

B.11

CIRO, Marketplaces, Clearing Agencies and Trade Repositories

B.11.2 Marketplaces

B.11.2.1 Canadian Securities Exchange – Proposed Amendments to CSE Listing Policies – Notice and Request for Comments

CANADIAN SECURITIES EXCHANGE
SIGNIFICANT CHANGE SUBJECT TO PUBLIC COMMENT
PROPOSED AMENDMENTS TO CSE LISTING POLICIES
NOTICE AND REQUEST FOR COMMENTS

CNSX Markets Inc., operator of the Canadian Securities Exchange (CSE or Exchange) is filing this Notice in accordance with the process for the Review and Approval of Rules and Information Contained in Form 21-101F1 and the Exhibits Thereto attached as Appendices to the Exchange's recognition orders (the Protocol). CSE is proposing to amend CSE Listing Policies (Policies) to introduce resale restrictions on listed securities issued by Listed Issuers (Proposed Amendments). These Proposed Amendments are a Significant Change under the Protocol and subject to public comment.

A. Description of the Proposed Amendments

The principles of securities law and issuer regulation rely on the disclosure of key information to shareholders and the public. CSE is proposing that its Policies be amended to introduce resale restrictions (or "holds") on all prospectus-exempt issuances of listed securities, excluding issuances by NV Issuers, which is consistent with the treatment of "non-venture" issuers on other exchanges in Canada.

Subsection 6.1(4) currently includes a requirement for holds in limited circumstances¹. This subsection will be amended to impose a hold on any securities issued under a prospectus exemption (proposed 6.1(4)(a)). This hold may not be applied where the appropriate disclosure is available (6.1(4)(b)) at the time of issuance of the securities.

Specifically, an Exchange Hold will not apply where:

1. the listed securities are issued:
 - as consideration for an acquisition or in connection with a business combination, if prospectus level disclosure about the assets or target company is available in the form of an Information Circular, Listing Statement, or Take-Over Bid Circular;
 - in a financing or debt settlement, if the price of the securities is equal to or greater than the closing price or alternative price established in accordance with 6.2(2); or
 - pursuant to a prospectus exemption for which an offering document or circular has been filed; or
2. the Issuer posts a disclosure document prepared by the Issuer and acceptable to the Exchange.

The Proposed Amendments provide that even where the above disclosure is provided, the Exchange could impose a Hold in certain circumstances, when considering factors that are specific to the circumstances of the issuer including the relationship between the Listed Issuer and the Person receiving securities, the price per security, number of securities to be issued, or the value of the transaction (6.1(4)(c)).

¹ In addition to any applicable resale restrictions under securities law, securities issued under the prospectus exemption in section 2.24 of National Instrument 45-106 *Prospectus Exemptions*

With respect to the Proposed Amendments in 8.3(b), when a transaction is a Fundamental Change², a process is triggered that includes a requirement for disclosure, extended trading halts, and both Exchange and shareholder approval. In the Exchange's view, there are some transactions that, while not technically Fundamental Changes under the definition, should be subject to additional disclosure. Rather than applying the Fundamental Change requirements in these circumstances, the Exchange proposes to impose an Extended Hold (referred to in 6.1(4)) on the shares until additional disclosure is made publicly available. The Extended Hold will apply until 10 days after the disclosure is made publicly available. For example, where the Exchange determines that resale restrictions would be appropriate for shares issued as consideration for an acquisition of a business or asset until financial disclosure is available, an Extended Hold would be required until 10 days following the filing of the specified financial statements of the target or the issuer, provided that the acquisition is reflected in the financial statements.

Definitions will be added to subsection 1.3(2) to support the regime. Specifically, new definitions of "Exchange Hold", "Extended Hold", "Holds", "Information Circular" and "Take-Over Bid Circular" will be added. Consequential changes are being made to add a definition of Take-Over Bid Circular to 1.3(2), and to 6.10 and 8.3 which include the term.

References to the amended 6.1(4) and amended 8.3 of Policy 8 *Fundamental Changes and Changes of Business* will be added to 6.2 Private Placements and 6.3 Acquisitions.

It should be noted that these amendments do not replace the Exchange's application of Policy 8 *Fundamental Changes and Changes of Business*. This approach of imposing an Exchange Hold or Extended Hold, combined with comprehensive timely disclosure, allows investors to trade while restricting those with knowledge of undisclosed information related to a transaction or acquired assets until such disclosure is publicly available. In our view, this approach is consistent with the public interest and fosters fair and efficient markets.

The blacklined text of the policies included in Appendix A and the amended text is attached as Appendix B. Current CSE Policies are available at: [Policies](#) | CSE - Canadian Securities Exchange (these.com)

B. Expected Effective Date

The Proposed Amendments will be effective following regulatory approval.

C. Rationale for the Proposal and Supporting Analysis

The CSE listings model relies on the availability of disclosure, so that investors can make well-informed investment decisions. In the Exchange's view, it is in the public interest to impose a hold on certain shares until disclosure is provided to the market and existing investors. This is especially the case where additional securities of an issuer are being distributed by way of a prospectus exemption. It is CSE's view that the issuance of such securities should be *de facto* subject to a hold, unless adequate disclosure is available at the time the securities are issued. Where specific disclosure documents are available, the Exchange Hold will not apply.

The Proposed Amendments make the Exchange's existing practice of imposing terms and conditions on the issuance of shares more transparent. This discretion includes the imposition of resale restrictions. The Proposed Amendments also provide a framework through which Holds will be applied to listed issuers, other than NV Issuers.

With respect to the new 8.3(b), the approach achieves the disclosure objectives without a trading halt. Imposing a halt would immediately restrict all investors from trading and prevent trading by securityholders opposed to the proposed transaction or simply looking to reduce or liquidate their holdings until the transaction is completed and they become a shareholder of the resulting issuer. In that case, in the Exchange's view, an Extended Hold provides an alternative to a potentially lengthy halt in circumstances where more disclosure is appropriate, but the full Fundamental Change process is not necessary to achieve the regulatory objective.

D. Expected Impact

The proposed amendments are expected to impact parties receiving shares under certain circumstances. Specifically, the Proposed Amendments will prohibit the issuance of immediately tradable shares issued at a discount to market, or shares issued as consideration for assets without comprehensive disclosure of the value of those assets. It is our view that this impact is proportionate to the objective of ensuring that the appropriate disclosure is publicly available before the shares received are freely tradeable.

E. Compliance with Ontario and British Columbia Securities Law

The Proposed Amendments are consistent with Ontario and British Columbia securities law.

² CSE 1.3(2) *Definitions* – Fundamental Change means a Major acquisition accompanied or preceded by a Change of Control. Or a transaction or series of transactions determined to be such by the CSE.

F. Technology Changes

No related technology changes are required.

G. Alternatives Considered

The alternative was to maintain the status quo whereby the only resale restrictions imposed were those on securities issued pursuant to section 2.24 of National Instrument 45-106 *Prospectus Exemptions*, unless written approval is provided by the Exchange. In all other cases, issuances of securities are subject only to the resale restrictions required by National Instrument 45-102 *Resale of Securities*³.

H. Other Markets or Jurisdictions

TSX Venture Exchange (TSXV) has similar resale restrictions with differences in the application. TSXV policies explicitly exclude securities issued in certain transactions from the application of a resale restriction, for example, whereas the CSE proposal would still require explicit approval based on the available disclosure about the transaction. TSXV policies may require restrictions on shares issued to specific persons, whereas the CSE proposal would apply to all issuances, with approval being subject to issue price and disclosure requirements.

Comments

Please submit comments on the proposed amendments no later than March 21, 2025 to:

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³ New listings, and listings resulting from Fundamental Change transactions, are subject to escrow requirements.

APPENDIX A

BLACK-LINED VERSION OF CSE LISTING POLICIES

Policy 1 Interpretation and General Provisions

[...]

1.3 Definitions

[...]

(2) In all Policies, unless the subject matter or context otherwise requires:

[...]

Exchange Hold means a resale restriction imposed by the Exchange for a period of four months. The Exchange Hold may run concurrently with, and does not replace, any resale restrictions required by applicable securities laws.

[...]

Extended Hold means a resale restriction imposed by the Exchange for a period greater than four months

[...]

Hold(s) refers to an Exchange Hold or an Extended Hold.

[...]

Information Circular has the meaning ascribed to it in National Instrument 51-102 Continuous Disclosure Obligations.

[...]

Take-Over Bid Circular means Form 62-104F1, prepared and filed pursuant to National Instrument 62-104 Take-Over Bids and Issuer Bids.

[...]

Policy 6 Distributions and Corporate Finance

6.1 General

[...]

(4) Listed Issuers must comply with applicable requirements of securities and corporate law for any distribution of securities. In particular, Listed Issuers should refer to National Instrument 45-106 *Prospectus Exemptions* (NI 45-106) for exempt distributions including rights offerings and National Instrument 45-102 *Resale of Securities* (45-102) for restrictions on resale of securities.

(a) In addition to any ~~applicable~~ resale restrictions imposed pursuant to applicable ~~under~~ securities laws, where listed securities are issued by an issuer other than an NV Issuer pursuant to a ~~under the~~ prospectus exemption, the listed securities are subject to an Exchange Hold commencing on the date of issuance of the securities. ~~in section 2.24 of NI 45-106 (Employee, executive officer, director and consultant) must be subject to a hold period of 4 months commencing on the date of distribution of the securities unless written approval to issue the securities without the hold period is obtained from the Exchange.~~

(b) Paragraph (a) does not apply if:

i) the listed securities are issued:

(1) as consideration for an acquisition or in connection with a business combination, only if prospectus level disclosure about the assets or target company is available in the form of an Information Circular, Listing Statement, or Take-Over Bid Circular;

(2) in a financing or debt settlement, only if the price of the securities is equal to or greater than the closing price or alternative price established in accordance with 6.2(2); or

- (3) [pursuant to a prospectus exemption applicable to circumstances other than those described in \(1\) and \(2\) above for which disclosure is made in the form of an offering document or circular as prescribed under securities laws; or](#)
- ii) [the Issuer posts a disclosure document prepared by the Issuer and acceptable to the Exchange](#)

~~In determining whether the hold period will be required, the Exchange will consider such things as~~

(c) [Notwithstanding paragraph \(b\), after considering relevant factors in the particular circumstances of the Listed Issuer, including the relationship between the Listed Issuer and the Person receiving securities, the price per security, number of securities to be issued, the value of the transaction, ~~and any other factors the Exchange considers relevant to the decision.~~ the Exchange may require a Hold on the securities.](#)

(d) [If a transaction is subject to the additional disclosure required by 8.3\(b\) or if the Exchange is of the view that an Extended Hold is appropriate in the circumstances, the listed securities issued are subject to an Extended Hold and may only be freely tradeable after a minimum of 10 days after such disclosure is Posted or any such longer period as may be appropriate.](#)

~~(e)~~ (e) A news release announcing a financing or issuance of securities must include a description of any resale restrictions, [Hold](#), or lack thereof, on the securities to be issued.

6.2 Private Placements

(1) The Exchange defines “private placement” as a prospectus-exempt distribution of securities for cash or in consideration for forgiveness of *bona fide* debt. Private placements are subject to:

[\(a\) the security-holder approval requirements in Policy 4; and](#)

[\(b\) the application of a Hold pursuant to 6.1\(4\) for listed securities issued in connection with the private placement.](#)

[...]

(7) Forthwith upon closing, the Listed Issuer must submit:

[...]

[\(d\) Written confirmation that a resale restriction including a Hold has been imposed.](#)

6.3 Acquisitions

(1) [...]

(c) Acquisitions are subject to

[\(i\) the security holder approval requirements in Policy 4;](#)

[\(ii\) additional disclosure as determined by the Exchange in accordance with 8.3, if applicable; and](#)

[\(iii\) the application of a Hold pursuant to 6.1\(4\) for listed securities issued in connection with the acquisition.](#)

[...]

(3) In addition, forthwith upon closing, the Listed Issuer must provide the Exchange with:

[...]

[\(d\) Written confirmation that a resale restriction including a Hold has been imposed.](#)

[...]

6.10 [Take-Over](#) Bids and Issuer Bids

(1) [Take-~~e~~Over](#) Bids

[...]

(ii) Post a copy of the Take-Over Bid [e](#)Circular, unless already filed on SEDAR; and

[...]

Policy 8 Fundamental Changes and Changes of Business

[...]

8.3 One of the fundamental requirements for a fair and efficient capital market that fosters confidence and protects investors from unfair, improper or fraudulent practices is high quality, timely and continuous disclosure by Listed Issuers.

(a) Disclosure sufficient to permit trading to occur on the basis of information adequate for investors to make informed investment decisions must be prepared and disseminated by the Listed Issuer ~~and provided in~~ in the form of an Information eCircular, management proxy circular or Listing Statement regarding the Fundamental Change or Change of Business.

(b) The Exchange may require additional disclosure, including financial disclosure, for a transaction that does not otherwise meet the definition of a Fundamental Change.

APPENDIX B

CLEAN VERSION OF CSE LISTING POLICIES

Policy 1 Interpretation and General Provisions

[...]

1.3 Definitions

[...]

(2) In all Policies, unless the subject matter or context otherwise requires:

[...]

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[...]

Extended Hold means a resale restriction imposed by the Exchange for a period greater than four months

[...]

Hold(s) refers to an Exchange Hold or an Extended Hold.

[...]

Information Circular has the meaning ascribed to it in National Instrument 51-102 *Continuous Disclosure Obligations*.

[...]

Take-Over Bid Circular means Form 62-104F1, prepared and filed pursuant to National Instrument 62-104 *Take-Over Bids and Issuer Bids*.

[...]

Policy 6 Distributions and Corporate Finance

6.1 General

[...]

(4) Listed Issuers must comply with applicable requirements of securities and corporate law for any distribution of securities. In particular, Listed Issuers should refer to National Instrument 45-106 *Prospectus Exemptions* (NI 45-106) for exempt distributions including rights offerings and National Instrument 45-102 *Resale of Securities* (45-102) for restrictions on resale of securities.

(a) In addition to any resale restrictions imposed pursuant to applicable securities laws, where listed securities are issued by an issuer other than an NV Issuer pursuant to a prospectus exemption, the listed securities are subject to an Exchange Hold commencing on the date of issuance of the securities.

(b) Paragraph (a) does not apply if:

i) the listed securities are issued:

- (1) as consideration for an acquisition or in connection with a business combination, only if prospectus level disclosure about the assets or target company is available in the form of an Information Circular, Listing Statement, or Take-Over Bid Circular;
- (2) in a financing or debt settlement, only if the price of the securities is equal to or greater than the closing price or alternative price established in accordance with 6.2(2); or
- (3) pursuant to a prospectus exemption applicable to circumstances other than those described in (1) and (2) above for which disclosure is made in the form of an offering document or circular as prescribed under securities laws; or

- ii) the Issuer posts a disclosure document prepared by the Issuer and acceptable to the Exchange.
- (c) Notwithstanding paragraph (b), after considering relevant factors in the particular circumstances of the Listed Issuer, including the relationship between the Listed Issuer and the Person receiving securities, the price per security, number of securities to be issued, or the value of the transaction, the Exchange may require a Hold on the securities.
- (d) If a transaction is subject to the additional disclosure required by 8.3(b) or if the exchange is of the view that an Extended Hold is appropriate in the circumstances, the listed securities issued are subject to an Extended Hold and may only be freely tradeable after a minimum of 10 days after such disclosure is Posted or any such longer period as may be appropriate.
- (e) A news release announcing a financing or issuance of securities must include a description of any resale restrictions, Hold, or lack thereof, on the securities to be issued.

[...]

6.2 Private Placements

(1) The Exchange defines "private placement" as a prospectus-exempt distribution of securities for cash or in consideration for forgiveness of *bona fide* debt. Private placements are subject to:

- (a) the security-holder approval requirements in Policy 4; and
- (b) the application of a Hold pursuant to 6.1(4) for listed securities issued in connection with the private placement.

[...]

(7) Forthwith upon closing, the Listed Issuer must submit:

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(1) [...]

(c) Acquisitions are subject to:

- (i) the security holder approval requirements in Policy 4;
- (ii) additional disclosure as determined by the Exchange in accordance with 8.3, if applicable; and
- (iii) the application of a Hold pursuant to 6.1(4) for listed securities issued in connection with the acquisition.

[...]

(3) In addition, forthwith upon closing, the Listed Issuer must provide the Exchange with:

[...]

- (d) Written confirmation that a resale restriction including a Hold has been imposed.

[...]

6.10 Take-Over Bids and Issuer Bids

(1) Take-Over Bids

[...]

- (ii) Post a copy of the Take-Over Bid Circular, unless already filed on SEDAR; and

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- (a) Disclosure sufficient to permit trading to occur on the basis of information adequate for investors to make informed investment decisions must be prepared and disseminated by the Listed Issuer in the form of an Information Circular, management proxy circular or Listing Statement regarding the Fundamental Change or Change of Business.
- (b) The Exchange may require additional disclosure, including financial disclosure, for a transaction that does not otherwise meet the definition of a Fundamental Change.