with our six strategic goals.

The 2023-2024 year saw us reintroducing an in-person component to our compliance reviews while continuing to make the best use of updated electronic

tools to collect information from registrants. To this end, the 2024 RAQ was launched using a new Microsoft-based platform that is dynamic, includes greater functionality to allow for more users to contribute to a firm's response, and incorporates a new single sign-on solution with two-factor authentication. As in previous years, the new platform pre-populated certain non-financial information in the RAQ with the firm's previous responses, in our ongoing effort to reduce regulatory burden and right-size regulation, while still collecting this essential data.

Highlights of our work over the past year include compliance reviews of new firms ranked as high-risk following registration and a sweep of registered restricted dealers operating crypto asset trading platforms. Additionally, together with the Canadian Securities Administrators (**CSA**) and Canadian Investment Regulatory Organization (**CIRO**), we conducted reviews focused on the implementation of the Client Focused Reforms (**CFRs**) know your client, know your product and suitability determination requirements. We anticipate publishing the findings from these reviews, along with guidance, as we did following the reviews of the implementation of the CFR conflicts of interest requirements.

Outreach remains a priority, and we continue to provide tools and programs to support registrants with their compliance obligations. Visit the Registrant Outreach webpage to access the Topical Guide for Registrants, Director's decisions, and calendar of events for past and upcoming educational webinars.

We are excited with the possibilities our new strategic plan and structure brings. By modernizing the OSC, we are creating a bold and agile regulator for Ontario that supports our market participants to thrive while also enhancing the investor experience.

At the time of issuance of this Summary Report, we are actively recruiting for the Senior Vice President, RIE. I look forward to working with the SVP, RIE to deliver on the division's 2024-2025 business plan.

If you have a question, comment, or would like to discuss regulatory matters, please feel free to reach out to us. As always, we look forward to engaging with you.

Sonny Randhawa, EVP, Regulatory Operations
Ontario Securities Commission

Glossary of legislative reference

Act: *Securities Act*, RSO 1990, c. S. 5

Form 13-502F4: Form 13-502F4 *Capital Markets Participation Fee Calculation*

Form 31-103F1: Form 31-103F1 *Calculation of Excess Working Capital*

Form 33-109F4: Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals*

Form 33-109F5: Form 33-109F5 *Change of Registration Information*

Form 33-109F6: Form 33-109F6 *Firm Registration*

MI 32-102CP: Companion Policy 32-102CP *Registration Exemptions for Non-Resident Investment Fund Managers*

NI 23-103: National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces – Part 1 – Definitions and Interpretation*

NI 23-103CP: Companion Policy to NI 23-103

NI 31-103: National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*

NI 31-103CP: Companion Policy to NI 31-103

NI 33-109: National Instrument 33-109 *Registration Information*

NI 45-106: National Instrument 45-106 *Prospectus Exemptions*

NI 45-106CP: Companion Policy to NI 45-106

OSC Rule 13-502: OSC Rule 13-502 *Fees*

OSC Rule 13-502CP: OSC Companion Policy 13-502CP *Fees*

OSC Rule 13-503: OSC Rule 13-503 *Commodity Futures Act Fees*

OSC Rule 31-505: OSC Rule 31-505 *Conditions of Registration*

Introduction

The Registration, Inspections and Examinations Division (**RIE**) (previously the Compliance and Registrant Regulation Branch) of the Ontario Securities Commission (**OSC**, **Commission**) is responsible for the registration and ongoing supervision of firms and individuals who are in the business of trading in, or advising on, securities or commodity futures and firms that manage investment funds in Ontario.

The OSC's mandate is to:

- provide protection to investors from unfair, improper or fraudulent practices,
- foster fair, efficient and competitive capital markets and confidence in capital markets,
- foster capital formation, and
- contribute to the stability of the financial system and the reduction of systemic risk.

Registration and examination activities are integral to the OSC's vision of being an effective and responsive securities regulator, fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

The purpose of this report

This Summary Report for Dealers, Advisers and Investment Fund Managers (**Summary Report**) is designed to assist registrants by providing information about:

Education and outreach

Part 1 of this report provides links and information to the registration and ongoing educational resources and outreach opportunities available to current and prospective registrants.

Regulatory oversight activities and guidance

Part 2 of this report can be used by registrants as a self-assessment tool to strengthen compliance with Ontario securities law and, as appropriate, to make changes to enhance their systems of compliance, internal controls and supervision.

Impact of upcoming initiatives

Part 3 of this report provides insights into some of the new and proposed rules and other regulatory initiatives that may impact a registrant's operations.

Registrant conduct activities

Part 4 of this report is intended to enhance a registrant's understanding of our expectations for conduct of registrants and applicants for registration. This section also provides insight into the types of regulatory actions we may take to address non-compliance.

Who this report is relevant to

This Summary Report provides information for registrants that are directly regulated by the OSC. These registrants primarily include investment fund managers (**IFMs**), portfolio managers (**PMs**), exempt market dealers (**EMDs**) and scholarship plan dealers (**SPDs**). At present, registrants overseen by the OSC include:

Firms	Individuals
1,145[1]	70,272

IFMs	PMs	EMDs	SPDs
537[2]	329[3]	275[4]	4[5]

In general, firms must register with the OSC if they conduct any of these activities in Ontario:

- are in the business of trading in, or advising on, securities (this is referred to as the "business trigger" for registration)
- direct the business, operations or affairs of an investment fund
- act as an underwriter
- conduct trading or advising activities involving commodity futures contracts or commodity futures options

[1] Excludes firms registered solely in the category of MFD, ID, commodity trading adviser, commodity trading counsel, commodity trading manager and futures commission merchant.
[2] Includes firms registered only as IFMs and IFMs also registered in other registration categories (other than SPD).
[3] Includes firms registered only as PMs, RPMs, and PMs/RPMs also registered in other registration categories (other than IFM).
[4] Includes firms registered only as EMDs, RDs, and EMDs/RDs also registered in other registration categories (other than IFM or PM).
[5] Includes firms registered only as SPDs and SPDs also registered in other registration categories.

Individuals must register if they trade, advise or underwrite on behalf of a registered dealer or adviser, or act as the Ultimate Designated Person (**UDP**) or Chief Compliance Officer (**CCO**) of a registered firm.

There are seven dealer and adviser categories for firms trading in or advising on securities, or acting as an underwriter, as applicable:

- exempt market dealer (**EMD**)
- scholarship plan dealer (**SPD**)
- restricted dealer (**RD**)
- portfolio manager (**PM**)
- restricted portfolio manager (**RPM**)
- investment dealer (**ID**) – firms in this category must be a member of the Canadian Investment Regulatory Organization (**CIRO**)
- mutual fund dealer (**MFD**) – firms in this category must be a member of CIRO

There are four dealer and adviser categories for firms trading in or advising on commodity futures:

- commodity trading adviser
- commodity trading counsel
- commodity trading manager
- futures commission merchant

Investment fund manager (**IFM**) is a separate category for firms that direct the business, operations or affairs of investment funds.

Although firms registered in the category of MFD, ID or futures commission merchant, and their registered individuals, are directly overseen by the self-regulatory organization CIRO, the OSC approves the registration of firms in these categories and approves the registration of individuals sponsored by a MFD. Applications for firm registration are reviewed by OSC staff, but we remind firms seeking registration in the category of MFD, ID or futures commission merchant to also apply separately for membership with CIRO.

While this report focuses primarily on registered firms and individuals directly overseen by the OSC, firms directly overseen by CIRO are encouraged to review the Summary Report as certain information is applicable to them as well.

Service standards

We are committed to accountability and transparency, and to ensuring services are delivered in the most efficient and effective ways possible. The compliance review and registration service standards and timelines are incorporated into the OSC Service Commitment and can also be accessed at:

- Registration Materials
- Notices of End of Individual Registration or Permitted Individual Status
- Compliance Reviews: Registrants

Organizational structure

The RIE Division is led by the SVP, Registration, Inspections and Examinations, supported by the Deputy Director, Registrant Conduct and the Deputy Director, Operations.

The Division is organized into: Compliance Teams, the Registrant Conduct Team, the Data Strategy and Risk Team and the Registration Team.

The Compliance Teams are responsible for conducting compliance reviews of market participants, and examining emerging compliance risks. Operations staff are accountants and lawyers who are subject matter experts in the compliance requirements applicable to different types of registered firms. They also provide support to the Registration Team in assessing new applicants for registration.

The Registrant Conduct Team handles matters that require further regulatory action to remediate registrant misconduct or to review higher-risk registration applications. Registrant misconduct may be addressed by applying terms and conditions to registration, suspension of registration or referral to Enforcement.

The Data Strategy and Risk Team performs financial analysis of registrants' interim and annual financial statements and capital calculations, leads the Capital Markets participation fee process and oversees all fee matters. This team also supports data requirements and conducts data analytics.

The Registration Team focuses on the initial registration of firms and individuals, subsequent changes to registration, including the surrender of registration, and ongoing maintenance of registration information.

Staff contact information

Name	Title	Phone
To be filled	Senior Vice President, Registration, Inspections & Examinations	N/A
Elizabeth King	Deputy Director, Registrant Conduct	416-204-8951
Felicia Tedesco	Deputy Director, Operations	647-404-7582
Michael Denyszyn	Manager, Registrant Conduct Team	647-295-5317
Alizeh Khorasanee	Manager, Dealer Team	416-716-3307
Vera Nunes	Manager, Investment Fund Manager Team	416-593-2311
Jeff Sockett	Manager, Data Strategy and Risk Team	416-593-2160
Dena Staikos	Manager, Specialized Dealer Team Portfolio Manager Team (interim)	416-558-9218
Jason Tan	Manager, Registration Team	647-642-2650

The format for our email addresses is first initial and last name: First Last, flast@osc.gov.on.ca.

For registration or fee inquires, please use the following contact information:

- Registration inquiries: registrations@osc.gov.on.ca
- Fees inquiries: annualfees@osc.gov.on.ca

Part 1: Outreach

1.1 Outreach program and resources

Launched in 2013, the objectives of our Registrant Outreach program are to strengthen communication with Ontario registrants and other industry participants (such as lawyers and compliance consultants), to promote strong compliance practices and to enhance investor protection.

Registrant Outreach statistics since inception

Sessions (in-person and webinars)	Replays viewed	Individual attendance	Topical Guide for Registrants – annual page views
73	13,040	15,766	> 11,000

Interested in attending an upcoming Registrant Outreach seminar?

Click here for our calendar of upcoming events.

Looking for information about regulation matters?

Take a look at our Registrant Outreach program webpage or our Topical Guide for Registrants for help with key compliance issues and policy initiatives.

Want to be informed about newly released guidance?

Register to receive our e-mail alerts here.

Looking for a listing of recent e-mail alerts and links to each?

Refer to the Compliance-related reports, staff notices and email notifications webpage.

Interested in reading previously published Director's decisions?

Refer to the Opportunity to be heard and Director's decisions webpage.

If you have questions related to the Registrant Outreach program or have suggestions for seminar topics, please send an e-mail to RegistrantOutreach@osc.gov.on.ca.

1.2 Registration Outreach Roadshow

The Registration Team held its annual Registration Outreach Roadshow in early 2024.

The Roadshows are part of our continued efforts to strengthen working relationships with compliance and registration teams of registered firms we frequently interact with, as well as legal counsel and other authorized filing representatives who assist firms and individuals on registration matters. At these informal sessions, we share our observations on common deficiencies, tips for registration filings and OSC expectations for registration matters, as well as highlight upcoming OSC and Canadian Securities Administrators (**CSA**) initiatives. We encourage a dialogue with industry stakeholders on their experiences with the registration process.

We were pleased to return to in-person sessions this year, visiting several high-volume mutual fund dealer firms and a scholarship plan dealer, and hosting a group of law firms. We presented data 'scorecards' for attendee firms showing trends in the number of registrants, types of registration applications and conduct files. We identified areas of success from a regulatory perspective as well as areas for improvement, and offered insights on how firms could achieve greater efficiencies.

Other topics included tips on the main registration forms, as well as practices for firms and individuals to drive down instances of non-disclosure of required information for individual registrants (e.g. criminal charges or bankruptcies under items 14 and 16 respectively of Form 33-109F4). We discussed the need for clear content in, and timely filings of, Form 33-109F1 *Notice of End of Individual Registration or Permitted Individual Status*, where the circumstances of an individual registrant leaving a sponsoring firm can be a point of regulatory interest.

Lastly, we discussed the registration conduct continuum, including what to expect if a registration submission is transitioned to the Registrant Conduct Team for investigation. We provided guidance that these filings are no longer treated as standard and are not subject to the OSC Service Commitment. We also offered guidance to CCOs on how to prepare for an initial call with the Registrant Conduct Team.

We continue to see the importance of these Roadshows. Numerous firms noted in post-session surveys that they benefit from these sessions, and provided feedback that we look forward to incorporating in future sessions.

1.3 Registrant Advisory Committee

Established in January 2013, the Registrant Advisory Committee (**RAC**) meets quarterly, with members serving a minimum two-year term. It is currently comprised of 14 external members whose terms run from January 2023 to December 2024.

The RAC's objectives are to:

- advise on issues and challenges faced by registrants in interpreting and complying with Ontario securities law, including matters related to registration and compliance, and
- provide feedback on the development and implementation of policy and rule-making initiatives that promote investor protection, fair and efficient capital markets, and contribute to the stability of the financial system.

Discussion topics during the fiscal year (April 1, 2023 – March 31, 2024) included:

- the first OSC TestLab report highlighting perspectives on regulatory technology (RegTech) in Ontario's capital markets
- the use of ChatGPT and artificial intelligence within the investment industry
- a demonstration of new enhancements and features to the 2024 RAQ intended to promote user interaction
- the evolution of Canada's retail exempt market

Part 2: Information for dealers, advisers and investment fund managers

How to navigate Part 2 of the Summary Report

Part 2 of the Summary Report provides an overview of the key findings and outcomes from compliance reviews conducted during the 2023-2024 fiscal year:

- Section 2.1 discusses the annual highlights of the work we completed during the 2023-2024 fiscal year.
- Section 2.2 discusses key or novel issues, suggests best practices, and specifies applicable legislation and relevant guidance to assist firms in addressing each of the topic areas. For ease of reference, registration categories are listed beside each deficiency heading to indicate that the information is relevant to firms registered in those categories.
- Section 2.3 focuses on crypto asset trading platforms and discusses key or novel issues, suggests best practices, and specifies applicable legislation and relevant guidance to assist crypto asset trading platforms, restricted dealer firms and applicants in addressing each of the topic areas.

We encourage registrants to review all the information set out in Part 2 of this report as the guidance presented may be helpful to registration categories other than those listed.

2.1 Annual highlights

2.1.1 Presence review

In 2023, we carried out reviews of registered firms that were registered and had not been reviewed since their initial compliance review which took place as part of the "Registration as the First Compliance Review" program[6]. The scope of these reviews was primarily determined based on the level of the firm's business activity in Canada.

We reviewed 24 firms, of which 20 had limited activity in Canada and many are also regulated by foreign regulators. These reviews focused on confirming and updating our understanding of the firm's:

- corporate structure and lines of business
- registerable activities in Ontario, including products and services offered, as well as the firm's interaction with its Ontario clients
- marketing activities in Ontario
- compliance function, including the appropriate registration of individuals

The remaining four firms were subject to normal course, on-site compliance reviews using a risk-based approach to focus on specific areas of the firm's business activities.

2.1.2 High-risk firms identified through the "Registration as the First Compliance Review" program

Our "Registration as the First Compliance Review" program includes a risk assessment of newly registered firms. The firm may be categorized as high-risk based on the firm's proposed business operations, compliance systems and proficiency of the firm's individuals. As a result, targeted reviews of these firms may be scheduled within a certain period of time following the commencement of the firm's operations.

During the year, we conducted compliance reviews of firms categorized as high-risk to assess their compliance with Ontario securities law. We identified non-compliance with securities law across key operational areas. Significant deficiencies that were common to over half the sampled firms included:

- inadequate compliance system and CCO and UDP not performing their responsibilities
- inadequate disclosure to clients regarding conflicts of interest

[6] For more information on the "Registration as the First Compliance Review" program, please refer to section 3.1a) *Pre-registration reviews* of OSC Staff Notice 33-745 *2014 Annual Summary Report for Dealers, Advisers and Investment Fund Managers*.

- not being aware of financial condition at all times and incorrect calculation of excess working capital

2.1.3 Assess compliance with Client Focused Reforms - know your client, know your product and suitability determinations review

In effect since 2021, the CFRs were a set of amendments to NI 31-103 designed to better align the interests of registrants with the interests of their clients, improve outcomes for clients, and make clearer to clients the nature and the terms of their relationship with registrants. The CFRs introduced enhanced requirements in the areas of conflicts of interest (**COI**), know your client (**KYC**), know your product (**KYP**), suitability determinations and relationship disclosure.

In 2023, together with the CSA and CIRO, we commenced a review of registered firms to assess their compliance with the KYC, KYP and suitability determination requirements. Once these reviews are complete, we plan to publish a staff notice to summarize our findings and to provide additional guidance to advisers and dealers and their representatives, including suggested practices.

In 2022, the CSA and CIRO conducted a review of registered firms to assess their compliance with the COI requirements under the CFRs, including reviewing the conflicts disclosure that the firms provide to their clients. A report outlining the results and providing additional guidance on how registrants are expected to comply with the COI requirements was published in August 2023 (Joint CSA/CIRO Staff Notice 31-363 *Client Focused Reforms: Review of Registrants' Conflicts of Interest Practices and Additional Guidance*).

2.1.4 Business arrangements sweep

In 2023, we began a focused compliance review of 10 Ontario-based firms that entered into a business arrangement with an unrelated registered firm for its IFM and/or PM services.

The purpose of this focused compliance review was to ensure that the roles and responsibilities of each party aligned with their registration category, and that the offering documents and marketing materials used by the parties did not contain misleading information regarding the roles and responsibilities of each party.

The findings of this sweep are summarized in section 2.2.3 of the Summary Report.

2.1.5 Focused reviews – emerging issues

As part of our commitment to proactively respond to emerging issues, we monitor industry developments and media reports, and follow up directly with firms if required. Specifically, during the past year, the current environment of higher interest rates led to some real estate/mortgage issuers halting or suspending redemptions. We contacted these market participants on a timely basis following their announcements to understand:

- the terms on which the redemptions were halted, and whether these were in accordance with the provisions set out in the offering or constating documents of the issuer
- whether investors and dealers were provided with full disclosure of the suspension of redemptions, the anticipated length of the suspension, and any conditions that could either shorten or lengthen the suspension
- whether regularly scheduled distributions to investors were impacted
- whether any marketing materials made clear the halted status of redemptions
- the plan to manage the liquidity of the real estate/mortgage portfolio, and to resume redemptions in accordance with the provisions of the constating documents

In the coming year, we anticipate looking further into the role and responsibilities of EMDs in the distribution of real estate and mortgage products. We will continue to follow up directly with firms in the real estate sector experiencing liquidity issues that cause the suspension of redemptions to understand their plans for managing portfolio liquidity and resuming redemptions. We will also continue with our practice of following up with market participants on emerging matters as required.

2.2 Registration and compliance deficiencies

2.2.1 Portfolio manager considerations in a fund of fund structure (IFM / PM)

In reviewing fund of fund (**FOF**) structures, staff has raised questions about whether a PM should be appointed to the top fund, even if the top fund invests in only one underlying fund.

In instances where an investment fund holds only one portfolio security (including a FOF structure where a top fund has been created as a separate issuer and invests only in the securities of the bottom fund), there still needs to be an analysis of whether there is 'advising' taking place at the top fund level, requiring a portfolio manager to be appointed for the top fund. While the top fund's investment objective may be to invest in only one portfolio security (the securities of the underlying fund), staff is of the view that there are investment decisions being made at the top fund level requiring a PM. Examples of these decisions include: the timing of new investments into the bottom fund, managing redemption requests, determining distributions from the top fund, determining how much cash the top fund should hold, other aspects of cash management, and if the strategy of only holding securities of the bottom fund needs to be altered in certain situations.

As IFM registration does not include advising in securities, there should be a PM in place to advise the top fund. The PM should be appointed by the IFM.

IFMs should:

- ✓ assess whether a PM should be appointed to an investment fund even if the portfolio of the investment fund is limited to only one underlying investment

Legislative reference and guidance

- Act, s. 25(3) *Registration*
- NI 31-103CP, s. 1.3 *Fundamental concepts*

2.2.2 Books and records to demonstrate investment fund manager appointment (IFM)

In some of our compliance reviews, we noted that the investment fund's constating documents did not properly appoint the person or company that directed the business, operations or affairs of the fund - that is, the IFM.

We expect to see documentation that shows an entity, such as the general partner (**GP**) or trustee, delegating the IFM function to the registered IFM firm. This delegation can be stipulated in agreements such as the declaration of trust or the GP agreement.

We have seen instances of IFMs being named in fund offering documents; however, they had not been formally appointed as the IFM of the investment fund in the fund's constating documents.

IFMs should:

- ✓ ensure the investment fund's constating documents appropriately appoint the person or company that directs the business, operations or affairs of the investment fund (i.e. the IFM)

Legislative reference and guidance

- NI 31-103 and related NI 31-103CP, s. 11.1 *Compliance system and training*
- NI 31-103 and related NI 31-103CP, s. 11.5 *General requirements for records*

2.2.3 Registerable activities conducted by unregistered firms (All)

We identified regulatory concerns in an arrangement where a PM firm entered into an agreement with an unrelated third-party for its IFM services. Under this arrangement, the IFM was not performing its required duties either because it was restricted by the written business agreement, or it had inappropriately delegated its responsibilities to the PM. As a result of the regulatory concerns noted in this type of arrangement, we conducted a focused compliance review of Ontario-based firms (both registered and unregistered firms) that entered into a business arrangement with an unrelated registered firm for its IFM and/or PM services.

The most common business arrangement identified as part of this focused compliance review involved firms that had proprietary investment funds for which the firm acted as the PM, but an unrelated third-party firm was appointed as the IFM for those proprietary funds. The business arrangements we reviewed as part of this focused compliance review pose a regulatory concern due to the activities being conducted by each party. During our review, we identified instances where it was the PM, and not the appointed third-party IFM, that directed the affairs of the investment funds. For example, we noted instances where the PM directed the IFM to terminate an investment fund.

These regulatory concerns were also noted in our review of the written business agreements between the PM and the IFM which contained problematic clauses that suggested the PM had certain rights and obligations that are central to the role of an IFM in directing or managing the business, operations or affairs of an investment fund despite the PM firm not being registered as an IFM. Some examples of problematic clauses noted in the business agreements included:

- the PM was permitted to terminate or change the IFM for the investment fund
- the PM was permitted to change the investment fund's service providers, including the administrator
- the IFM was required to obtain the consent of the PM before it could change certain of the investment fund's service providers

- the PM was responsible for certain key decisions with respect to the operation of the investment fund, such as when to merge or terminate the fund
- the PM was compensated for acting as an IFM

As stated in last year's Summary Report, we consider agreements that attempt to restrict an IFM from exercising the standard of care in s. 116 of the Act which includes the duty to "exercise the powers and discharge the duties of their office honestly, in good faith and in the best interests of the investment fund", to not be in compliance with securities law.

We remind firms that it is only the IFM that can direct the business, operations or affairs of an investment fund and it cannot delegate its duties to another party involved in providing services to the investment fund, such as the PM. As a reminder the key functions and activities that an IFM is responsible for were discussed in last year's Summary Report.

Subsection 25(4) of the Act prohibits a person or company from acting as an IFM unless the person or company is registered as an IFM or is exempt from the registration requirement.

During this focused compliance review, we also noted instances where unregistered firms were inappropriately relying on the PM registration of another firm. In these cases, the party that was appointed as the PM for the investment fund, according to the business agreement between the parties, did not appear to be the party that, in substance, was making the investment decisions for the investment fund. The written business agreement specified that the unregistered firm would participate in the investment fund's investment committee and assist the PM with making investment decisions for the investment fund. Although the business agreement specified that the final investment decision would be that of the PM, staff identified evidence to the contrary suggesting the unregistered firm was the party making the investment decisions for the investment fund.

IFMs and PMs should:

- ✓ perform a thorough review of all business agreements to verify that the roles and responsibilities of each party align with their registration category
- ✓ ensure that any registerable activity performed by each party is executed as permitted under its registration category

Legislative reference and guidance

- Act, s. 1(1) *Definitions – investment fund manager*
- Act, s. 25(3) *Registration, advisers*
- Act, s. 25(4) *Registration, investment fund managers*
- Act, s. 116 *Standard of care, investment fund managers*

- NI 31-103 and related NI 31-103CP, s. 7.3 *Investment fund manager category*
- NI 31-103 and related NI 31-103CP, s. 7.2 *Adviser categories*
- MI 32-102CP, *under Requirement to register as an investment fund manager* of Part 1 *Fundamental Concepts*
- OSC Staff Notice 33-755 *2023 Summary Report for Dealers Advisers and Investment Fund Managers*, page 27

2.2.4 Outsourced compliance and Chief Compliance Officer functions (All)

We have seen registered firm business models where all compliance functions, including the establishment of a firm's compliance system and provision of the services of chief compliance officer, were provided by a third-party entity. Significant compliance deficiencies were noted, which were addressed through terms and conditions on the firms' registration and the firms' altering their business models.

We have also seen instances where firms have proposed to register third-party CCOs sponsored by, and in some cases affiliated with, a compliance consulting firm. A number of regulatory concerns were identified by staff, and these models were ultimately not pursued by the firm.

We remind firm applicants and registrants that, as set out in CSA Staff Notice 31-358, registered firms must not outsource all compliance functions and CCO's responsibilities to a third-party service provider.

Registered firms must remain responsible and accountable under securities law for all compliance functions that they propose to be handled by service providers. Part 11 of NI 31-103 requires that registered firms establish, maintain, and apply policies and procedures that establish a system of controls and supervision sufficient to provide reasonable assurance that the firm and each individual acting on its behalf complies with securities legislation, and manage the risks associated with its business in accordance with prudent business practices.

Controls must be in place to oversee service providers to verify that all functions are being adequately performed so that the firm is able to meet its regulatory obligations.

CSA Staff Notice 31-358 is also relevant to these compliance and CCO models, notwithstanding that it focused on shared CCO models. We expect that firms consider and address the principles and sample questions set out in the Appendices of CSA Staff Notice 31-358 when considering such models, including:

- how an effective compliance system will be maintained

- the CCO of a registered firm must be an officer, partner or sole proprietor of the registered firm
- the CCO has the proficiency as well as capacity to act as CCO
- whether any conflicts of interest result from the CCO model, such as if the interests of the CCO and the firm are misaligned, and how these conflicts are identified and mitigated
- whether the CCO and sponsoring firms have adequately protected confidential client information

Firms should identify and communicate issues and risks with proposed CCO models to the Registration Team at the time registration applications are filed and provide analysis addressing those issues.

Legislative reference and guidance

- Act, s. 32(2) *Duty to establish controls, etc.*
- NI 31-103 and related NI 31-103CP, s. 11.1 *Compliance system and training*
- NI 31-103CP, *General business practices – outsourcing, Compliance system and training*
- Registrant Outreach Seminar June 2017 – *Effective Oversight of Service Providers and Modernization of Investment Fund Product Regulation – Alternative Funds*, slides 5-33
- CSA Staff Notice 31-358 *Guidance on Registration Requirements for Chief Compliance Officers and Request for Comments*

2.2.5 Inadequate collection of trusted contact person information (PM / EMD)

Although amendments to NI 31-103 to enhance protection of investors by providing registrants with tools and guidance to address issues of financial exploitation and diminished mental capacity came into effect at the end of 2021, we continue to see instances where PMs and EMDs have not adjusted their business processes to comply with the amendments.

In a number of reviews, we found that the registrant did not take reasonable steps to obtain the trusted contact person (**TCP**) information from the client. These firms incorrectly believed that the requirements apply only to vulnerable or senior clients and, as a result, only attempted to collect TCP information from these clients, rather than all clients.

In other cases, firms were not able to provide evidence to support that they had taken reasonable steps to collect TCP information, or that written consent was obtained from clients. In one case, the firm did not adjust their onboarding processes to attempt to collect TCP information concurrently with the collection of the clients' other KYC information. Instead, the onus was placed on the client to

locate the TCP designation form on the firm's website if they were interested in providing TCP information.

PMs and EMDs should:

- ✓ establish processes that require the firm to take reasonable steps to obtain TCP information from the client while collecting, documenting and updating the client's other KYC information
- ✓ explain to the client the purpose of a TCP and the circumstances under which information about the client's account might be disclosed to their TCP
- ✓ maintain written policies and procedures in respect of the collection and documentation of TCP information

Legislative reference and guidance

- NI 31-103 and related NI 31-103CP, s. 13.2.01 *Know your client – trusted contact person*
- NI 31-103 and related NI 31-103CP, s. 11.5 *General requirements for records*
- NI 31-103CP, Appendix G – Part 13 *Addressing Issues of Financial Exploitation and Concerns About Clients' Mental Capacity*
- CSA Notice of Amendments to NI 31-103 and NI 31-103CP *to Enhance Protection of Older and Vulnerable Clients*

2.2.6 Awards / ranking contests for advisers (All)

Many registered firms and/or their registered individuals participate in recognition programs to distinguish the firm or individual from their competition, such as contests or lists that identify certain firms or individuals as "top" or "best", or as providing superior service.

In some cases, registrants also pay a fee to be considered or to participate in these ranking contests or lists. These awards, recognitions, or the results of the ranking contests or lists are subsequently published on websites or in media or industry publications. In many cases, they are also referenced on a registered firm's website or a registered individual's webpage, LinkedIn profile, or other sites accessible to the public.

All registered firms and individuals must comply with the requirements set out in section 13.18 of NI 31-103 with respect to misleading communications. These requirements apply to both internal and external awards, recognitions or contests.

A registered individual's sales activity or revenue generation is distinct from their proficiency, experience and qualifications. If a prestigious-sounding award or recognition considers the registered individual's sales activity, revenue generation or assets under management, this could reasonably be expected to deceive or

mislead a client as to the proficiency, experience or qualifications of that registered individual, which is prohibited by paragraph 13.18(1)(a) of NI 31-103.

Furthermore, these ranking contests/lists generally use sales activity or revenue generation as a factor to determine an individual's inclusion in the ranking contest/list. Paragraph 13.18(2)(a) of NI 31-103 prohibits a registered individual who interacts with clients from using an award or recognition if the award or recognition was based partly or entirely on the registered individual's sales activity, revenue generation or assets under management. Referencing the results of these types of ranking contests or lists on the firm's website or a registered individual's webpage, LinkedIn profile, or other public site will be considered a compliance deficiency.

A registered individual must not use that award or recognition in client-facing interactions, including:

- marketing or client communications such as webpages or LinkedIn profiles
- displaying the award or recognition in their physical or virtual office
- displaying the award or recognition in their signature block (hard copy or electronic)
- mentioning the award or recognition to clients verbally in meetings
- referencing the award or recognition in a media interview/publication
- emailing clients to tell them about the award or recognition

Even in cases where the award or recognition is not referenced in advertising or marketing materials issued directly by a registered firm or individual, the publication of the results by the contest sponsors could be seen as a compliance deficiency as a result of their participation in the contest.

The rules in section 13.18 of NI 31-103 with respect to misleading communications are principles-based, and staff will raise concerns with anything that could result in a contest ranking being misleading. Although the ranking criteria may state that the contest is not based on sales activity, revenue generation or assets under management, the results of the ranking or contest could be misleading if:

- direct payments were made to participate in a contest
- indirect payments were made, such as advertising in the publication sponsoring the contest
- there appears to be any form of bias (e.g. friends or family on the judging panel)
- the contest representation was limited and did not fairly represent the various firms and advisors operating in a particular market

We will continue to evaluate registrants' compliance with these requirements as part of our regular compliance examinations and will use all tools available along the compliance-enforcement continuum to address any non-compliance.

Registered firms should:

- ✓ outline clear written policies and procedures on whether participation is permitted or not, including specified controls to ensure compliance
- ✓ remove references to previously granted awards or recognitions in any marketing or client communications including webpages or LinkedIn profiles
- ✓ implement a process to monitor the firm's registered individuals' participation in any ranking contest (including monitoring registered individuals' webpages or LinkedIn profiles, and requiring each registered individual to certify their compliance with these provisions)

Legislative reference and guidance

- NI 31-103 and related NI 31-103CP, s. 13.18 *Misleading communications*
- Email blast - Advisor Ranking Contests/Lists – Action Items, July 31, 2023
- Client Focused Reforms - Frequently Asked Questions (updated December 6, 2023), Question 43

2.2.7 Conflicts in relation to section 11.9 / 11.10 notices (All)

Notices of proposed ownership changes in, or asset acquisitions of, registered firms required under sections 11.9 or 11.10 of NI 31-103 (**notices**) often did not adequately describe how material conflicts of interest arising out of the proposed changes have been or will be addressed in the best interest of clients. Registrants submitting notices are expected to explain what steps have been or will be taken to comply with conflicts of interest and suitability determination requirements, including:

- identifying incentives associated with the proposed transaction as material conflicts of interest that must be addressed in the best interest of clients and adequately disclosed to clients
- complying with their suitability determination obligations
- complying with their obligation to deal fairly, honestly and in good faith with clients

For instance, where a proposed transaction is structured so that a registrant could receive a higher payout tied to the number of clients moving from the target firm (**Firm A**) to the acquirer firm (**Firm B**), staff expect this to be identified as a material conflict of interest and addressed in the best interest of clients of both Firm A and Firm B, as applicable. We also expect that client communications be sent to the clients of Firm A and Firm B prior to the proposed closing date. The client communication should:

- include an explanation that is prominent, specific, and written in plain language
- describe the financial incentive and specifically explain that the quantum of such financial incentive is tied to the client's decision to move to Firm B
- explain that a move to Firm B may result in the client having access to different products or services with different fees, as applicable
- describe the choice for the client to stay with Firm A, transition to Firm B, or close the client's account and find another adviser or dealer, as applicable

Registrants are reminded to include the information in section 11.9 of NI 31-103CP under the heading *Content of the notice* to help the regulator assess the proposed transaction. Staff have updated this voluntary form, which was developed to assist filers in complying with the requirements in notices.

2.2.8 Referral arrangements between portfolio managers and unregistered firms (PM)

We continue to see instances where registered firms improperly delegated portfolio management activities that require registration to referral agents who are not registered. Firms must not delegate to non-registered parties any portfolio management activities that require registration, including:

- collecting and updating KYC information
- providing advice on investment strategies
- selection of investment mandates
- maintaining direct contact with clients to discuss account details such as investment performance or address client concerns with their accounts

If a registrant has a referral arrangement with an unregistered party, the registrant must put in place adequate monitoring procedures to assess if the unregistered party is conducting activities in relation to the referral business that require registration under securities law.

Referred clients often continue to communicate with the referral agent on topics that should be discussed with an Advising Representative (**AR**), such as questions about their portfolio holdings and changes to their KYC information. Registrants must be proactive in developing a relationship with referred clients so that the clients understand the registrant's role.

When an unregistered referral agent has a continuing relationship with referred clients (e.g. providing financial planning services), the registrant must ensure that all fees relating to portfolio management services are paid directly to the registered firm.

PMs should:

- ✓ perform adequate due diligence on prospective referral partners to verify that the registered firm will be working with a reputable third party
- ✓ establish a written referral agreement that:
  - clearly sets out each party's roles and responsibilities, such as who is responsible for collecting KYC
  - specifies restrictions on the referral agent's activities, such as requiring unregistered agents to only use pre-approved marketing materials in relation to their referral business with the registered firm
- ✓ develop written policies and procedures that establish an adequate process to:
  - evaluate the referral agent's marketing to verify that any claims or statements they make about the registered firm's products and services are accurate, substantiated, and not misleading
  - monitor the referral agent's relationship with referred clients to determine whether the referral agent is performing an activity that requires registration
  - monitor and resolve instances where clients are confused about the role of the registrant and/or referral agent
- ✓ provide training to referral agents on how to adequately conduct referrals
- ✓ ensure that, when partnering with unregistered firms, the registered firm does not delegate any portfolio management activities that require registration
- ✓ ensure that, when partnering with unregistered firms, all fees relating to registerable activities are paid directly to the registered firm

Legislative reference and guidance

- NI 31-103 and related NI 31-103CP, s. 11.1 *Compliance system and training*
- Joint CSA/CIRO Staff Notice 31-363 *Client Focused Reforms: Review of Registrants' Conflicts of Interest Practices and Additional Guidance*, item 7
- OSC Staff Notice 33-750 *2019 Summary Report for Dealers, Advisers and Investment Fund Managers*, pages 40-42
- OSC Staff Notice 33-745 *2014 Annual Summary Report for Dealers, Advisers and Investment Fund Managers*, pages 61-63

2.2.9 Foreign firms that do not rely on the international adviser exemption (PM)

A number of registered firms based outside of Canada rely on the international adviser exemption. This exemption generally allows advisers whose head office is

based in a foreign jurisdiction to provide advice to certain "permitted clients" in Canada on "foreign securities"[7], subject to certain conditions and filing requirements. For more details on the international adviser exemption, please refer to section 8.26 of NI 31-103.

Foreign advisers that do not meet the conditions in the international adviser exemption (**foreign advisers**) but wish to provide advice to Ontario clients are required to be registered with the appropriate securities regulatory authorities. During our review of foreign advisers, we continued to see representatives of these firms conducting registerable activities in Ontario without being registered as either ARs or Associate Advising Representatives (**AARs**). We noted the following registerable activities conducted by unregistered individuals with Ontario clients:

- collecting and updating KYC information
- providing advice on investment strategies, including selecting model portfolios, and allocating funds to each model portfolio
- preparing and reviewing investment policy statements with clients
- maintaining direct contact with clients to discuss account performance and addressing client concerns about their accounts

We also noted that in some cases, a firm's policies and procedures were not tailored to Ontario-specific rules and guidance.

We recognize that the registration regimes in foreign jurisdictions may differ. However, we remind firms based outside of Canada that individuals advising on securities on behalf of the firm and servicing clients in Ontario must be registered appropriately as either an AR or AAR. This includes both individuals who conduct relationship management activities and individuals who select securities for client portfolios.

If we find that a firm is not in compliance with the registration requirements in Ontario, this may raise concerns regarding the adequacy of the firm's compliance system and whether the firm is adequately supervising its representatives. Registered firms are responsible for the conduct of individuals acting on behalf of the firm.

PMs should:

- ✓ take adequate steps to understand and comply with the registration requirement in Ontario by consulting compliance and/or legal counsel before commencing registerable activities in Ontario

[7] The terms "permitted client" and "foreign securities" are defined in NI 31-103.

- ✓ assess whether an individual assigned to service an Ontario client is conducting activity that would require registration in Ontario, and if so, take immediate steps to apply to register the individual in Ontario
- ✓ have measures in place to ensure that only registered individuals are performing duties related to the firm's obligations as a registrant
- ✓ provide adequate training to employees on the registration requirements in Ontario

Legislative reference and guidance:

- Act, s. 25 *Registration*
- NI 31-103CP, s. 1.3 *Fundamental concepts*
- NI 31-103 and related NI 31-103CP, s. 11.1 *Compliance system and training*
- NI 31-103 and related NI 31-103CP, s. 8.26 *International adviser*
- Guidance on Client Relationship Management specialists and related FAQ
- OSC Staff Notice 33-750 *2019 Annual Summary Report for Dealers, Advisers and Investment Fund Managers*, page 27
- OSC Staff Notice 33-747 *2016 Annual Summary Report for Dealers, Advisers and Investment Fund Managers*, pages 52-54

2.2.10 Business continuity planning (All)

Under section 11.1 of NI 31-103, a registered firm must establish, maintain and apply policies and procedures that establish a system of controls and supervision sufficient to provide reasonable assurance that the firm and each individual acting on its behalf complies with securities legislation, and to manage the risks associated with its business in accordance with prudent business practices.

Section 11.1 of NI 31-103CP states that an effective compliance system includes internal controls designed to manage the risks that affect a registrant's business, including risks that may relate to business interruption.

In January 2024, staff delivered an email blast reminding small firms and firms with few registered individuals of the requirement to establish, maintain and apply a written business continuity plan (**BCP**) to adequately manage the impact of an event causing a significant business disruption, including the impact to clients and business operations in the event of the death, incapacitation or prolonged absence of key individuals. This email blast reiterated CSA Staff Notice 31-350 published in May 2017.

When developing a BCP, small firms should consider designating an individual to execute the BCP (**BCP executor**) and, as appropriate for their size and business model, the following:

- procedures to mitigate, respond to, and recover from business interruptions and other types of disturbances that may disrupt the firm's day-to-day operations
- how the firm will communicate with clients, key personnel, third-party service providers, and regulators (e.g. provide an alternate means of communication)
- procedures to protect, backup and recover the firm's books and records (e.g. as a result of a cyber-security incident or natural disaster)
- details about the relocation of the firm's office in the event of a temporary or permanent loss of the firm's head office or principal place of business
- the firm's business succession or wind-down procedures (e.g. assignment of duties to key persons) in the event of death, incapacitation or prolonged temporary absence of the sole registered individual
- who will be responsible for notifying the regulators in the event of death, incapacitation or prolonged temporary absence of the sole registered individual
- what information clients need to know about the BCP to ensure that it can be properly executed (e.g. by providing clients with the name and contact details of the BCP executor, and explaining to clients how they can access their assets in the event of loss of the firm's key personnel, or by providing the client with the name and contact details of the relationship manager at the custodian where the clients' assets are held)
- training of firm employees, including training about their specific duties if the BCP needs to be implemented
- how often the BCP needs to be updated and its effectiveness assessed
- how the firm will assess the adequacy of the BCPs of third-party service providers

As part of a robust BCP, small firms must also include steps to make certain that the BCP executor is adequately trained on how to execute the BCP effectively and is able and authorized to provide instructions on behalf of the firm to third-party service providers and communicate with the regulators.

Small firms with only one registered individual and no other support or administrative staff may have to designate a BCP executor external to the firm (e.g. a spouse, relative, legal counsel or another registrant), provided that such external BCP executor has the knowledge, authority and qualification to carry out the responsibility in compliance with securities legislation.

If the firm designates an external BCP executor, the firm should ensure that:

- a written agreement is in place so that the BCP executor understands and acknowledges their responsibilities
- the BCP executor is familiar with the firm's BCP
- the BCP executor is familiar with the firm's business in order to properly wind down or temporarily manage the small firm or facilitate the transfer of the firm's client accounts
- a confidentiality agreement is in place if the BCP executor will have access to confidential client information and, where applicable, the firm obtains client authorization to share this confidential information (e.g. in the relationship disclosure information documentation)
- if the BCP executor is another registrant or will be appointing another registrant, conflicts of interest between both firms have been considered (e.g. an external BCP executor could be managing clients of two firms in a scenario of temporary absence)
- the BCP executor understands securities legislation, including registration requirements in order to conduct registrable activities, and is aware of costs (e.g. costs related to filing an application for exemptive relief)

At the time of applying for registration, firms are expected to have a written BCP in place and if the firm is small, a designated BCP executor as part of their proposed system of controls and supervision in accordance with section 11.1 of NI 31-103

Legislative reference and guidance

- NI 31-103 and related NI 31-103CP, s. 11.1 *Compliance system and training*
- CSA Staff Notice 31-350 *Guidance on Small Firms Compliance and Regulatory Obligations*, pages 2-3

2.2.11 Issuer-sponsored dealing representatives (EMD)

Staff noted an increase in the number of registered firms using the issuer-sponsored Dealing Representative (**DR**) business model. In this business model, a DR that works for an issuer or its affiliate is registered with an independent EMD firm to market the issuer's securities to investors. Other characteristics of this business model include:

- the issuer-sponsored DR may exclusively market the securities of the affiliated issuer (they generally do not offer clients other securities on the shelf of the EMD firm)
- the issuer-sponsored DR is paid a salary from the issuer and may also receive a commission from the issuer for sales of the security
- the EMD firm receives a sales commission from the issuer (e.g. a portion of the total sales commission paid by the issuer or a small commission by the issuer for sales of the security)

Staff's concerns with this business model include:

- the issuer-sponsored DR has an inherent material conflict of interest to sell the securities of the connected issuer to keep the issuer operating and maintain their primary means of compensation. This financial dependency increases the risk of unsuitable products being sold to clients.
- clients may not be offered a more suitable product on the firm's shelf
- the EMD firm's supervision of the issuer-sponsored DRs may be more challenging
- clients may be confused as to which entity and in what capacity the issuer-sponsored DR is acting

Given the above concerns, terms and conditions have been imposed on the registration of firms using this business model. The terms and conditions include:

- each issuer must contract with the EMD firm and agree contractually to provide certain information to the EMD firm upon request by the EMD firm or the Commission. The information is similar to information the issuer would have to provide if it was itself becoming registered as an EMD.
- the EMD firm must compensate the issuer-sponsored DR through the EMD firm
- the issuer cannot sponsor a DR that is a member of the C-suite at the issuer (e.g. CEO, COO, President, Chair, etc.)

Firms are reminded to submit a Form 33-103F5 before it commences use of this type of business model.

Registered dealers should:

- ✓ specify whether the DR will be issuer-sponsored with the EMD firm under Item 10 of Form 33-109F4
- ✓ outline the firm's change in business model on Form 33-109F5

Legislative reference and guidance

- Form 33-109F4
- Form 33-109F5
- OSC Staff Notice 33-748 *2017 Annual Summary Report for Dealers, Advisers and Investment Fund Managers*, pages 78-81

2.2.12 Dealer obligation when relying on the offering memorandum exemption (EMD / RD)

On March 8, 2023, amendments to the offering memorandum (**OM**) prospectus exemption came into force. The amendments set out new disclosure requirements for issuers that are engaged in "real estate activities" and issuers that are "collective investment vehicles" when those issuers are preparing an OM, and also include a number of general amendments which are meant to clarify or streamline parts of NI 45-106 or improve disclosure for investors.

These amendments include an appraisal requirement for issuers engaged in real estate activities in certain circumstances and, in Ontario, a requirement for issuers in continuous distribution to amend their OM to include an interim financial report for the issuer's most recently completed six-month period unless the issuer appends an additional certificate to the OM certifying that:

- the OM does not include a misrepresentation when read as of the date of the additional certificate
- there has been no material change in relation to the issuer that is not disclosed in the OM
- when read as of the date of the additional certificate, the OM provides a reasonable purchaser with sufficient information to make an informed investment decision

While these additional disclosure requirements are the responsibility of the issuer, we would like to remind registrants of their role in this process.

Registered dealers should:

- ✓ perform reasonable procedures to ensure that, when distributing securities to clients that are relying on the OM prospectus exemption, including securities of issuers engaged in "real estate activities" or issuers that are "collective investment vehicles", the OM provided to clients contains the required NI 45-106 disclosure, including any additional disclosure required by the March 8, 2023 amendments

Legislative reference and guidance

- NI 45-106, s. 2.9 *Offering memorandum*
- Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers*
- CSA Notice of Amendments to National Instrument 45-106 Prospectus Exemptions and Changes to Companion Policy 45-106CP Prospectus Exemptions Relating to the Offering Memorandum Prospectus Exemption

2.2.13 Related party receivables in excess working capital (All)

Our reviews of Form 31-103F1 identified a number of firms that include related party receivables as 'current assets' in line 1 of Form 31-103F1. Related party receivables are considered high-risk, especially when the amount is material, and particularly when a registrant is dependent on the related party receivable to meet its excess working capital requirements.

A related party receivable should not be included in a registrant's excess working capital unless the receivable:

- meets the definition of "current asset" as defined in paragraph 66 of the International Accounting Standards 1 Presentation of Financial Statements
- is recoverable and there are indicators that the amount will be collected
- is readily convertible to cash

In our reviews of Form 31-103F1s, we noted firms that did not maintain adequate evidence that these conditions were met. In particular, some firms did not demonstrate that the receivable met the definition of a 'current asset', as there was little or no collection of the receivable amount. When a related party receivable is included in current assets, the receivable should be collected within 12 months. In other cases, we noted that firms did not maintain evidence that the receivable was readily convertible to cash. In our view, unless the receivable can be converted to cash easily, promptly and without difficulty, it should be included on line 2 of Form 31-103F1 (current assets not readily convertible into cash) and excluded from excess working capital.

We also identified instances where the related party receivable included frequently reoccurring transactions. In these instances, we observed repayments by the related party to the firm, which were subsequently followed by additional, sometimes larger, advances to the related party. In our view, the economic substance of these transactions was that the loan obligation was not settled, and the receivable remained uncollected. Frequently reoccurring transactions of this nature, or a firm acting as a line of credit for related parties, raises regulatory concerns and suggests that it is not appropriate to include the receivable in the firm's excess working capital.

Registered firms should:

- ✓ document the terms of any related party receivable included in excess working capital calculations, including the parties involved, the purpose of the loan, dollar amount, interest rate, repayment terms and timeline
- ✓ reevaluate at each reporting period whether the related party receivable should be classified as current or a non-current asset and retain documentation of this reevaluation

- ✓ reassess and retain documentation on the financial viability and solvency of the related party to support whether the receivable is collectible
- ✓ reevaluate and retain documentation to support whether the related party receivable can be readily convertible to cash (e.g. evidence that the loan can be repaid easily, promptly and without difficulty)

Legislative references and guidance

- NI 31-103 and related NI 31-103CP, s. 12.1 *Capital requirements*
- Form 31-103F1
- OSC Staff Notice 33-754 *2022 Summary Report for Dealers Advisers and Investment Fund Managers*, pages 24-25

2.2.14 Capital markets participation fees (All)

During our reviews of filed Form 13-502F4s, we noted that some firms did not apply OSC Rule 13-502 correctly.

a) Deductions for revenue not attributable to capital markets activities

We noted that a number of firms made deductions for revenue they considered not attributable to "capital markets activities" (as defined in OSC Rule 13-502) on line 2 of Form 13-502F4 (**Line 2**). Though, on Line 2, a firm is permitted to deduct certain revenues that are not attributable to capital markets activities, we continue to see firms deducting revenue for activities that may reasonably be considered capital markets activities. Specifically, we noted instances where firms appeared to have incorrectly deducted revenue:

- related to activities generally requiring registration or an exemption from registration, such as mortgage origination or recommending investing options based on an asset allocation
- on the basis that they were related to the provision of corporate advisory, mergers and acquisitions, or investment banking advisory services; these activities may be considered capital markets activities depending on the particular facts and circumstances of the case
- on the basis they were earned outside of Ontario

Some firms were found to have understated their participation fees significantly for several years. These firms were required to refile their Form 13-502F4s and pay the participation fees owed for those years plus late fees.

The purpose of Line 2 is to deduct revenue that is not attributable to capital markets activities. We remind firms that capital markets activities include activities for which registration or an exemption from registration is required. Additionally, the inclusion of a revenue amount is not dependent on where the revenue was earned, or if the related clients are in Ontario.

When a firm includes an amount on Line 2, we expect the firm to have conducted, and also maintain, an analysis as to why the related activities do not require registration or an exemption from registration. This analysis should include a thorough consideration of the legislative references and guidance listed below. If it is unclear why certain revenue has been deducted on Line 2, Staff may reach out to the firm for the firm's analysis supporting the Line 2 deduction(s).

Registered and unregistered capital market participants should:

- ✓ review the definition of capital markets activities in OSC Rule 13-502, as well as the other legislative references and guidance listed below, and assess whether the revenue they plan to deduct on Line 2 are related to capital markets activities
- ✓ maintain comprehensive analysis supporting that the amounts deducted on Line 2 do not relate to capital markets activities
- ✓ deduct revenue on Line 2 only when the revenue does not relate to capital markets activities

Legislative references and guidance

- OSC Rule 13-502, s. 1 *Definitions*
- OSC Rule 13-502, s. 17(2)(a) *Calculating specified Ontario revenues for others*
- OSC Rule 13-502CP, s. 19 *Capital markets activities*
- OSC Rule 45-501CP, s. 3.6 *Soliciting purchasers*
- NI 31-103, Part 8 *Exemptions from the requirement to register*
- NI 31-103CP, s. 1.3 *Fundamental concepts*
- NI 45-106CP, s. 1.6 *Registration business trigger for trading and advising*
- NI 45-106CP, s. 3.2 *Soliciting purchasers – Ontario*
- MI 32-102CP, under *Requirement to register as an investment fund manager* of Part 1 *Fundamental Concepts*
- OSC Staff Notice 33-749 *2018 Annual Summary Report for Dealers, Advisers and Investment Fund Managers*, page 31

b) Incorrect calculation of the Ontario percentage and specified Ontario revenues

We identified some firms that incorrectly calculated their Ontario percentage, which resulted in firms understating specified Ontario revenues and participation fees payable. All firms are required to calculate their Ontario percentage in accordance with OSC Rule 13-502. The definition and meanings of "Ontario percentage" are dependent on whether a firm has a permanent establishment in Ontario, in Ontario and elsewhere, or whether all permanent establishments are outside Ontario. To properly calculate the Ontario percentage, a firm must determine where its permanent establishments are located and apply the prescribed definition and meaning of Ontario percentage.

The term "permanent establishment" is defined by the Canadian Revenue Agency (**CRA**), and so firms should obtain the appropriate tax advice when making this determination.

In our reviews, we noted instances where:

- firms with a permanent establishment only in Ontario calculated their Ontario percentage as the proportion of their total revenues earned from Ontario clients rather than using 100% as their Ontario percentage
- firms with a permanent establishment in Ontario and elsewhere calculated their Ontario percentage as the proportion of their total revenues earned from Ontario clients rather than using the percentage of total taxable income earned in Ontario
- firms without a permanent establishment in Ontario used assets under management, or the volume of debt transactions attributable to Ontario investors rather than the percentage of the total revenues attributable to capital markets activities in Ontario

Registered and unregistered capital market participants should:

- ✓ review the definition of "Ontario percentage" in OSC Rule 13-502 and apply the correct meaning depending on the location of their permanent establishments as defined by the CRA
- ✓ use the prescribed calculation basis of the applicable Ontario percentage definition

Legislative references and guidance

- OSC Rule 13-502 s. 1 *Definitions*
- Income Tax Regulations, s. 400(2) *taxable income earned in the year in a province*

c) Incorrect reporting of total gross revenues for designated financial year

We identified instances where firms:

- incorrectly reported total revenues net of certain expenses in Line 1 of Form 13-502F4
- incorrectly applied either an average exchange rate or an internally derived exchange rate when translating their total revenues to Canadian dollars

Line 1 of Form 13-502F4 reports the sum of all global gross revenues reported on the audited financial statements, except where unaudited financial statements are permitted in accordance with subsection 17(3) of OSC Rule 13-502. Revenue reported on a net basis in the financial statements must be adjusted for purposes of the fee calculation to reflect gross revenues.

Also, if a firm's annual financial statements are denominated in a currency other than Canadian dollars, section 36 of OSC Rule 13-502 requires that all amounts must be converted into Canadian dollars using the daily exchange rate for the last business day preceding its designated financial year end date as posted on the Bank of Canada website.

Registered and unregistered capital market participants should:

- ✓ report the total global gross revenues per their audited or unaudited annual financial statements in Line 1 of Form 13-502F4
- ✓ adjust all revenue reported in Line 1 of Form 13-502F4 to reflect gross revenue
- ✓ use the exchange rate noted in section 36 of OSC Rule 13-502 to translate amounts into Canadian dollars

Legislative reference and guidance

- OSC Rule 13-502, s. 36 *Currency Conversion*

d) Application of changes to OSC Rule 13-502

In last year's Summary Report, firms were reminded that effective April 3, 2023, amendments were made to revise OSC Rule 13-502 that included several changes in respect of participation fees. However, we continued to find firms that:

- calculated their participation fees using the incorrect "designated financial year"
- completed Form 13-502F4 using thousands instead of whole numbers
- used an estimate of their annual financial data to calculate participation fees
- used unaudited annual financial statements to calculate participation fees, despite being registered

Registered and unregistered capital market participants should:

- ✓ review the definitions of designated financial year in OSC Rule 13-502 and use the most recently completed financial year, at the filing due date (November 2nd of each year), to calculate their participation fees
- ✓ report all figures on Form 13-502F4 in whole numbers and not thousands
- ✓ avoid using estimates of their annual financial results to calculate participation fees

Legislative references and guidance

- OSC Rule 13-502, Part 1 *Definitions and Interpretation*

- OSC Rule 13-502, Part 3 *Capital Markets Participation Fees*

2.2.15 Incomplete applications (All)

We have observed a trend of registration applications being filed that are incomplete or have insufficient information.

In particular, new firm applications are being filed with missing or insufficient information required by Form 33-109F6, including with respect to:

- business plans and policies and procedure frameworks (question 3.3 of Form 33-109F6)
- constating documents (question 3.7)
- organization and ownership charts (questions 3.11 and 3.12)
- directors' resolutions approving insurance (question 5.7)
- audited financial statements and letters of direction to auditors (question 5.13)

We have also seen instances where firm applicants delay filing the associated individual applications for their 'mind and management', as well as for key registrants, such as a CCO, DR (required for EMD registration) or an AR (for a new PM firm). Without the concurrent filing of these individual applications with the firm applications, firm applications cannot be approved.

In other instances, the individuals put forward are unsuitable for registration because they lack proficiency and experience. This may lead to the firm withdrawing the applications and putting forward different individuals. These changes, as well as changes in firm business names and business plans, require further checks and reviews, leading to longer processing times.

It is important that applicants file complete applications, as incomplete applications lead to longer processing times and draw staff resources away from applications that are ready to be processed.

Staff will not review registration applications that are incomplete or where not all required supporting information has been provided. Pursuant to section 27 of the Act, all information and material required for a registration application must be provided before an OSC Director can make a decision on registration. Form 33-109F6 states that applicants are required to submit a complete application and must include all supporting documents with their submission. Staff may request that filers withdraw incomplete applications until such time as they are ready to submit a complete application. Incomplete applications are not subject to the OSC Service Commitment for processing registration applications.

We have also seen a trend of insufficient information provided to support relevant investment management experience (**RIME**) for AR registration applications, requiring the Registration Team to follow up for clarification, which in turn leads to longer processing times.

AR registrants must demonstrate a high degree of proficiency and quality RIME as ARs can have discretionary authority over client investments. However, applications are being submitted with vague supporting information, such as:

- descriptions of the firm instead of information specific to the individual
- unclear descriptions of the individual's experience, using phrases such as 'involved in' instead of clear descriptions of the individual's role and what the individual did
- titles that do not match the roles described for these individuals

Some applicants for AR registration are better suited for registration in the AAR or Client Relationship Manager AR categories (**CRM AR**) which have lesser proficiency and experience requirements.

Applicants seeking AR registration should carefully review the instructions for documenting experience requirements found in Form 33-109F4, Schedule F *Proficiency*, Item 8.4 *Relevant securities industry experience*, and provide sufficient detail with their applications, which may include:

- the level of the individual's responsibility
- value of accounts under direct supervision
- number of years of experience in performing securities research and analysis for the purpose of portfolio securities selection, portfolio construction and analysis
- experience in performing client relationship management
- number of years of experience collecting KYC information
- number of years of experience conducting suitability assessments

CSA Staff Notice 31-332 provides guidance on information that may support an application for AR versus AAR. In June 2020, the CSA also put forward a framework for CRM ARs that do not have sufficient stock picking experience required for registration as an AR but who can demonstrate that they have all other proficiencies in addition to client relationship management experience. Firms have since registered CRM ARs to fulfill this role.

Filers with any questions about filing requirements should contact the compliance, registration or legal departments of their sponsoring firm, or visit the National Registration Database (**NRD**) information website at www.nrd-info.ca.

Where there are novel areas of an application, or areas where the requisite supporting information may be unclear, applicants and their advisers should communicate these issues to the Registration Team at the outset of a registration filing, which helps focus the issues in the application and supports efficient processing.

Legislative reference and guidance

- Act, s. 27 *Registration, etc.*
- Form 33-109F4, Schedule F, *Proficiency*, Item 8.4
- Form 33-109F6
- CSA Staff Notice 31-332 *Relevant Investment Management Experience for Advising Representatives and Associate Advising Representatives of Portfolio Managers*
- *Client Relationship Management specialists*, webpage on osc.ca
- OSC Staff Notice 33-752 *2021 Summary Report for Dealers, Advisers and Investment Fund Managers*, pages 12-13
- OSC Staff Notice 33-754 *2022 Summary Report for Dealers, Advisers and Investment Fund Managers*, page 43
- *OSC Service Commitment: Our Service Standards and Timelines*, footnotes 1 and 2

2.2.16 Investment Fund Manager proficiency (IFM)

Regulatory obligations and functions of an IFM differ from those of a PM or EMD, given the activities an IFM is required to carry out regarding an investment fund's operations (e.g. net asset value calculations, fund and trust accounting, recordkeeping, regulatory filings, etc.).

There are instances where staff may have follow-up questions for individuals who are applying to register as UDP and CCO with IFM firms to assess whether they have relevant and sufficient experience to meet the proficiency requirements. These questions are part of our program "Registration as the First Compliance Review" and in furtherance of our gatekeeper function.

Part 3.4 of NI 31-103 is a general proficiency requirement, in addition to the specific education and experience requirements for a CCO and UDP. This Part requires that individual registrants must not perform an activity that requires registration unless the individual has the education, training and experience that a reasonable person would consider necessary to perform the activity competently.

UDP and CCO applicants for registration with IFM firms should provide sufficient detail in their applications regarding their experience with IFM operations. Where applicants are aware of experience gaps, applicants and their advisers should bring issues to the attention of staff at the outset of their applications so that they can be efficiently addressed.

Legislative reference and guidance

- NI 31-103 and related NI 31-103CP, s. 3.4 *Proficiency – initial and ongoing*

2.3 Crypto asset trading platforms registration matters and compliance deficiencies (RD)

2.3.1 Crypto asset trading platform registration applications

Filers interested in submitting an application for crypto asset trading platform (**CTP**) registration are encouraged to review recent CTP decisions as they include the terms and conditions to which registered CTPs are typically subject. Recent CTP decisions can be found on the OSC website under Registered crypto asset trading platform.

As described in the 2022 Summary Report, we continue to review CTPs seeking registration as part of the "Registration as the First Compliance Review" process. Firms should refer to the guidance in the 2022 Summary Report as it highlights common issues and provides guidance for CTPs applying for registration in a dealer category.

To facilitate the "Registration as the First Compliance Review" process, applications for CTP dealer registration should be as complete and comprehensive as possible, and include the following detailed information:

Know your client and account appropriateness assessment

- how the firm intends to meet KYC and account appropriateness obligations
- a copy of the account appropriateness questionnaire and messaging used to communicate to clients
- process for applying and monitoring investment limits
- process for determining, applying and monitoring client limits

Know your product

- list of crypto assets that will be made available on the platform, including any value-referenced crypto assets as defined in CSA Staff Notice 21-332 *Crypto Asset Trading Platforms: Pre-Registration Undertakings – Changes to Enhance Canadian Investor Protection*
- whether the firm has or intends to issue its own crypto assets or those of a connected issuer
- process for evaluating whether each crypto asset made available by the platform is a security or a derivative
- process to remove a crypto asset from trading on its platform should the crypto asset be determined to be a security or a derivative
- process to allow clients to liquidate their position in crypto assets that will no longer be made available to clients

Conflicts of interest

- identification of material conflicts of interest and conflicts of interest that are reasonably foreseeable between the firm (including individuals acting on

behalf of the firm) and a client, and how they will be addressed in the best interest of the client

- copies of conflicts of interest disclosure to be provided to clients

Custody

- information on how the firm intends to custody crypto assets and fiat balances of its clients
- for custodians who will be holding clients' crypto assets, how the custodian meets the definition of an "acceptable third-party custodian" in CSA Staff Notice 21-332
- the firm's understanding of the custodian's operations, including how the custodian segregates client assets from other property; the custodian's knowledge and expertise in holding crypto assets; how the custodian safeguards crypto assets; key aspects of the custodian's IT security, cyber resilience, disaster recovery capabilities and business continuity plan; the custodian's insurance coverage over the crypto assets it holds
- explanation of the firm's assessment that client assets held by the custodian will be viewed as property held in trust for the benefit of clients and will not be used to satisfy the custodian's liabilities in the event of an insolvency or bankruptcy of the custodian
- with respect to client crypto assets held by the firm for operational purposes:
    - how the firm intends to hold the crypto assets, including a description of any wallets developed by third-party service providers
    - what steps the firm has taken to ensure custodial risks with respect to client assets custodied for operational purposes are appropriately managed and mitigated, including whether the firm holds client crypto assets separate and apart from the firm's own property (e.g. client crypto assets are stored in a separate wallet than the firm's wallet) and designates such property to be that of its clients
    - proficiency and experience of the firm to hold crypto assets
    - the firm's practices to safeguard the crypto assets, including the safeguarding of private keys and the controls governing key generation, key storage, seed back-up and key access
    - the firm's practices to mitigate risks relating to security breaches and cyber incidents
    - the firm's IT security, cyber resilience, disaster recovery capabilities and business continuity plan
    - the firm's insurance coverage over the crypto assets it holds directly, including insurance coverage in respect of cybercrime

2.3.2 Crypto asset trading platform registration inquiries and resources

We receive inquiries regarding applications for registration and related relief from firms that propose to operate a CTP.

A frequent inquiry relates to whether firms claiming to provide immediate delivery of crypto assets (as outlined in CSA Staff Notice 21-327) need to be registered and require related exemptive relief.

Some firms claim that they are not subject to securities legislation as they currently provide or propose to provide immediate delivery of crypto assets, as outlined in CSA Staff Notice 21-327. One rationale provided to support this position is that the firm engages in payment-services activities that facilitate users sending a crypto asset, including a value-referenced crypto asset, to the platform solely to have the crypto asset converted to fiat.

The definition of "security" in subsection 1(1) of the Act is broad and includes both "evidence of indebtedness" and "any investment contract". The guidance in CSA Staff Notice 21-327 explains that a transaction involving a crypto asset may be subject to securities legislation if the transaction does not result in an obligation to make and take delivery of the crypto asset immediately following the transaction. We generally will consider immediate delivery to have occurred if:

- the platform immediately transfers ownership, possession, and control of the crypto asset to the platform's user, and the user is free to use, or otherwise deal with, the crypto asset without further involvement with or reliance on the firm or its affiliates, and without the firm or any affiliate retaining any security interest or any other legal right to the crypto asset
- following the immediate delivery of the crypto asset, the platform's user is not exposed to insolvency risk (credit risk), fraud risk, performance risk or proficiency risk on the part of the firm

In many instances, firms claiming to make immediate delivery of crypto assets do not immediately transfer ownership, possession, and control of the crypto asset to the platform's user. Platforms often provide a wallet functionality, which in some cases includes a software or hardware developed or offered by the firm or its affiliate, exposing users to insolvency, fraud, performance or proficiency risk, and resulting in clients not having the sole ownership, possession and control of the wallet.

Assessing whether immediate delivery of crypto assets is provided to platform users is dependent on several factors, including:

- how long a typical transaction would take
- when trades would be posted to the blockchain

- how long the platform or the firm's affiliate would hold onto client assets, including crypto assets and fiat
- following the confirmation or trade, how long it would take for the platform to send the crypto assets to the client's wallet address
- percentage of transactions where immediate delivery is made on the platform
- how the firm ensures it has sufficient crypto asset and fiat currency balances in its inventory to fill client trades

For an overview of who needs to consider registration, exemptions from registration, explanation of registration categories, as well as the initial registration requirements for firms and individuals, the following resources are available:

- Getting registered, webpage on osc.ca
- Amendments to OSC Rule 13-502 Fees, OSC Rule 13-503 (Commodity Futures Act) Fees, Changes to their Companion Policies and Related Consequential Amendments and Changes
- CSA Staff Notice 46-307 *Cryptocurrency Offerings*
- CSA Staff Notice 21-327 *Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets*
- Joint CSA/IIROC Staff Notice 21-329 *Guidance for Crypto-Asset Trading Platforms: Compliance with Regulatory Requirements*
- CSA Staff Notice 21-332 *Pre-Registration Undertakings – Changes to Enhance Canadian Investor Protection*
- CSA Staff Notice 21-333 *Crypto Asset Trading Platforms: Terms and Conditions for Trading Value-Referenced Crypto Assets with Clients*

A money service business license from Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) does not indicate that a firm is registered for the purposes of Ontario securities law. See Example #1 in Appendix A in Joint CSA/IIROC Staff Notice 21-330 *Guidance for Crypto-Trading Platforms - Requirements relating to Advertising, Marketing and Social Media Use*.

It is important to consult with Canadian securities law counsel to discuss whether your firm's current or proposed activities require registration under Ontario securities law or the similar requirements of the other jurisdictions in Canada.

2.3.3 Marketing of crypto asset trading platforms

Joint CSA/IIROC Staff Notice 21-330 provides advertising and marketing guidance to CTPs. Additional guidance was also provided in the 2022 Summary Report, based on findings in relation to advertising, marketing, and use of social media from our pre-registration reviews of CTPs.

We continue to raise comments and concerns with CTPs' advertising and marketing practices, and their use of social media.

a) Misleading, incorrect, or false statements and unsubstantiated claims

Some CTPs created and posted lists on their websites where they ranked themselves in comparison to other CTPs. This was done without consent from those other CTPs and without evidence to substantiate the claims made on how one CTP was ranked as better than another CTP. We also identified misleading statements in these ranking lists as there was inadequate disclosure about the affiliation between CTPs that created the list and those that ranked highly on the list.

b) Improper use of logos and trademarks

We noted instances where registered CTPs used the OSC logo in their advertising and marketing. The inclusion of the OSC's logo may imply that we have passed on the financial standing, fitness or conduct of a registrant, which is a prohibited representation pursuant to section 46 of the Act.

c) Concerns over improper "gambling style" promotions and schemes

We noted instances where CTPs held contests encouraging users to perform transactions to win crypto assets. We also identified statements CTPs made in social media posts which conveyed or implied a recommendation to purchase or hold crypto assets to users, and encouraged users to engage in trading and to act quickly for fear of missing out on an investment opportunity.

Joint CSA/IIROC Staff Notice 21-330 reminds CTPs that there are concerns with using advertising or marketing strategies that include contests, promotions, bonuses and time-limits to encourage investors to engage in trading and to act quickly for fear of missing out on an investment opportunity or a reward. Some of these strategies may encourage investors to engage in excessively risky trading, taking on risks that they would normally avoid.

Advertising and marketing strategies designed to encourage trading may be considered a form of solicitation or invitation to trade, triggering suitability obligations for registered CTPs, pursuant to section 13.3 of NI 31-103. These suitability obligations can apply to recommendations relating to overall trading strategies as well as individual securities. CTPs that rely on or will seek to rely on an exemption from suitability on the condition that they do not provide recommendations or advice must verify that they are not actively soliciting trading through advertising in a manner inconsistent with the conditions of their exemption.

Registered CTP dealers and CTP dealer applicants should:

- ✓ only make accurate statements in advertisements that can be substantiated
- ✓ provide adequate context and reference to the information supporting advertising claims, including third-party identification of sources

- ✓ refrain from including regulator logos in marketing materials
- ✓ obtain written authorization from other registrants if the firm chooses to use the name of another registrant
- ✓ avoid "gambling style" promotions and schemes

Legislative reference and guidance

- Act, s. 43 *Use of name of another registrant*
- Act, s. 46 *Prohibited representation re Commission approval*
- OSC Rule 31-505, s. 2.1(1) *General Duties*
- Joint CSA/IIROC Staff Notice 21-330 *Guidance for Crypto-Trading Platforms: Requirements relating to Advertising, Marketing and Social Media Use*
- OSC Staff Notice 33-754 *2022 Summary Report for Dealers, Advisers and Investment Fund Managers*, pages 32-33
- Digital Engagement Practices: *Dark Patterns in Retail Investing*

2.3.4 Conflicts of interest considerations specific to crypto asset trading platforms

Staff conducted a desk review of six registered CTPs, for which the OSC is principal regulator, to understand key practices and controls around custody arrangements for clients' crypto assets, corporate governance structures, insurance bonding policies and management of conflicts of interest. Guidance on custody arrangements and corporate governance structures was provided in last year's Summary Report.

With respect to conflicts of interest, we noted instances where CTPs did not:

- identify existing material conflicts of interest, or material conflicts of interest that were reasonably foreseeable
- address material conflicts of interest in the best interest of the client
- disclose all material conflicts of interest to clients or the disclosure did not comply with the requirements of subsection 13.4(5) of NI 31-103

Most CTPs identified a limited number of material conflicts of interest. Based on our understanding of the crypto asset sector and CTPs' operations, we are of the view that there are additional conflicts of interest that may be common to all CTPs, which should be identified and appropriately addressed, including:

- employee outside business activities, including any involvement with crypto asset issuer or development (e.g. any compensation received and services provided)
- employee personal trading activities and use of proprietary or confidential information

- referral arrangements with other service providers or affiliates
- fees or compensation earned from buying and selling of crypto assets, including crypto assets held by the CTP as its inventory for resale (as counterparty)
- relationships with related entities, particularly those also involved in the distribution (trading) or handling of crypto assets
- issuance and trading in proprietary crypto assets or related/connected issuer crypto assets
- handling of airdrops derived from client asset holdings held in trust on behalf of clients
- pricing of crypto assets on platform, including any fees and spreads earned on trades

A CTP should assess the materiality of each conflict of interest raised by its specific circumstances and determine how the conflict will be addressed in the best interest of its clients. While disclosure of material conflicts of interest on its own is insufficient to address those conflicts, material conflicts of interest must be disclosed to clients whose interests are affected by those conflicts of interest if a reasonable client of the CTP would expect to be informed of them.

Registered CTP dealers and CTP dealer applicants should:

- ✓ identify existing and reasonably foreseeable material conflicts of interest that are relevant to the CTP's operation
- ✓ develop policies and procedures and internal controls to address material conflicts in the best interest of the client
- ✓ maintain records to demonstrate the CTP's assessment of material conflicts of interest, the conflicts of interest which are managed through avoidance, and the controls implemented to address material conflicts of interest that are not avoided
- ✓ provide adequate training to employees on the CTP's conflicts of interest policies and procedures
- ✓ provide disclosure to clients that is prominent, specific, and written in plain language regarding material conflicts of interest at a time and manner that will be meaningful for a reasonable client

Legislative reference and guidance:

- NI 31-103 and related NI 31-103CP, s. 13.4 *Identifying, addressing and disclosing material conflicts of interest – registered firm*
- NI 31-103 and related NI 31-103CP, s. 13.4.1 *Identifying, reporting and addressing material conflicts of interest – registered individual*

- Joint CSA/CIRO Staff Notice 31-363 *Client Focused Reforms: Review of Registrants' Conflict of Interest Practices and Additional Guidance*
- OSC Staff Notice 33-754 *2022 Summary Report for Dealers, Advisers and Investment Fund Managers*, pages 33-34
- Client Focused Reforms - Frequently Asked Questions (updated December 6, 2023)

2.3.5 Guidance for crypto asset trading platforms that are registered in the category of restricted dealer for an interim period

In addition to the extensive review process that CTPs undertake before becoming registered with the CSA for an interim period as a RD, CTPs that subsequently apply for CIRO membership should expect to undergo an extensive review with respect to CIRO's financial and operations compliance, business conduct compliance, trading conduct compliance, and registration requirements.

Firms are encouraged to review CIRO rules (specifically, the Investment Dealer and Partially Consolidated Rules (IDPC Rules)) to adequately prepare for the membership application process and ensure that the application moves forward in an efficient manner. Many of those rules will be new for CTPs, including those registered as RDs. For example:

- CIRO's capital requirements differ from capital requirements for RDs
- CIRO has specific rules regarding a Dealer Member's system of books and records (refer to IDPC Rule 3800) and proper segregation and custody of client assets (refer to IDPC Rule 4300)
- Applicants need to engage an auditor approved by CIRO well in advance of applying for CIRO membership to leave sufficient time to obtain audited financial statements and other auditor reporting that are required as part of the CTP's application for CIRO membership (refer to subsections 4171(1) and 4172(1) of IDPC Rules)
- CIRO has specific rules regarding the proficiency and experience of Approved Persons, which may differ from the proficiency and experience requirements of individual registrants at a restricted dealer (refer to IDPC Rule 2602)

CTPs are encouraged to refer to the Becoming a Dealer Member section of CIRO's website for guidance and materials on applying for CIRO membership. CTPs can also arrange for a pre-filing discussion with CIRO staff by contacting MembershipCoordinator@ciro.ca.

2.3.6 Mandatory arbitration clauses that are unconscionable and/or contrary to public policy

Some firms seeking registration to operate a CTP have standard terms of use or service (**Terms of Use**) clauses that restrict the client's ability to take legal action against the firm if they have a dispute with the firm. These clauses may require the

client to use mandatory arbitration, often in a foreign jurisdiction and in accordance with the rules of a foreign arbitration regime.

Mandatory arbitration clauses included in CTP standard Terms of Use have been found to be unenforceable and void by courts in Ontario[8] and the United Kingdom[9] on the grounds that they are contrary to public policy and unconscionable. Staff takes the view that the use of mandatory arbitration clauses may constitute a breach of the obligation to deal fairly, honestly and in good faith with clients set out in section 2.1 of OSC Rule 31-505.

The use of mandatory arbitration clauses does not in any way lessen a registrant's obligation to make dispute resolution services available to clients under section 13.16 of NI 31-103, regardless of whether or not the clauses are drafted in a manner consistent with the obligation to deal fairly, honestly and in good faith with clients.

[8] See Lochan. v. Binance Holdings Limited, 2023 ONSC 6714 (CanLII)

[9] See Payward Inc., Payward Ventures, Inc., and Payward Limited v. Maxim Chechetkin [2023] EWHC 1780 (Comm)

Part 3: Initiatives impacting registrants

3.1 2024 Risk Assessment Questionnaire

In May 2024, firms registered with the OSC in the categories of IFM, PM, RPM, EMD and RD were asked to complete the 2024 RAQ, which consisted of questions covering various business operations related to the different registration categories. The RAQ is a fundamental component of our risk-based approach used to select firms for compliance or targeted reviews.

Each response in the RAQ is assigned a risk score which is aggregated up to the firm level. This identifies firms whose business activities we perceive to be of higher risk. This aggregate risk score is an input in determining whether a firm will be recommended for a compliance review. In addition, responses to the RAQ are aggregated based on areas of interest and firms are selected for review based on their responses to questions in these areas of interest.

We have enhanced the RAQ process based on feedback received. This year, we launched a new Microsoft-based platform that is dynamic, includes greater functionality (for example, there is a delegation function for firms to add employees, other than the CCO and UDP, to the platform to assist with completing the RAQ) and incorporates a new single sign-on solution with two-factor authentication.

Similar to prior years, the new platform pre-populates certain non-financial information in the RAQ with a firm's previous responses and enhances security by requiring both the firm's CCO and UDP to each create their own unique account in our system to access the 2024 RAQ.

3.2 Dual registered firms

In 2023, the OSC worked with CIRO and the CSA to establish a new registration process to enable firms to become registered as both an investment dealer and a mutual fund dealer (a dual registered firm). The OSC registered five dual registered firms this fiscal year and continues to work with firms that have expressed an interest in seeking dual registration.

The OSC also worked with CIRO and the CSA to publish the Dual Registered Firm Guide, which was updated on August 17, 2023, to assist existing firms and new applicants seeking dual registration. The guide outlines steps required for dual registration in three scenarios: (a) new firm applicants; (b) firms with one registration adding another registration (i.e. an existing ID or MFD that would like to add the other registration category); and (c) firms combining operations (i.e. an existing ID and MFD).

Dual registration is a two-part process. Firms must submit a membership application or the 'Dual-Registration Questionnaire' and supporting documents to CIRO; and a Form 33-109F6 or Form 33-109F5 with supporting documents to its principal regulator.

If operations of an existing ID and MFD are combined through a share or asset acquisition, a section 11.9 or 11.10 notice filing under NI 31-103 may be required depending on the structure of the transaction. If the firms do not combine via amalgamation and one of the firms will cease to exist or no longer require registration, a surrender of registration application must be submitted to the firm's principal regulator.

3.3 Voluntary surrenders of registration

Numerous firms have submitted applications to surrender their registration very late in the calendar year.

Voluntary surrender applications should be submitted well in advance of the cutoff date the OSC publishes in our annual email blast regarding *Capital Markets Participation Fees and Related Matters*. See Email Blast – 2023 Capital Markets Participation Fees and Related Matters (including a new Fee Form filing deadline) – Action Items.

Any applications received after the cutoff date may not be processed in time for the firm to be excluded from the capital markets participation fees which become due in January of the following calendar year, and therefore the firm would be responsible for the payment of these fees.

Firms are reminded that we will not process voluntary surrender applications that are incomplete, and that we are unable to recommend suspension or termination of registration where a firm has not yet certified and evidenced that it has ceased conducting registerable activities. Guidance on the voluntary surrender process is set out in the OSC's Guide to Completing and Filing a Voluntary Surrender Application on our website.

3.4 Ombudsman for Banking Services and Investments authority to issue binding decisions

On November 30, 2023, the CSA Notice and Request for Comment – *Registered Firm Requirements Pertaining to an Independent Dispute Resolution Service* was published regarding a proposed regulatory framework for a designated or recognized independent dispute resolution service that would have the authority to issue binding final decisions. Under the proposed framework, it is expected that the Ombudsman for Banking Services and Investments (OBSI) would be the designated or recognized independent dispute resolution service for the investment industry, and would be subject to coordinated oversight by CSA jurisdictions.

As part of the proposed framework, all CSA members except the British Columbia Securities Commission published proposed rule amendments to complaint handling provisions in NI 31-103 and changes to NI 31-103CP for a 90-day comment period which ended on February 28, 2024. The CSA received 42 comment letters from a

range of respondents including industry groups, investor representatives and professional associations.

The CSA is reviewing comments received in response to the consultation and preparing recommendations for next steps.

3.5 Proprietary trading (day-trading) firms

From time to time, we have considered the situation of market participants that, although not dealers in the traditional sense, nevertheless appear to be trading securities with regularity and for a business purpose. In these cases, we assess whether the entity may reasonably be considered "in the business" of trading securities or holding themselves out as such and therefore subject to the dealer registration requirements under the Act. As explained in section 1.3 of NI 31-103CP, this test is commonly referred to as the "business trigger" for registration.

To assess whether an entity meets the business trigger for registration as a dealer, we first consider whether the entity engages in activities that may be considered a "trade" as defined in subsection 1(1) of the Act. The definition of "trade" is broad and includes "any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of" a trade.

We then consider whether the entity may be considered to engage in such activities with regularity and for a business purpose in accordance with the guidance in section 1.3 of NI 31-103CP and applicable caselaw. We also consider whether any exemptions from registration may be available for the conduct of such registerable activities.

A firm describing itself as a proprietary trading firm offering day-trading services to its clients in Canada and around the world was recently registered as an investment dealer and accepted as a dealer member of CIRO.[10]

These types of day-trading firms typically:

- advertise that they can provide access to capital, training materials, trading software and administrative and management services to allow their clients to engage in electronic day trading on equity marketplaces in Canada and worldwide
- generally have an omnibus trading account in their own name with an investment dealer in Canada and similar accounts with broker-dealers in foreign jurisdictions and will then provide direct electronic access to these trading accounts to their clients

[10] There are a number of investment dealer/CIRO dealer members that operate as "proprietary trading firms". See page 2 of the following link: https://www.iiroc.ca/sites/default/files/2022-04/List-of-IIROC-Dealer-Members-by-Peer-Group-April-2022-en.pdf.

- may have a large number of unregistered day-trading representatives located in Canada and/or in foreign jurisdictions all purporting to trade the firm's capital through the firm's direct electronic access account with the investment dealer or other broker-dealer

A regulatory consideration for this trading model is the ability of the firm, and investment dealers providing electronic access to the firm, to monitor and take reasonable steps to prevent improper trading, including spoofing, layering, wash trading.

Terms and conditions were placed on this firm's registration and membership to ensure appropriate monitoring of all trading-related activity. The firm was required to have a supervision system reasonably designed to prevent and detect orders or trades that may interfere with market integrity or fair and orderly markets. With registration, persons and companies in the business of trading must also meet prescribed standards of integrity, proficiency and solvency, and comply with requirements applicable to registered dealers.

Staff have been of the view that the registration exemption in section 8.5 of NI 31-103 is not available to such day-trading firms or representatives of the day-trading firm who trade through the firm's account, and that an unregistered arrangement is inconsistent with the framework for "direct electronic access" arrangements set out in NI 23-103. In other words, entities purporting to rely on an exemption from the dealer registration requirement ought not have electronic access to marketplaces unless the firm is registered as an investment dealer and subject to regulatory oversight by CIRO[11].

A matter is currently before the Capital Markets Tribunal regarding a day-trading firm that has remained unregistered.

3.6 Exemption to allow Exempt Market Dealer participation in selling groups in offerings of securities under a prospectus

EMDs play an important role in supporting early-stage, small- and medium-sized businesses by raising capital for them. As the businesses grow and mature, they may seek financing through the distribution of their securities under a prospectus. When that occurs, EMDs are often unable to continue to support these businesses as EMDs are limited under paragraph 7.1(2)(d) of NI 31-103 to acting in respect of distributions of securities under a prospectus exemption. In particular, EMDs are not able to participate as a member of a selling group in prospectus offerings.

Generally, the appropriate dealer registration category for dealers participating in distributions of securities under a prospectus is the investment dealer category.

[11] Subsection 4.2(2) of NI 23-103CP.

However, allowing EMDs to participate as a member of a selling group in prospectus offerings may:

- allow EMDs to build and maintain their relationships with these businesses and support these businesses' capital needs throughout their lifecycles
- make additional channels of potential sources of capital available to early-stage, small- and medium-sized businesses
- provide investors with additional investment opportunities

On June 20, 2024, the OSC made Ontario Coordinated Blanket Order 31-930 *Exemption to allow Exempt Market Dealer Participation in Selling Groups in Offerings of Securities under a Prospectus* (**Blanket Order 31-930**), which provides an exemption from the restriction on the activities an EMD is permitted to undertake. An EMD may act as a member of a selling group in the distribution of securities under a prospectus, provided the terms and conditions of Blanket Order 31-930 are met. These terms and conditions include:

- the EMD acts in accordance with the terms of the selling group agreement
- the EMD acts as a dealer only to a person or company in respect of whom an exemption from the prospectus requirement would be available if the distribution of securities had been made under an exemption from the prospectus requirement
- the EMD does not act as an underwriter in connection with the distribution of the securities under the prospectus and limits its interest in the transaction in accordance with paragraph (a) of the definition of "underwriter" in the Act
- the total compensation to the EMD does not exceed 50% of the lowest total compensation paid or payable to any selling group member that is an investment dealer

Blanket Order 31-930 is a CSA coordinated blanket order. A number of other jurisdictions also issued a similar blanket order as the OSC. For additional details on Blanket Order 31-930, please see CSA Notice Regarding Coordinated Blanket Order 31-930 *Exemption to allow Exempt Market Dealer Participation in Selling Groups in Offerings of Securities under a Prospectus*.

EMDs that intend to rely on Blanket Order 31-930 are required under NI 33-109 to report a change in business activity by filing a Form 33-109F5 indicating that they will be participating as a member of selling groups in prospectus offerings.

3.7 Fee rule amendments to OSC Rule 13-502

On July 2, 2024, certain amendments to OSC Rule 13-502 (**the Fee Rule**) came into effect. The amendments introduced two additional fees applicable to restricted dealers:

- an additional fee of $24,500 at the time of OSC registration; and
- if applicable, an additional exemptive relief application fee of $24,500 for restricted dealers operating as a marketplace.

The fees reflect the additional work that is required to assess the appropriate regulatory framework considering business models that are complex, as typically seen with most restricted dealers. There is no change to the annual participation fees paid by restricted dealers.

The amendments also include a change to the definition of "registrant firm" in both the Fee Rule and OSC Rule 13-503. The definition now includes "a person or company registered *or required to be registered*". Accordingly, any unregistered firm that participates in Ontario's capital markets in non-compliance with the relevant dealer, adviser or investment fund manager registration requirements in either the Act or the Commodity Futures Act, will be held responsible for paying participation fees.

3.8 OSC TestLab initiatives

In May 2024, the OSC announced a set of initiatives that are aimed at supporting early-stage capital raising with appropriate investor protections. The initiatives are part of the OSC TestLab program. OSC TestLab is an OSC program that uses testing to accelerate the evaluation of capital market innovations and new approaches to regulation that advance responsible innovation in Ontario's capital markets and economic growth for Ontario.

These initiatives are:

a) Ontario Instrument 32-508 *Not-for-profit Angel Investor Group Registration Exemption (Interim Class Order)* (the **Angel Investor Group Registration Exemption**) – a time-limited dealer registration exemption for not-for-profit angel investor groups that bring together angel investors and introduce them to Ontario early-stage businesses that are seeking capital

b) Ontario Instrument 32-509 *Early-Stage Business Registration Exemption (Interim Class Order)* (the **Early-Stage Business Registration Exemption**) – a time-limited dealer registration exemption for eligible early-stage businesses:

   - to engage in permitted advertising of their capital needs and to engage in limited (up to $3 million) capital-raising from accredited investors and self-certified investors without engaging a dealer
   - to raise capital through an EMD, a not-for-profit angel investor group relying on the Angel Investor Group Registration Exemption, or a crowdfunding funding portal

c) *OSC Rule 45-508 Extension to Ontario Instrument 45-507 Self-Certified Investor Prospectus Exemption* – a rule that extends Ontario Instrument 45-507 *Self-Certified Investor Prospectus Exemption (Interim Class Order)* (**the Self-Certified Investor Prospectus Exemption**) for an additional 18-month period

d) a streamlined form for reporting distributions made by early-stage businesses relying on the Self-Certified Investor Prospectus Exemption (as set out in Ontario Instrument 45-509 *Report of Distributions under the Self-Certified Investor Prospectus Exemption (Interim Class Order)*) or relying on the Early-Stage Business Registration Exemption

e) a campaign by the staff to businesses, investors, industry groups and other key stakeholders to raise awareness, provide resources and reduce information barriers

Details regarding these exemptions and the terms and conditions to be satisfied may be found here. More information may also be found in the Frequently Asked Questions at OSC TestLab: Early-Stage Capital.

OSC staff will be collecting data on the use of the exemptions and will be contacting businesses, investors and other key stakeholders in the early-stage capital raising ecosystem in Ontario for their perspectives as part of the OSC TestLab Initiatives. The data and information collected will be used by OSC staff to evaluate the OSC TestLab Initiatives and consider future policymaking. For inquiries on this matter, registrants can reach out to the OSC Innovation Office.

Part 4: Acting on registrant misconduct

4.1 Annual trends and highlights

The Registrant Conduct Team is responsible for investigating conduct issues involving individual and firm registrants, recommending regulatory action where appropriate, and conducting opportunity to be heard (**OTBH**) proceedings before the Director.

Before a Director of the OSC imposes terms and conditions on registration, suspends a registration, or refuses an application for registration, a registrant or an applicant has the right under section 31 of the Act to request an OTBH before the Director. A registrant or an applicant may also request a hearing and review by the Capital Markets Tribunal (the **Tribunal)** of a Director's decision under section 8 of the Act.

Identifying and acting on registrant misconduct

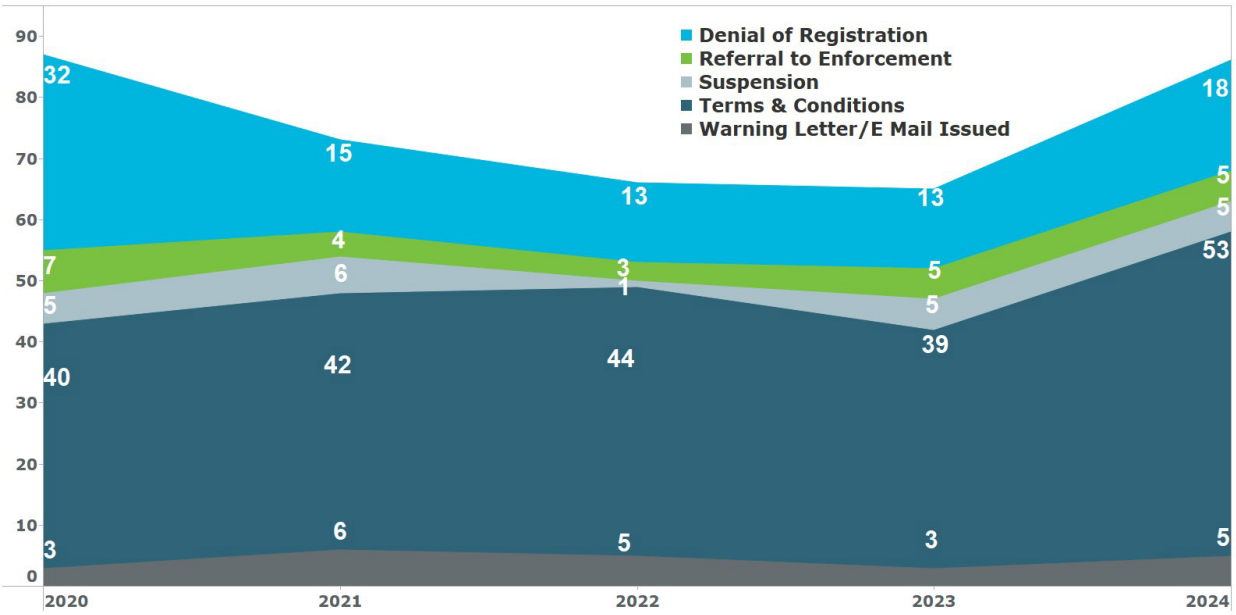
Potential registrant misconduct is identified through compliance reviews, applications for registration, disclosures on NRD, complaints, inquiries, referrals or tips. Acting on registrant misconduct matters is central to effective compliance oversight and promotes confidence in Ontario's capital markets. Registrants must remain alert and monitor for potential misconduct by implementing appropriate policies and procedures and ensuring that controls are in place to detect and address instances of misconduct.

The Registrant Conduct Team is responsible for overseeing terms and conditions on registered firms and individuals as a result of a regulatory decision, including a Director's decision or Tribunal Order. For registered firms, terms and conditions might require them to engage an independent compliance consultant or restrict business activity that is not compliant while remediation takes place. Terms and conditions might also require specific reporting by registered firms to the OSC.

Where there appear to be issues with an application that could bear on an individual's suitability for registration, such as past misconduct or misleading information given in the application itself, the file may be referred by the Registration Team to the Registrant Conduct Team for further investigation, requiring a longer review time. Each phase in the registration process when applications transition from the Registration Team to the Registrant Conduct Team are illustrated in this process chart.

The following chart summarizes the regulatory actions taken against firms or individuals engaged in registrant misconduct or serious non-compliance with Ontario securities law.

Regulatory actions for fiscal year end 2020 - 2024[12]



The chart shows that actions were taken across the compliance-enforcement continuum. The Director can impose terms and conditions, deny registration, and suspend or revoke registration in the event of serious non-compliance, depending on the facts at issue.

Compared to the previous fiscal year, the Registrant Conduct Team imposed terms and conditions and denied registration more frequently. In part, this is because a number of previously undisclosed reportable events came to light as firms completed their filing updates required by the amendments to NI 33-109. We also took action in response to an increased number of matters in which individuals were not truthful or cooperative with their former sponsoring firms (see 4.4 - *Failure by registered individuals and applicants to be truthful with sponsoring firms* discussed below).

Sponsoring firms can expect applications made using the amended registration application forms that do not disclose solvency events to be taken out of the ordinary course and be subject to in-depth review by the Registrant Conduct Team. Similarly, the Registrant Conduct Team will conduct an in-depth review of applications or current registrants when the individual fails to disclose any criminal convictions or charges, as required. Additionally, even if criminal convictions or charges are appropriately disclosed, we may consider whether certain criminal charges or convictions bear on the integrity of an applicant or registered individual. For example, some *Criminal Code* offences relate to dishonest conduct, such as theft, fraud, identity theft, perjury or forgery. Other offences might reflect

[12] Figures for 2020 have been revised to correctly include the regulatory actions for the 2019–2020 fiscal year.

disregard for court orders, such as failure to comply with recognizance, breaching an undertaking or driving while disqualified.

Although the most common concern with individual applicants and registrants is non-disclosure of material information, a significant number of files were based on dismissals for cause or other identified misconduct by individuals while registered with former sponsoring firms. In these cases, we will make inquiries of both the applicant and the former sponsoring firm to determine whether the identified conduct bears on the applicant's suitability for registration. Typically, we will conduct an interview of the applicant before making a recommendation. The timely co-operation of registered firms in these investigations is vitally important.

Referrals are made to Enforcement in cases where the appropriate tool is a power that can only be exercised by the Tribunal. In fiscal 2023-2024, there were five referrals to Enforcement.

4.2 Prompt and effective regulatory action

We will recommend that terms and conditions be placed on the registration of a firm with an inadequate compliance system, a large number of significant compliance deficiencies, or supervision and control deficiencies that result in undue risk or harm for investors. While these situations do not rise to the level of recommending that a firm's registration be suspended, terms and conditions are needed to protect investors and remediate identified compliance deficiencies. The terms and conditions may require the firm to engage a compliance consultant to develop a comprehensive plan to address the deficiencies, require the firm to engage a monitor to review their business activities, or impose business restrictions which typically remain in place until the compliance deficiencies are addressed.

This past fiscal year, we imposed terms and conditions on several firms designed to address novel and complex compliance deficiencies. These terms and conditions were drafted to increase the likelihood of compliance remediation to the benefit of present and future clients of the firm, while promoting fairness in the capital markets.

Three cases of novel or complex terms and conditions imposed on consent were:

Case 1

A PM firm was found to have an inadequate compliance system and many other significant compliance deficiencies in its operations. The firm's business model involves individuals formerly registered with CIRO dealer members joining the firm (some in an unregistered capacity) by forming corporations through which these individuals hold their interest in the firm. Some of the firm's unregistered individuals (who had brought over their clients to the firm from their former CIRO firms) provided registerable advising services to clients after they opened managed accounts at the firm.

The firm substantially outsourced its compliance functions, as well as its trading function, accounting and back-office services to its unregistered affiliated service provider. The firm did not adequately oversee the service provider. Further, the firm did not maintain its own independent records of its clients' cash and security holdings.

Terms and conditions were imposed on the firm requiring it to engage a compliance consultant to foster an effective compliance system, to assess the firm's arrangement with the service provider, including the substantial outsourcing of its compliance function and the UDP's and CCO's employment with the service provider, and to develop recommendations in a compliance plan to address all identified deficiencies. The compliance plan was to include recommendations for the effective oversight of the service provider if the arrangement continued, to ensure that all of the firm's registerable activities are performed by the firm and its registered individuals, and that the firm maintains its own records for its clients' cash and security positions that are regularly reconciled to the clients' custodian's records.

A monitor was also required to be engaged to approve new clients, assess if an AR or AAR was advising the new clients, and assess if clients understood who their AR or AAR was and that any non-registered client-facing individuals could not provide them with registerable advising services. The Registrant Conduct Team also imposed business restrictions, on consent, to otherwise limit the firm's growth until substantial remediation was completed.

Case 2

A PM firm was found to have an inadequate compliance system and many other significant compliance deficiencies in its operations. The firm's business model is to recruit and pay former representatives of CIRO dealer member firms to join the firm and to bring over their clients to the firm's managed account platform. In many cases, these individuals were not proficient to be registered as an AR or AAR with the firm, but continued to provide services to the clients, such as financial planning, but also registerable advising activities.

Terms and conditions were imposed on the firm requiring it to engage a compliance consultant to assess the firm's business model and practices, and to develop recommendations in a compliance plan to rectify all identified deficiencies. This included enhancing the firm's compliance system and addressing the conflicts of interest from paying recruitment fees, the use of different client fee schedules when clients receive similar investments and services, and to make clients aware of all services covered by their fees, such as financial planning. The compliance plan is also required to include recommendations on the steps that the firm is to take so that there would be:

- an adequate number of AR and AARs to service the firm's clients
- enhanced supervision of each AAR by an AR
- clear disclosure to clients of who their AR or AAR is (and the roles of any client-facing non-registered individuals)
- proper documentation of client discussions and suitability determinations
- effective procedures in place to ensure that all of the firm's registerable activities are performed by ARs or AARs

In addition, the firm was required to engage a monitor to approve new clients and assess if an AR or AAR was servicing the new clients. Business restrictions were also imposed to otherwise limit the firm's growth until substantial remediation was completed.

Case 3

An IFM/PM firm was found to have many significant compliance deficiencies in its operations, including some that could potentially require reimbursement to its investment funds or clients. The firm decided to wind down its investment funds and close its clients' accounts rather than remediating its deficiencies.

Before allowing the firm to wind down its investment funds, close its client accounts, and surrender its registrations, we imposed terms and conditions on the firm. The terms and conditions restricted the firm from performing registerable activities other than as necessary to address certain deficiencies that potentially required the firm to return money to its investment funds or clients, and for its wind-down and closure activities. This is consistent with the surrender of registration requirements in subsection 30(1) of the Act for all financial obligations to clients to be discharged.

The terms and conditions also require the firm to engage a compliance consultant to develop a plan for the firm to remediate certain deficiencies, including any repayment to the investment funds or clients, and for the firm to notify its clients and service providers of the terms and conditions. Then, upon the satisfactory implementation of the plan, the firm is to wind down its investment funds and close its accounts. Once the wind down and account closures are complete, the firm's registrations are to be suspended.

4.3 Regulatory responses to failure to comply with working capital or audited financial statement requirements

We have developed an enhanced process for when registered firms are late in delivering annual or interim financial filings required by Ontario securities law or are experiencing unresolved capital deficiencies. Firms can expect an escalating series

of regulatory actions if they do not bring themselves promptly into compliance or if they are repeatedly deficient in these areas.

Maintaining adequate working capital and delivering annual audited financial statements on time are both fundamental requirements of registration.

4.4 Failure by registered individuals and applicants to be truthful with sponsoring firms

The Registrant Conduct Team has recently reviewed applications where applicants were not truthful with their sponsoring firm about the circumstances of the end of their employment with a former sponsoring firm. We have also reviewed matters where the applicant failed to comply, or provided false information, to internal investigators at their former sponsoring firm. Even if the applicant is later candid with the Registrant Conduct Team, the fact that the applicant provided false or misleading information to their current or former sponsoring firm is taken into consideration when assessing the applicant's suitability for registration and may impugn the applicant's integrity.

The CSA previously published CSA Staff Notice 33-320 *The Requirement for True and Complete Applications for Registration* to remind applicants and registrants of their obligation to provide true and complete applications for registration. The requirement for truth and candor extends beyond the formal application form, as the sponsoring firm has a duty prescribed in subsection 5.1(1) of NI 33-109 to "make reasonable efforts to ensure the truth and completeness of information that is submitted in accordance with this instrument for any individual." Sponsoring firms cannot fulfill this obligation without the honest cooperation of individual applicants.

Though honesty in dealing with the Registrant Conduct Team may be considered a mitigating factor in determining the appropriate regulatory action, there may be regulatory consequences to this dishonest conduct in dealing with sponsoring firms, such as a recommendation that the application be refused. At a minimum, applicants who have not dealt truthfully with sponsoring firms can expect an in-depth review by the Registrant Conduct Team.

4.5 Director's decisions and settlements

Director's decisions on OTBH proceedings are published in the OSC Bulletin and on the OSC website at Opportunity to be heard and Director's decisions, where they are presented by topic and by year. Director's decisions are an important resource for registrants, as they highlight matters of concern to the OSC, and the regulatory action that was taken as a result of misconduct or noncompliance. The publication of Director's decisions makes our response to serious misconduct visible to market participants and investors.

Seven Director's decisions were published in the fiscal year 2023-2024. Two decisions were issued in contested OTBH proceedings, two decisions resulted from uncontested recommendations to suspend firms, and three decisions approved settlement agreements with the registrant/applicant. A settlement agreement typically contains an agreed statement of facts and a joint recommendation to the Director. Proceeding by way of a settlement agreement allows the registrant to participate in setting out the factual narrative that becomes the basis for the Director's decision.

A summary of the Director's decisions and settlements for fiscal 2023-2024 follows:

Emerge Canada Inc. (May 11, 2023)

Topic: Financial Condition (Firm) (Including Requirement to Report Capital Deficiencies)

Emerge Canada Inc. (**Emerge Canada**) was registered as an IFM and was required to maintain a minimum of $100,000 of working capital, which is a fundamental requirement for registered firms. For the first time, a registrant argued in an OTBH that it should be permitted to operate indefinitely with an ongoing working capital deficiency. In its September 30, 2022 excess working capital calculation, Emerge Canada disclosed that it was owed $4,503,782 from Emerge Capital Management Inc. (**Emerge US**), a related party. Emerge Canada included this receivable as a current asset. Staff argued that this receivable was not a current asset, and if it was, it was not readily convertible to cash and therefore must be deducted from working capital.

The Director found the related-party receivable owed by Emerge US to Emerge Canada could not be readily converted into cash because despite Emerge US's attempts to raise cash to pay the receivable, it was not able to do so. If an asset cannot be converted into cash "easily, promptly; without difficulty", it must be deducted from current assets. Without this receivable, Emerge Canada did not have the required minimum of $100,000 of working capital.

Additionally, Emerge Canada had included crypto assets of 1.5 million DIGau tokens held in an investment account in its adjusted current assets calculation, but had not made the required 100% deduction to its working capital calculation for market risk. When the value of the crypto assets was deducted, Emerge Canada again did not have the required minimum of $100,000 of working capital.

The Director found that Emerge Canada had failed to maintain the required minimum working capital, contrary to section 12.1 of NI 31-103, and that suspension of registration was the appropriate remedy, as Emerge Canada was working capital deficient and had no certainty or timeline for bringing itself into compliance. Prior to suspension, the Director imposed terms and conditions

restricting the registerable activities Emerge Canada could conduct to allow for the wind-down of its business.

Gravitas Securities Inc. (June 16, 2023)

Topic: Other Orders Made Against Registrant

Gravitas Securities Inc.'s (**GSI**) membership with CIRO was suspended on June 8, 2023 after CIRO staff obtained a protective order from a CIRO hearing panel, due to GSI becoming capital deficient and advising of its intent to wind up its business. Upon suspension from CIRO, GSI's registration as an investment dealer was automatically suspended, but its registration as an IFM was not. GSI did not object to staff's recommendation that its IFM registration in Ontario be suspended. The Director found that it would be otherwise objectionable and inconsistent with the OSC's mandate to permit GSI to continue to be registered as an IFM given the circumstances under which its registration as an investment dealer had been suspended.

Additionally, GSI had been under terms and conditions since 2019 limiting its IFM activities to the remediation and orderly termination or sale of its investment funds under the oversight of a compliance consultant. The compliance consultant confirmed that GSI's investment funds had been sold or terminated, and fund assets returned to investors.

Marco Tulio Pagoada Vallecillo (July 7, 2023)

Topic: Misleading Staff or Sponsor Firm

Marco Tulio Pagoada Vallecillo (**Pagoada Vallecillo**) applied for initial registration as a mutual fund dealing representative. He had a conviction for driving with an excessive blood alcohol level and an outstanding criminal charge arising out of a separate incident. Pagoada Vallecillo did not disclose either the charge or the conviction in his application for registration. Pagoada Vallecillo argued that he was unaware of his pending criminal charges, but the Director was not persuaded that his efforts to clarify the charges against him were reasonable. Meanwhile, Pagoada Vallecillo explained that he did not disclose his criminal conviction because he believed it to be irrelevant to his registration application, and because he thought that the conviction had been removed from his record. Following an opportunity to be heard, the Director did not accept Pagoada Vallecillo's explanations as reasonable and refused the application for registration on the basis that the individual lacked the requisite integrity for registration.

Ensign Capital Inc. (September 18, 2023)

Topic: Appointing an Ultimate Designated Person or Chief Compliance Officer

Ensign Capital Inc. was registered as an EMD. On July 2, 2023, the individual acting as the firm's UDP, CCO and sole director, officer and shareholder passed away, following which the firm no longer had a registered individual performing the functions of a UDP or CCO, contrary to the requirements of sections 11.2 and 11.3 of NI 31-103. The individual's family indicated that they intended to wind down the firm and did not object to the recommendation to the Director that the firm's registration be suspended. The Director suspended the firm's registration on the basis that it would be objectionable for it to continue to be registered without anyone performing the functions of a UDP and CCO.

Theresia Fonny Hofan (December 18, 2023)

Topic: Misleading Staff or Sponsor Firm

Theresia Fonny Hofan was a mutual fund dealing representative who resigned from one mutual fund dealer (the **Former Dealer**) to join another (the **Proposed Dealer**). Staff became aware of Hofan's conduct during an application for reactivation of registration of Hofan's former colleague, who was dismissed for cause by the Former Dealer for providing information to Hofan after she moved to the Proposed Dealer. Hofan contacted her former colleague at the Former Dealer to specifically solicit confidential information relating to her former clients, including portfolio statements. Before Hofan moved from the Former Dealer to the Proposed Dealer, she forwarded a list of email addresses of her clients to her personal email. The Former Dealer reported that after her departure, Hofan also visited one of her former clients with a portfolio-related document originating from the Former Dealer's internal system. During the voluntary interview by the Registrant Conduct Team, Hofan made misleading statements about her conduct and then refused to cooperate.

Staff made a recommendation to the Director to suspend Hofan's registration. Hofan initially requested an OTBH, however, the Director ultimately approved a settlement agreement with Hofan whereby her registration was suspended for ten months, and her reactivation of registration was subject to the successful completion of further education.

Pollitt Investment Counsel Inc. (December 19, 2023)

Topic: Financial Condition (Firm) (Including Requirement to Report Capital Deficiencies)

Pollitt Investment Counsel Inc. (**Pollitt**) was a PM and IFM. A compliance review of Pollitt identified significant deficiencies, including repeat deficiencies from a

previous review. Pollitt's CCO, who was also the firm's UDP, was compelled for an interview to inquire about the compliance report after he refused to be interviewed voluntarily. However, the CCO/UDP did not make himself available for a compelled interview and subsequently retired. After the CCO/UDP's departure, Pollitt could not find a proficient CCO and UDP. The firm was also deficient in excess working capital for more than two days and failed to submit its annual audited financial statements to the OSC despite numerous reminders. Staff recommended the Director suspend the firm's registration. The Director approved a settlement agreement whereby Pollitt's registration was suspended with no possibility of reactivation for at least six months and all the client accounts were transferred to other firms prior to the suspension.

Samer Shamshum (January 26, 2024)

Topic: Misleading Staff of Sponsor Firm

Samer Shamshum had been registered as a mutual fund dealing representative on three prior occasions; each time he was also employed by the registered firm's parent bank. When Shamshum applied to reactivate his registration, three past conduct issues were identified which raised concerns that he did not possess the requisite integrity for registration.

First, Shamsun falsely represented in his initial application form in 2015 that he had resigned from a bank teller job to pursue other opportunities, when in fact he had been terminated for cause. Second, Shamshun falsely denied making a series of inappropriate workplace comments during a 2019 human resources internal investigation. Third, Shamshum again falsely denied making an inappropriate workplace comment during a 2022 human resources internal investigation at a different employer.

To address the concerns about his integrity and suitability for registration, Shamshum entered into a settlement agreement pursuant to which he agreed to withdraw his application for a period of at least six months to complete the Ethics and Professional Conduct Course, and to be subject to close supervision for a period of at least one year should he become registered in the future. The Director approved this resolution in a decision dated January 26, 2024.

ONTARIO SECURITIES COMMISSION

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You can also use our online form located on the Contact us webpage on the OSC website www.osc.ca

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B.2
Orders

B.2.1 Neighbourly Pharmacy Inc.

Headnote

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – application for an order that the issuer cease to be a reporting issuer under applicable securities laws – issuer represents that it meets the criteria for the simplified procedure under NP 11-206 – all issued and outstanding common shares of issuer acquired in going private transaction completed by way of court-approved plan of arrangement under section 192 of the Canada Business Corporations Act – contingent value rights issued to former shareholders of the issuer as part of the consideration in connection with the arrangement – CVRs are uncertificated, non-transferable (other than in limited circumstances as discussed below) contractual rights governed by a CVR Agreement – CVRs are not listed on any market or exchange – CVRs do not represent any equity or ownership interest in the issuer, the purchaser any affiliate thereof (or any other person) and are not evidenced by any certificates or other instruments – CVRs do not have any voting or dividend rights, and no interest will accrue on any amounts payable on the CVRs to any holder thereof – arrangement agreement includes various reporting obligations of the issuer and the purchaser and robust dispute resolution procedures with respect to determination of the payout under the CVRs – relief granted based on the particular facts and circumstances of the application – issuer deemed to have ceased to be a reporting issuer under applicable securities laws.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10)(a)(ii).
National Policy 11-206 Process for Cease to be a Reporting Issuer Applications.

July 23, 2024

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)

AND

IN THE MATTER OF
THE PROCESS FOR CEASE TO BE
A REPORTING ISSUER APPLICATIONS

AND

IN THE MATTER OF
NEIGHBOURLY PHARMACY INC.
(the Filer)

ORDER

Background

The principal regulator in the Jurisdiction has received an application from the Filer for an order under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) that the Filer has ceased to be a reporting issuer in all jurisdictions of Canada in which it is a reporting issuer (the **Order Sought**).

Under the Process for Cease to be a Reporting Issuer Applications (for a passport application):

(1) the Ontario Securities Commission (the **Principal Regulator**) is the principal regulator for this application, and

(2) the Filer has provided notice that subsection 4C.5(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in all of the provinces and territories of Canada (together with the Jurisdiction, the **Reporting Jurisdictions**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this order, unless otherwise defined.

Representations

This order is based on the following facts represented by the Filer.

1. The Filer is a corporation existing under the *Canada Business Corporations Act* (the **CBCA**).

2. The Filer's head office is located at 190 Attwell Drive, Unit 400, Toronto, Ontario, M9W 6H8.

3. The Filer is a reporting issuer under the laws of each of the Reporting Jurisdictions and is not in default of its obligations under the securities laws of any of the Reporting Jurisdictions.

4. On January 15, 2024, the Filer, following the unanimous recommendation of a committee of independent directors of the Filer, entered into an arrangement agreement (the **Arrangement Agreement**) with T.I.D. Acquisition Corp. (the **Purchaser**), a newly-formed entity controlled by Persistence Capital Partners (**PCP**), pursuant to which the Purchaser would acquire all of the issued and outstanding common shares (the **Common Shares**) of the Filer (other than those shares already owned or beneficially controlled by PCP or any of its affiliates and associates) by way of a court-approved plan of arrangement under section 192 of the CBCA (the **Arrangement**).

5. The Arrangement was approved at a special meeting of shareholders of the Filer held on March 8, 2024 (the **Shareholder Meeting**), and the Ontario Superior Court of Justice (Commercial List) issued on March 13, 2024 a final order approving the Arrangement. The Arrangement was completed on March 20, 2024.

6. Upon completion of the Arrangement, all of the issued and outstanding Common Shares of the Filer are beneficially owned, directly or indirectly, by the Purchaser and PCP and its affiliates.

7. The Common Shares were delisted from the Toronto Stock Exchange at the close of trading on March 21, 2024.

8. Pursuant to the Arrangement, former shareholders of the Filer were entitled to receive $18.50 in cash per Common Share, plus one contingent value right (each, a **CVR**) per Common Share. Each CVR entitles the holder thereof to an additional cash payment from the Purchaser equal to $0.61 (the **CVR Amount**) if the Filer's pro-forma adjusted EBITDA for the fiscal year ending on March 28, 2026 (**Fiscal 2026**) is at or above $128 million (the **CVR EBITDA Target**), all as more fully described in the management information circular of the Filer dated February 7, 2024 and sent in connection with the Shareholder Meeting (the **Circular**). If the Filer's pro-forma adjusted EBITDA for Fiscal 2026 is below the CVR EBITDA Target, no additional consideration will be payable to the holders of CVRs.

9. Prior to the closing of the Arrangement, the Purchaser entered into a contingent value right agreement (the **CVR Agreement**) with Computershare Trust Company of Canada, as CVR agent (the **CVR Agent**), and MNP LLP, as representative of the CVR holders (the **CVR Representative**). The CVRs are uncertificated, non-transferable (other than in limited circumstances) contractual rights governed by the CVR Agreement.

10. The Filer is not required under any of the terms of CVRs to remain a reporting issuer in any Canadian jurisdiction. The CVR Agreement does not require the Filer to maintain any ongoing public reporting obligations. The Circular disclosed that the Filer was expected to cease to be a reporting issuer in each of the Reporting Jurisdictions and would not be required to prepare and file continuous disclosure documents.

11. The principal characteristics of the CVRs are as follows, all of which are set out in the Arrangement Agreement and the CVR Agreement and were disclosed in the Circular delivered to former shareholders of the Filer:

    (a) Each CVR is a direct obligation of the Purchaser and will entitle a CVR holder to a cash payment from the Purchaser equal to the CVR Amount if the Filer's pro-forma adjusted EBITDA for Fiscal 2026 is at or above the CVR EBITDA Target. If the CVR EBITDA Target is not achieved, no payment shall be due under the CVR.

    (b) The CVRs are not listed on any market or exchange, and may not be sold, assigned, transferred, pledged or encumbered or in any other manner transferred or disposed of, in whole or in part, other than in the limited circumstances set out in the Arrangement Agreement and the CVR Agreement, which are summarized in the Circular.

    (c) The CVRs do not represent any equity or ownership interest in the Filer, the Purchaser or any affiliate thereof (or any other person) and are not evidenced by any certificates or other instruments.

(d) The CVRs represent the right to receive the CVR Amount at a future date contingent solely upon achievement of the CVR EBITDA Target, if and to the extent payable pursuant to the terms of the CVR Agreement. Any entitlement to receive a payment pursuant to the CVRs will be evidenced by a position on a register held by the CVR Agent for the purpose of registering the CVRs and permitted transfers of the CVRs.

(e) The CVRs do not have any voting or dividend rights, and no interest will accrue on any amounts payable on the CVRs to any holder thereof. The CVR Holders do not have any information or reporting rights from the Filer or the Purchaser resulting from the CVRs.

(f) The contingent additional payment in respect of the CVRs is approximately $13.7 million in total, while the aggregate cash consideration paid to former shareholders of the Filer upon closing of the Arrangement was approximately $415 million. Therefore, although the CVRs are an integral part of the consideration payable under the Arrangement, the CVRs represent a small fraction of the aggregate consideration.

(g) The CVRs do not track the value of the Filer or the Purchaser, as payment under the CVR is fixed at $0.61 per CVR if the CVR EBITDA Target is achieved by the Filer.

(h) The CVR Representative is a nationally recognized accounting firm which deals at arm's length with the Filer, the Purchaser and PCP, and which has the authority pursuant to the CVR Agreement to monitor compliance with, and enforce, on behalf of CVR holders, the obligations of the Purchaser and its affiliates under the Arrangement Agreement relating to the CVRs. The Arrangement Agreement and the CVR Agreement include various reporting obligations of the Filer and the Purchaser in favor of the CVR Representative, including the provision of the Filer's audited consolidated financial statements for Fiscal 2026. The Arrangement Agreement and the CVR Agreement also set out a dispute resolution mechanism with respect to determination of the Filer's pro-forma adjusted EBITDA for Fiscal 2026 and achievement of the CVR EBITDA Target. In certain circumstances, a third-party public accounting firm with national standing may be engaged to consider any unresolved disputed items as to which the CVR Representative objects or disagrees.

(i) Any decision, action or instruction of the CVR Representative with respect to the matters set forth in the Arrangement Agreement relating to the CVRs shall be final, binding and conclusive on all CVR Holders.

12. The Filer is not an OTC reporting issuer under Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*.

13. The outstanding securities of the Filer, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide.

14. No securities of the Filer, including debt securities, are traded in Canada or another country on a marketplace as defined in National Instrument 21-101 *Marketplace Operation* or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported.

15. The Filer has no intention to seek public financing by way of an offering of securities.

16. The Filer is applying for an order that the Filer has ceased to be a reporting issuer in all of the Reporting Jurisdictions.

17. The Filer is not in default of securities legislation in any jurisdiction.

18. Upon granting of the Order Sought, the Filer will no longer be a reporting issuer or the equivalent thereof in any jurisdiction of Canada.

Order

The Principal Regulator is satisfied that the order meets the test set out in the Legislation for the Principal Regulator to make the order.

The decision of the Principal Regulator under the Legislation is that the Order Sought is granted.

DATED at Toronto on this 23rd day of July, 2024.

"David Surat"
Manager, Corporate Finance
Ontario Securities Commission

OSC File #: 2024/0117

B.2.2 Embark Student Corp. et al.

Headnote

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – Application for an order that plans are not reporting issuers under applicable securities law – relief granted.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10)(a)(ii).

July 24, 2024

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)

AND

IN THE MATTER OF
THE PROCESS FOR CEASE TO BE
A REPORTING ISSUER APPLICATIONS

AND

IN THE MATTER OF
EMBARK STUDENT CORP.
(the Filer)

AND

FLEX FIRST PLAN,
FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN
(the Plans)

ORDER

Background

The principal regulator in the Jurisdiction has received an application from the Filer, on behalf of the Plans, for an order under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) that the Plans have ceased to be a reporting issuer in all jurisdictions of Canada in which the Plans are a reporting issuer (the **Order Sought**).

Under the Process for Cease to be a Reporting Issuer Applications (for a passport application):

a) the Ontario Securities Commission is the principal regulator for this application, and

b) the Filer has provided notice that subsection 4C.5(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of the other provinces and territories of Canada.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this order, unless otherwise defined.

Representations

This order is based on the following facts represented by the Filer:

1. the Plans are not an OTC reporting issuer under Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*;

2. the outstanding securities of the Plans, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide;

3. no securities of the Plans, including debt securities, are traded in Canada or another country on a marketplace as defined in National Instrument 21-101 *Marketplace Operation* or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported;

4. the Filer is applying for an order that the Plans have ceased to be a reporting issuer in all of the jurisdictions of Canada in which the Plans are a reporting issuer; and

5. the Plans are not in default of securities legislation in any jurisdiction.

Order

The principal regulator is satisfied that the order meets the test set out in the Legislation for the principal regulator to make the order.

The decision of the principal regulator under the Legislation is that the Order Sought is granted.

"Darren McKall"
Manager, Investment Management
Ontario Securities Commission

Application File #: 2024/0398
SEDAR+ File #: 6154845

B.2.3 Nepra Foods Inc.

Headnote

National Policy 11-207 Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions – Application by an issuer for a revocation of cease trade orders issued by the Commission and the British Columbia Securities Commission – Ontario opt-in to revocation order issued by British Columbia Securities Commission, as principal regulator.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 144.
National Policy 11-207 Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions.

Citation: 2024 BCSECCOM 296

REVOCATION ORDER

NEPRA FOODS INC.

UNDER THE SECURITIES LEGISLATION OF BRITISH COLUMBIA AND ONTARIO (the Legislation)

Background

¶ 1 Nepra Foods Inc. (the Issuer) is subject to a failure-to-file cease trade order (the FFCTO) issued by the regulator or securities regulatory authority in each of British Columbia (the "Principal Regulator") and Ontario (each, a "Decision Maker") on October 6, 2023.

¶ 2 The Issuer has applied to each of the Decision Makers under National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocation in Multiple Jurisdictions* (NP 11-207) for an order revoking the FFCTOs.

¶ 3 This order is the order of the Principal Regulator and evidences the decision of the Decision Maker in Ontario.

Interpretation

¶ 4 Terms defined in National Instrument 14-101 *Definitions* or in NP 11-207 have the same meaning if used in this order, unless otherwise defined.

Order

¶ 5 Each of the Decision Makers is satisfied that the order to revoke the FFCTO meets the test set out in the Legislation for the Decision Maker to make the decision.

¶ 6 The decision of the Decision Makers under the Legislation is that the FFCTO is revoked.

¶ 7 July 5, 2024

"Allan Lim"
Manager, Corporate Disclosure
Corporate Finance

OSC File #: 2024/0302

B.2.4 Metro Vancouver Properties Corp.

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – Securities Act s. 88 Cease to be a reporting issuer in BC – The securities of the issuer are beneficially owned by not more than 50 persons and are not traded through any exchange or market – The issuer is not an OTC reporting issuer; the securities of the issuer are beneficially owned by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders worldwide; no securities of the issuer are traded on a market in Canada or another country; the issuer is not in default of securities legislation

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – The issuer ceased to be a reporting issuer under securities legislation.

Applicable Legislative Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 88.
Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10)(a)(ii).

Citation: 2024 BCSECCOM 328

July 26, 2024

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA
AND
ONTARIO
(the Jurisdictions)

AND

IN THE MATTER OF
THE PROCESS FOR CEASE TO BE
A REPORTING ISSUER APPLICATIONS

AND

IN THE MATTER OF
METRO VANCOUVER PROPERTIES CORP.
(the Filer)

ORDER

Background

¶ 1 The securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer for an order under the securities legislation of the Jurisdictions (the Legislation) that the Filer has ceased to be a reporting issuer in all jurisdictions of Canada in which it is a reporting issuer (the Order Sought).

Under the Process for Cease to be a Reporting Issuer Applications (for a dual application):

(a) the British Columbia Securities Commission is the principal regulator for this application;

(b) the Filer has provided notice that subsection 4C.5(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Alberta, Saskatchewan, Manitoba, and Quebec; and

(c) this order is the order of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

¶ 2 Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this order, unless otherwise defined.

Representations

¶ 3 This order is based on the following facts represented by the Filer:

1. the Filer is not an OTC reporting issuer under Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the Counter Markets*;

2. the outstanding securities of the Filer, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide;

3. no securities of the Filer, including debt securities, are traded in Canada or another country on a marketplace as defined in National Instrument 21-101 *Marketplace Operation* or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported;

4. the Filer is applying for an order that the Filer has ceased to be a reporting issuer in all of the jurisdictions of Canada in which it is a reporting issuer; and

5. the Filer is not in default of securities legislation in any jurisdiction.

Order

¶ 4 Each of the Decision Makers is satisfied that the order meets the test set out in the Legislation for the Decision Maker to make the order.

The decision of the Decision Makers under the Legislation is that the Order Sought is granted.

“Noreen Bent”
Chief, Legal Services, Corporate Finance
British Columbia Securities Commission

OSC File #: 2024/0395

B.2.5 Xybion Digital Inc.

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – Securities Act s. 88 Cease to be a reporting issuer in BC – The securities of the issuer are beneficially owned by not more than 50 persons and are not traded through any exchange or market – The issuer is not an OTC reporting issuer; the securities of the issuer are beneficially owned by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders worldwide; no securities of the issuer are traded on a market in Canada or another country; the issuer is not in default of securities legislation

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – The issuer ceased to be a reporting issuer under securities legislation.

Applicable Legislative Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 88.
Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10)(a)(ii).

Citation: 2024 BCSECCOM 334

July 26, 2024

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA
AND
ONTARIO
(the Jurisdictions)

AND

IN THE MATTER OF
THE PROCESS FOR CEASE TO BE
A REPORTING ISSUER APPLICATIONS

AND

IN THE MATTER OF
XYBION DIGITAL INC.
(the Filer)

ORDER

Background

¶ 1 The securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer for an order under the securities legislation of the Jurisdictions (the Legislation) that the Filer has ceased to be a reporting issuer in all jurisdictions of Canada in which it is a reporting issuer (the Order Sought).

Under the Process for Cease to be a Reporting Issuer Applications (for a dual application):

(a) the British Columbia Securities Commission is the principal regulator for this application;

(b) the Filer has provided notice that subsection 4C.5(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Alberta; and

(c) this order is the order of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

¶ 2 Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this order, unless otherwise defined.

Representations

¶ 3 This order is based on the following facts represented by the Filer:

1. the Filer is not an OTC reporting issuer under Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*;

2. the outstanding securities of the Filer, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide;

3. no securities of the Filer, including debt securities, are traded in Canada or another country on a marketplace as defined in National Instrument 21-101 *Marketplace Operation* or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported;

4. the Filer is applying for an order that the Filer has ceased to be a reporting issuer in all of the jurisdictions of Canada in which it is a reporting issuer; and

5. the Filer is not in default of securities legislation in any jurisdiction.

Order

¶ 4 Each of the Decision Makers is satisfied that the order meets the test set out in the Legislation for the Decision Maker to make the order.

The decision of the Decision Makers under the Legislation is that the Order Sought is granted.

“Noreen Bent”
Chief, Legal Services, Corporate Finance
British Columbia Securities Commission

OSC File #: 2024/0405

B.2.6 Millennial Precious Metals Corp.

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – Securities Act s. 88 Cease to be a reporting issuer in BC – The securities of the issuer are beneficially owned by not more than 50 persons and are not traded through any exchange or market – The issuer is not an OTC reporting issuer; the securities of the issuer are beneficially owned by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders worldwide; no securities of the issuer are traded on a market in Canada or another country; the issuer is not in default of securities legislation.

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – The issuer ceased to be a reporting issuer under securities legislation.

Applicable Legislative Provisions

Securities Act, R.S.B.C. 1996, c. 418, s. 88.
Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10)(a)(ii).

Citation: 2024 BCSECCOM 335

July 29, 2024

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA
AND
ONTARIO
(the Jurisdictions)

AND

IN THE MATTER OF
THE PROCESS FOR CEASE TO BE
A REPORTING ISSUER APPLICATIONS

AND

IN THE MATTER OF
MILLENNIAL PRECIOUS METALS CORP.
(the Filer)

ORDER

Background

¶ 1 The securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer for an order under the securities legislation of the Jurisdictions (the Legislation) that the Filer has ceased to be a reporting issuer in all jurisdictions of Canada in which it is a reporting issuer (the Order Sought).

Under the Process for Cease to be a Reporting Issuer Applications (for a dual application):

(a) the *British Columbia Securities Commission* is the principal regulator for this application;

(b) the Filer has provided notice that subsection 4C.5(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in *Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador*; and

(c) this order is the order of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

¶ 2 Terms defined in National Instrument 14-101 *Definitions*, and MI 11-102 have the same meaning if used in this order, unless otherwise defined.

Representations

¶ 3 This order is based on the following facts represented by the Filer:

1. the Filer is not an OTC reporting issuer under Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*;

2. the outstanding securities of the Filer, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide;

3. no securities of the Filer, including debt securities, are traded in Canada or another country on a marketplace as defined in National Instrument 21-101 *Marketplace Operation* or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported;

4. the Filer is applying for an order that the Filer has ceased to be a reporting issuer in all of the jurisdictions of Canada in which it is a reporting issuer; and

5. the Filer is not in default of securities legislation in any jurisdiction.

Order

¶ 4 Each of the Decision Makers is satisfied that the order meets the test set out in the Legislation for the Decision Maker to make the order.

The decision of the Decision Makers under the Legislation is that the Order Sought is granted.

“Noreen Bent”
Chief, Legal Services, Corporate Finance
British Columbia Securities Commission

OSC File #: 2024/0388

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B.3
Reasons and Decisions

B.3.1 Capital International Asset Management (Canada), Inc. and Capital Group World Bond Select ETF™

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – relief from subsection 2.1(1) of National Instrument 81-102 – Investment Funds to permit funds to invest more than 10 percent of net assets in debt securities issued, or guaranteed fully as to principal and interest, by foreign governments or supranational agencies – subject to conditions.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 2.1(1) and 19.1.

July 23, 2024

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF APPLICATIONS
IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
CAPITAL INTERNATIONAL ASSET MANAGEMENT (CANADA), INC.

AND

CAPITAL GROUP WORLD BOND SELECT ETF™ (Canada)
(the Proposed Fund)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from Capital International Asset Management (Canada), Inc. (the **Filer**) on behalf of the Proposed Fund and any future investment funds (the **Future Funds**) of which the Filer is the manager (the Proposed Fund and the Future Funds being, collectively, the **Funds**, and each, individually, a **Fund**), for a decision under the securities legislation of the Jurisdiction (the **Legislation**) for an exemption (the **Exemption Sought**), pursuant to section 19.1 of National Instrument 81-102 *Investment Funds* (**NI 81-102**), from subsection 2.1(1) of NI 81-102 (the **Concentration Restriction**) to permit the Funds to invest up to:

(a) 20% of a Fund's net asset value at the time of the transaction in evidences of indebtedness of any one issuer if those evidences of indebtedness are issued, or guaranteed fully as to principal and interest, by supranational agencies or governments, other than the government of Canada, the government of a jurisdiction in Canada or the government of the United States of America, and are rated "AA" by Standard & Poor's Rating Services (Canada) (**S&P**) or its DRO affiliate (as defined in NI 81-102), or have an equivalent rating by one or more other designated rating organizations or their DRO affiliates; and

(b) 35% of a Fund's net asset value at the time of the transaction in evidences of indebtedness of any one issuer if those evidences of indebtedness are issued, or guaranteed fully as to principal and interest, by supranational agencies or governments, other than the government of Canada, the government of a jurisdiction in Canada or the government of the United States of America, and are rated "AAA" by S&P or its DRO affiliate, or have an equivalent rating by one or more other designated rating organizations or their DRO affiliates

(such evidences of indebtedness are collectively referred to as **Foreign Government Securities**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

(a) the Ontario Securities Commission is the principal regulator for this application; and

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in all of the provinces and territories of Canada other than Ontario (together with Ontario, the **Jurisdictions**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

The Filer

1. The Filer is a corporation organized under the laws of the Province of Ontario, with its head office located in Toronto, Ontario.

2. The Filer is registered in the categories of (a) exempt market dealer in the Provinces of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Quebec and Saskatchewan, (b) portfolio manager in the Provinces of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Quebec and Saskatchewan and (c) investment fund manager in the Provinces of Newfoundland and Labrador, Ontario and Quebec.

3. The Filer is the manager of certain existing mutual funds and will be the manager of the Funds.

4. Neither the Filer nor the Proposed Fund is in default of securities legislation in any of the Jurisdictions.

The Funds

5. Each Fund is, or will be, a mutual fund structured as a trust or a corporation or a class thereof that is organized and governed by the laws of the Province of Ontario. Each Fund is, or will be, a reporting issuer in the Jurisdiction(s) in which its securities are distributed.

6. The Funds are, or will be, governed by the provisions of NI 81-102, subject to any exemption therefrom that has been, or may be, granted by the applicable securities regulatory authorities. Securityholders will have the right to vote at a meeting of Securityholders in respect of matters prescribed by NI 81-102.

7. Units of the Funds are, or will be, qualified for distribution pursuant to a simplified prospectus filed in the Jurisdictions.

8. The investment objective of the Proposed Fund is to seek to provide, over the long term, a high level of total return consistent with prudent investment management through investments primarily in bonds and other debt securities of global issuers. Total return comprises the income generated by the Proposed Fund and the changes in the market value of the Proposed Fund's investments.

9. As part of its investment strategies, the Filer would like to invest at least 80% of the Proposed Fund's assets in bonds and other debt securities, which include Foreign Government Securities. Under normal market conditions, the Proposed Fund will invest substantially in investment-grade bonds (rated Baa3 or better or BBB- or better by Statistical Rating Organizations (SROs) recognized by the United States Securities and Exchange Commission), and may also invest up to 25% of the value of its assets in lower quality, higher yielding debt securities (rated Ba1 or below and BB+ or below by SROs, or otherwise unrated if determined by the Manager or subadvisor to be of equivalent quality).

10. Each of the Future Funds will similarly have investment objectives and strategies that permit them to invest a majority of their net assets in fixed income securities, including Foreign Government Securities.

11. Subsection 2.1(1) of NI 81-102 prohibits a Fund from purchasing a security of an issuer, other than a "government security", as defined in NI 81-102, if, immediately after the purchase, more than 10% of the net asset value of the Fund would be invested in securities of that issuer.

12. The Foreign Government Securities do not meet the definition of "government securities", as such term is defined in NI 81-102.

13. The Filer believes that the ability to purchase Foreign Government Securities in excess of the limit in subsection 2.1(1) of NI 81-102 will better enable a Fund to achieve its fundamental investment objectives, thereby benefitting the Fund's investors. Specifically, allowing a Fund to hold highly rated fixed income securities issued by foreign governments will enable the Fund to preserve capital during adverse market conditions and have access to high quality foreign government bond markets with minimal credit risk. The increased flexibility to hold Foreign Government Securities may provide higher returns than Canadian or United States of America short-term government fixed income alternatives in certain market conditions.

14. Each Fund will only purchase Foreign Government Securities if the purchase is consistent with the Fund's fundamental investment objectives.

15. A Fund's simplified prospectus will disclose the risks associated with the concentration of assets of the Fund in securities of a limited number of issuers.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted provided that:

1. paragraphs (a) and (b) of the Exemption Sought cannot be combined for any one issuer;

2. any Foreign Government Security purchased by a Fund pursuant to this decision is traded on a mature and liquid market;

3. the Fund has investment objectives and strategies that permit it to invest a majority of its net assets in fixed income securities, including Foreign Government Securities;

4. the simplified prospectus of the Fund discloses the additional risk associated with the concentration of net asset value of the Fund in securities of fewer issuers, such as the potential additional exposure to the risk of default of the issuer in which the Fund has so invested and the risks, including foreign exchange risk, of investing in the country in which the issuer is located; and

5. the simplified prospectus of the Fund discloses, in the investment strategies section, a summary of the nature and terms of the Exemption Sought, along with the conditions imposed and the type of securities covered by this decision.

"Darren McKall"
Manager, Investment Management Division
Ontario Securities Commission

Application File #: 2024/0338
SEDAR+ File #: 6140176

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B.4
Cease Trading Orders

B.4.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
THERE IS NOTHING TO REPORT THIS WEEK.				

Failure to File Cease Trade Orders

Company Name	Date of Order	Date of Revocation
FRX Innovations Inc.	July 23, 2024	
VSBLTY Groupe Technologies Corp.	July 15, 2024	July 23, 2024
Premier Diversified Holdings Inc.	February 2, 2024	July 26, 2024

B.4.2 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order	Date of Lapse
FRX Innovations Inc.	May 10, 2024	July 23, 2024

B.4.3 Outstanding Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Expire	Date of Issuer Temporary Order
Performance Sports Group Ltd.	19 October 2016	31 October 2016	31 October 2016		

Company Name	Date of Order	Date of Lapse
Agrios Global Holdings Ltd.	September 17, 2020	
Sproutly Canada, Inc.	June 30, 2022	
iMining Technologies Inc.	September 30, 2022	
Alkaline Fuel Cell Power Corp.	April 4, 2023	
mCloud Technologies Corp.	April 5, 2023	
FenixOro Gold Corp.	July 5, 2023	
HAVN Life Sciences Inc.	August 30, 2023	
Perk Labs Inc.	April 4, 2024	
Organto Foods Inc.	May 8, 2024	
FRX Innovations Inc.	May 10, 2024	July 23, 2024

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B.5
Rules and Policies

B.5.1 Amendments to National Instrument 81-102 Investment Funds

AMENDMENTS TO
NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS*

1. National Instrument 81-102 Investment Funds is amended by this Instrument.

2. Section 9.4 is amended

(a) by adding the following subsection:

(0.1) In subsections (1), (2) and (4), "reference settlement date" means the earlier of

(a) the business day determined by the mutual fund and made available in writing to the principal distributor or participating dealer referred to in subsection (1), or to the person or company referred to in subsection (1) providing services to the principal distributor or participating dealer, and

(b) the second business day after the pricing date.***,***

(b) in subsections (1), (2) and (4), by replacing "second business day after the pricing date***" with "***reference settlement date***", and***

(c) in paragraph 4(a), by replacing "third business day after the pricing date***" with "***next business day after the reference settlement date***".***

Effective Date

3. (1) This Instrument comes into force on August 31, 2024.

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after August 31, 2024, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

B.5.2 Changes to Companion Policy 81-102CP to National Instrument 81-102 Investment Funds

CHANGES TO
COMPANION POLICY 81-102CP TO NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS*

1. Companion Policy 81-102CP to National Instrument 81-102 Investment Funds is changed by this Document.

2. Section 10.2 is changed by adding the following subsection:

(4) Examples that could satisfy the requirement for a mutual fund to make available in writing the business day it determines as the reference settlement date under subsection 9.4(0.1) of the Instrument include

(a) providing the mutual fund's settlement cycle via a clearing agency or a clearing house recognized by a securities regulatory authority in a jurisdiction, which includes Fundserv Inc., or a successor, through an electronic file or otherwise, and

(b) posting the mutual fund's settlement cycle on the mutual fund's designated website..

3. These changes become effective on August 31, 2024.

B.6
Request for Comments

B.6.1 CSA Notice and Request for Comment – Proposed Amendments and Changes to Certain National Instruments and Policies Related to the Senior Tier of the Canadian Securities Exchange, the Cboe Canada Inc. and AQSE Growth Market Name Changes, and Majority Voting Form of Proxy Requirements

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA NOTICE AND REQUEST FOR COMMENT

PROPOSED AMENDMENTS AND CHANGES TO CERTAIN NATIONAL INSTRUMENTS AND POLICIES RELATED TO THE SENIOR TIER OF THE CANADIAN SECURITIES EXCHANGE, THE CBOE CANADA INC. AND AQSE GROWTH MARKET NAME CHANGES, AND MAJORITY VOTING FORM OF PROXY REQUIREMENTS

August 1, 2024

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are publishing for a 90-day comment period proposed amendments to:

- National Instrument 41-101 *General Prospectus Requirements*
- National Instrument 44-101 *Short Form Prospectus Distributions* (**NI 44-101**)
- National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**)
- National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**)
- Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*
- National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*
- National Instrument 52-110 *Audit Committees*
- National Instrument 58-101 *Disclosure of Corporate Governance Practices*
- Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (**MI 61-101**)
- National Instrument 62-104 *Take-Over Bids and Issuer Bids* **(NI 62-104)**
- National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*
- National Instrument 81-101 *Mutual Fund Prospectus Disclosure*

(collectively, the **Proposed Amendments**).

We are also proposing changes (the **Proposed Changes**) to the following:

- Companion Policy 44-101CP to National Instrument 44-101 *Short Form Prospectus Distributions*
- National Policy 46-201 *Escrow for Initial Public Offerings* (**NP 46-201**)

(collectively, the **Proposed Changes**).

The public comment period will end on October 30, 2024.

The text of the Proposed Amendments and Proposed Changes is contained in Annexes A through N of this notice and will also be available on websites of CSA jurisdictions, including:

- www.lautorite.qc.ca
- www.asc.ca
- www.bcsc.bc.ca
- nssc.novascotia.ca
- www.fcnb.ca
- www.osc.ca
- www.fcaa.gov.sk.ca
- mbsecurities.ca

Substance and Purpose

The Proposed Amendments and Proposed Changes are intended to address the following:

- the Canadian Securities Exchange (the **CSE**) creating, by amendments to its listing policies, a senior tier (the **CSE Senior Tier**), which is intended to be a non-venture tier but is currently categorized as a venture marketplace in securities legislation
- the name change of the PLUS markets to AQSE Growth Market as a result of PLUS Markets Group plc selling those markets
- the name change of Aequitas Neo Exchange Inc. (**NEO**) to Cboe Canada Inc. as a result of Cboe Global's acquisition of NEO
- amendments to the *Canada Business Corporations Act* (**CBCA**) dealing with "majority voting", which amendments may have created uncertainty about the voting options required to be provided to securityholders in uncontested director elections of CBCA-incorporated reporting issuers and those required under securities legislation

The Proposed Amendments and Proposed Changes are also intended to ensure that CSE Senior Tier issuers are treated the same way under securities legislation as issuers listed on other non-venture exchanges.

Background

On April 3, 2023, amendments to the CSE's listing policies came into effect, creating the CSE Senior Tier. The CSE Senior Tier is intended to be a non-venture tier with initial and continued listing requirements in line with a non-venture exchange. However, under the current definition of "venture issuer" in securities legislation, the CSE is a venture exchange.

On January 15, 2019, the legal name of Aequitas NEO Exchange Inc. was changed to NEO Exchange Inc. On June 1, 2022, Cboe Canada Holdings, ULC purchased the direct shareholder of NEO Exchange Inc. Effective January 1, 2024, NEO Exchange Inc. was amalgamated with other related entities into a single legal entity named Cboe Canada Inc.

The PLUS markets no longer exist under that name and have had a name change to AQSE Growth Market operated by Aquis Stock Exchange Limited.

On August 31, 2022, amendments to the CBCA and the *Canada Business Corporations Regulations*, *2001* (the **Majority Voting Amendments**) came into effect that generally require "majority voting" for each candidate nominated for director in uncontested director elections of CBCA-incorporated reporting issuers. Where the Majority Voting Amendments apply, the form of proxy must provide securityholders with the option to specify whether their vote is to be cast "for" or "against" each candidate nominated for director, rather than "voted" or "withheld" from voting as is required by subsection 9.4(6) of NI 51-102.

To address any uncertainty about the voting options required to be provided to securityholders of CBCA-incorporated reporting issuers by the Majority Voting Amendments and those required by subsection 9.4(6) of NI 51-102, on January 31, 2023, the CSA jurisdictions issued substantively harmonized local blanket orders that exempt CBCA-incorporated reporting issuers from the

director election form of proxy requirement in subsection 9.4(6) of NI 51-102 in respect of the uncontested election of directors (**Blanket Orders**).[1]

In certain CSA jurisdictions, the local blanket order will expire only when related amendments to NI 51-102 come into force. However, the Ontario local blanket order will expire on January 31, 2026. Once the Ontario blanket order expires, if related amendments to NI 51-102 are not in effect, there will again be uncertainty about the voting options required to be provided to securityholders of CBCA-incorporated reporting issuers by the Majority Voting Amendments and those required by Ontario securities law. The Proposed Amendments would address this uncertainty.

Summary of the Proposed Amendments and Proposed Changes

The Proposed Amendments and Proposed Changes are primarily housekeeping amendments and changes to reflect the name change of NEO and PLUS markets and to add Cboe Canada Inc. to the definition of "designated exchange" in NI 62-104 to codify the designation of NEO which is currently evidenced through local designation orders.

The Proposed Amendments and Proposed Changes also include the following non-housekeeping amendments and changes:

Venture Issuer Definition

The CSE Senior Tier is intended to be a non-venture tier with initial and continued listing requirements in line with a non-venture exchange. However, CSE Senior Tier issuers are "venture issuers", as is currently defined under securities legislation, and are required under securities legislation to comply only with the requirements applicable to venture issuers. The Proposed Amendments and Proposed Changes will revise the definition of "venture issuer" and "IPO venture issuer" in various national instruments to exclude CSE Senior Tier issuers. As a result of the Proposed Amendments and Proposed Changes, such issuers will have to comply with securities law requirements applicable to non-venture issuers.

Majority Voting Amendments

The Proposed Amendments are intended to codify the Blanket Orders. The Proposed Amendments introduce a provision to NI 51-102 that would specify that subsection 9.4(6) of NI 51-102 does not apply to a form of proxy sent to securityholders of a reporting issuer in respect of the election of directors if the issuer is incorporated, organized or continued under the CBCA and complies with subsection 54.1(2) of the *Canada Business Corporations Regulations, 2001* or if the issuer is incorporated, organized or continued under the laws of another jurisdiction that contain a requirement substantially similar to that subsection and it complies with that requirement.

Modernization of Escrow Agreement

NP 46-201 and the policies of certain exchanges require a Form 46-201F1 to be entered into by an issuer and its principals in connection with most initial public offerings. The Proposed Changes modernize the Form 46-201F1 by removing the requirement for the agreement to be signed, sealed and delivered by securityholders in the presence of a witness. This is a requirement that is outdated, not compatible with electronic signing, and can be overly burdensome when there are numerous principals required to sign the escrow agreement.

Other CSE Related Changes

The Proposed Amendments and Proposed Changes also include the following amendments and changes, which will allow CSE Senior Tier issuers to be treated the same way under securities legislation as issuers listed on other non-venture exchanges and reflect recent amendments to CSE listing policies applicable to all CSE-listed issuers:

- *Employee, Executive Officer, Director or Consultant Exemption*

  A proposed amendment to section 2.22 of NI 45-106 to add CSE to the definition of "listed issuer". Section 2.24 provides an exemption from the prospectus requirements for distribution of securities to employees, executive officers, directors or consultants. However, in the case of issuers that do not meet the definition of "listed issuer", section 2.25 removes the availability of the exemption in section 2.24 for distributions of securities in certain circumstances, unless the issuer has provided certain required disclosure and obtained security holder approval. The current definition of "listed issuer" includes issuers with securities listed on the Toronto Stock Exchange (**TSX**), TSX Venture Exchange (**TSXV**) and NEO, but does not include issuers with securities listed on the CSE.

- *Short Form Prospectus Eligibility Requirement*

  A proposed amendment to section 2.7 of NI 44-101 to include a provision that would allow issuers listed on the CSE to qualify to file a short form prospectus by relying on a CSE Listing Statement filed in connection with a fundamental change, instead of an Annual Information Form (**AIF**). Unlike non-venture issuers, venture issuers

[1] *CSA Coordinated Blanket Order 51-930 Exemption From the Director Election Form of Proxy Requirement*

are not required under securities legislation to file an AIF. However, a venture issuer may voluntarily file an AIF to meet the short form prospectus qualification requirements. This proposed amendment will align the qualification requirements for venture issuers on the CSE with those of venture issuers on the TSXV. Section 2.7 has a provision that allows issuers listed on the TSXV to rely on a filing statement in certain circumstances, rather than an AIF.

- *Exemption from Escrow Requirements*

  A proposed change to NP 46-201 to revise the meaning of "exempt issuer" to include certain CSE Senior Tier issuers, and to revise the meaning of "established issuer" to include CSE Senior Tier issuers that are not "exempt issuers". These proposed changes will align the escrow requirements and escrow release schedule for CSE Senior Tier issuers to those of issuers listed on the TSX and NEO.

- *Inclusion of CSE Senior Tier issuers as a category of issuers for which certain exemptions in MI 61-101 are not available*

  A proposed amendment to MI 61-101 such that CSE Senior Tier issuers, as non-venture issuers, will not be able to rely on certain exemptions from the formal valuation and minority approval requirements available to issuers not listed on certain specified non-venture exchanges. This would be achieved by adding CSE Senior Tier issuers to the list of categories of issuers for which the exemptions in paragraphs 4.4(1)(a) and 5.5(b), and subparagraph 5.7(1)(b)(i) of MI 61-101 are not available.

Local Matters

Annex O is being published in any local jurisdiction that is making related changes to local securities laws, including local notices or other policy instruments in that jurisdiction. It also includes any additional information that is relevant to that jurisdiction only.

Request for Comments

We welcome your comments on the Proposed Amendments and Proposed Changes.

Please submit your comments in writing on or before October 30, 2024.

Address your submission to all of the CSA as follows:

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Service NL
Northwest Territories Office of the Superintendent of Securities
Office of the Yukon Superintendent of Securities
Nunavut Securities Office

Deliver your comments only to the addresses below. Your comments will be distributed to the other participating CSA jurisdictions.

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
comment@osc.gov.on.ca

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
Fax : 514-864-8381
consultation-en-cours@lautorite.qc.ca

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of the written comments received during the comment period. All comments received will be posted on the websites of each of the Alberta Securities Commission at www.asc.ca, the Autorité des marchés financiers at www.lautorite.qc.ca and the Ontario Securities Commission at www.osc.gov.on.ca. Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

Contents of Annexes

Annex A:	Proposed amendments to National Instrument 41-101 *General Prospectus Requirements*
Annex B:	Proposed amendments to National Instrument 44-101 *Short Form Prospectus Distributions*
Annex C:	Proposed amendments to National Instrument 45-106 *Prospectus Exemptions*
Annex D:	Proposed amendments to National Instrument 51-102 *Continuous Disclosure Obligations*
Annex E:	Proposed amendments to Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-The-Counter Markets*
Annex F:	Proposed amendments to National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*
Annex G:	Proposed amendments to National Instrument 52-110 *Audit Committees*
Annex H:	Proposed amendments to National Instrument 58-101 *Disclosure of Corporate Governance Practices*
Annex I:	Proposed amendments to Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*
Annex J:	Proposed amendments to National Instrument 62-104 *Take-Over Bids and Issuer Bids*
Annex K:	Proposed amendments to National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*
Annex L:	Proposed amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*
Annex M:	Proposed changes to Companion Policy 44-101CP to National Instrument 44-101 *Short Form Prospectus Distributions*
Annex N:	Proposed changes to National Policy 46-201 *Escrow for Initial Public Offerings*
Annex O:	Local Matters

Questions

Please refer your questions to any of the following:

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ANNEX A

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS*

1. National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.

2. Section 1.1 is amended

(a) by repealing the definition of "Aequitas personal information form***",***

(b) by adding the following definition:

"Cboe personal information form" means a Cboe Canada Inc. Form 3, as amended from time to time;**,**

(c) by adding the following definition:

"CSE senior tier" has the same meaning as "senior tier" as defined in the Interpretation section of the listing rules of the Canadian Securities Exchange, as amended from time to time;**,**

(d) by repealing the definition of "IPO venture issuer***" and replacing it with the following:***

"IPO venture issuer" means an issuer that

(a) files a long form prospectus,

(b) is not a reporting issuer in any jurisdiction immediately before the date of the final long form prospectus, and

(c) at the date of the long form prospectus,

(i) does not have any securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on

(A) the Toronto Stock Exchange,

(B) Cboe Canada Inc.

(C) a U.S. marketplace, or

(D) a marketplace outside of Canada and the United States of America, other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited, and

(ii) is not, has not applied to become, and does not intend to apply to become, a CSE senior tier issuer;**, and**

(e) in the definition of "personal information form***" by replacing paragraph (c) with the following:***

(c) a completed Cboe personal information form submitted by an individual to Cboe Canada Inc., to which is attached a completed certificate and consent in the form set out in Schedule 1 – Part B of Appendix A;**.**

3. Subsection 1.9(4) of Form 41-101F1 Information Required in a Prospectus is repealed and replaced with the following:

(4) If the issuer has complied with the requirements of the Instrument as an IPO venture issuer, include a statement, in substantially the following form, with bracketed information completed:

"As at the date of this prospectus, [name of issuer] is not, has not applied to become, and does not intend to apply to become, a CSE senior tier issuer and does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Cboe Canada Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited)."**.**

4. Section 20.11 of Form 41-101F1 Information Required in a Prospectus is repealed and replaced with the following:

20.11 If the issuer has complied with the requirements of the Instrument as an IPO venture issuer include a statement, in substantially the following form, with bracketed information completed:

> "As at the date of the prospectus, [name of issuer] is not, has not applied to become, and does not intend to apply to become, a CSE senior tier issuer and does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Cboe Canada Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited)."***.***

5. (1) This Instrument comes into force on [•].

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after [•] this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX B

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 44-101 *SHORT FORM PROSPECTUS DISTRIBUTIONS*

1. National Instrument 44-101 Short Form Prospectus Distributions is amended by this Instrument.

2. Section 1.1 is amended in the definition of "short form eligible exchange***" by replacing "***Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***".***

3. Section 2.7 is amended by adding the following subsection:

(4) Paragraphs 2.2(d), 2.3(1)(d) and 2.6(1)(b) do not apply to an issuer if

(a) the issuer is not exempt from the requirement in the applicable CD rule to file annual financial statements within a prescribed period after its financial year end, but the issuer has not yet, since the completion of a fundamental change, as defined in the Interpretation section of the listing rules of the Canadian Securities Exchange, as amended from time to time, been required under the applicable CD rule to file annual financial statements, and

(b) a listing statement of the Canadian Securities Exchange

(i) was filed in connection with the fundamental change, and

(ii) complied with the listing rules of the Canadian Securities Exchange, as amended from time to time, in respect of the fundamental change.

4. (1) This Instrument comes into force on [•].

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after [•] this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX C

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 45-106 *PROSPECTUS EXEMPTIONS*

1. National Instrument 45-106 Prospectus Exemptions is amended by this Instrument.

2. Section 2.22 is amended in paragraph (a) of the definition of "*listed issuer*"

(a) by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***", and***

(b) by adding the following subparagraph:

(ii.2) the Canadian Securities Exchange,***.***

3. (1) This Instrument comes into force on [•].

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after [•] this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX D

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 51-102 *CONTINUOUS DISCLOSURE OBLIGATIONS*

1. National Instrument 51-102 Continuous Disclosure Obligations is amended by this Instrument.

2. Section 1.1 is amended

(a) by adding the following definition:

"CSE senior tier" has the same meaning as "senior tier" as defined in the Interpretation section of the listing rules of the Canadian Securities Exchange , as amended from time to time;**, *and***

(b) in the definition of "venture issuer***"***

(i) by adding "was not a CSE senior tier issuer and***" after "***as at the applicable time,***",***

(ii) by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***",***

(iii) by replacing "the PLUS markets operated by PLUS Markets Group plc***" with "*** the AQSE Growth Market operated by Aquis Stock Exchange Limited***".***

3. Section 9.4 is amended by adding the following subsection:

(6.1) Subsection (6) does not apply to a form of proxy sent to securityholders of a reporting issuer in respect of the election of directors if any of the following applies:

(a) the reporting issuer is incorporated, organized or continued under the *Canada Business Corporations Act* (Canada) and complies with subsection 54.1(2) of the *Canada Business Corporations Regulations, 2001* (SOR/2001-512) under the *Canada Business Corporations Act* (Canada);

(b) the reporting issuer

(i) is incorporated, organized or continued under the laws of a jurisdiction of Canada or a foreign jurisdiction that contain a requirement substantially similar to subsection 54.1(2) of the *Canada Business Corporations Regulations, 2001*, and

(ii) complies with the requirement referred to in subparagraph (i)**..**

4. Paragraph 9.4(7)(b) is amended by replacing "subsection (4) or (6)***" with "***subsection (4), (6) or (6.1)***".***

5. (1) This Instrument comes into force on [•].

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after [•] this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX E

PROPOSED AMENDMENTS TO
MULTILATERAL INSTRUMENT 51-105 *ISSUERS QUOTED IN THE U.S. OVER-THE-COUNTER MARKETS*

1. Multilateral Instrument 51-105 Issuers Quoted in the U.S. Over-the-Counter Markets is amended by this Instrument.

2. Section 1 is amended in the definition of "OTC issuer***":***

(a) in subparagraph (b)(iii) by replacing "Canadian National Stock Exchange***" with "***Canadian Securities Exchange***", and***

(b) in subparagraph (b)(viii) by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***".***

3. (1) This Instrument comes into force on [•].

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after [•] this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX F

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 52-109 *CERTIFICATION OF DISCLOSURE IN ISSUERS' ANNUAL AND INTERIM FILINGS*

1. National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings is amended by this Instrument.

2. Section 1.1 is amended

(a) by adding the following definition:

"CSE senior tier" has the same meaning as "senior tier" as defined in the Interpretation section of the listing rules of the Canadian Securities Exchange, as amended from time to time;**, *and***

(b) by repealing the definition of "venture issuer***" and replacing it with the following:***

*"*venture issuer*"* means a reporting issuer that, as at the end of the period covered by the annual or interim filings, as the case may be,

(a) did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, Cboe Canada Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited, and

(b) was not a CSE senior tier issuer.**.**

3. (1) This Instrument comes into force on [•].

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after [•] this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX G

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 52-110 *AUDIT COMMITTEES*

1. National Instrument 52-110 Audit Committees is amended by this Instrument.

2. Section 1.1 is amended

(a) by adding the following definition:

"CSE senior tier" has the same meaning as "senior tier" as defined in the Interpretation section of the listing rules of the Canadian Securities Exchange, as amended from time to time;**, *and***

(b) by repealing the definition of "venture issuer***" and replacing it with the following:***

"venture issuer" means an issuer that, at the end of its most recently completed financial year,

(a) did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, Cboe Canada Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited, and

(b) was not a CSE senior tier issuer.**.**

3. (1) This Instrument comes into force on [•].

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after [•] this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX H

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 58-101 *DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES*

1. National Instrument 58-101 Disclosure of Corporate Governance Practices is amended by this Instrument.

2. Section 1.1 is amended

(a) by adding the following definition:

"CSE senior tier" has the same meaning as "senior tier" as defined in the Interpretation section of the listing rules of the Canadian Securities Exchange, as amended from time to time;***, and***

(b) by repealing the definition of "venture issuer***" and replacing it with the following:***

"venture issuer" means a reporting issuer that, at the end of its most recently completed financial year,

(a) did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, Cboe Canada Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited, and

(b) was not a CSE senior tier issuer.**.**

3. (1) This Instrument comes into force on [•].

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after [•] this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX I

PROPOSED AMENDMENTS TO
MULTILATERAL INSTRUMENT 61-101 *PROTECTION OF MINORITY SECURITY HOLDERS IN SPECIAL TRANSACTIONS*

1. Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions is amended by this Instrument.

2. Section 1.1 is amended by adding the following definition:

"CSE senior tier" has the same meaning as "senior tier" as defined in the Interpretation section of the listing rules of the Canadian Securities Exchange, as amended from time to time;**.**

3. Paragraph 4.4(1)(a) is repealed and replaced with the following:

(a) Issuer Not Listed on Specified Markets – the issuer is not a CSE senior tier issuer and no securities of the issuer are listed or quoted on the Toronto Stock Exchange, Cboe Canada Inc., the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited,**.**

4. Paragraph 5.5(b) is repealed and replaced with the following:

(b) Issuer Not Listed on Specified Markets – the issuer is not a CSE senior tier issuer and no securities of the issuer are listed or quoted on the Toronto Stock Exchange, Cboe Canada Inc., the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited**,.**

5. Subparagraph 5.7(1)(b)(i) is repealed and replaced with the following:

(i) the issuer is not a CSE senior tier issuer and no securities of the issuer are listed or quoted on the Toronto Stock Exchange, Cboe Canada Inc., the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited,**.**

6. (1) This Instrument comes into force on [•].

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after [•] this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX J

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 62-104 *TAKE-OVER BIDS AND ISSUER BIDS*

1. National Instrument 62-104 Take-Over Bids and Issuer Bids is amended by this Instrument.

2. Subsection 4.8(1) is amended by adding ", Cboe Canada Inc.***" after "***the TSX Venture Exchange***".***

3. (1) This Instrument comes into force on [•].

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after [•] this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX K

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 71-102 *CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS*

1. National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers is amended by this Instrument.

2. Paragraph 4.7(2)(a) is amended by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***".***

3. Paragraph 5.8(2)(a) is amended by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***".***

4. (1) This Instrument comes into force on [•].

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after [•] this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX L

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 81-101 *MUTUAL FUND PROSPECTUS DISCLOSURE*

1. National Instrument 81-101 Mutual Fund Prospectus Disclosure is amended by this Instrument.

2. Section 1.1 is amended

(a) by repealing the definition of "Aequitas personal information form***",***

(b) by adding the following definition:

"Cboe personal information form" means a Cboe Canada Inc. Form 3, as amended from time to time;***, and***

(c) in the definition of "personal information form***" by replacing paragraph (c) with the following:***

(c) a completed Cboe personal information form submitted by an individual to Cboe Canada Inc., to which is attached a completed certificate and consent in the form set out in Schedule 1 – Part B of Appendix A to National Instrument 41-101 *General Prospectus Requirements;.*

3. (1) This Instrument comes into force on [•].

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after [•] this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX M

PROPOSED CHANGES TO
COMPANION POLICY 44-101CP TO NATIONAL INSTRUMENT 44-101 *SHORT FORM PROSPECTUS DISTRIBUTIONS*

1. Companion Policy 44-101CP to National Instrument 44-101 Short Form Prospectus Distributions is changed by this Document.

2. Subsection 1.7(5) is changed by replacing the third sentence with the following:

In both instances, prospectus level disclosure or comparable disclosure prescribed by the TSX Venture Exchange or the Canadian Securities Exchange, as the case may be, for such issuer must be provided in an information circular or similar disclosure document pursuant to subsections 2.7(2), (3) and (4) of NI 44-101..

3. This change becomes effective on [•].

ANNEX N

PROPOSED CHANGES TO
NATIONAL POLICY 46-201 *ESCROW FOR INITIAL PUBLIC OFFERINGS*

1. National Policy 46-201 Escrow for Initial Public Offerings is changed by this Document.

2. Section 3.2 is changed

(a) by deleting "or***" at the end of paragraph (a.i) and by adding the following paragraph:***

(a.ii) is a Canadian Securities Exchange senior tier issuer (the **CSE senior tier**) and is a Closed End Fund, Exchange Traded Fund or Structured Product (as defined in the Interpretation section of the listing rules of the Canadian Securities Exchange, as amended from time to time); or***, and***

(b) by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***" wherever it occurs.***

3. Subsection 3.3(2) is changed

(a) by adding the following paragraph:

(a.i) is a CSE senior tier issuer and is not an exempt issuer;**, *and***

(b) by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***".***

4. Subsection 4.4(1) is changed

(a) in paragraph (a) by replacing "Aequitas NEO Exchange Inc***." with "***Cboe Canada Inc.***", and***

(b) in paragraph (b) by adding "or a CSE senior tier issuer***" after "***Tier 1 issuer***".***

5. Section 3.1 of Form 46-201F1 Escrow Agreement is changed

(a) in paragraph (a) by replacing "Aequitas NEO Exchange Inc***." with "***Cboe Canada Inc.***", and***

(b) in paragraph (b) by adding "or a CSE senior tier issuer***" after "***Tier 1 issuer***".***

***6*. Form 46-201F1 Escrow Agreement is changed by replacing the signature blocks with the following:**

[**Escrow Agent**]

_____
Authorized signatory

_____
Authorized signatory

[**Issuer**]

_____
Authorized signatory

_____
Authorized signatory

If the Securityholder is an individual:

_____
Signature of Securityholder

If the Securityholder is not an individual:

[Securityholder]

_____
Authorized signatory

_____
Authorized signatory

7. Schedule "B" to Form 46-201F1 Escrow Agreement is changed by replacing the signature blocks with the following:

Where the transferee is an individual:

_____
Signature of Transferee

Where the transferee is not an individual:

[Transferee]

_____
Authorized signatory

_____
Authorized signatory

8. These changes become effective on [•].

ANNEX O

LOCAL MATTERS

ONTARIO SECURITIES COMMISSION

1. Introduction

This Annex to the accompanying CSA Notice and Request for Comments (the **CSA Notice**) sets out matters required to be addressed by the *Securities Act* (Ontario) (the **Act**). The Ontario Securities Commission (the **Commission**) is publishing this Annex to supplement the CSA Notice.

Unless otherwise defined in this Annex, defined terms or expressions used in this Annex share the meaning provided in the CSA Notice.

The CSA are publishing for comment proposed amendments to certain rules (the **CSA Proposed Amendments**) to address a few unrelated matters, most of which are housekeeping in nature. Please refer to the main body of the CSA Notice for details regarding the CSA Proposed Amendments.

2. Local Amendments

In connection with the CSA Proposed Amendments, the Commission is also publishing for comment the following proposed amendments to Ontario Securities Commission Rules (**Local Proposed Amendments**, and together with the CSA Proposed Amendments, the **Proposed Amendments**):

- Proposed amendments to Ontario Securities Commission Rule 45-501 *Ontario Prospectus and Registration Exemptions* (attached as Schedule 1 to this Annex). This proposed housekeeping rule amendment is to reflect the name change of Aequitas Neo Exchange Inc. (**NEO**) to Cboe Canada Inc. (**Cboe**).

- Proposed repeal of Ontario Securities Commission Rule 55-502 *Facsimile Filing or Delivery of Section 109 Reports* (attached as Schedule 2 to this Annex). This rule applies to reports required to be filed under section 109 of the Act, however, section 109 of the Act was repealed in 2019.

- Proposed amendments to Ontario Securities Commission Rule 56-501 *Restricted Shares* (attached as Schedule 3 to this Annex). This proposed housekeeping rule amendment is to reflect the name change of NEO to Cboe.

3. CSA Proposed Amendments

The CSA Proposed Amendments include the following:

- Amendments related to the Canadian Securities Exchange (**CSE**) creating a senior tier (**Senior Tier** or **CSE Senior Tier**).

- Amendments related to the short form prospectus eligibility requirement.

- Amendments related to the prospectus exemption in connection with issuing securities to employees, executive officers, director or consultants.

- Amendments related to the name change of NEO and the PLUS markets.

- Amendments related to the Majority Voting requirements of the *Canadian Business Corporations Act* (**CBCA**).

Below is additional information regarding the CSA Proposed Amendments.

A. CSE Senior Tier Related Amendments

Background

On April 3, 2023 amendments to the listing policies of the CSE came into effect, creating the Senior Tier that is intended to be a non-venture tier with initial and continued listing requirements in line with a non-venture exchange. However, CSE Senior Tier issuers are currently classified under securities legislation as “venture issuers” (unless they are also cross listed on a non-venture exchange) and as such are only required under securities legislation to comply with the requirements applicable to venture issuers. In addition, the national instruments have several provisions with requirements that specifically refer to the various non-venture exchanges, but do not currently refer to the CSE Senior Tier.

We propose to amend the relevant national instruments to reflect the existence of the CSE Senior Tier and to exclude CSE Senior Tier issuers from the definition of "venture issuer", such that the Senior Tier issuers will have to comply with the securities law requirements applicable to non-venture issuers. The proposed amendments will ensure that CSE Senior Tier issuers will be treated the same under securities legislation as issuers listed on other non-venture exchanges.

Impact on OSC Mandate

The OSC considers the impact of proposed rulemaking on the OSC's mandate to:

- provide protection to investors from unfair, improper or fraudulent practices,
- foster fair, efficient and competitive capital markets and confidence in the capital markets,
- foster capital formation, and
- contribute to the stability of the financial system and the reduction of systemic risk.

The proposed amendments will impact the competition, investor protection and capital formation components of the OSC's mandate.

- **Competition** – by facilitating the creation of a level playing field between the CSE and other senior exchanges. Competition broadens investor options, fosters innovation, and can result in lower transaction costs.[1]
- **Investor protection** – by ensuring that CSE Senior Tier issuers are subject to the same requirements as issuers of comparable size on other senior Canadian exchanges. Senior Tier issuers will be subject to enhanced disclosure and governance standards similar to those governing senior tier issuers globally.[2]
- **Capital formation** – by supporting robust listing requirements to provide an important signal about the quality of issuers and contribute to reduced capital raising costs.

Affected Stakeholders

- CSE

On December 9, 2021, CSE published a notice of proposed amendments to its listing policies with provisions to:

(i) Introduce additional listing requirements which are consistent with that of other Canadian exchanges;

(ii) Create a senior tier with initial and continued listing requirements in line with that of a non-venture exchange, and

(iii) Introduce a Special Purpose Acquisition Corporations and Exchange Traded Fund programme for the senior tier.

The proposed CSE policy amendments were approved by the Ontario Securities Commission and the British Columbia Securities Commission as the co-lead regulator of CSE and became effective on April 3, 2023. An issuer would have to meet CSE's listing requirements for the Senior Tier in order to apply to become a Senior Tier issuer.

The proposed rule amendments will facilitate the creation of a level playing field between the CSE and other senior exchanges.

- CSE Senior Tier Issuers

Current CSE Senior Tier issuers and issuers that choose to become CSE Senior Tier issuers will have to comply with the securities law requirements applicable to non-venture issuers. On July 10, 2023 Urbana Corporation became the first issuer to be designated by CSE as a Senior Tier issuer.

[1] See Phil Mackintosh and Michael Normyle "How Exchanges Compete: An Economic Analysis of Platform Competition" (March 2024). Available at: https://www.nasdaq.com/How-Exchanges-Compete-An-Economic-Analysis-of-Platform-Competition

[2] See Canadian Securities Exchange "Updated Policies for Canadian Securities Exchange Usher in New Era for Exchange and its Stakeholders" (March 30, 2023) Available at: https://thecse.com/news/updated-policies-for-canadian-securities-exchange-usher-in-new-era-for/

- Investors

Given that the Senior Tier issuers will be considered non-venture issuers under securities legislation, investors will receive enhanced disclosure from the Senior Tier issuers. The CSE also noted that "the securities of CSE Senior Tier issuers may be accessible to a broader range of institutional investors that could not previously trade CSE "Venture" securities'.[3]

Anticipated Costs and Benefits

Anticipated Benefits

- CSE

We expect that the proposed rule amendments will allow CSE to compete with other senior exchanges by enhancing CSE's ability to attract larger and more advanced issuers.

- CSE Senior Tier Issuers

We expect the Senior Tier related amendments to contribute to the maintenance of a harmonized regulatory regime by treating CSE Senior Tier issuers in the same manner as issuers listed on other recognized senior exchanges.

Issuers that wish to list on an exchange where they will be designated as non-venture issuers will have more options to choose from.

- Investors

We expect that investors will benefit from the enhanced disclosure that CSE Senior Tier issuers will be required to provide as non-venture issuers.

Anticipated Costs

- CSE

We do not anticipate that the CSE will incur implementation costs as a result of the proposed amendments. While the CSE introduced a new review process to determine whether listed issuers meet the standards for inclusion in the senior tier, the bulk of the associated costs were incurred when the CSE sought approval from the OSC and BCSC to materially revise its listing policies. We anticipate that there will be ongoing costs associated with the issuer review process, however, these costs are dependent on the number of issuers who apply for inclusion in the Senior Tier. As such, we are not able to quantify these costs at this time.

- CSE Senior Tier Issuers

We do not expect any costs to be associated with the Senior Tier related amendments given that all current CSE Senior Tier issuers are already required to comply with the securities law requirements applicable to non-venture issuers as a result of also being cross-listed on another senior exchange.

- Investors

We do not expect investors to incur additional cost as a result of the CSE Senior Tier related amendments.

Alternatives Considered

There are no alternatives identified that would achieve the same outcome as the proposed CSE Senior Tier related amendments.

B. Short Form Prospectus Eligibility Related Amendments

Background

National Instrument 44-101 *Short Form Prospectus Distributions* (**NI 44-101**) sets out the basic qualification requirement for an issuer to be eligible to file a short form prospectus. One of the basic qualification requirements is that the issuer has current annual financial statements and a current annual information form (**AIF**). Although venture issuers are not required under securities legislation to file an AIF, a venture issuer may nevertheless voluntarily file an AIF to meet the short form prospectus qualification requirements.

[3] ibid

However, section 2.7 of NI 44-101 also provides a specific exemption, in certain circumstances, to issuers listed on the TSX Venture (**TSXV**) from the current annual financial statements and AIF requirements. To qualify for this exemption, the TSXV issuer is required to, among other things, have filed a filing statement with TSXV in connection with a qualifying transaction or reverse takeover transaction (as such terms are defined in the listing rules of the TSXV).

Both the TSXV filing statement and the CSE Listing Statement are intended to provide full, true and plain disclosure about an issuer. However, there is currently no equivalent exemption for CSE issuers from the requirement to have current annual financial statements and a current AIF in order to qualify to file a short form prospectus.

We propose to amend NI 44-101 to provide a similar exemption in certain circumstances to issuers listed on the CSE. To qualify for the exemption, the CSE issuer will be required to, among other things, have filed a Listing Statement with the CSE in connection with a Fundamental Change (as such term is defined in the listing rules of the CSE). Such issuers can rely on a Listing Statement to qualify provided the issuer has not yet been required under the applicable CD rule to file any annual financial statements.

The proposed amendments will align the short form prospectus qualification requirements for CSE issuers to those of issuers listed on the TSXV.

Impact on OSC Mandate

The proposed amendments will enhance competition in Canadian equity markets by facilitating the creation of a level playing field between the CSE and TSXV. The proposed amendments also facilitate capital formation by supporting robust listing requirements to provide an important signal about the quality of issuers and contribute to reduced capital raising costs.

Affected Stakeholders

- CSE Issuers

This proposed amendment will impact CSE issuers that have filed a Listing Statement in connection with a fundamental change and intend to qualify to file a short form prospectus before they are required under the applicable CD rule to file any annual financial statements.

Anticipated Costs and Benefits

We do not anticipate additional costs to CSE issuers as a result of this amendment given that the issuers will have the option of relying on a previously filed Listing Statement to qualify to file a short form prospectus.

This proposed amendment will save certain CSE issuers the cost of having to separately prepare and file an AIF in order to qualify to file a short form prospectus. We note that in 2023, 10 CSE issuers filed Listing Statements in connection with a Fundamental Change. Only one out of the 10 issuers subsequently filed an AIF to qualify to file a short form prospectus.

Alternatives Considered

An alternative considered was to maintain the status quo, however this would mean that CSE issuers would not be treated the same under securities law as TSXV issuers.

C. Prospectus Exemption Related Amendments

Background

Pursuant to section 2.24 of National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**) issuers can rely on an exemption from the prospectus requirements for distribution of securities to employees, executive officers, directors or consultants of the issuer (**Section 2.24 Exemption**). However, section 2.25 of NI 45-106 places certain restrictions on the use of the Section 2.24 Exemption for issuers that do not meet the definition of "listed issuer", unless the issuer has provided certain required disclosure to securityholders regarding the issuer's security-based compensation arrangements and obtained securityholder approval for the issuance of securities as compensation under a plan or arrangement. In the absence of the required disclosure and securityholder approval, such issuers will have to limit the number of securities reserved for issuance under options granted to related persons and limit the number of securities distributed under the Section 2.24 Exemption in any given year.

Issuer's listed on the Toronto Stock Exchange, TSXV or NEO are included in the definition of "listed issuer", but CSE issuers are not.

Given that CSE's amended policies which became effective on April 3, 2023 have certain disclosure requirements regarding security-based compensation arrangements, as well as a requirement for securityholder approval upon adopting or amending a security-based compensation arrangement, we propose to amend NI 45-106 to add issuers listed on CSE to the definition of "listed issuer". This will ensure that CSE issuers are treated the same as issuers listed on the other Canadian exchanges when relying on the Section 2.24 Exemption.

Impact on OSC Mandate

This proposed amendment will enhance competition in Canadian equity markets by facilitating the creation of a level playing field between the CSE and other exchanges.

Affected Stakeholders

- CSE issuers

This proposed amendment will impact CSE Issuers relying on the Section 2.24 Exemption.

Anticipated Costs and Benefits

We do not anticipate that CSE issuers will incur additional costs as a result of this proposed amendment.

The benefit to CSE issuers is that in connection with a specific distribution under the Section 2.24 Exemption they will not have to choose between providing the prescribed disclosure and obtaining securityholder approval in connection with security-based compensation arrangements, or limiting the number of securities reserved for issuance under options granted to related persons and limiting the number of securities distributed under the Section 2.24 Exemption in any given year. However, we expect the benefits will be minimal given that under the revised listing rules of the exchange, CSE issuers are already required to provide similar disclosure and obtain securityholder approval upon adopting or amending a security-based compensation arrangement. It is also possible that there may be an increased use of the Section 2.24 Exemption by CSE issuers as a result of the proposed amendments, giving such issuers greater flexibility in compensating employees, executive officers and consultants with securities.

Alternatives Considered

An alternative considered was to maintain the status quo, however, this would mean that CSE issuers would not be treated the same under securities law as issuers listed on other recognised exchanges in Canada.

D. Exchange Name Change Related Amendments

Background

Several of the national instruments refer specifically to “Aequitas Neo Exchange Inc.” and “the PLUS markets”. However, Aequitas NEO Exchange Inc. had a name change to NEO Exchange Inc. and was subsequently amalgamated with other related entities into a single legal entity named Cboe Canada Inc. In addition, the PLUS markets no longer exist under that name and is now known as AQSE Growth Market.

We propose to update the relevant national instruments to reflect the name change of Aequitas Neo Exchange Inc. and the PLUS markets.

Impact on OSC Mandate

- These housekeeping amendments are not expected to significantly impact the OSC’s mandate.

Affected Stakeholders

- Issuers listed on the AQSE Growth Market or Cboe.
- Investors and other market participants

Anticipated Costs and Benefits

We do not anticipate additional costs to stakeholders as a result of this proposed housekeeping amendment. The proposed amendments will remove uncertainty as to whether certain provisions of securities law apply to the exchanges.

Alternatives Considered

Given the amendments are required to reflect the name change of the PLUS markets and NEO, no alternatives have been identified.

E. CBCA Related Amendments

Background

On August 31, 2022, amendments to the CBCA and the *Canada Business Corporations Regulations*, 2001 (the **Majority Voting Amendments**) came into effect that generally require "majority voting" for each candidate nominated for director in uncontested director elections of CBCA-incorporated reporting issuers. Where the Majority Voting Amendments apply, the form of proxy must provide shareholders with the option to specify whether their vote is to be cast "for" or "against" each candidate nominated for director. However, under subsection 9.4(6) of National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**) the form of proxy sent to shareholders in connection with director elections must provide shareholders with the option to specify whether their vote is to be "voted" or "withheld" from voting for each candidate nominated for director.

The introduction of the Majority Voting Amendments may have created uncertainty about the voting options required to be provided under corporate law to shareholders of CBCA-incorporated reporting issuers and those required under securities legislation. To address this uncertainty, on January 31, 2023, the CSA members issued substantively harmonized local blanket orders that exempt CBCA-incorporated reporting issuers from the director election form of proxy requirement in subsection 9.4(6) of NI 51-102 in respect of the uncontested election of directors.

We propose to amend NI 51-102 to provide an exemption from section 9.4(6) of NI 51-102 for CBCA-incorporated reporting issuers and other reporting issuers that are incorporated or organized under another law that contain a substantially similar provision as the Majority Voting Amendments. This will remove any uncertainty about the voting options required to be provided to shareholders of CBCA-incorporated reporting issuers and certain other reporting issuers.

This proposed amendment will in effect codify the exemption provided by the blanket orders.

Impact on OSC Mandate

The proposed amendments facilitate capital formation by requiring timely, continuous disclosures of accurate, comparable, and complete material information by issuers and facilitating the opportunities for investors to assess risks and make informed investment decisions.

Affected Stakeholders

- Reporting issuers

CBCA-incorporated reporting issuers and other reporting issuers with similar "majority voting" requirements will be impacted.

- Shareholders

Shareholders of CBCA-incorporated reporting issuers and other reporting issuers with similar "majority voting" requirements may be impacted given that the form of proxy they receive will now provide an option to indicate "voted for" or "voted against".

Anticipated Costs and Benefits

We expect this proposed amendment to have minimal costs implications given that the only change is to clarify the options required to be indicated on the form of proxy to be provided to securityholders. The proposed amendments will benefit stakeholders by removing the uncertainty regarding the form of proxy to be provided to shareholders of CBCA-incorporated reporting issuers. This will reduce the potential for confusion or lack of clarity amongst such issuers.

Alternatives Considered

Given the need to permanently address the uncertainties created by the Majority Voting Amendments, which uncertainties will continue to exist upon the expiry of the Ontario blanket order, no alternatives have been identified.

4. Reliance on Unpublished Studies

In developing the Proposed Changes, we have not relied on any significant unpublished study, report or other written material.

5. Rule-making authority

In Ontario, the following provisions of the Act provide the Commission with authority to make the Proposed Changes and consequential amendments:

- Paragraph 143(1)13 of the Act, which authorizes the OSC to make rules regulating trading or advising in securities to prevent trading or advising that is fraudulent, manipulative, deceptive or unfairly detrimental to investors.

- Paragraph 143(1)15 of the Act, which authorizes the OSC to make rules prescribing categories or subcategories of issuers for purposes of the prospectus requirements under the Act, the regulations and the rules and classifying issuers into categories or subcategories.

- Paragraph 143(1)16 of the Act, which authorizes the OSC to make rules regulating in respect of, or varying the Act to facilitate, expedite or regulate in respect of, the distribution of securities, or the issuing of receipts.

- Paragraph 143(1)22 of the Act, which authorizes the OSC to make rules prescribing requirements in respect of the preparation and dissemination and other use, by reporting issuers, of documents providing for continuous disclosure that are in addition to the requirements under the Act.

- Paragraph 143(1)24 of the Act, which authorizes the OSC to make rules requiring issuers or others to comply, in whole or in part, with Part XVIII (Continuous Disclosure), or rules made under paragraph 22.

- Paragraph 143(1)28 of the Act, which authorizes the Commission to make rules to regulate issuer bids, insider bids, going private transactions and related party transactions, including, in clause v, prescribing requirements for disclosure, valuations, review by independent committees of boards of directors and approval by minority security holders.

- Paragraph 143(1)31 of the Act, which authorizes the OSC to make rules regulating investment funds and the distribution and trading of the securities of investment funds.

SCHEDULE 1

PROPOSED AMENDMENTS TO
ONTARIO SECURITIES COMMISSION RULE 45-501 *ONTARIO PROSPECTUS AND REGISTRATION EXEMPTIONS*

1. Ontario Securities Commission Rule 45-501 Ontario Prospectus and Registration Exemptions is amended by this Instrument.

2. Subsection 2.9(1) is amended by replacing "Aequitas NEO Exchange***" with "***Cboe Canada Inc.***".***

3. This Instrument comes into force on [•].

SCHEDULE 2

PROPOSED REPEAL OF
ONTARIO SECURITIES COMMISSION RULE 55-502 *FACSIMILE FILING OR DELIVERY OF SECTION 109 REPORTS*

1. ***Ontario Securities Commission Rule 55-502 Facsimile Filing or Delivery of Section 109 Reports is repealed by this Instrument.***

2. This Instrument comes into force on [•].

SCHEDULE 3

PROPOSED AMENDMENTS TO
ONTARIO SECURITIES COMMISSION RULE 56-501 *RESTRICTED SHARES*

1. Ontario Securities Commission Rule 56-501 Restricted Shares is amended by this Instrument.

2. Subsection 2.2(1) is amended by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***".***

3. This Instrument comes into force on [•].

B.7
Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as in Thomson Reuters Canada's internet service SecuritiesSource (see www.westlawnextcanada.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

B.9
IPOs, New Issues and Secondary Financings

INVESTMENT FUNDS

Issuer Name:
CI Global Quality Dividend Growth Index Fund
CI Multi-Sector Covered Call Fund
CI Canadian Banks Covered Call Income Corporate Class
CI Energy Giants Covered Call Fund
CI Gold+ Giants Covered Call Fund
CI Tech Giants Covered Call Fund
CI Global Leaders Fund
CI Global Leaders Corporate Class
CI International Equity Fund
CI International Equity Corporate Class
CI Canadian Dividend Fund
CI Canadian Dividend Corporate Class
CI Canadian Equity Fund
CI Canadian Equity Corporate Class
CI Global Dividend Opportunities Fund
CI Global Dividend Corporate Class
CI Global Equity Fund
CI Global Equity Corporate Class
CI Global Small/Mid Cap Equity Fund (formerly, CI Global Smaller Companies Fund)
CI Global Small/Mid Cap Equity Corporate Class (formerly, CI Global Smaller Companies Corporate Class)
CI Canadian Small/Mid Cap Equity Fund (formerly, CI Pure Canadian Small/Mid Cap Equity Fund)
CI Canadian Small/Mid Cap Equity Corporate Class (formerly, CI Pure Canadian Small/Mid Cap Equity Corporate Class)
CI U.S. Dividend Fund
CI U.S. Dividend Registered Fund
CI U.S. Dividend US$ Fund
CI U.S. Small/Mid Cap Equity Fund (formerly, CI American Small Companies Fund)
CI U.S. Small/Mid Cap Equity Corporate Class (formerly, CI American Small Companies Corporate Class)
CI U.S. Stock Selection Fund
CI U.S. Stock Selection Corporate Class
CI Canadian Investment Fund
CI Canadian Investment Corporate Class
CI Global Health Sciences Corporate Class
CI Global Value Fund
CI Global Value Corporate Class
CI International Value Fund
CI International Value Corporate Class
CI Global Stock Selection Fund
CI Emerging Markets Fund
CI Emerging Markets Corporate Class
CI Global Dividend Fund
CI Global Dividend Corporate Class
CI Global Energy Corporate Class
CI Select Global Equity Fund
CI Select Global Equity Corporate Class
CI Global Resource Fund
CI Global Resource Corporate Class
CI Global Alpha Innovators Corporate Class
CI Select Canadian Equity Fund
CI Select Canadian Equity Corporate Class
CI Synergy American Fund
CI Synergy American Corporate Class
CI Synergy Canadian Corporate Class
CI Synergy Global Corporate Class
CI Global Balanced Fund
CI Global Balanced Corporate Class
CI Canadian Asset Allocation Fund
CI Canadian Asset Allocation Corporate Class
CI Canadian Balanced Corporate Class
CI Canadian Balanced Fund
CI Global Income & Growth Fund
CI Global Income & Growth Corporate Class
CI Canadian Income & Growth Fund
CI Canadian Income & Growth Corporate Class
CI Dividend Income & Growth Fund
CI Dividend Income & Growth Corporate Class
CI U.S. Aggregate Bond Covered Call Fund
CI Canadian Core Plus Bond Fund
CI Canadian Long-Term Bond Pool
CI Canadian Short-Term Bond Pool
CI Global Equity & Income Fund
CI Emerging Markets Bond Fund
CI Income Fund
CI Investment Grade Bond Fund
CI High Interest Savings Fund
CI Money Market Fund
CI MSCI World ESG Impact Index Fund (formerly, CI MSCI World ESG Impact Fund)
CI Money Market Corporate Class
CI U.S. Money Market Corporate Class
CI U.S. Income US$ Fund
CI U.S. Money Market Fund
CI Canadian Bond Fund
CI Canadian Bond Corporate Class
CI Global Core Plus Bond Fund
CI Corporate Bond Fund
CI Corporate Bond Corporate Class
CI Diversified Yield Corporate Class
CI Diversified Yield Fund
CI Global Bond Fund
CI Global Bond Corporate Class
CI Global Bond Currency Neutral Fund
CI Gold Corporate Class
CI High Income Fund
CI High Income Corporate Class
CI High Yield Bond Corporate Class
CI High Yield Bond Fund
CI Preferred Share Fund
CI Short-Term Bond Fund

CI Portfolio Series Balanced Fund
CI Portfolio Series Balanced Growth Fund
CI Portfolio Series Conservative Balanced Fund
CI Portfolio Series Conservative Fund
CI Portfolio Series Growth Fund
CI Portfolio Series Income Fund
CI Portfolio Series Maximum Growth Fund
CI Select 80i20e Managed Portfolio Corporate Class
CI Select 70i30e Managed Portfolio Corporate Class
CI Select 60i40e Managed Portfolio Corporate Class
CI Select 50i50e Managed Portfolio Corporate Class
CI Select 40i60e Managed Portfolio Corporate Class
CI Select 30i70e Managed Portfolio Corporate Class
CI Select 20i80e Managed Portfolio Corporate Class
CI Select 100e Managed Portfolio Corporate Class
CI Select Canadian Equity Managed Corporate Class
CI Select Income Managed Corporate Class
CI Select International Equity Managed Corporate Class
CI Select U.S. Equity Managed Corporate Class
CI Select Staging Fund
CI Canadian Dividend Private Pool
CI Canadian Equity Private Pool
CI Global Concentrated Equity Private Pool
CI Global Equity Alpha Private Pool
CI Global Small/Mid Cap Equity Private Pool (formerly, CI Global Smaller Companies Private Pool)
CI International Equity Alpha Private Pool
CI International Equity Growth Private Pool
CI U.S. Equity Private Pool
CI Canadian Fixed Income Private Pool
CI Global Enhanced Government Bond Private Pool
CI Investment Grade Bond Private Pool
CI Mosaic ESG Balanced ETF Portfolio
CI Mosaic ESG Balanced Growth ETF Portfolio
CI Mosaic ESG Balanced Income ETF Portfolio
CI Mosaic Balanced Income ETF Portfolio
CI Mosaic Balanced ETF Portfolio
CI Mosaic Balanced Growth ETF Portfolio
CI Mosaic Growth ETF Portfolio
CI Mosaic Income ETF Portfolio
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated Jul 24, 2024
NP 11-202 Final Receipt dated Jul 29, 2024
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06148425, 06148580, 06148910 & 06149101

Issuer Name:
Dividend Growth Split Corp.
Principal Regulator – Ontario
Type and Date:
Preliminary Shelf Prospectus (NI 44-102) dated Jul 24, 2024
NP 11-202 Preliminary Receipt dated Jul 25, 2024
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06159172

Issuer Name:
TD Canadian Money Market Fund
TD Premium Money Market Fund
TD U.S. Money Market Fund
TD Target 2025 Investment Grade Bond Fund
TD Target 2026 Investment Grade Bond Fund
TD Target 2027 Investment Grade Bond Fund
TD Target 2025 U.S. Investment Grade Bond Fund
TD Target 2026 U.S. Investment Grade Bond Fund
TD Target 2027 U.S. Investment Grade Bond Fund
TD Ultra Short Term Bond Fund
TD Short Term Bond Fund
TD Canadian Bond Fund
TD Income Advantage Portfolio
TD Canadian Core Plus Bond Fund
TD Canadian Corporate Bond Fund
TD U.S. Corporate Bond Fund
TD Canadian Long Term Federal Bond Fund
TD U.S. Long Term Treasury Bond Fund
TD North American Sustainability Bond Fund
TD Global Income Fund
TD Global Core Plus Bond Fund
TD Global Unconstrained Bond Fund
TD High Yield Bond Fund
TD Preferred Share Fund
TD Global Conservative Opportunities Fund
TD Global Balanced Opportunities Fund
TD Monthly Income Fund
TD Tactical Monthly Income Fund
TD North American Sustainability Balanced Fund
TD U.S. Monthly Income Fund
TD U.S. Monthly Income Fund – C$
TD Diversified Monthly Income Fund
TD Global Tactical Monthly Income Fund
TD Balanced Growth Fund
TD Dividend Income Fund
TD Canadian Diversified Yield Fund
TD Canadian Low Volatility Fund
TD Dividend Growth Fund
TD Canadian Blue Chip Dividend Fund
TD Canadian Large-Cap Equity Fund
TD Canadian Equity Fund
TD Canadian Small-Cap Equity Fund
TD U.S. Low Volatility Fund
TD North American Dividend Fund
TD North American Sustainability Equity Fund
TD U.S. Dividend Growth Fund
TD U.S. Shareholder Yield Fund

TD U.S. Equity Focused Fund
TD U.S. Equity Focused Currency Neutral Fund
TD U.S. Large-Cap Value Fund
TD U.S. Capital Reinvestment Fund (formerly TD U.S. Blue Chip Equity Fund)
TD U.S. Disciplined Equity Alpha Fund TM (formerly TD U.S. Quantitative Equity Fund)
TD U.S. Equity Pool
TD U.S. Mid-Cap Growth Fund
TD U.S. Mid-Cap Growth Currency Neutral Fund
TD U.S. Small-Cap Equity Fund
TD Global Low Volatility Fund
TD Global Shareholder Yield Fund
TD Global Disciplined Equity Alpha Fund TM
TD Global Equity Focused Fund
TD Global Capital Reinvestment Fund (formerly TD Global Equity Growth Fund)
TD International Equity Focused Fund
TD International Equity Fund
TD China Income & Growth Fund
TD Emerging Markets Fund
TD Resource Fund
TD Precious Metals Fund
TD Global Entertainment & Communications Fund
TD Science & Technology Fund
TD Health Sciences Fund
TD Canadian Bond Index Fund
TD Balanced Index Fund
TD Canadian Index Fund
TD Dow Jones Industrial Average Index Fund
TD U.S. Index Fund
TD U.S. Index Currency Neutral Fund
TD Nasdaq® Index Fund
TD International Index Fund
TD International Index Currency Neutral Fund
TD European Index Fund
TD Global Technology Leaders Index Fund
TD US$ Retirement Portfolio
TD Retirement Conservative Portfolio
TD Retirement Balanced Portfolio
TD Comfort Conservative Income Portfolio
TD Comfort Balanced Income Portfolio
TD Comfort Balanced Portfolio
TD Comfort Balanced Growth Portfolio
TD Comfort Growth Portfolio
TD Comfort Aggressive Growth Portfolio
TD Short Term Investment Class*
TD Tactical Monthly Income Class*
TD Dividend Income Class*
TD Canadian Low Volatility Class*
TD Dividend Growth Class*
TD Canadian Equity Class*
TD Canadian Small-Cap Equity Class*
TD U.S. Large-Cap Value Class*
TD U.S. Mid-Cap Growth Class*
TD Global Low Volatility Class*
TD Global Capital Reinvestment Class* (formerly TD Global Equity Growth Class)
TD International Equity Focused Class*
TD Emerging Markets Class*
TD Fixed Income Pool
TD Risk Management Pool
TD Canadian Equity Pool
TD Canadian Equity Pool Class*
TD Global Equity Pool
TD Global Equity Pool Class*
TD Tactical Pool
TD Tactical Pool Class*
TD Alternative Risk Focused Pool
TD Alternative Commodities Pool
TD Alternative Long/Short Commodities Pool

Principal Regulator – Ontario

Type and Date:
Final Simplified Prospectus dated Jul 25, 2024
NP 11-202 Final Receipt dated Jul 26, 2024

Offering Price and Description:
-

Underwriter(s) or Distributor(s):
-

Promoter(s):
-

Filing #06145773, 06145460 & 06145518

Issuer Name:
Canadian Dollar Cash Management Fund
Invesco Canada Money Market Fund
Invesco 1-5 Year Laddered Corporate Bond Index ETF Fund
Invesco Active Multi-Sector Credit Fund
Invesco Canadian Core Plus Bond Fund
Invesco ESG Canadian Core Plus Bond ETF Fund
Invesco Floating Rate Income Fund
Invesco Global Bond Fund
Invesco Canadian Premier Balanced Fund
Invesco Canadian Premier Balanced Class
Invesco Diversified Yield Class
Invesco Global Balanced ESG ETF Fund
Invesco Global Balanced Fund
Invesco Global Balanced Class
Invesco Global Diversified Income Fund
Invesco Income Growth Fund
Invesco Monthly Income ETF Portfolio
Invesco Select Balanced Fund
Invesco Strategic Yield Fund
Invesco Canadian Dividend Index ETF Class
Invesco Canadian Fund
Invesco Canadian Class
Invesco Canadian Plus Dividend Class
Invesco EQV Canadian Premier Equity Fund
Invesco EQV Canadian Premier Equity Class
Invesco FTSE RAFI Canadian Index ETF Class
Invesco Pure Canadian Equity Fund
Invesco Pure Canadian Equity Class
Invesco S&P/TSX Composite ESG Index ETF Class
Invesco Select Canadian Equity Fund
Invesco American Franchise Fund
Invesco American Franchise Class
Invesco FTSE RAFI U.S. ETF Fund
Invesco Main Street U.S. Small Cap Class
Invesco NASDAQ 100 Index ETF Fund
Invesco S&P 500 ESG Index ETF Fund
Invesco FTSE RAFI Global+ ETF Fund
Invesco Global Companies Fund
Invesco Global Dividend Class
Invesco Global Dividend ESG ETF Fund
Invesco Global Equity Income Advantage Fund
Invesco Global Opportunities Class
Invesco Global Select Equity Fund
Invesco Global Select Equity Class
Invesco Developing Markets Fund
Invesco Developing Markets Class
Invesco EQV European Equity Fund
Invesco EQV European Equity Class
Invesco EQV International Equity Fund
Invesco EQV International Equity Class
Invesco Oppenheimer International Growth Fund
Invesco Oppenheimer International Growth Class
Invesco Global Real Estate Fund
Invesco Diversified Income Portfolio
Invesco Diversified Income Portfolio Class
Invesco Balanced Income Portfolio
Invesco Balanced Income Portfolio Class
Invesco Balanced Growth Portfolio
Invesco Balanced Growth Portfolio Class
Invesco Growth Portfolio
Invesco Growth Portfolio Class
Invesco Maximum Growth Portfolio
Invesco Maximum Growth Portfolio Class
Invesco Conservative ETF Portfolio
Invesco Balanced ETF Portfolio
Invesco Growth ETF Portfolio
Invesco Balanced-Risk Allocation Pool
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated Jul 26, 2024
NP 11-202 Final Receipt dated Jul 29, 2024
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06143587 & 06143669

Issuer Name:
CI Global Quality Dividend Growth Index ETF
CI U.S. Aggregate Bond Covered Call ETF
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated Jul 19, 2024
NP 11-202 Final Receipt dated Jul 23, 2024
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06148095

Issuer Name:
Mackenzie Bluewater Canadian Growth Balanced Fund
Mackenzie Bluewater Canadian Growth Fund
Mackenzie Bluewater Global Growth Balanced Fund
Mackenzie Bluewater Global Growth Fund
Mackenzie Bluewater Next Gen Growth Fund
Mackenzie Bluewater North American Balanced Fund
Mackenzie Bluewater North American Equity Fund
Mackenzie Bluewater US Growth Fund
Principal Regulator – Ontario
Type and Date:
Amendment No. 4 to Final Simplified Prospectus dated July 19, 2024
NP 11-202 Final Receipt dated Jul 24, 2024
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06003417

Issuer Name:
Mackenzie Bluewater Canadian Growth Balanced Fund
Mackenzie Bluewater Canadian Growth Fund
Mackenzie Bluewater Global Growth Fund
Mackenzie Bluewater US Growth Fund
Principal Regulator – Ontario
Type and Date:
Amendment No. 2 to Final Simplified Prospectus dated July 19, 2024
NP 11-202 Final Receipt dated Jul 24, 2024
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06051720

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NON-INVESTMENT FUNDS

Issuer Name:
Rupert Resources Ltd.
Principal Regulator – Ontario
Type and Date:
Final Short Form Prospectus dated July 26, 2024
NP 11-202 Final Receipt dated July 26, 2024
Offering Price and Description:
C$25,000,214.00
6,983,300 Common Shares
Price C$3.58 per Offered Share
Filing # 06156701

Issuer Name:
Guanajuato Silver Company Ltd.
Principal Regulator – British Columbia
Type and Date:
Preliminary Shelf Prospectus dated July 25, 2024
NP 11-202 Preliminary Receipt dated July 25, 2024
Offering Price and Description:
US$65 MILLION - Common Shares, Debt Securities, Warrants, Subscription Receipts, Share Purchase Contracts, Units
Filing # 06159418

Issuer Name:
Lombard Street Capital Corp.
Principal Regulator – Ontario
Type and Date:
Preliminary CPC Prospectus dated July 23, 2024
NP 11-202 Preliminary Receipt dated July 24, 2024
Offering Price and Description:
Minimum Offering: $2,000,000 (20,000,000 Common Shares)
Maximum Offering: $3,000,000 (30,000,000 Common Shares)
Price: $0.10 per Common Share
Filing # 06158749

Issuer Name:
Patriot Battery Metals Inc.
Principal Regulator –British Columbia
Type and Date:
Final Shelf Prospectus dated July 22, 2024
NP 11-202 Final Receipt dated July 23, 2024
Offering Price and Description:
$250,000,000 Common Shares Preferred Shares Debt Securities Warrants Subscription Receipts Units
Filing # 06156028

Issuer Name:
Mawson Finland Limited
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated July 19, 2024
NP 11-202 Final Receipt dated July 23, 2024
Offering Price and Description:
Minimum Offering: $2,000,000 or 2,000,000 Common Shares Maximum Offering: $2,500,000 or 2,500,000 Common Shares
Price: $1.00 per Common Share
Filing # 06102583

Issuer Name:
Oncolytics Biotech Inc.
Principal Regulator – Alberta
Type and Date:
Final Shelf Prospectus dated July 19, 2024
NP 11-202 Final Receipt dated July 22, 2024
Offering Price and Description:
C$150,000,000 - Common Shares, Subscription Receipts, Warrants, Units
Filing # 06156164

Issuer Name:
Shelfie-Tech Ltd.
Principal Regulator – Ontario
Type and Date:
Amendment to Preliminary Long Form Prospectus dated July 25, 2024
Amendment Receipt dated July 25, 2024
Offering Price and Description:
No securities are being offered pursuant to this Prospectus.
Filing # 06120827

B.10
Registrations

B.10.1 Registrants

Type	Company	Category of Registration	Effective Date
Voluntary Surrender	GRYPHON INVESTMENT COUNSEL INC. / CONSEILLERS EN PLACEMENTS GRYPHON INC.	Investment Fund Manager Portfolio Manager	July 15, 2024
New Registration	BAYCOR FINANCIAL INC.	Portfolio Manager and Exempt Market Dealer	July 25, 2024
Name Change	From: August Capital Inc. To: August Advisors Inc.	Exempt Market Dealer	June 24, 2024

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B.11
CIRO, Marketplaces, Clearing Agencies and Trade Repositories

B.11.2 Marketplaces

B.11.2.1 OTCX Trading Limited – Application for Exemption from Recognition as Exchange – Notice and Request for Comment

NOTICE AND REQUEST FOR COMMENT

APPLICATION BY
OTCX TRADING LIMITED FOR
EXEMPTION FROM RECOGNITION AS EXCHANGE

A. Background

OTCX Trading Limited (**OTCX**) has applied to the Commission for an exemption from the requirement to be recognized as an exchange pursuant to subsection 21(1) of the *Securities Act* (Ontario) (**OSA**).

OTCX is a marketplace for trading single and multi-currency interest rate swaps, overnight index swaps, inflation swaps, swaptions, forward rate agreements, constant maturity swaps, caps/floors and total return swaps that are regulated by the U.K. Financial Conduct Authority (**FCA**).

OTCX intends to provide direct access to trading on its marketplace to eligible participants located in Ontario and therefore is considered to be carrying on business in Ontario.

As OTCX will be carrying on business in Ontario, it is required to be recognized as an exchange under the OSA or apply for an exemption from this requirement. OTCX has applied for an exemption from the recognition requirements on the basis that it is already subject to regulatory oversight by the FCA.

B. Application and Draft Exemption Order

In the application, OTCX has outlined how it meets the criteria for exemption from recognition. The specific criteria can be found in Appendix I of the draft exemption order. Subject to comments received, Staff intends to recommend that the Commission grant an exemption order with terms and conditions based on the draft exemption order. The application and draft exemption order are available on our website at www.osc.ca.

C. Comment Process

The Commission is publishing for public comment the OTCX application and the draft exemption order. We are seeking comment on all aspects of the application and draft exemption order.

Please provide your comments in writing, via e-mail, on or before September 2, 2024, to the attention of:

Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
Email: comments@osc.gov.on.ca

The confidentiality of submissions cannot be maintained as the comment letters and a summary of written comments received during the comment period will be published.

Questions may be referred to:

Mark Delloro
Senior Accountant, Trading & Markets
Email: mdelloro@osc.gov.on.ca

Emily Park
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OTCX Trading Limited

APPLICATION FOR EXEMPTION FROM RECOGNITION AS AN EXCHANGE

OTCX Trading Limited

49 Queen Victoria Street

London EC4N 4SA

United Kingdom

01 May 2024

Sent By online form

Attn: Secretary of Ontario Securities Commission

Ontario Securities Commission

20 Queen Street West, 19th Floor

Toronto, Ontario M5H 3S8

Re: OTCX UK MTF – Application for Exemption from Recognition as an Exchange

Dear Sirs and Mesdames,

This application (the "Application") is being submitted by OTCX Trading Limited ("OTCX" or "Applicant") as operator of OTCX Trading Limited's multilateral trading facility ("OTCX UK MTF") to the Ontario Securities Commission ("Commission"). The Applicant is requesting an order for the following relief (collectively, the "Requested Relief") in relation to its operation of a multilateral trading facility (an "MTF") in the province of Ontario:

(a) exempting the Applicant from the requirement to be recognised as an exchange under subsection 21(1) of the Act pursuant to section 147 of the Securities Act (Ontario) (the "Act"); and

(b) exempting the Applicant from the requirements in National Instrument 21-101 Marketplace Operation ("NI 21-101") pursuant to section 15.1 of NI 21-101, the requirements of National Instrument 23-101 Trading Rules ("NI 23-101") pursuant to section 12.1 of NI 23-101 and National Instrument 23-103 Electronic Trading and Direct Electronic Access to Marketplaces ("NI 23-103") pursuant to section 10 of NI 23-103.

OTCX Trading Limited has been authorised by the Financial Conduct Authority (FCA) as a UK Markets in Financial Instruments Directive (MiFID) investment firm including operating an MTF since 24th July 2023. The MTF offers trading of cleared and uncleared swaps which are regulated as MiFID Financial Instruments by the FCA.

OTCX is planning to provide access to the MTF to sophisticated participants (Eligible Contract Participants or Professional Clients as described in the FCA Handbook) in Ontario. The Applicant does not provide access to retail clients.

OTCX UK MTF intends to provide access to Participants located in Ontario, including such entities with their headquarters or legal address in Ontario (e.g., as indicated by their Legal Entity Identifier (LEI)), and all traders conducting transactions on behalf of a Participant, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity ("Ontario Users").

Multilateral trading facilities ("MTF") are considered exchanges (as per OSC Staff Notice 21-711 Multilateral Trading Facilities – Exemption from Requirement to be Recognized as an Exchange). OTCX therefore has a requirement for the Requested Relief from the Commission.

The Applicant has no physical presence and does not otherwise intend to carry on business in Ontario except as described herein.

The Applicant seeks the Requested Relief on the basis that it is already subject to regulatory oversight by the FCA.

This Application is divided into the following Parts I to V, Part III of which describes how OTCX UK MTF satisfies the Commission Staff's criteria for exemption as an exchange.

Part I Introduction

1. Description of Applicant's Services to Ontario Residents

1.1 OTCX has been registered with the FCA (FRN 979952 OTCX Trading Limited (fca.org.uk)) as a UK MiFID investment firm with authorisation to operate a Multilateral Trading Facility since 24th July 2023. OTCX UK MTF provides clients with a request for quote (RFQ) Trading Protocol (as described in Appendix I of the Applicant's publicly available set of rules "MTF Rulebook") that enables price discovery and trade execution from investors (buy-side) to banks (sell-side) in interest rate derivatives, credit derivatives and equity derivatives (further detailed in Part II below). Clients are institutional in nature, with OTCX only offering services to Eligible Counterparties and Professional clients (as defined in the FCA Handbook COBS 3.5 and 3.6 COBS 3 - FCA Handbook) undertaking a variety of hedging and investing activity to support their clients and investors mandates.

1.2 OTCX plans to offer access to the OTCX UK MTF to users located in Ontario ("Ontario Users"). Ontario Users include participants with their headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier (LEI)) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity. To obtain access to the OTCX UK MTF, an Ontario User must be a firm that is eligible to join OTCX UK MTF, has successfully completed all on-boarding requirements (as described in section 4 – Access). Participants and their personnel authorised to access the platform on behalf of the Participant (being either Authorised Traders or Authorised Agent). (The terms "Participant", "Authorised Trader" and "Authorised Agent" are defined in the OTCX Trading Limited MTF Rulebook.)

1.3 OTCX obtains a representation from each Ontario User seeking access to OTCX UK MTF that they are appropriately registered under Ontario securities laws to use OTCX UK MTF or are exempt from or not subject to such registration requirements.

1.4 OTCX does not have and does not intend to have any offices or maintain other physical installations in Ontario or any other Canadian province or territory.

Part II Background of the Applicant

1. Ownership of the Applicant

1.1 OTCX Trading Limited is 100% owned by its parent company OTCX UK Holdings Limited, which is 100% owned by OTCX Limited.

1.2 OTCX Ltd is a limited company registered in England and Wales with the details below:

Registered address: 49 Queen Victoria St, London EC4N 4SA
Company Number: 08538579

2. Products on the Applicant's MTF Trading Venue.

2.1 MiFID Financial Instruments classification available on the OTCX UK MTF authorised by the FCA (subset available to Ontario Users - see below):

Level 1	Level 2	Level 3
C4 Financial Instruments	Interest Rate Derivatives	Interest rate swaps (single currency): • Fixed-to-Fixed 'single currency swaps' and futures/forwards on Fixed-to-Fixed 'single currency swaps' • Fixed-to-Float 'single currency swaps' and futures/forwards on Fixed-to-Float 'single currency swaps • Float-to-Float 'single currency swaps' and futures/forwards on Float-to-Float 'single currency swap
		Interest Rate Swaps (multi-currency): • Fixed-to-Fixed 'multi-currency swaps' or 'cross-currency swaps' and futures/forwards on Fixed-to-Fixed 'multi-currency swaps' or 'cross-currency swaps' • Float-to-Float 'multi-currency swaps' or 'cross-currency swaps' and futures/forwards on Float-to-Float 'multi-currency swaps' or 'cross-currency swaps' • Fixed-to-Float 'multi-currency swaps' or 'cross-currency swaps' and futures/forwards on Fixed-to-Float 'multi-currency swaps' or 'cross-currency swaps'
		• Overnight Index Swap (OIS) 'single currency swaps' and futures/forwards on Overnight Index Swap (OIS) 'single currenc swap • FRA (Forward Rate Agreements) • Inflation 'single currency swaps' and futures/forwards on Inflation 'single currency swaps' • Swaptions
	Other Interest Rate Derivatives	• Caps/Floors
	Equity Derivatives	• Stock Options • Stock index options
C8 Financial Instruments	Credit Derivatives	• Index credit default swap (CDS) • Single name credit default swap (CDS) • Total Return Swaps • Constant Maturity Swaps

OTCX will not provide access to an Ontario User to trading in products other than swaps or security based swaps as defined in section 1a(47) of the United States Commodity Exchange Act (CEA) without prior Commission approval. This product set offered to Ontario Users will be single and multi-currency interest rate swaps, overnight index swaps, inflation swaps, swaptions, forward rate agreements, constant maturity swaps, caps/floors and total return swaps.

2.2 OTCX UK MTF offers a Request for quote (RFQ) Trading Protocol [as defined in UK MiFID] that is described in Appendix I of the OTCX Trading Limited MTF Rulebook.

3. Participants

3.1 All Participants of OTCX UK MTF, including Ontario-based Members will be large banks and investors who are sophisticated commercial entities, who are required to meet the criteria of 'Professional Client' or 'Eligible Counterparty' (as those terms are defined by FCA's Handbook COBS 3.5 and 3.6 COBS 3 - FCA Handbook), and meet any equivalent local standards and requirements for investment sophistication in their own local jurisdictions. OTCX UK MTF is not made available to retail investors.

Part III Application of Exemption Criteria to the Applicant

The following is a discussion of how the Applicant meets the criteria of the Commission for exemption of a foreign exchange that allows participants to trade OTC derivatives from recognition as an exchange.

PART 1 REGULATION OF THE EXCHANGE

1.1 Regulation of the Exchange – The exchange is regulated in an appropriate manner in another jurisdiction by a foreign regulator (Foreign Regulator).

1.1.1 OTCX UK MTF is an MTF, as defined in the Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments. Following the UK's exit from the EU this is onshored regulation to the UK by virtue of the European Union (Withdrawal) Act 2018 (EUWA). OTCX UK MTF is authorised and regulated by the FCA under reference number 979952.

1.1.2 MTF operators that are authorised by the FCA must comply with applicable FCA rules contained in the FCA Handbook. In particular:

- Market conduct rules including the UK version of EU Market Abuse Directive 596/2014;
- MiFID MTF requirements in the market conduct rules that include requirements for:
    - Transparent rules including for financial instruments traded and non-discriminatory rules for client access

- Fair and orderly trading
- Technical resilience and detailed procedures for operations
- Identify and manage conflicts of interests

- Conduct of business requirements;
- The prudential sourcebook for investment firms, which implements part of the fourth EU capital requirements directive (as onshored into UK law) as it relates to investment firms (including MTF operators)
- The conduct of business sourcebook, which implements part of MiFID as it relates to firms that carry on designated investment business (including operating an MTF); and
- High Level Standards and Regulatory Processes, which impose general requirements on FCA-authorised firms, such as MTF operators, and their approved persons.

1.2 Authority of the Foreign Regulator – The Foreign Regulator has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator.

1.2.1 The FCA is the United Kingdom's competent authority that has direct regulatory and oversight responsibility over MTFs as regulated entities providing regulated activities.

1.2.2 As an FCA authorised operator of OTCX UK MTF, OTCX is subject to regulatory supervision by the FCA. The FCA's threshold conditions dictate that a regulated firm must be capable of being effectively supervised by the FCA having regard to all the circumstances. The FCA has the jurisdiction to perform reviews and assess and enforce OTCX UK MTF's adherence to the FCA Handbook and the rules contained therein on an ongoing basis. Breach of a threshold condition could lead to enforcement action.

1.2.3 The Applicant is required to act in accordance with the FCA's high level Principles for Businesses contained in Chapter 2 of the FCA Handbook (PRIN 2.1 The Principles - FCA Handbook). These include requirements for the Applicant to conduct its business with integrity, due skill, care and diligence, organize and control its affairs responsibly with adequate risk management systems, maintain adequate financial resources and observe proper standards of market conduct. The Applicant is also required to deal with the FCA in an open and cooperative way and must disclose to the FCA appropriately anything relating to the Applicant of which the FCA would reasonably expect notice.

PART 2 GOVERNANCE

2.1 Governance – The governance structure and governance arrangements of the exchange ensure:

Effective oversight of the exchange

- The FCA rules place considerable emphasis on the role and responsibilities of the board of directors (the "Board") and senior management.

The Board is responsible for the strategy and management, risk and control and financial oversight of the firm.

• The Board will operate through several committees, each of which will operate under Terms of Reference approved by the Board.

• The firm is required to operate according to Group policies which are set out by the Board and those committees which have delegated authority

Responsibilities of the OTCX Board include: -

• Making strategic decisions affecting the future operation of the company.

• Ensuring that between them the directors have the necessary up-to-date experience, skills, and capabilities

• Overseeing the discharge by the executive management of the day-to-day business of the company

• Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

• Setting appropriate policies to manage risks to the company's operations and the achievement of its regulatory objectives.

• Ultimate responsibility for the effectiveness of the company's anti-money laundering and financial crime policies, systems, and controls

• Seeking regular assurance that the system of internal control is effective in managing risks in the manner it has approved.

• Maintaining a sound system of financial control.

• Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

• Establishing and maintaining arrangements to ensure accountability regarding decisions of committees of the Board and executive management, through periodic reporting.

• Promote a corporate culture that is based on ethical values and behaviours

• To discharge its duties effectively the Board meets at least quarterly. Additional meetings of the directors are held as required.

• The Board members may request information from any employee of the company, and this includes calling any employee to attend a Board meeting to answer questions on a particular matter.

Fitness Standards

- The Applicant is subject to the UK's Senior Managers and Certification Regime (SMCR) as detailed in FCA Handbook SYSC 23-27 SYSC.pdf (fca.org.uk). Individuals holding certain Senior Management Functions ("SMFs") for the Applicant must be approved by the FCA. This includes the FCA controlled functions of chair of the governing body, the chief executive, compliance oversight, executive director and the money laundering reporting officer. Individuals performing these controlled functions are known as senior managers and appear on the FCA's financial services register.

Corporate governance and risk control framework overview:

Governance – audit and risk committee

The firm's audit and risk committee will have a standing quarterly meeting. The chairman will chair the meetings. The standard members of the risk committee will include the following functions:

• Chairman

• One other non-executive director

• Chief operations officer and/or chief technology officer and/or chief financial officer as deemed necessary

• Money laundering reporting officer

• Compliance officer

Other departments may be invited to attend the risk committee.

The audit and risk committee is responsible for exercising risk management oversight of the Firm.

The chair of the audit and risk committee reports into the Board.

Specific responsibilities of the audit and risk committee include:

• Supporting the Board in meeting its responsibilities for an effective system of internal control and financial reporting.

• Monitoring and assessing the role and effectiveness of internal audit in the overall context of the organisation's risk management system and the work of risk and compliance, finance, and the external auditor.

• Overseeing the operation of the company's complaints scheme on behalf of the Board.

• The committee also provides assurance on any additional matters as instructed or delegated by the Board.

Governance – nominations committee

The firms nomination committee will have an annual meeting. The chairman will chair the meetings. The standard members of the nomination committee will include the following functions:

• Chairman (chair)

• Investor director / non-executive director

• Chief Executive Officer (CEO)

The nomination committee is responsible for advising the Board and to make recommendations to the Board on the appointment and removal of the executive directors or the non-executive directors.

Specific responsibilities of the management committee include:

• Ensure there is a robust process for the appointment of new board directors

• The nomination committee should work closely with the Board and the chair to identify the skills, experience, personal qualities, and capabilities required for the next stage in the company's development, linking the company's strategy to future changes on the Board.

• Provide recommendations for succession planning including possible internal candidates for future Board roles.

• If necessary, the nomination committee must provide support to the chair in taking the steps to remove any underperforming executive director or non-executive director.

Governance – remuneration committee

The firms remuneration committee will have an annual meeting. The non-executive director will chair the meetings. The standard members of the remuneration committee will include the following functions:

• Investor director

• Non-executive director

The remuneration committee is responsible for ensuring that there is a formal and transparent procedure for developing policy [UK CDR 2017/565 (EU) Article 27] on executive remuneration and for agreeing the remuneration packages of individual directors. This includes recommending to the Board, the annual budget for pay and incentive awards.

Specific responsibilities of the remuneration committee include:

• All appointments of any employees or consultants having an aggregate annual remuneration or fee exceeding a predetermined limit and the material variation of the terms of employment or engagement of any such employees or consultants.

• Any variation of the terms or amount of any employee remuneration package (including salary, bonuses and options and other incentives) other than increases in basic salary in line with inflation.

• The establishment of any share option or share incentivisation scheme, profit sharing, bonus, pension or other benefit or incentive scheme and the variation of any of the same.

• The grant of options under any scheme established.

Governance – responsible officer

• The responsibility for the day-to-day oversight of the MTF will be delegated by the Board to the trading operations manager

• The trading operations manager will monitor the operation of the MTF against the firm's trading venue policy. The responsible officer reports directly into chief operating officer (SMF16/17 compliance oversight and money laundering reporting officer)

Governance – the compliance department

• The responsibility for the day-to-day oversight of compliance will be delegated by the Board to the compliance officer (SMF16/17 – compliance oversight and money laundering reporting officer). The compliance officer reports directly into the CEO.

• The compliance officer will monitor the operation of the firm against the compliance monitoring programme.

• The compliance monitoring programme is an integral part of assessing compliance to ensure OTCX staff and clients will comply with its policies and procedures. It has been developed in conjunction with the policies and the Risk Management Framework (RMF) to identify and mitigate against the risk of noncompliance.

• The compliance monitoring programme will be subject to periodic operational review by the audit and risk committee and will make recommendations to the Board of any improvements or remedial actions.

(a) that business and regulatory decisions are in keeping with its public interest mandate,

OTCX UK MTF operates on a basis consistent with applicable laws and regulations, and industry best practice. Its rules, policies and activities are designed to ensure continuous fair treatment of clients. As a regulated trading venue OTCX UK MTF has and must maintain processes and procedures that provide for fair and equal access to its systems and information. Key principles required by FCA (PRIN 2.1 The Principles - FCA Handbook) include "A firm must pay due regard to the interests of its customers and treat them fairly" and "A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading."

(b) fair, meaningful and diverse representation on the board of directors (Board) and any committees of the Board, including:

(i) appropriate representation of independent directors, and

(ii) a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,

The Applicant considers several factors in determining the composition of the Board, including whether directors, both individually and collectively, possess the required integrity, experience, judgment, commitment, skills and expertise to exercise their obligations of oversight and guidance over an MTF.

The Applicant has two non-executive directors (NED) with diverse and broad financial market experience that is proportionate to the size and requirements of OTCX Trading Limited operating an MTF. In particular one NED has deep expertise of managing multi jurisdictional trading venues including MTFs.

(c) the exchange has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors and employees, and

OTCX adheres to the FCA Principles requirement 8 - A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.

OTCX achieves this through policies and procedures that have been adopted through a conflicts of interest taxonomy which outlines the conflict types that may arise when undertaking business activities.

The conflicts of interest may arise across the following scenarios:

- Between separate operating entities within the group.
- Between the personal interests of the employee and the firm.
- Between the firm and its clients; and
- Between the firm's staff and its suppliers.

OTCX implements the following requirements to mitigate the risks mentioned above:

- OTCX takes all appropriate steps to identify and to prevent or manage conflicts as they arise during the course of business. This is conducted by a general annual Conflict of Interest risk assessment, Outsourcing due diligence and training for personnel;

- All conflicts of interest are recorded in the conflicts of interest register, including the mitigation measures. Compliance includes these mitigation measures as part of ongoing 2nd line monitoring;
- There is awareness among personnel to stimulate identification of conflicts of interest; and;
- Where organisational or administrative arrangements made by OTCX to prevent conflicts of interest from adversely affecting the interest of its clients are not sufficient to ensure, with reasonable confidence, that risks of damage to client interests will be prevented, OTCX shall clearly disclose to the client the general nature and/or sources of conflicts of interest and the steps taken to mitigate those risks. The disclosure shall be made in a durable medium and include sufficient detail, taking into account the nature of the client, to enable that client to take an informed decision with respect to the service in the context of which the conflict arises.

(d) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.

As part of the Senior Managers Certification Regime (SMCR) the firm is required to have approved persons performing an FCA controlled function. As mentioned above for OTCX this has led to the chair, the CEO, compliance oversight, executive director and the money laundering reporting officer roles being approved by the FCA. The process involved determining appropriate qualifications in terms of skills and competency assessments as well as learning and development plans to maintain knowledge and improve where required. For other employees a performance management process assesses skills and competency as well as setting goals.

Remuneration is detailed in the governance section above and demonstrates controls and policies to promote performance in line with risk management.

Professional indemnity/civil liability and directors' and officers' liability insurance are in place and reviewed on a yearly basis in line with any business changes.

2.2 Fitness

The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person and past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.

As noted above Senior Managers are approved by the FCA. The FCA grants approval based on them being a "fit and proper person" to perform the relevant controlled function. The SMCR process is thorough and detailed. The Applicant must also assess the fitness and propriety of Senior Managers on an annual basis and notify the FCA if it becomes aware of information which would reasonably be material to the assessment of Senior Manager's fitness and propriety. Similarly, whilst not approved by the FCA, the Applicant must ensure that Non-SM NEDs are fit and proper before they commence their appointment.

Senior managers and Non-senior manager NEDs are directly subject to obligations under the FCA's regulatory regime and must comply with the conduct rules

The process for assessing fitness and propriety requirements is an ongoing and at least annual. It is a regulatory requirement and for OTCX the in scope senior management functions are chair, CEO, chief operating officer, head of compliance, money laundering reporting officer, chief technology officer and chief financial officer.

Initial FCA approval is required before commencing these roles. This comprises a rigorous check of the job description and responsibilities including regulatory reference and criminal record checks.

For the annual assessment the senior manager is required to:

- fill out a fit and proper questionnaire. This is reviewed by compliance and signed off by the line manager
- review and confirm the job description and statement of responsibility are up to date
- review and confirm the reporting and management information to address the statement of responsibility are satisfactory including new management information resulting from the risk management framework

Compliance reviews the files for any conduct, management information or learning and development areas to feed into the annual training plan. The results of the review are reported into the nominations committee.

As a result, senior managers are assessed as to whether they are fit and proper and any new training requirements are identified.

PART 3 REGULATION OF PRODUCTS

3.1 Review and Approval of Products

The products traded on the exchange and any changes thereto are submitted to the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.

As an MTF operator, the Applicant requires specific permission from the FCA to offer the OTCX UK MTF in respect of each type of financial instrument ("specified investments", as defined in The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001)) traded on the OTCX UK MTF. FCA permission has been granted through an authorization process. Updates will be through a variation of permission process with the FCA (SUP 6.3 – FCA Handbook). The process is internally governed by the New Business Initiative (NBI) Policy which sets out the controls and governance requirements to implement regulatory changes at OTCX.

The FCA can require the OTCX UK MTF to suspend or remove Financial Instruments.

As part of its initial authorization, the FCA granted permission on July 24, 2023 for the Applicant to offer the OTCX UK MTF in respect of interest rate swaps, credit default swaps and equity derivatives.

The New Business Initiative (NBI) Process is as follows:

When OTCX wants to offer new or modified services to clients, all proposals will need to undergo a formal regulatory impact analysis to identify any new licensing requirements, changes to regulatory obligations, conduct or market risks, and any control enhancements or modifications. This includes any review and approval of products.

The CEO will be ultimately responsible for the NBI process. Compliance will oversee this assessment in conjunction with other functional areas. Any analysis assessment, advice or approval must be documented for audit purposes.

Any business change would go through OTCX's IT change management process which would perform an assessment as to what level of involvement and / or compliance sign-off is required. When the business change requires modifying any of the existing control and supervisory processes, the relevant control functions must be given sufficient budget and resources to enable the control enhancements.

All staff must follow the NBI process and not engage in any new business prior to obtaining approval.

3.2 Product Specifications

The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.

OTCX has a publicly available MTF Rulebook that is required to provide transparent, non-discriminatory rules based on objective criteria. Any changes must be communicated to all Participants and advance notice is required for material changes. The Rulebook includes a Trading Protocol description that is one of the MiFID trading systems available (Request for quote trading system – see ANNEX I Description of the type of system and the related information to be made public in accordance with Article 2 Information to be made public in accordance with Article 2 - FCA Handbook). In addition, onboarding procedures require static data set up to enable MiFID compliant trading and reporting.

As a result, the OTCX UK MTF adheres to the usual commercial customs and practices of trading the defined products.

3.3 Risks Associated with Trading Products

The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the exchange that may include, but are not limited to, daily trading limits, price limits, position limits, and internal controls.

OTCX has detailed monitoring and internal controls, in particular with relation to organisational requirements under MiFID II Article 48 Systems resilience, circuit breakers and electronic trading. These requirements are implemented following detailed analysis in regards to the nature, scale and complexity of OTCX's business and have been reviewed by the FCA during the authorisation process.

Additionally, OTCX has performed a market abuse risk assessment to determine monitoring requirements to detect actual or potential market abuse as well as detecting disorderly trading conditions. The assessment of risk is in the context of the RFQ trading system where Participants quote on a disclosed basis. As a result, OTCX operates a trade surveillance program that provides automated alerts that are reviewed for action or escalation by the operations team.

The automated alerts consist of alerts based on size of trade, price of trade and number of trade requests. Once an alert is generated the following process occurs:

- Operations evaluate and recommend any action to compliance
- Compliance reviews the alert and determines if any action
- Alerts are reviewed for sensitivity to amend threshold if required
- Possible actions:
    - Suspend Instrument
    - Suspend entity or individual
    - Cancel unexecuted orders
    - Suspicious transaction report (market abuse suspected)
    - Suspicious activity report (money laundering or terrorist activity suspected)
    - Report to FCA and publish on OTCX website as appropriate

OTCX adopts a Risk Management Framework ('RMF') to protect the firm and its customers, and to ensure ongoing compliance with regulatory expectations.

The adoption of the RMF enables the firm to identify, monitor, and manage the various risks affecting the firm and to promptly address them before they cause adverse effects on the firm and its customers. The RMF also assists OTCX in applying a consistent approach for the implementation of monitoring and control activities across the firm.

The RMF is articulated via the risk taxonomy and the control framework which are reviewed annually.

On an operational level the trading operations manager provides management of the MTF including:

- Monitoring and maintaining static data requirements of participants,
- Daily monitoring and Issue resolution\escalation across venue controls, reporting obligations and error trades
- 1st line support for any of the downstream trade flow interfaces and reporting processes
- Liaison with the company's compliance officer covering any required market notification
- Market abuse monitoring – including escalation to the compliance officer and assistance with the production of any suspicious trading reports
- User acceptance testing of any changes to the Trade-flow process and technology

As a result, OTCX has demonstrated proportionate controls to mitigate the associated risks with trading products.

PART 4 ACCESS

4.1 Fair Access

(a) The exchange has established appropriate written standards for access to its services including requirements to ensure

(i) participants are appropriately registered as applicable under Ontario securities laws, or exempted from these requirements,

(ii) the competence, integrity and authority of systems users, and

(iii) systems users are adequately supervised.

(b) The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.

(c) The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.

(d) The exchange does not

(i) permit unreasonable discrimination among participants, or

(ii) impose any burden on competition that is not reasonably necessary and appropriate.

In order to fulfil the FCA requirements for a trading venue, participants are required to adhere to rules to ensure a fair, efficient market. Fees are charged on a publicly available rate card with sell side price makers paying a fee based on transaction and/or subscription fees. In order to maintain an orderly market a certain level of technical and product expertise is required.

The model is disclosed relationship based as participants are either sell side price makers or buy side price takers in the request for quote trading system. Provided a participant is able to fulfil the criteria for onboarding there is no preferential treatment or discrimination to the participants.

(e) The exchange keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.

The client onboarding procedure ends with an operational confirmation to compliance as to whether a potential participant has been onboarded to the venue. This decision is logged in the compliance portal to be reviewed at the audit and risk committee.

OTCX UK MTF has a publicly available MTF Rulebook that is consistent with the FCA's Code of Market Conduct of the FCA Handbook (MAR 5.3.1(4)) meaning that the Applicant provides access to participants on a fair, non-discriminatory and open basis. Participant status, access to, and usage of, the OTCX UK MTF is available to all market participants that meet the criteria set forth by the Applicant. The Applicant onboards prospective participants against the Applicant's eligibility criteria as part of its onboarding procedures.

Specifically, to be eligible for admission as a participant, a participant applicant must demonstrate to the satisfaction of the Applicant that it:

- Is an eligible counterparty or professional client (as those terms are defined by FCA's Handbook COBS 3.5 and 3.6 COBS 3 - FCA Handbook);
- Satisfies "know your customer" checks, sanctions, and anti-money laundering checks;
- Meets eligibility criteria and operational requirements as specified in the OTCX UK MTF Rulebook (see below)

Eligibility criteria ensure that a participant on the venue is able to legally and organisationally operate on the OTCX UK MTF. This includes:

- legal and regulatory authority to transact, clear and settle trades
- operating from a jurisdiction that OTCX is able to provide services

Operational requirements ensure that trading on the system will subject to system and staff requirements to prevent disruption. This includes:

- systems and controls to apply the rules
- meeting OTCX technical standards
- adequately trained staff

For Ontario clients a specific process for onboarding will require the participant to acknowledge that it is appropriately registered under Ontario securities laws, exempt from registration or not subject to registration requirements.

Users are required to be trained as a condition of operation requirements in the OTCX UK MTF Rulebook.

Record keeping requirements as described in the MTF Rulebook (OTCX retains records of all submitted Orders, executed Transactions, services, and activities undertaken on the OTCX UK MTF to meet its ongoing Record Keeping Obligations) will ensure that records of onboarding processes are maintained including approval or denying access.

PART 5 REGULATION OF PARTICIPANTS ON THE EXCHANGE

5.1 Regulation

The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of its participants, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.

The requirements of the FCA Handbook and OTCX UK MTF Rulebook ensure that OTCX UK MTF has the authority and processes to perform regulatory functions including governing and monitoring a participant's conduct.

The FCA requirements for OTCX UK MTF approval ensure that resources, capabilities and systems are sufficient to perform its regulatory functions including:

- Clear rules and process for suspension and removal of participants including an appeals process
- Surveillance of activity to detect breaches of the Rulebook, disorderly trading and market abuse,
- Determination of error trades
- Co-operation with FCA
- Temporarily amend or revoke the rules in circumstances that require immediate action

Processes are in place to monitor, escalate and act on alerts via trading operations and compliance.

PART 6 RULEMAKING

6.1 Purpose of Rules

*(a) The exchange has rules, policies and other similar instruments (**Rules**) that are designed to appropriately govern the operations and activities of participants and do not permit unreasonable discrimination among participants or impose any burden on competition that is not reasonably necessary or appropriate.*

Obligations under the FCA rules mean that OTCX UK MTF has implemented a publicly available MTF Rulebook and associated policies that govern the operations and activities of the OTCX UK MTF Participants.

OTCX UK MTF is required to implement non-discriminatory rules that would not impose any burden on competition unless they are reasonably necessary and appropriate because such rules would not meet MTF regulatory requirements.

(b) The Rules are not contrary to the public interest and are designed to

(i) ensure compliance with applicable legislation,

(ii) prevent fraudulent and manipulative acts and practices,

(iii) promote just and equitable principles of trade,

(iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,

(v) provide a framework for disciplinary and enforcement actions, and

(vi) ensure a fair and orderly market.

The OTCX UK MTF Rulebook is subject to FCA rules, standards and requirements. All eligible participants that meet the criteria in the Rulebook are eligible to participate. For Ontario clients they must additionally acknowledge it is appropriately registered under Ontario securities laws, exempt from registration or not subject to registration requirements.

These publicly available rules and standards to ensure a fair and orderly market are not contrary to the public interest and ensure compliance with applicable legislation contained within the FCA rules and applicable law. In addition, participants are required to comply with the MTF Rulebook and applicable law. OTCX actively monitors participant's compliance with these rules.

Manipulative practices are specifically prohibited.

As described the non-discriminatory rules for fair and transparent trading promote just and equitable principles of trade.

Co-operation with the FCA is a key principle and rule for the OTCX UK MTF. Participants accessing a clearing house must adhere to the rules and procedures of the clearing house in line with MTF Rulebook.

The OTCX UK MTF has rules to suspend or remove participants in circumstances where

- the participant or its Authorised Trader breaches the rules or its policies and Agreement agreed during onboarding;
- The Participant suffers an insolvency event;
- The Participant suffers a default event;
- The Participant is subject to enforcement action by a Regulator or Competent Authority;
- The Participant no longer meets the eligibility criteria;
- The Operator deems that the Participant is not making appropriate use of the OTCX UK MTF or that restriction, suspension, or removal of the Participant is necessary to ensure a fair and orderly market on the OTCX UK MTF

A participant may appeal against a decision taken to suspend or remove a participant.

The MTF Rulebook provides the framework to ensure a fair and orderly market including the ability to suspend participants, specific instruments, specific asset classes or if required all trading. Additionally the previously mentioned monitoring and surveillance to detect Rule breaking, disorderly trading and market abuse.

PART 7 DUE PROCESS

7.1 Due Process

For any decision made by the exchange that affects a participant, or an applicant to be a participant, including a decision in relation to access, exemptions, or discipline, the exchange ensures that:

(a) parties are given an opportunity to be heard or make representations, and

(b) it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions.

OTCX UK MTF in line with FCA MAR 5 guidelines for systems and controls and for monitoring compliance with the rules of the MTF, OTCX UK MTF has implemented sanctions and an appeal process as detailed in the MTF Rulebook.

OTCX UK MTF may prevent a client becoming a participant if it does not satisfy the eligibility criteria as discussed in section 4 above.

If a participant wishes to make a complaint to OTCX regarding the operation of the OTCX UK MTF or the conduct of a Participant or any suspicion that a Participant has committed a breach of MTF Rules, they may do so in writing or via email as described in the MTF Rulebook.

The MTF Rulebook also details the Market Notice process that requires OTCX to provide Participants if there are any changes to the Rules.

The Applicant will act promptly if a complainant participant accepts any offer of redress or remedial action that the Applicant has offered. The Applicant keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access, along with a record of any breaches of the OTCX UK MTF rules by participants for at least five years.

PART 8 CLEARING AND SETTLEMENT

8.1 Clearing Arrangements

The exchange has or requires its participants to have appropriate arrangements for the clearing and settlement of transactions for which clearing is mandatory through a clearing house.

It is the Applicant's requirement in the MTF Rulebook that participants (including Ontario participants) are either (a) are clearing members of a clearing house and clear directly (provided such clearing house has obtained recognition as a clearing agency in Ontario or an exemption or interim exemption from recognition as a clearing agency in Ontario) or (b) have a relationship with a clearing member on whom the participant relies for clearing.

The participant is required to determine which transactions executed on the OTCX UK MTF are required to be cleared. The transaction is specified as a cleared transaction before pricing and execution. If the participant is not a clearing member OTCX UK MTF facilitates a pre-execution credit check on behalf of the clearing member to verify pre-execution limits. Only if confirmation of limits is received can OTCX confirm the cleared derivative for execution.

Participants accessing a clearing house must adhere to the rules and procedures of the relevant clearing house in respect of the clearing and settlement of the transactions.

In the event a transaction concluded on the OTCX UK MTF is not accepted by the applicable clearing house, OTCX UK MTF shall void such transaction. Where the non-acceptance is due to a technical or clerical problem, the transaction can be submitted for clearing once more within one hour from the previous submission in the form of a new transaction but with the same economic terms, provided that both counterparties have agreed to the second submission.

OTCX's rulebook under section 29 Clearing states:

> "29.1 Participants are responsible for:
>
> i) determining which Transactions executed on the OTCX MTF require to be cleared,
>
> ii) submitting such Transactions for clearing; and
>
> iii) fulfilling the Rules of the relevant agreements necessary for clearing the Transactions in line with Applicable Law."

It is the participant's responsibility to ensure any clearing mandate is adhered to. OTCX provides operational support to ensure each cleared trade has a pre-trade credit check (for non-clearing member) and is sent to clearing after the conclusion of the trade. The participant is required to determine if the product is cleared pre-trade.

Note: For US Persons additional clearing-related requirements will be added to the rulebook once CFTC authorisation is obtained by a no action letter (or equivalence). See footnote 13 of the previous no action letter requiring a rulebook update (https://www.cftc.gov/csl/22-16/download).

Note also that OTCX UK MTF was authorised by FCA subsequent to the 01 Dec 2022 no action letter.

8.2 Risk Management of Clearing House

The exchange has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

For all cleared interest rate swap trades OTCX provides connectivity to either LCH Limited or Chicago Mercantile Exchange, Inc. via an established third party middleware provider (MarkitWire). LCH Limited is supervised as a UK Central Counterparty (CCP) by the Bank of England (Financial market infrastructure supervision | Bank of England). Chicago Mercantile Exchange, Inc. is eligible for temporary deemed recognition in the UK by virtue of the Temporary Recognition Regime established by the Central Counterparties (Amendments, etc., and Transitional Provision) (EU Exit) Regulations 2018 as amended and therefore eligible for temporary deemed recognition pursuant to article 25 of the European Market Infrastructure Regulation (as amended) ('UK EMIR'). List of non-UK CCPs that are taken to be eligible for temporary deemed recognition in the UK (bankofengland.co.uk).

For Ontario clients, LCH Limited is a recognized clearing agency by the Commission. Accordingly LCH Limited is authorized to provide clearing services for interest rate swaps directly to Ontario Users.

CME Inc is an exempted clearing agency by the Commission. CME is registered with the Commodity Futures Trading Commission (the "CFTC") as a "derivatives clearing organization" ("DCO") within the meaning of the Commodity Exchange Act, as amended (the "CEA") and is required to have appropriate risk and control measures.

PART 9 SYSTEMS AND TECHNOLOGY

9.1 Systems and Technology

Each of the exchange's critical systems has appropriate internal controls to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and business continuity plans to enable the exchange to properly carry on its business. Critical systems are those that support the following functions:

(a) order entry,

(b) order routing,

(c) execution,

(d) trade reporting,

(e) trade comparison,

(f) data feeds,

(g) market surveillance,

(h) trade clearing, and

(i) financial reporting.

The OTCX UK MTF has appropriate internal controls (that cover all of the critical functions listed above) designed to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and a business continuity plan to enable OTCX UK MTF to properly carry on its business.

The internal controls are summarised in OTCX platform control strategy processes. The processes are to ensure that the capacity and capability of the system is considered within all key processes that execute transactions.

The roles, responsibilities and stakeholders are defined to support system configuration of platform controls and business training. The controls are:

- Planning and development
    - New business initiative- impact assessment
    - Product development-unit testing and volume testing
    - Technology strategy setting
- Transaction processing
    - Client onboarding
    - Product transaction flow-cleared and non-cleared products
    - Product transaction flow-errors
    - Platform management controls-services
    - Platform management controls-load balancing and replication
    - Platform management controls-processing queue
- Monitoring and response management
    - Platform status monitoring and management
    - Volume threshold monitoring
    - Incident capture, management and logging (Priority 1)
    - Incident notification process
    - Simulation and stress testing
    - Annual technology evaluation and remediation
    - Periodic testing of kill functionality
- Oversight
    - Management reporting
    - Independent review and validation

FCA requirements include capacity and resilience, in particular OTCX UK MTF has had to demonstrate conformance with RTS 7 Capacity and Resilience of Trading Venues and a detailed IT Controls process. This includes detailed processes for:

- System Testing for any deployments
- System Capacity
- System Monitoring
- Performance Review
- Business Continuity Process
- Disorderly Trading
- Pre-trade and Post-trade controls
- Security and Limits to system access

This detailed analysis of capacity and resilience requirements with associated governance and processes to support the requirements is contained in RTS 7 (UK Version of EU CDR 2017/584) that formed part of the detailed approval process for MTF authorisation.

9.2 System Capability/Scalability

Without limiting the generality of section 9.1, for each of its systems supporting order entry, order routing, execution, data feeds, trade reporting and trade comparison, the exchange:

(a) makes reasonable current and future capacity estimates;

OTCX UK MTF ensures that trading systems have sufficient capacity to perform their functions without systems failures, outages or errors in matching transactions at least at the highest number of messages per second recorded on that system during the previous five years multiplied by two. [RTS 7 Art 11(1)]

(b) conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;

OTCX has processes to review the capacity and performs stress tests resulting in promptly and effectively remedy any deficiencies identified. OTCX simulate adverse scenarios to verify the performance of the hardware, software and communications and identify the scenarios under which the trading system or parts of the trading system perform their functions with systems failures, outages or errors in matching transactions. Stress tests cover all trading phases, trading segments and types of instruments traded by OTCX.

(c) reviews the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters;

OTCX monitors its data centre as a critical outsource provider and has an IT Security Policy that includes Protection from Environmental Threats.

(d) ensures that safeguards that protect a system against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service are subject to an independent and ongoing audit which should include the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans;

OTCX IT Security Policy includes physical safeguards and security standards to protect the system. The data centre that houses the OTCX estate is fully ISO 27001 and ISO 9001 compliant and includes detailed requirements for protection of the data centre from unlawful and unauthorised physical intrusion as well as protection from malicious software.

(e) ensures that the configuration of the system has been reviewed to identify potential points of failure, lack of back-up and redundant capabilities;

OTCX UK MTF has a change management process that identifies and mitigates the risk of failures caused by faulty code or configuration changes. In particular as part of the security and data protection strategy it has policies to address configuration of network devices and user systems.

(f) maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and

As part of OTCX Trading Limited Platform Control Processes OTCX performs a periodic review of the performance and capacity of the trading systems.

(g) maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.

A fundamental requirement of the FCA under MiFID rules is "to have in place effective systems, procedures and arrangements to ensure its trading systems are resilient, have sufficient capacity to deal with peak order and message volumes, are able to ensure orderly trading under conditions of severe market stress, are fully tested to ensure such conditions are met and are subject to effective business continuity arrangements to ensure continuity of its services if there is any failure of its trading systems".

These requirements are detailed in RTS 7 and MiFID IT controls forms including OTCX Trading Limited - Business Continuity Management and Disaster Recovery Policy.

9.3 Information Technology Risk Management Procedures

The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and respond to market disruptions and disorderly trading.

The Board requires the Firm to adopt a risk management framework to protect the Firm and its customers, and to ensure ongoing compliance with regulatory expectations (see section 3.3).

OTCX has conducted a market abuse risk assessment and integrated it into a surveillance program that monitors for disorderly trading and potential trading errors. As part of the MTF Rulebook OTCX may take action where it appears required for the orderly functioning of the OTCX UK MTF and for the safety and integrity of the market, including;

- Suspending, halting or constraining all or part of trading on the OTCX UK MTF;
- Changing the Trading Hours;
- Temporarily changing or suspending the provision of the Rules.

Monitoring and operational procedures are in place to take appropriate action.

PART 10 FINANCIAL VIABILITY

10.1 Financial Viability

The exchange has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

The Applicant has adequate financial and staff resources to carry on its activities in full compliance with its regulatory requirements and with best practices. The Applicant is subject to prudential regulation, including minimum regulatory capital requirements, and must submit quarterly financial reports to the FCA.

OTCX Trading Limited is required to undergo an Internal Capital and Risk Assessment (ICARA) that is repeated annually or earlier should there be a significant change to OTCX's operating model. This process is detailed in FCA Handbook under MiFIDPRU 7.4 as described below;

ICARA process: baseline obligations

MIFIDPRU 7.4.9R

(1) A firm must have in place appropriate systems and controls to identify, monitor and, if proportionate, reduce all material potential harms:

(a) that the ongoing operation of the firm's business may cause to:

(i) the firm's clients and counterparties;

(ii) the markets in which the firm operates; and

(iii) the firm itself; and

(b) that may result from winding down the firm's business, to ensure that the firm can be wound down in an orderly manner.

(2) If any material potential harms remain after a firm has implemented the systems and controls in (1), the firm must assess whether to:

(a) hold additional own funds to address the harms in accordance with MIFIDPRU 7.6.2R; and

(b) hold additional liquid assets to address the harms in accordance with MIFIDPRU 7.7.2R.

(3) The requirements in this rule apply to a firm's entire business, including:

(a) all regulated activities, irrespective of whether they are MiFID business; and

(b) any unregulated activities.

(4) The systems, controls and procedures operated by a firm to comply with the requirements in this rule are known as the ICARA process.

OTCX has performed the analysis and determined the capital and liquidity resourced required. This includes a capital requirement equivalent to the Fixed Overhead Requirement (FOR) and liquid assets equivalent to one third of FOR. The ICARA is approved by the Board.

PART 11 TRADING PRACTICES

11.1 Trading Practices

Trading practices are fair, properly supervised and not contrary to the public interest.

FCA requirements are that trading practices are fair, properly supervised and not contrary to public interest.

In particular, the FCA Code of Market Conduct (MAR) requires "transparent and non-discretionary rules and procedures for fair and orderly trading." OTCX has a publicly available MTF Rulebook that all participants are required to adhere to as part of the onboarding process.

OTCX is required to supervise trading and participants are required to have appropriate trade monitoring systems.

Market abuse (insider trading and market manipulation) is monitored by OTCX UK MTF under UK version of EU Market Abuse Regulation 596/2014 and OTCX is required to report to the FCA suspected market abuse, disorderly trading and s significant breach of the MTF rules.

These requirements result in a fair and transparent market available to all eligible participants that is properly supervised and operated in line with the public interest.

11.2 Orders

Rules pertaining to order size and limits are fair and equitable to all market participants and the system for accepting and distinguishing between and executing different types of orders is fair, equitable and transparent.

The only available Trading Protocol is request-for-quote which is available to all and described in the publicly available MTF Rulebook. There are no specific rules for order size and limits, but trading is monitored for market abuse and disorderly trading which includes size and price parameters for validation and/or review. Participants can agree trade size and limits (except for cleared trades that are determined by the clearing member and ultimately the clearing house).

11.3 Transparency

The exchange has adequate arrangements to record and publish accurate and timely information as required by applicable law or the Foreign Regulator. This information is also provided to all participants on an equitable basis.

OTCX UK MTF is subject to Pre-Trade transparency requirements in accordance with MiFIR and will make public, on a continuous basis during Trading Hours, details of Orders, including bid and offer prices and the depth of the trading interest. OTCX has obtained Pre-Trade Transparency Waivers from the publication of all or part of the Pre-Trade data. Where the Transparency Waivers have been granted full details of orders on the OTCX UK MTF may not be made available to non-Participants.

OTCX UK MTF is subject to Post-Trade Transparency requirements in accordance with MiFIR and will make public, as close to real-time as technically possible, the price, volume and time of Transactions executed on the OTCX UK MTF. The Operator has

obtained a Post-Trade Transparency Deferrals from the publication of all or part of the Post-Trade Data. Where the Deferrals have been received from the FCA, OTCX may defer the publication of Post-Trade Data as provided by the applicable Deferral.

PART 12 COMPLIANCE, SURVEILLANCE AND ENFORCEMENT

12.1 Jurisdiction

The exchange or the Foreign Regulator has the jurisdiction to perform member and market regulation, including the ability to set rules, conduct compliance reviews and perform surveillance and enforcement.

An MTF is required under the FCA Handbook to set rules, conduct compliance reviews, monitor participants' trading activity and take enforcement action against participants when appropriate.

OTCX must (FCA Handbook MAR 5.6.1):

(1) report to the FCA any:

(a) significant breaches of the firm's rules;

(b) disorderly trading conditions;

(c) conduct that may involve market abuse; and

(d) system disruptions in relation to a financial instrument;

(2) supply the information required under this rule without delay to the FCA and any other authority competent for the investigation and prosecution of market abuse; and

(3) provide full assistance to the FCA, and any other authority competent for the investigation and prosecution of market abuse, in its investigation and prosecution of market abuse occurring on or through the firm's systems.

OTCX has Rules, policies, and procedures to comply with this requirement.

12.2 Member and Market Regulation

The exchange or the Foreign Regulator maintains appropriate systems, resources and procedures for evaluating compliance with exchange and legislative requirements and for disciplining participants.

Please see the responses to Sections 5.1 (Regulation), 6.1 (Rulemaking), 11.1 (Trading Practices) and 12.1 (Jurisdiction) and the OTCX UK MTF Rulebook that require OTCX UK MTF to have systems in place to monitor compliance by participants with view to identify any breaches of the Rules, eligibility criteria and misleading acts, conduct and prohibited practices.

12.3 Availability of Information to Regulators

The exchange has mechanisms in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory or enforcement purposes is available to the relevant regulatory authorities, including the Commission, on a timely basis.

12.1 describes the scope of information made available to the FCA on a timely basis. Please see section 16 below for further details.

PART 13 RECORD KEEPING

13.1 Record Keeping

The exchange has and maintains adequate systems in place for the keeping of books and records, including, but not limited to, those concerning the operations of the exchange, audit trail information on all trades, and compliance with, and/or violations of exchange requirements.

OTCX has implemented policies designed to ensure that the FCA has ready access to the records that it is required to maintain under MiFID, from which the FCA should be able to reconstruct each key stage of a transaction on the OTCX UK MTF if required, in particular under RTS 24 – Order Record Keeping Requirements (UK version of Commission Delegated Regulation (EU) 2017/580).

OTCX also keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access, along with a record of any breaches of the OTCX UK MTF Rulebook by its participants.

PART 14 OUTSOURCING

14.1 Outsourcing

Where the exchange has outsourced any of its key services or systems to a service provider, it has appropriate and formal arrangements and processes in place that permit it to meet its obligations and that are in accordance with industry best practices.

Outsourcing means an arrangement of any form between OTCX and a service provider by which that service provider performs a process, a service or an activity which would otherwise be undertaken by OTCX itself.

Outsourcing does not include where:

the process, service or activity is not part of the service offering of OTCX, such as provision of legal advice, security management of the OTCX office premises;

standardised services such as market information services; and

services that are part of the market structure, e.g. clearing.

Critical or important Outsourcing

An outsourcing agreement is defined as critical or important if a failure in its operations would:

- create systemic implications;
- undermine OTCX's compliance with regulatory obligations;
- create significant impact on OTCX's financial performance; and,
- severely undermine OTCX's ability to provide core products and services.

OTCX is bound by the FCA's outsourcing rules applicable to critical or important functions (SYSC 8.1). If OTCX chooses to outsource a critical process or service, it must notify the FCA and demonstrate how the firm is able to retain effective control of the outsourced activity. Compliance is in charge of notifying the FCA of any critical outsourcing arrangements.

OTCX has one important outsourcing arrangement: the hosting of OTCX servers to a data centre specialist. The datacentre is UK based, ISO 27001 and ISO 9001 compliant, OTCX review the standards of the host provider on an annual basis, ensuring they adhere to expected OTCX standards on disaster recovery (DR), BCP and service availability.

Risk based sourcing and selection process - OTCX's operates to an internally defined outsourcing policy that allows OTCX to engage in outsourcing agreements when the arrangement offers access to superior expertise and execution than might be attainable in-house. When OTCX decides to rely on a third party for the performance of operational activities, it must ensure that reasonable steps are taken to avoid undue operational risk. The outsourcing principles are applicable to both external vendors and intra-group arrangements part of OTCX. The following principles must be complied with:

- Quality impairment / risk degradation - No outsourcing should take place if that would impair the quality of OTCX's internal controls or ability to comply with relevant regulatory obligations;
- No degradation of OTCX responsibilities - No outsourcing should result in any delegation of responsibility by Senior Management;
- Diligence mandate - OTCX must exercise due skill, care, and diligence when entering into, managing and terminating an outsourcing agreement.

Contract specific requirements with current data centre provider:

- Access management - Data centres must be safeguarded against unlawful and unauthorised physical intrusion
- Data protection controls - Onsite and offsite locations where removable media is stored must provide access controls and protection which reduce the risk of loss or damage to an acceptable level. (Printed output if created is to be protected at all times.)
- Disaster recovery plans - for all systems are developed, tested, and implemented regularly.
- Protection from environmental threats - When locating data centres, suitable precautions are to be taken to guard against the environmental threats of power outages, fire, flood, and excessive ambient temperature and humidity.

- Backup power - An uninterruptible power supply (UPS) are installed to ensure the continuity of services during power outages. With appropriate long term power generation available on site, such as diesel generators and fuel for 48 hours.

- Protection from theft, fire, flood, + other hazards - The sites chosen to locate computers and store data are suitably protected from physical intrusion, theft, fire, flood, and other hazards.

- Service level agreements - are defined for the data centre (critical outsource) as per SYSC 8 of the FCA Handbook and are in place or planned.

PART 15 FEES

15.1 Fees

(a) All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants to the services offered by the exchange.

(b) The process for setting fees is fair and appropriate, and the fee model is transparent.

The key requirement for OTCX UK MTF is in the FCA Handbook (MAR 5.3A.11)

“A firm’s fee structure, for all fees it charges and rebates it grants in relation to the MTF, must:

(1) be transparent, fair and non-discriminatory;

(2) not create incentives to place, modify or cancel orders, or execute transactions, in a way which contributes to disorderly trading or market abuse;”

OTCX publishes a publicly available transparent rate card with a fee structure that applies equally to all participants. Any change to the rate card will be notified by a market notice.

PART 16 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

16.1 Information Sharing and Regulatory Cooperation

The exchange has mechanisms in place to enable it to share information and otherwise co-operate with the Commission, self-regulatory organizations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.

OTCX has an open and cooperative policy to respond promptly to any regulatory enquiry in a timely manner.

The MTF Rulebook states:

- “In the event of an information request, regulatory investigation or any other action by any Regulator or Competent Authority in relation to activity conducted on the OTCX UK MTF, the Participant must provide access to any information and documentation relevant to the request and co-operate with OTCX and the relevant Regulator unless the Participant is restricted by Applicable Law.”

- “The Operator will share information with the FCA or any other relevant Competent Authority with oversight of any regulated activity to which the OTCX UK MTF relates as required”

16.2 Oversight Arrangements

Satisfactory information sharing and oversight agreements exist between the Commission and the Foreign Regulator.

The Commission is party to a memoranda of understanding with each of the FCA and the Bank of England (the “MOUs”). The MOUs came into effect on August 21, 2013. The MOUs provide a comprehensive framework for consultation, cooperation and information-sharing related to the day-to-day supervision and oversight of cross-border regulated entities.

PART 17 IOSCO PRINCIPLES

17.1 IOSCO Principles

To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Organisation of Securities Commissions (IOSCO) including those set out in the "Principles for the Regulation and Supervision of Commodity Derivatives Markets" (2011).

OTCX UK MTF adheres to the standards of IOSCO in that it must comply with the MiFID II and the FCA rules set down in the FCA Handbook, which reflect the IOSCO standards.

Part IV Submissions by the Applicant

Commission Staff Notice 21-711 Multilateral Trading Facility Exemption from Requirement to be Recognized as an Exchange states:

> "Because MTFs have self-regulatory responsibilities, they are considered 'exchanges' under Ontario securities law. If an MTF provides access to participants in Ontario, it is considered to be doing business in Ontario and must be recognized as an exchange or obtain an exemption from recognition."

The MTF Instruments that the Applicant intends to make available to trade on the OTCX UK MTF fall under the definition of "derivative" as set forth in subsection 1(1) of the Act. The OTCX UK MTF falls under the definition of "marketplace" set out in subsection 1(1) of the Act because it brings together buyers and sellers of securities and derivatives and uses established, non-discretionary methods under which orders interact with each other.

An "exchange" is not defined under the Act; however, subsection 3.1(1) of the companion policy to National Instrument 21-101 – Marketplace Operation provides that a "marketplace" is considered to be an "exchange" if it, among other things, sets requirements governing the conduct of marketplace participants or disciplines marketplace participants. An MTF is a self-regulatory organization under FCA rules and has certain obligations to monitor participants' trading activity. Because an MTF regulates the conduct of its participants, it is considered by the Commission to be an exchange for purposes of the Act.

A multilateral trading facility (MTF) is a multilateral system, operated in the UK by an investment firm or market operator, which brings together multiple third-party buying and selling interests in financial instruments in accordance with non-discretionary rules in a way that results in a contract.

OTCX is authorised to operate a multilateral trading facility (MTF) by the FCA and as discussed in Part III of this Application satisfies the criteria for exemption from recognition as an exchange.

OTCX submits that the Requested Relief from the requirement to be recognized as an exchange under the Act is appropriate because OTCX UK MTF is registered as an MTF with the FCA, the regulator in its home jurisdiction.

Ontario market participants that trade in swaps would benefit from the ability to trade on the Applicant's MTF, as they would have access to a depth of liquidity in a range of swaps with swap counterparties that otherwise may not be available in Ontario

Based on the foregoing, we submit that it would not be prejudicial to the public interest to grant the Requested Relief.

Part V Consent to Publication

The Applicant consents to the publication of this application for public comment.

Yours very truly,

"Paul Stones"
COO
OTCX Trading Limited

OTCX UK MTF – Draft Order

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S. 5,
AS AMENDED
(the Act)

AND

IN THE MATTER OF
OTCX TRADING LIMITED

ORDER
(Section 147 of the Act)

WHEREAS OTCX Trading Limited (**Applicant**) has filed an application dated May 01, 2024 (**Application**) with the Ontario Securities Commission (**Commission**) requesting an order for the following relief (collectively, the **Requested Relief**):

(a) exempting the Applicant from the requirement to be recognized as an exchange under subsection 21(1) of the Act pursuant to section 147 of the Act; and

(b) exempting the Applicant from the requirements in National Instrument 21-101 *Marketplace Operation* (**NI 21-101**) pursuant to section 15.1 of NI 21-101, the requirements of National Instrument 23-101 *Trading Rules* (**NI 23-101**) pursuant to section 12.1 of NI 23-101 and the requirements of National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* (**NI 23-103**) pursuant to section 10 of NI 23-103;

AND WHEREAS the Applicant has represented to the Commission that:

1. The Applicant is a private limited company organized under the laws of England and Wales. The ultimate parent company of the Applicant is OTCX Limited, a private limited company organized under the laws of England and Wales;

2. OTCX Trading Limited provides electronic trading capabilities in OTC derivatives and structured products;

3. On July 24, 2023 the U.K. Financial Conduct Authority (the **FCA** or **Foreign Regulator**), a financial regulatory body in the United Kingdom (**U.K.**), authorized the Applicant to act as the operator of the OTCX UK MTF, a multilateral trading facility (**MTF**). The Applicant currently has approval from the FCA to offer the following products for trading on the OTCX UK MTF: UK MiFID Financial Instruments; C4 Derivatives (interest rate, other interest rate, equity) and C8 Credit Derivatives (credit default swaps, total return swaps, constant maturity swaps). The OTCX UK MTF began operations on December 11, 2023. Structured products do not trade on the OTCX UK MTF and are not part of this order;

4. The financial products included in this order are single and multi-currency interest rate swaps, overnight index swaps, inflation swaps, swaptions, forward rate agreements, constant maturity swaps, caps/floors and total return swaps. These are swaps or security based swaps as defined in section 1a(47) of the United States Commodity Exchange Act (**CEA**). The above product set will be restricted to Ontario Users unless otherwise approved by the Commission;

5. The OTCX UK MTF supports a request for quote trading platform for trading derivatives;

6. The Applicant is subject to regulatory supervision by the FCA and is required to comply with the FCA's Handbook, which includes rules on business conduct, market conduct, systems controls, technical resilience, fair and orderly trading, and identifying and managing conflicts of interest;

7. The FCA has direct regulatory oversight of U.K. MTFs and OTCX is subject to the FCA's threshold conditions and principles. The FCA Handbook has specific MTF requirements, including reporting to the FCA any significant breaches of MTF rules, disorderly trading conditions and market abuse. As a result, OTCX UK MTF operates real time trade surveillance with policy and procedures to escalate potential breaches.

   OTCX has the following policies and procedures to monitor participants' adherence to these FCA rules:

   - a compliance monitoring program that reviews activity in respect of compliance with the MTF rulebook that results in immediately notifying the FCA any significant breaches of MTF rules; and

   - operational and compliance procedures to detect disorderly trading, system disruptions and conduct that may involve market abuse and to notify the FCA immediately if detected.

8. An MTF must submit all trades that are required or requested to be cleared to a clearing house for clearing. OTCX UK MTF provides connectivity to LCH Limited and CME Inc via established third party middleware. For Ontario clients LCH Limited is a recognized clearing agency and CME is an exempted clearing agency by the OSC, as a consequence both can provide clearing services for interest rate swaps directly to Ontario users;

9. The Applicant requires that its participants be "professional clients" or "eligible counterparties," as defined by the FCA in COBS 3 of the FCA Handbook. OTCX UK MTF has onboarding requirements and procedures to ensure regulatory, compliance, operational and technical set up is completed before participants are enabled to participate on the venue. These include know your client, anti-money laundering checks and subsequent verification of conduct and technical capabilities as required by the Applicant's rulebook;

10. All participants that are located in Ontario, including participants with their headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier (**LEI**)) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity (**Ontario Participants**) are required to be registered under Ontario securities laws, exempt from registration or not subject to registration requirements. All participants are permitted clients as defined by National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. An Ontario Participant is required to immediately notify the Applicant if it ceases to meet any of the above criteria represented by it on an ongoing basis;

11. Because an MTF regulates the conduct of its participants, OTCX UK MTF is considered by the Commission to be an exchange for purposes of the Act;

12. Because the Applicant has participants that are Ontario Participants, it is considered by the Commission to be carrying on business as an exchange in Ontario and is required to be recognized as such or exempted from recognition pursuant to section 21 of the Act;

13. The Applicant has no physical presence in Ontario and does not otherwise carry on business in Ontario except as described above;

14. OTCX UK MTF does not offer access to retail clients; and

15. The Applicant satisfies the exemption criteria as described in Appendix I to Schedule "A".

AND WHEREAS the products traded on the OTCX UK MTF are not commodity futures contracts as defined in the *Commodity Futures Act* (Ontario) and the Applicant is not considered to be carrying on business as a commodity futures exchange in Ontario;

AND WHEREAS the Commission will monitor developments in international and domestic capital markets and the Applicant's activities on an ongoing basis to determine whether it is appropriate for the Requested Relief to continue to be granted subject to the terms and conditions set out in Schedule "A" to this order;

AND WHEREAS the Applicant has acknowledged to the Commission that the scope of the Requested Relief and the terms and conditions imposed by the Commission set out in Schedule "A" to this order, or the determination whether it is appropriate that the Applicant continue to be exempted from the requirement to be recognized as an exchange, may change as a result of the Commission's monitoring of developments in international and domestic capital markets or the Applicant's activities, or as a result of any changes to the laws in Ontario affecting trading in derivatives or securities;

AND WHEREAS based on the Application, together with the representations made by and acknowledgments of the Applicant to the Commission, the Commission has determined that the Applicant satisfies the criteria set out in Appendix I to Schedule "A" and that the granting of the Requested Relief would not be prejudicial to the public interest;

IT IS HEREBY ORDERED by the Commission that

(i) pursuant to section 147 of the Act, the Applicant is exempt from recognition as an exchange under subsection 21(1) of the Act; and

(ii) (ii) pursuant to sections 15.1 of NI 21-101, 12.1 of NI 23-101 and 10 of NI 23-103, the Applicant is exempt from the requirements in NI 21-101, NI 23-101 and NI 23-103.

PROVIDED THAT the Applicant complies with the terms and conditions contained in Schedule "A".

DATED

SCHEDULE "A"

TERMS AND CONDITIONS

Meeting Criteria for Exemption

1. The Applicant will continue to meet the criteria for exemption included in Appendix I to this Schedule.

Regulation and Oversight of the Applicant

2. The Applicant will maintain its permission to operate a multilateral trading facility (**MTF**) with the U.K. Financial Conduct Authority (**FCA**) in the United Kingdom (**U.K.**) and will continue to be subject to the regulatory oversight of the FCA.

3. The Applicant will continue to comply with the ongoing requirements applicable to it as an operator of an MTF registered with the FCA.

4. The Applicant will promptly notify the Commission if its authorization as an operator of an MTF has been revoked, suspended, or amended by the FCA, or the basis on which its authorization as an operator of an MTF has been granted has significantly changed.

5. The Applicant must do everything within its control, which includes cooperating with the Commission as needed, to carry out its activities as an exchange exempted from recognition under subsection 21(1) of the Act in compliance with Ontario securities law.

Access

6. The Applicant will not provide direct access to a participant in Ontario including a participant with its headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier (**LEI**)) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity (**Ontario User**) unless the Ontario User is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements, and qualifies as a "professional client" or an "eligible counterparty", as defined by the FCA in COBS 3 of the FCA's Handbook.

7. For each Ontario User provided direct access to its MTF, the Applicant will require, as part of its application documentation or continued access to the MTF, the Ontario User to represent that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements.

8. The Applicant may reasonably rely on a written representation from the Ontario User that specifies either that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements, provided the Applicant notifies such Ontario User that this representation is deemed to be repeated each time it enters an order, request for quote or response to a request for quote or otherwise uses the Applicant's MTF.

9. The Applicant will require Ontario Users to notify the Applicant if their registration as applicable under Ontario securities laws has been revoked, suspended, or amended by the Commission or if they are no longer exempt from or become subject to those requirements and, following notice from the Ontario User and subject to applicable laws, the Applicant will promptly restrict the Ontario User's access to the Applicant's MTF if the Ontario User is no longer appropriately registered or exempt from those requirements.

Trading by Ontario Users

10. The Applicant will not provide access to an Ontario User to trading in products set out in Representation 4, without prior Commission approval.

11. Trading in the approved products by Ontario Users must be cleared and settled through a clearing agency or clearing house that is regulated as a clearing agency or clearing house by the applicable regulator.

Submission to Jurisdiction and Agent for Service

12. With respect to a proceeding brought by the Commission arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the activities of the Applicant in Ontario, the Applicant will submit to the non-exclusive jurisdiction of (i) the courts and administrative tribunals of Ontario and (ii) an administrative proceeding in Ontario.

13. The Applicant will submit to the Commission a valid and binding appointment of an agent for service in Ontario upon whom the Commission may serve a notice, pleading, subpoena, summons or other process in any action, investigation

or administrative, criminal, quasi-criminal, penal or other proceeding arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the Applicant's activities in Ontario.

Prompt Reporting

14. The Applicant will notify staff of the Commission promptly of:

(a) any authorization to carry on business granted by the FCA is revoked or suspended or made subject to terms or conditions on the Applicant's operations;

(b) the Applicant institutes a petition for a judgment of bankruptcy or insolvency or similar relief, or to wind up or liquidate the Applicant or has a proceeding for any such petition instituted against it;

(c) a receiver is appointed for the Applicant or the Applicant makes any voluntary arrangement with creditors;

(d) the Applicant marketplace is not in compliance with this Order or with any applicable requirements, laws or regulations of the FCA where it is required to report such non-compliance to the FCA;

(e) any known investigations of, or disciplinary action against, the Applicant by the FCA or any other regulatory authority to which it is subject; and

(f) the Applicant makes any material change to the eligibility criteria for Ontario Users.

Semi-Annual Reporting

15. The Applicant will maintain the following updated information and submit such information in a manner and form acceptable to the Commission on a semi-annual basis (by July 31 for the first half of the calendar year and by January 31 of the follow year for the second half), and at any time promptly upon the request of staff of the Commission:

(a) a current list of all Ontario Users and whether the Ontario User is registered under Ontario securities laws or is exempt from or not subject to registration, and, to the extent known by the Applicant, other persons or companies located in Ontario trading on the Applicant's MTF as customers of participants (**Other Ontario Participants**);

(b) the legal entity identifier assigned to each Ontario User, and, to the extent known by the Applicant, to Other Ontario Participants in accordance with the standards set by the Global Legal Entity Identifier System;

(c) a list of all Ontario Users against whom disciplinary action has been taken since the previous report by the Applicant or its regulation service provider (**RSP**) acting on its behalf, or, to the best of the Applicant's knowledge, by the FCA with respect to such Ontario Users' activities on the Applicant's MTF and the aggregate number of disciplinary actions taken against all participants since the previous report by the Applicant or its RSP acting on its behalf;

(d) a list of all active investigations since the last report by the Applicant relating to Ontario Users and the aggregate number of active investigations since the last report relating to all participants undertaken by the Applicant;

(e) a list of all Ontario applicants for status as a participant who were denied such status or access to the Applicant since the last report, together with the reasons for each such denial; and

(f) for each product,

(i) the total trading volume and value originating from Ontario Users, and, to the extent known by the Applicant, from Other Ontario Participants, presented on a per Ontario User or per Other Ontario Participant basis; and

(ii) the proportion of worldwide trading volume and value on the Applicant's MTF conducted by Ontario Users, and, to the extent known by the Applicant, by Other Ontario Participants, presented in the aggregate for such Ontario Users and Other Ontario Participants;

provided in the required format.

Information Sharing

16. The Applicant will provide such information as may be requested from time to time by, and otherwise cooperate with, the Commission or its staff, subject to any applicable privacy or other laws (including solicitor-client privilege) governing the sharing of information and the protection of personal information.

APPENDIX I

CRITERIA FOR EXEMPTION OF A FOREIGN EXCHANGE TRADING OTC DERIVATIVES FROM RECOGNITION AS AN EXCHANGE

PART 1 REGULATION OF THE EXCHANGE

1.1 Regulation of the Exchange

The exchange is regulated in an appropriate manner in another jurisdiction by a foreign regulator (**Foreign Regulator**).

1.2 Authority of the Foreign Regulator

The Foreign Regulator has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator.

PART 2 GOVERNANCE

2.1 Governance

The governance structure and governance arrangements of the exchange ensure:

(a) effective oversight of the exchange,

(b) that business and regulatory decisions are in keeping with its public interest mandate,

(c) fair, meaningful and diverse representation on the board of directors (**Board**) and any committees of the Board, including:

  (i) appropriate representation of independent directors, and

  (ii) a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,

(d) the exchange has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors and employees, and

(e) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.

2.2 Fitness

The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person and past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.

PART 3 REGULATION OF PRODUCTS

3.1 Review and Approval of Products

The products traded on the exchange and any changes thereto are submitted to the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.

3.2 Product Specifications

The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.

3.3 Risks Associated with Trading Products

The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the exchange that may include, but are not limited to, daily trading limits, price limits, position limits, and internal controls.

PART 4 ACCESS

4.1 Fair Access

(a) The exchange has established appropriate written standards for access to its services including requirements to ensure

(i) participants are appropriately registered as applicable under Ontario securities laws, or exempted from these requirements,

(ii) the competence, integrity and authority of systems users, and

(iii) systems users are adequately supervised.

(b) The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.

(c) The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.

(d) The exchange does not

(i) permit unreasonable discrimination among participants, or

(ii) impose any burden on competition that is not reasonably necessary and appropriate.

(e) The exchange keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.

PART 5 REGULATION OF PARTICIPANTS ON THE EXCHANGE

5.1 Regulation

The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of its participants, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.

PART 6 RULEMAKING

6.1 Purpose of Rules

(a) The exchange has rules, policies and other similar instruments (**Rules**) that are designed to appropriately govern the operations and activities of participants and do not permit unreasonable discrimination among participants or impose any burden on competition that is not reasonably necessary or appropriate.

(b) The Rules are not contrary to the public interest and are designed to

(i) ensure compliance with applicable legislation,

(ii) prevent fraudulent and manipulative acts and practices,

(iii) promote just and equitable principles of trade,

(iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,

(v) provide a framework for disciplinary and enforcement actions, and

(vi) ensure a fair and orderly market.

PART 7 DUE PROCESS

7.1 Due Process

For any decision made by the exchange that affects a participant, or an applicant to be a participant, including a decision in relation to access, exemptions, or discipline, the exchange ensures that:

(a) parties are given an opportunity to be heard or make representations, and

(b) it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions.

PART 8 CLEARING AND SETTLEMENT

8.1 Clearing Arrangements

The exchange has or requires its participants to have appropriate arrangements for the clearing and settlement of transactions for which clearing is mandatory through a clearing house.

8.2 Risk Management of Clearing House

The exchange has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

PART 9 SYSTEMS AND TECHNOLOGY

9.1 Systems and Technology

Each of the exchange's critical systems has appropriate internal controls to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and business continuity plans to enable the exchange to properly carry on its business. Critical systems are those that support the following functions:

(a) order entry,

(b) order routing,

(c) execution,

(d) trade reporting,

(e) trade comparison,

(f) data feeds,

(g) market surveillance,

(h) trade clearing, and

(i) financial reporting.

9.2 System Capability/Scalability

Without limiting the generality of section 9.1, for each of its systems supporting order entry, order routing, execution, data feeds, trade reporting and trade comparison, the exchange:

(a) makes reasonable current and future capacity estimates;

(b) conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;

(c) reviews the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters;

(d) ensures that safeguards that protect a system against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service are subject to an independent and ongoing audit which should include the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans;

(e) ensures that the configuration of the system has been reviewed to identify potential points of failure, lack of back-up and redundant capabilities;

(f) maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and

(g) maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.

9.3 Information Technology Risk Management Procedures

The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and respond to market disruptions and disorderly trading.

PART 10 FINANCIAL VIABILITY

10.1 Financial Viability

The exchange has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

PART 11 TRADING PRACTICES

11.1 Trading Practices

Trading practices are fair, properly supervised and not contrary to the public interest.

11.2 Orders

Rules pertaining to order size and limits are fair and equitable to all market participants and the system for accepting and distinguishing between and executing different types of orders is fair, equitable and transparent.

11.3 Transparency

The exchange has adequate arrangements to record and publish accurate and timely information as required by applicable law or the Foreign Regulator. This information is also provided to all participants on an equitable basis.

PART 12 COMPLIANCE, SURVEILLANCE AND ENFORCEMENT

12.1 Jurisdiction

The exchange or the Foreign Regulator has the jurisdiction to perform member and market regulation, including the ability to set rules, conduct compliance reviews and perform surveillance and enforcement.

12.2 Member and Market Regulation

The exchange or the Foreign Regulator maintains appropriate systems, resources and procedures for evaluating compliance with exchange and legislative requirements and for disciplining participants.

12.3 Availability of Information to Regulators

The exchange has mechanisms in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory or enforcement purposes is available to the relevant regulatory authorities, including the Commission, on a timely basis.

PART 13 RECORD KEEPING

13.1 Record Keeping

The exchange has and maintains adequate systems in place for the keeping of books and records, including, but not limited to, those concerning the operations of the exchange, audit trail information on all trades, and compliance with, and/or violations of exchange requirements.

PART 14 OUTSOURCING

14.1 Outsourcing

Where the exchange has outsourced any of its key services or systems to a service provider, it has appropriate and formal arrangements and processes in place that permit it to meet its obligations and that are in accordance with industry best practices.

PART 15 FEES

15.1 Fees

(a) All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants to the services offered by the exchange.

(b) The process for setting fees is fair and appropriate, and the fee model is transparent.

PART 16 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

16.1 Information Sharing and Regulatory Cooperation

The exchange has mechanisms in place to enable it to share information and otherwise co-operate with the Commission, self-regulatory organizations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.

16.2 Oversight Arrangements

Satisfactory information sharing and oversight agreements exist between the Commission and the Foreign Regulator.

PART 17 IOSCO PRINCIPLES

17.1 IOSCO Principles

To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Organisation of Securities Commissions (IOSCO) including those set out in the "Principles for the Regulation and Supervision of Commodity Derivatives Markets" (2011).

B.11.2.2 Canadian Securities Exchange – Significant Change Subject to Public Comment – Introduction of CSE Market-On-Close – Notice of Approval

CANADIAN SECURITIES EXCHANGE

SIGNIFICANT CHANGE SUBJECT TO PUBLIC COMMENT

INTRODUCTION OF CSE MARKET-ON-CLOSE

NOTICE OF APPROVAL

In accordance with the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto attached as Appendices to its recognition orders (the "Protocol"), CNSX Markets Inc. ("CSE") has proposed, and the Ontario Securities Commission and British Columbia Securities Commission have approved significant changes (the "Amendments") to CSE's Form 21-101F1 to introduce a CSE Market-On-Close (CSE MOC).

Summary of the Amendments

On May 3, 2024, CSE published *Notice 2024-02 – Introduction of CSE Market-On-Close – Notice and Request for Comments*. With the implementation of the Amendments, CSE will introduce the CSE MOC to operate on CSE, CSE's primary trading book, for select CSE Listed securities.

The CSE MOC will allow for a source of centralized liquidity for eligible CSE Listed securities, with the potential to concentrate liquidity, reduce volatility, and increase the size of execution during the closing auction. The CSE MOC will also increase market stability by offering market participants the opportunity for high quality price discovery based on a closing price supported by a deeper order book with spreads reflective of the information that has become available during the trading day.

Comments

The comment period ended on June 3, 2024. CSE received three comment letters. All three commentors supported the model chosen by the CSE for its MOC and welcomed the introduction of the CSE MOC to the Canadian equity markets. CSE thanks each of the commentors for their support and thanks industry participants for their input on this proposal.

Effective Date

The Amendments will take effect later in Q1 of 2025 and CSE will disseminate a separate notice confirming that date.

Questions

Questions about this notice may be directed to:

Anastassia Tikhomirova, Senior Legal Counsel & Designated Privacy Officer
(Anastassia.Tikhomirova@thecse.com)

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