The Ontario Securities Commission

OSC Bulletin

February 12, 2015

Volume 38, Issue 6

(2015), 38 OSCB

The Ontario Securities Commission administers the
Securities Act of Ontario (R.S.O. 1990, c. S.5) and the
Commodity Futures Act of Ontario (R.S.O. 1990, c. C.20)

The Ontario Securities Commission
Cadillac Fairview Tower
22nd Floor, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

416-593-8314 or Toll Free 1-877-785-1555

Published under the authority of the Commission by:
Carswell, a Thomson Reuters business
One Corporate Plaza
2075 Kennedy Road
Toronto, Ontario
M1T 3V4

416-609-3800 or 1-800-387-5164

Contact Centre – Inquiries, Complaints:
Fax: 416-593-8122
TTY: 1-866-827-1295

Office of the Secretary:
Fax: 416-593-2318

THOMSON REUTERS

The OSC Bulletin is published weekly by Carswell, a Thomson Reuters business, under the authority of the Ontario Securities Commission.

Subscriptions are available from Carswell at the price of $827 per year.

Subscription prices include first class postage to Canadian addresses. Outside Canada, these airmail postage charges apply on a current subscription:

U.S.	$8 per issue
Outside North America	$12 per issue

Single issues of the printed Bulletin are available at $20 per copy as long as supplies are available.

Carswell also offers every issue of the Bulletin, from 1994 onwards, fully searchable on S*ecuritiesSource*™, Canada's pre-eminent web-based securities resource. *SecuritiesSource*™ also features comprehensive securities legislation, expert analysis, precedents and a weekly Newsletter. For more information on *SecuritiesSource*™, as well as ordering information, please go to:

http://www.westlawecarswell.com/SecuritiesSource/News/default.htm

or call Carswell Customer Relations at 1-800-387-5164 (416-609-3800 Toronto & Outside of Canada).

Claims from *bona fide* subscribers for missing issues will be honoured by Carswell up to one month from publication date.

Space is available in the Ontario Securities Commission Bulletin for advertisements. The publisher will accept advertising aimed at the securities industry or financial community in Canada. Advertisements are limited to tombstone announcements and professional business card announcements by members of, and suppliers to, the financial services industry.

ISSN 0226-9325

THOMSON REUTERS

One Corporate Plaza
2075 Kennedy Road
Toronto, Ontario
M1T 3V4

Customer Relations
Toronto 1-416-609-3800
Elsewhere in Canada/U.S. 1-800-387-5164
Fax 1-416-298-5082
www.carswell.com
Email www.carswell.com/email

Table of Contents

1.1.1 CSA Staff Notice 81-326 – Update on an Alternative Funds Framework for Investment Funds

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Staff Notice 81-326
Update on an Alternative Funds Framework for Investment Funds

February 12, 2015

Introduction

On March 27, 2013, the Canadian Securities Administrators (the CSA or we) sought comments on, amongst other things, the development of a proposal for a more comprehensive regulatory framework for publicly offered investment funds that wish to invest in assets or use investment strategies not permitted under National Instrument 81-102 *Investment Funds*[1] (NI 81-102) (the Alternative Funds Proposal). This notice provides an update on the status of the creation of the Alternative Funds Proposal.

Background

The Alternative Funds Proposal is the final phase of the CSA's ongoing policy work to modernize investment fund product regulation (the Modernization Project). The Modernization Project has been carried out in phases, with Phase 1 and the first stage of Phase 2 now complete.

In Phase 1, the CSA focused primarily on publicly offered mutual funds, codifying, through amendments to NI 81-102 and other investment fund instruments, exemptive relief that had been frequently granted in recognition of market and product developments. As well, we made amendments to keep pace with developing global standards in mutual fund product regulation, notably introducing asset maturity restrictions and liquidity requirements for money market funds. The Phase 1 amendments came into force on April 30, 2012, except for the provisions relating to money market funds, which came into force on October 30, 2012.

In the first stage of Phase 2, the CSA introduced core investment restrictions and fundamental operational requirements for non-redeemable investment funds. We also enhanced disclosure requirements regarding securities lending activities by investment funds to better highlight the costs, benefits and risks, and keep pace with developing global standards in the regulation of these activities. The Phase 2 amendments substantially came into force on September 22, 2014.

The CSA first published the Alternative Funds Proposal on March 27, 2013 as part of Phase 2 of the Modernization Project. In June, 2013, we published CSA Staff Notice 11-324 *Extension of Comment Period* (CSA Staff Notice 11-324), which advised that the CSA had determined to consider the Alternative Funds Proposal at a later date, in conjunction with certain investment restrictions for non-redeemable investment funds proposed as part of the second stage of Phase 2 that we consider to be interrelated with the Alternative Funds Proposal (the Interrelated Investment Restrictions). The Interrelated Investment Restrictions include proposed restrictions for non-redeemable investment funds on investments in physical commodities, short selling, the use of derivatives and borrowing cash.

Alternative Funds Proposal

The Alternative Funds Proposal will have a broad impact on publicly offered investment funds that utilize alternative strategies or invest in alternative asset classes. In describing the Alternative Funds Proposal as part of Phase 2 of the Modernization Project, the CSA did not publish proposed rule amendments. Instead, a series of questions were asked that focused on the broad parameters for such a regulatory framework, such as naming conventions, proficiency standards for dealing representatives, and investment restrictions. We also proposed a number of areas where alternative investment funds could be permitted to use investment strategies or invest in asset classes not specifically permitted by NI 81-102 for mutual funds and non-redeemable investment funds, subject to certain upper limits, to be implemented through amendments to National Instrument 81-104 *Commodity Pools* (NI 81-104).

[1] Then known as National Instrument 81-102 *Mutual Funds*.

Key Themes from Public Comments

The Alternative Funds Proposal generated a significant number of comments from a wide range of stakeholders. The comments demonstrated a diversity of views on the types of investment funds that should be sold to the public, and how alternative investment funds should be regulated. Some of the key themes that emerged from the comments are described below.

The Attributes of an Alternative Investment Fund

A number of commenters discussed the attributes of so-called 'alternative investment funds' and the need for a specific regulatory regime for such funds. Some commenters expressed the view that such funds would create opportunities for investment fund managers and provide increased investment options for retail investors. Other commenters cautioned that the Alternative Funds Proposal would result in the sale of higher risk investment funds to retail investors.

The means of determining whether a fund would be an alternative investment fund generated significant comment. In particular, commenters sought more information about the criteria that would be used to differentiate a mutual fund and a non-redeemable investment fund from an alternative investment fund. Related comments expressed the view that the CSA should consider granting exemptive relief to mutual funds and non-redeemable investment funds that wish to use alternative strategies or invest in alternative asset classes in a limited manner, instead of requiring such funds to comply with the Alternative Funds Proposal.

Naming Convention

The suggestion of a naming convention for alternative investment funds in the Alternative Funds Proposal generated a lot of feedback from commenters. Most objected to either the concept of a naming convention entirely, or more specifically, to the proposed use of the term 'alternative fund'. A number of commenters indicated that requiring the use of 'alternative fund'. in the name of such investment funds could result in these funds being unnecessarily labeled as higher risk or more volatile than other investment funds. Other commenters, however, told us the use of the term 'alternative fund'. would not be sufficient to properly identify for retail investors the attributes or features of such funds or the level of risk and complexity that may be associated with such funds.

Borrowing

We sought feedback on whether alternative investment funds should be permitted to borrow cash, and what limits on borrowing should be set. We also asked whether different rules on borrowing should apply to mutual funds under the Alternative Funds Proposal versus those structured as non-redeemable investment funds.

Some commenters questioned the amounts specified in the borrowing limits for non-redeemable investment funds and the proposed limitation that borrowing may only be from Canadian financial institutions. Many expressed a concern that such a limitation would reduce competition amongst lenders or create unnecessary foreign exchange related expense for investment funds purchasing assets priced in currencies other than the Canadian dollar.

Use and Measurement of Leverage

The regulation of leveraged investment strategies and the measurement of an investments fund's use of leverage are important parts of the Alternative Funds Proposal. Investment funds that will likely fall within this new alternative fund framework often utilize leverage. We asked for feedback on a proposed total leverage ratio of 3:1 and whether different limits should apply to mutual funds under the Alternative Funds Proposal versus non-redeemable investment funds. We also sought feedback on whether the current methods mandated for measuring leverage should be reviewed.

In response to the questions posed, commenters expressed a number of different views on the use of leverage and whether it is necessary to restrict or have an upper limit. Some commenters suggested that the use of leverage itself was not a clear indicator of risk, and that any restriction on leverage should be considered as part of an investment portfolio. A number of commenters also suggested that positions entered into for hedging purposes should not be included in the measurement of an investment fund's use of leverage.

Short Selling

We asked for feedback to allow short-selling by alternative investment funds beyond the limits currently permitted under NI 81-102, similar to what has been granted to certain commodity pools through exemptive relief.

A number of commenters told us that the cash cover requirements relating to short selling currently found in NI 81-102 would impede the use of such strategies. We were also asked to clarify whether leverage created by short selling, where the short sale is a hedging position, would be included in the measurement of a fund's total use of leverage in the Alternative Funds Proposal.

Other Investment Restrictions

In the Alternative Funds Proposal, we proposed maintaining a number of the exemptions from sections of Part 2 of NI 81-102 found currently in NI 81-104. We also proposed other investment restrictions for alternative investment funds such as fund-on-fund investing or concentration restrictions that may be the same or less restrictive than is currently applicable under NI 81-104. We also asked for feedback on what other investment restrictions should apply as part of the alternative funds framework.

Some commenters suggested that alternative investment funds should not be subject to investment restrictions or limits. Again, we were told that such restrictions may limit the development of new types of alternative investment funds or alternative investment strategies, which in turn limits investor choice.

Proficiency Standards for Representatives Selling Alternative Funds

A number of commenters questioned maintaining or increasing the current proficiency requirements for dealers applicable to the sale of commodity pools in NI 81-104 for the Alternative Funds Proposal. These commenters cautioned that imposing any additional proficiency requirements for the sale of alternative investment funds could have an impact on the sales channels through which these funds could be sold, and their availability to retail investors. Other commenters however, suggested even higher levels of proficiency than what we proposed, to ensure that these types of funds are properly understood by those selling them.

Next Steps

As we continue to consider the feedback provided on the Alternative Funds Proposal and the Interrelated Investment Restrictions applicable to non-redeemable investment funds, we continue to speak directly to stakeholders. We expect to complete these consultations by mid- 2015, after which the CSA expects to publish for comment proposed rule amendments aimed at implementing the Alternative Funds Proposal. Considering the current slate of investment fund regulatory projects, we anticipate publication will take place at the end of the year.

Questions

Please refer your questions to any of the following:

Christopher Bent Legal Counsel, Investment Funds and Structured Products Branch Ontario Securities Commission Phone: 416-204-4958 Email: cbent@osc.gov.on.ca	Suzanne Boucher Senior analyst, Investment Funds Branch Autorité des marchés financiers Phone: 514-395-0337 ext. 4477 Email: suzanne.boucher@lautorite.qc.ca
Donna Gouthro Securities Analyst Nova Scotia Securities Commission Phone: 902-424-7077 Email: donna.gouthro@novascotia.ca	Ian Kerr Senior Legal Counsel, Corporate Finance Alberta Securities Commission Phone: 403-297-4225 Email: ian.kerr@asc.ca
Agnes Lau Senior Advisor – Technical & Projects, Corporate Finance Alberta Securities Commission Phone: 403-297-8049 Email: agnes.lau@asc.ca	Chantal Leclerc Senior policy advisor, Investment Funds Branch Autorité des marchés financiers Phone: 514-395-0337 ext. 4463 Email: chantal.leclerc@lautorite.qc.ca
Darren McKall Manager, Investment Funds and Structured Products Branch Ontario Securities Commission Phone: 416-593-8118 Email: dmckall@osc.gov.on.ca	Stephen Paglia Senior Legal Counsel, Investment Funds and Structured Products Branch Ontario Securities Commission Phone: 416-593-2393 Email: spaglia@osc.gov.on.ca

Patrick Weeks
Analyst – Corporate Finance
Manitoba Securities Commission
Phone: 204-945-3326
Email: patrick.weeks@gov.mb.ca

1.1.2 Notice of Correction – OSC Rule 13-503 (Commodity Futures Act) Fees and Companion Policy 13-503 (Commodity Futures Act) Fees

On page 1143 of the OSC Bulletin dated February 12, the heading incorrectly read:

ANNEX C, SCHEDULE C1
OSC RULE 13-502 ***(COMMODITY FUTURES ACT) FEES*** **AND**
COMPANION POLICY 13-502CP ***(COMMODITY FUTURES ACT) FEES***

It should read:

ANNEX C, SCHEDULE C1
OSC RULE 13-503 ***(COMMODITY FUTURES ACT) FEES*** **AND**
COMPANION POLICY 13-503CP ***(COMMODITY FUTURES ACT) FEES***

On page 1160 of the OSC Bulletin dated February 12, the heading incorrectly read:

ANNEX C, SCHEDULE C2
OSC RULE 13-502 ***(COMMODITY FUTURES ACT) FEES*** **AND**
COMPANION POLICY 13-502CP ***(COMMODITY FUTURES ACT) FEES***

It should read:

ANNEX C, SCHEDULE C1
OSC RULE 13-503 ***(COMMODITY FUTURES ACT) FEES*** **AND**
COMPANION POLICY 13-503CP ***(COMMODITY FUTURES ACT) FEES***
(BLACKLINE)

1.1.3 Notice of Ministerial Approval of Amendments to NI 81-101 Mutual Fund Prospectus Disclosure

NOTICE OF MINISTERIAL APPROVAL OF
AMENDMENTS TO NATIONAL INSTRUMENT 81-101 *MUTUAL FUND PROSPECTUS DISCLOSURE*

On February 7, 2015, the Minister of Finance approved the amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (the Rule Amendments) made by the Ontario Securities Commission (the Commission) on October 21, 2014.

On October 21, 2014, the Commission also adopted changes to Companion Policy 81-101CP to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (the Policy Changes).

The Rule Amendments and the Policy Changes (collectively, the Amendments) have an effective date of May 30, 2016. The Amendments were previously published in the Bulletin on December 11, 2014. See (2014), 37 OSCB 10985.

The text of the Rule Amendments is republished in Chapter 5 of this Bulletin.

1.2 Notices of Hearing

1.2.1 Ontario Wealth Management Corporation, carrying on business as OWEMANCO – ss. 127(1), 127.1

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED
(the "Act")

AND

IN THE MATTER OF
ONTARIO WEALTH MANAGEMENT CORPORATION,
carrying on business as OWEMANCO

NOTICE OF HEARING
(Subsection 127(1) and section 127.1)

TAKE NOTICE THAT the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to subsections 127(1) and section 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") at the offices of the Commission located at 20 Queen Street West, 17th Floor, on February 9, 2015 at 10:00 a.m. or as soon thereafter as the hearing can be held;

AND TAKE NOTICE that the purpose of the hearing is for the Commission to consider whether it is in the public interest to approve the Settlement Agreement dated February 5, 2015, between Staff of the Commission and Ontario Wealth Management Corporation, carrying on business as OWEMANCO;

BY REASON OF the allegations set out in the Statement of Allegations dated February 5, 2015 and such additional allegations as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceedings may be represented by counsel at the hearing;

AND TAKE FURTHER NOTICE that upon failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party and such party is not entitled to any further notice of the proceeding;

AND TAKE FURTHER NOTICE that the Notice of Hearing is also available in French, participation may be in either French or English and participants must notify the Secretary's Office in writing as soon as possible, and in any event, at least thirty (30) days before a hearing if the participant is requesting a proceeding to be conducted wholly or partly in French; and

ET AVIS EST ÉGALEMENT DONNÉ PAR LA PRÉSENTE que l'avis d'audience est disponible en français, que la participation à l'audience peut se faire en français ou en anglais et que les participants doivent aviser le Bureau du secrétaire par écrit le plut tôt possible et, dans tous les cas, au moins trente (30) jours avant l'audience si le participant demande qu'une instance soit tenue entièrement ou partiellement en français.

DATED at Toronto this 5th day of February, 2015.

"Josée Turcotte"
Secretary to the Commission

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED
(the "Act")

AND

IN THE MATTER OF
ONTARIO WEALTH MANAGEMENT CORPORATION,
carrying on business as OWEMANCO

STATEMENT OF ALLEGATIONS OF
STAFF OF THE ONTARIO SECURITIES COMMISSION

Staff ("Staff") of the Ontario Securities Commission (the "Commission") make the following allegations:

I. THE RESPONDENT

1. Ontario Wealth Management Corporation, carrying on business as OWEMANCO ("OWEMANCO") was incorporated in Ontario on February 20, 2001 and is a registered as a mortgage brokerage and administrator under the *Mortgage Brokerages, Lenders and Administrators Act*, R.S.O (2006), c.29, with the Financial Services Commissions of Ontario.

2. In addition, OWEMANCO trades in units of OWEMANCO Mortgage Trust, a non-investment fund pooled mortgage investment entity. OWEMANCO Mortgage Trust commenced operation on July 9, 2010 under an exchange offering pursuant to an Offering Memorandum whereby existing clients of OWEMANCO holding interests in syndicated mortgage loans originated and administered by OWEMANCO were offered units in the OWEMANCO Mortgage Trust in exchange for their shares in the syndicated mortgages. The syndicated mortgages were then rolled into the OWEMANCO Mortgage Trust.

II. BACKGROUND

3. On or about March 30, 2011, OWEMANCO applied to the Commission for registration under the Act as an exempt market dealer ("EMD").

4. In or about September 2011, OWEMANCO advised Staff that:

   (a) Warren Morris ("Morris"), a mortgage broker at OWEMANCO and OWEMANCO's proposed chief compliance officer ("CCO"), would be the firm's sole dealing representative;

   (b) Jonah Bonn ("Bonn"), OWEMANCO's chief operating officer, was completing the requisite proficiency requirements to become a dealing representative and that he would apply for registration upon completion of the applicable course(s); and

   (c) Morris was the only individual who would be dealing with investors on behalf of OWEMANCO and that the other members of OWEMANCO did not and would not deal with investors.

5. On or about May 18, 2012, Staff advised OWEMANCO that it was prepared to register OWEMANCO as a dealer in the category of EMD provided that an undertaking (the "OWEMANCO Undertaking") be signed by an approved officer of OWEMANCO.

6. The OWEMANCO Undertaking required OWEMANCO to do the following within 6 months from the grant of the EMD registration, with respect to each person who had since September 14, 2005 purchased securities in OWEMANCO Mortgage Trust and continued to hold such securities:

   (a) to make reasonable inquiry to confirm that a valid prospectus exemption was available for the purchase of such securities, excluding the $150,000 minimum amount investment exemption, and in the case of persons seeking to rely on the "accredited investor" exemption contained in National Instrument 45-106 - Prospectus and Registration Exemptions ("NI 45-106") such reasonable inquiry would take the form of obtaining a signed and completed Investor Information Form ("IIF"); and

   (b) where the inquiry did not reasonably demonstrate that a prospectus exemption was available, require such person to redeem such securities.

7. On May 18, 2012, the OWEMANCO Undertaking was signed. On that same day, OWEMANCO was registered with the Commission in the category of EMD and Morris was registered as OWEMANCO's dealing representative and CCO.

8. Bonn was not registered in any capacity with the Commission until December 19, 2012 when Bonn became registered as a dealing representative of OWEMANCO.

9. On May 14, 2014, Bonn surrendered his registration in the category of dealing representative and Morris surrendered his registration in the categories of dealing representative and CCO.

III. RESPONDENT'S CONDUCT

10. Commencing on or about January 24, 2013, Staff commenced a review of OWEMANCO under section 20 of the Act (the "Compliance Review") for the review period of January 1, 2012 to December 31, 2012 (the "Review Period").

11. By means of a compliance field review report delivered to OWEMANCO on or about August 12, 2013 (the "Compliance Report"), Staff advised OWEMANCO that it had identified a number of significant deficiencies during the Compliance Review ("Significant Deficiencies").

12. Among the Significant Deficiencies raised in the Compliance Report, Staff noted that OWEMANCO failed to comply with the OWEMANCO Undertaking and/or failed to comply with the OWEMANCO Undertaking by the required deadline of November 18, 2012. In particular, Staff found that:

(a) Five months after the November 18, 2012 deadline had expired, the procedures set out in the OWEMANCO Undertaking had not yet been performed for 36 clients and, in respect of most of these clients, OWEMANCO had insufficient "know your client" ("KYC") documentation to demonstrate sufficient information to ascertain whether these clients qualified to purchase prospectus-exempt securities or whether these investments needed to be redeemed;

(b) In the case of four of the clients referred to in (a) above, IIFs were not obtained as OWEMANCO improperly relied on the "founder, control person and family" prospectus exemption set out in section 2.7 of NI 45-106 in relation to these four clients; and

(c) In at least two instances, OWEMANCO recommended to clients who were not accredited investors to increase the aggregate amount of their investment up to $150,000, or to add to the aggregate amount of their investment in increments smaller than $150,000 (collectively, "Top-Up Investments") to meet the "minimum amount exemption" when this exemption, set out in section 2.10 of NI 45-106, did not apply in such circumstances and after Staff advised OWEMANCO during the Compliance Review that this exemption could not be used in this manner.

13. In addition, during the period May 18, 2012 to December 19, 2012, when Bonn was not registered in any capacity with the Commission, Bonn engaged in acts in furtherance of a trade on behalf of OWEMANCO including:

(a) Meeting with investors to discuss investments in OWEMANCO Mortgage Trust;

(b) Collecting KYC and other information from clients;

(c) Providing clients with offering documents (including offering memorandum and subscription agreements);

(d) Accepting investor funds; and

(e) Executing trade transactions.

14. Further, on at least four occasions after the Review Period, OWEMANCO allowed clients who had previously met the "minimum amount exemption" set out in section 2.10 of NI 45-106 to make additional investments in amounts of less than $150,000. These investors did not otherwise qualify for exemptions from the prospectus requirement.

BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

15. OWEMANCO contravened Ontario securities law, which was contrary to the public interest, in the following ways:

(a) OWEMANCO improperly purported to rely on exemptions from the prospectus requirement;

(b) OWEMANCO engaged in trading without registration contrary to subsection 25(1) of the Act; and

(c) OWEMANCO failed to establish and maintain systems of controls and supervision to provide reasonable assurance that the firm and each individual acting on its behalf complied with securities legislation, in breach of subsection 32(2) of the Act and section 11.1 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103").

16. Further, the failure by OWEMANCO to comply with the OWEMANCO Undertaking was contrary to the public interest.

17. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

DATED at Toronto, this 5th day February, 2015.

1.4 Notices from the Office of the Secretary

1.4.1 Christopher Reaney

FOR IMMEDIATE RELEASE
February 4, 2015

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
CHRISTOPHER REANEY

TORONTO – The Commission issued an Order in the above named matter which provides that the Applicant's request is granted, and the written monthly strict supervision reports to be submitted by the Applicant's sponsoring firm to Staff of the Commission and the MFDA, as ordered, shall be in the form specified in the revised Appendix "A" to this order.

A copy of the Order dated February 4, 2015 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.4.2 Ontario Wealth Management Corporation, carrying on business as OWEMANCO

FOR IMMEDIATE RELEASE
February 5, 2015

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
ONTARIO WEALTH MANAGEMENT CORPORATION,
carrying on business as OWEMANCO

TORONTO – The Office of the Secretary issued a Notice of Hearing for a hearing to consider whether it is in the public interest to approve a settlement agreement entered into by Staff of the Commission and Ontario Wealth Management Corporation, carrying on business as OWEMANCO in the above named matter.

The hearing will be held on February 9, 2015 at 10:00 a.m. on the 17th floor of the Commission's offices located at 20 Queen Street West, Toronto.

A copy of the Notice of Hearing dated February 5, 2015 and Statement of Allegations of Staff of the Ontario Securities Commission dated February 5, 2015 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.4.3 Welcome Place Inc. et al.

FOR IMMEDIATE RELEASE
February 6, 2015

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
WELCOME PLACE INC., DANIEL MAXSOOD
also known as MUHAMMAD M. KHAN,
TAO ZHANG, and TALAT ASHRAF

TORONTO – The Commission issued an Order in the above named matter which provides that the hearing of this matter is adjourned to May 27, 2015 at 11:00 a.m. or on such other date or time set by the Office of the Secretary and agreed to by the parties.

A copy of the Order dated February 2, 2015 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.4.4 Ontario Wealth Management Corporation, carrying on business as OWEMANCO

FOR IMMEDIATE RELEASE
February 9, 2015

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
ONTARIO WEALTH MANAGEMENT CORPORATION,
carrying on business as OWEMANCO

TORONTO – Following a hearing held today, the Commission issued an Order in the above named matter approving the Settlement Agreement reached between Staff of the Commission and Ontario Wealth Management Corporation carrying on business as OWEMANCO.

A copy of the Order dated February 9, 2015 and Settlement Agreement dated February 5, 2015 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 IPC Securities Corporation and *your*CFO Advi-sory Group Inc.

Headnote

Under paragraph 4.1(1)(a) of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations a registered firm must not permit an individual to act as a dealing, advising or associate advising representative of the registered firm if the individual acts as an officer, partner or director of another registered firm that is not an affiliate of the first-mentioned firm. The firms require relief for a limited period of time. The individual will have sufficient time to adequately serve both firms. As one firm is inactive, conflicts of interest are unlikely to arise. The firms have policies in place to handle potential conflicts of interest. The firms are exempted from the prohibition.

Applicable Legislative Provisions:

Multilateral Instrument 11-102 Passport System, s. 4.7.
National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 4.1, 15.1.

February 2, 2015

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
IPC SECURITIES CORPORATION
(IPC)

AND

***your*CFO ADVISORY GROUP INC.**
(*your*CFO) (the Filers)

DECISION

Background

The principal regulator has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (as defined below) (the **Legislation**) for relief from the requirement in paragraph 4.1(1)(a) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**), pursuant to section 15.1 of NI 31-103, to permit Doug Leyland, a director, officer and the Ultimate Designated Person of *your*CFO, to be registered and act as both a dealing representative of IPC and as the sole director, an officer and Ultimate Designated Person of *your*CFO for a limited period of time to maintain the registration of *your*CFO for purposes of winding up its affairs following the acquisition of *your*CFO by IPC (the **Exemption Sought**).

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 Filers have provided notice that sec-tion 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon by the Filers in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Prince Edward Island, Quebec, Saskatchewan and Yukon Territory (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 Filers:

1. IPC is a corporation existing under the laws of the Province of Ontario. IPC is (i) registered as an investment dealer in the Jurisdictions; and (ii) a dealer member of the Investment Industry Regulatory Organization of Canada (**IIROC**).

2. IPC is a wholly-owned subsidiary of Investment Planning Counsel Inc. which in turn is a majority-owned subsidiary of IGM Financial Inc. ("**IGM**"). IGM is a diversified financial services provider which operates through its business units Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc. IGM, through its subsidiaries, managed approximately $140 billion in assets on behalf of clients as of September 30, 2014. IPC managed approximately $4.203 billion as of September 30, 2014.

3. *your*CFO is a corporation existing under the laws of the Province of Ontario. *your*CFO is (i) registered as an investment dealer in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Prince Edward Island, Saskatchewan and Yukon Territory; and (ii) a dealer member of IIROC.

4. *your*CFO offers a complete range of products and services including mutual funds, stocks, bonds, income trusts, exchange traded funds, retirement savings plans, retirement income fund plans, disability savings plans, education savings plans and tax free savings accounts. It had approximately $727.8 million in assets under management as of September 30, 2014.

5. The Filers are not in default of any requirement of securities legislation in any of the Jurisdictions.

6. IPC provided notice pursuant to Section 11.9 of NI 31-103 on October 24, 2014 of the proposed transfer (the **Proposed Transaction**) to IPC of certain of *your*CFO's assets associated with its business as an investment dealer as currently conducted. In addition to the Proposed Transaction, subject to all necessary approvals and notices required in connection with such transfer, IPC will be offering to retain certain registered representatives of *your*CFO, including Doug Leyland, the current Chief Financial Officer of *your*CFO.

7. Mr. Leyland is a director, officer and the Ultimate Designated Person of *your*CFO. Following the closing of the Proposed Transaction, it is intended that Mr.Leyland will be registered with IPC as a dealing representative, and will continue to be the sole director of *your*CFO and act as an officer and the Ultimate Designated Person of *your*CFO (the **Dual Registration**).

8. Subsequent to the completion of the Proposed Transactions, *your*CFO intends to tender its resignation as an investment dealer to IIROC and, in connection therewith, seek "inactive status" with IIROC pursuant to Rule 3.1 for the purposes of winding up its affairs. Pursuant to such status, it is expected that *your*CFO would not conduct any registrable securities activities without prior IIROC approval.

9. There is a valid business reason for the Dual Registration in that it will permit *your*CFO to retain its IIROC membership with inactive status and its investment dealer registration while it winds up its affairs.

10. Mr. Leyland will have sufficient time to adequately meet his obligations to each firm.

11. The Filers have in place policies and procedures to address conflicts of interest. Furthermore, IPC has compliance and supervisory policies and procedures in place to monitor the conduct of its representatives (including Mr. Leyland) and to ensure that it can deal appropriately with any conflict of interest that may arise.

12. In the absence of the Exemption Sought, Mr. Leyland would be prohibited under paragraph 4.1(1)(a) of NI 31-103 from acting as a dealing representative of IPC while also acting as an officer and director of *your*CFO.

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 the Exemption Sought expires on September 1, 2015.

"Marrianne Bridge"
Deputy Director,
Compliance and Registrant Regulation
Ontario Securities Commission

2.1.2 IPC Securities Corporation and *your*CFO Advisory Group Inc.

Headnote

Multilateral Instrument 11-102 Passport System – National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – National Instrument 33-109 Registration Information (NI 33-109) – relief from certain filing requirements of NI 33-109 in connection with a bulk transfer of business locations and registered and non-registered individuals pursuant to an amalgamation in accordance with section 3.4 of Companion Policy 33-109CP to NI 33-109.

Applicable Legislative Provisions

Multilateral Instrument 11-102 Passport System.
National Instrument 33-109 Registration Information and Companion Policy 33-109CP.
National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions.

February 2, 2015

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
IPC SECURITIES CORPORATION
(IPC)

AND

***your*CFO ADVISORY GROUP INC. (*your*CFO)**
(the Filers)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filers for a decision under the securities legislation of Ontario (the **Legislation**) for relief from the requirements contained in sections 2.2, 2.3, 2.5, 3.2 and 4.2 of National Instrument 33-109 *Registration Information* (**NI 33-109**) pursuant to section 7.1 of NI 33-109 to allow the bulk transfer of dealing representatives, permitted individuals and business locations from *your*CFO to IPC (the **Bulk Transfer**), currently anticipated to be February 9, 2015 (the **Closing Date**) in accordance with section 3.4 of the Companion Policy to NI 33-109 (the **Exemption Sought**).

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

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

(ii) the Filers have provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Northwest Territories, Ontario, Prince Edward Island, Quebec, Saskatchewan and Yukon (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 Filers:

IPC

1. IPC is a corporation existing under the laws of the Province of Ontario with its head office in Mississauga, Ontario. IPC is registered as a dealer in the category of investment dealer under the securities laws in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Northwest Territories, Ontario, Prince Edward Island, Quebec, Saskatchewan and Yukon.

2. IPC is a member of the Investment Industry Regulatory Organization of Canada (**IIROC**) (a **Dealer Member**) and has been approved by IIROC to carry out activities with respect to securities, options and managed accounts.

3. IPC is a wholly-owned subsidiary of Investment Planning Counsel Inc. which in turn is a majority-owned subsidiary of IGM Financial Inc.

4. IPC is not in default of the securities legislation in any of the jurisdictions where it is registered.

yourCFO

5. *your*CFO is a corporation existing under the laws of the Province of Ontario with its head office in Burlington, Ontario. *your*CFO is registered as a dealer in the category of investment dealer under the securities laws in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Prince Edward Island, Saskatchewan and Yukon.

6. *your*CFO is a Dealer Member and has been approved by IIROC to carry out activities with respect to securities.

7. *your*CFO is not in default of the securities legislation in any of the jurisdictions where it is registered.

The Transaction

8. Pursuant to an asset purchase agreement dated August 29, 2014, as amended, IPC has agreed to acquire certain of the assets associated with *your*CFO's business as an investment dealer as currently conducted (the **Transaction**).

9. IPC's registration encompasses the registration category, IIROC's approval categories, and jurisdictions of *your*CFO and its dealing representatives transferring to IPC.

10. Subject to regulatory approvals, effective on the Closing Date, all of the accounts of the dealing representatives will be transferred from *your*CFO to IPC.

11. On the Closing Date, all *your*CFO dealing representatives will be transferred to IPC on NRD, in addition to the affected business locations.

12. On the Closing Date, the dealing representatives transferred to IPC will carry on the same registerable activities as they conducted with *your*CFO.

13. Given the number of dealing representatives and business locations of *your*CFO transferring to IPC, it would be time consuming to transfer the registration of each of the dealing representatives and business locations through NRD, in accordance with NI 33-109, if the Exemption Sought is not granted.

14. The Bulk Transfer will ensure that the transfer of the affected individuals and business locations occur effective as of the same date, i.e. the Closing Date, in order to ensure that there is no interruption of registration and service to clients.

15. The Exemption Sought complies with the requirements of, and the reasons for, a bulk transfer as set out in section 3.4 of 33-109CP and Appendix C thereto.

16. It would not be prejudicial to the public interest to grant the Exemption Sought.

17. Pursuant to section 14.11 of National Instrument 31-*103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations*, a notice has been sent to the clients of the dealing representatives advising them of their right to close their account.

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.

"Marrianne Bridge"
Deputy Director,
Compliance and Registrant Regulation
Ontario Securities Commission

2.1.3 MacDougall Investment Counsel Inc and Sui Generis Canada Partners LP

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – relief granted from the investment fund self-dealing restrictions in the Securities Act (Ontario) to allow pooled funds to invest in securities of underlying funds under common management – relief subject to certain conditions.

Applicable Legislative Provisions

Securities Act (Ontario) R.S.O. 1990, c. S.5, as am., ss. 111(2)(b), 111(2)(c), 111(4), 113.

January 30, 2015

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
MACDOUGALL INVESTMENT COUNSEL INC.
(the Filer)

AND

IN THE MATTER OF
SUI GENERIS CANADA PARTNERS LP
(the Initial Top Fund)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer, on behalf of each of the Filer, the Initial Top Fund, and any other investment fund which is not a reporting issuer under the securities legislation of the principal regulator (the **Legislation**) that is established, advised or managed by the Filer, or its affiliate, after the date hereof (the **Future Top Funds** and together with the Initial Top Fund, the **Top Funds**), which invests its assets in Sui Generis Investment Partners Master LP (the **Initial Underlying Fund**) or any other investment fund which is not a reporting issuer under the Legislation and may be established, advised or managed by the Filer, or its affiliate, in the future (the **Future Underlying Funds** and together with the Initial Underlying Fund, the **Underlying Funds**), for a decision under the Legislation exempting the Filer and the Top Funds from:

(a) the restriction in the Legislation which prohibits an investment fund from knowingly making an investment in a person or company in which the investment fund, alone or together with one or more related investment funds, is a substantial security holder;

(b) the restriction in the Legislation which prohibits an investment fund from knowingly making an investment in an issuer in which any of the following has a significant interest:

(i) any officer or director of the investment fund, its management company or distribution company or an associate of any of them, or

(ii) any person or company who is a substantial securityholder of the investment fund, its management company or its distribution company;

and

(c) the restriction in the Legislation which prohibits an investment fund, its management company or its distribution company, from knowingly holding an investment described in paragraph (a) or (b) above.

(collectively, the **Requested Relief**).

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 Alberta.

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 existing under the laws of Canada with its head office in Montreal, Québec. The Ontario Securities Commission is the principal regulator for this application as certain management personnel of the Filer are located in Ontario while none are located in Alberta.

2. The Filer is registered as an investment fund manager and portfolio manager in Quebec, Ontario, British Columbia, Alberta, Manitoba, New Brunswick and Nova Scotia.

3. The Filer is not a reporting issuer in any jurisdiction in Canada and is not in default of securities legislation of any jurisdiction in Canada.

4. The Filer is or will be the portfolio adviser for the Top Funds and the Underlying Funds.

5. The Filer will be the investment fund manager of the Initial Top Fund and of the Initial Underlying Fund. The Filer, or an affiliate of the Filer, will be the investment fund manager of the Future Top Funds and of Underlying Funds established under the laws of Ontario or another jurisdiction of Canada. For Future Underlying Funds established under the laws of a foreign jurisdiction, either the Filer, an affiliate of the Filer, or the entity itself where appropriate (for example, a corporation acting through its board of directors), will act as the investment fund manager.

Top Funds

6. Each of the Top Funds is, or will be, a mutual fund for the purposes of the Legislation.

7. The Initial Top Fund will be a limited partnership established under the laws of the Province of Ontario. The Future Top Funds will be structured as limited partnerships, trusts or corporations under the laws of Ontario or another jurisdiction of Canada.

8. The Initial Top Fund is not a reporting issuer under the Act nor is it in default of securities legislation of any jurisdiction of Canada. None of the Future Top Funds will be a reporting issuer under the Act.

9. Securities of a Top Fund will be sold in Canada pursuant to available prospectus exemptions in accordance with National Instrument 45-106 *Prospectus and Registration Exemptions* (**NI 45-106**).

10. The Initial Top Fund intends to invest substantially all of its assets in units of the Initial Underlying Fund.

11. Similar to the Initial Top Fund, each Future Top Fund will invest substantially all of its assets in a Future Underlying Fund.

12. The amounts invested from time to time in an Underlying Fund by a Top Fund may exceed 20% of the outstanding voting securities of the Underlying Fund. As a result, each Top Fund could, either alone or together with other Top

Funds, become a substantial security holder of an Underlying Fund. The Top Funds are, or will be, related mutual funds by virtue of the common management by the Filer or its affiliate.

Underlying Funds

13. Each of the Underlying Funds will be a mutual fund for purposes of the Act.

14. To the extent offered in Canada, securities of an Underlying Fund will be sold pursuant to available prospectus exemptions in accordance with NI 45-106.

15. The Initial Underlying Fund will be a limited partnership organized under the laws of the Cayman Islands. The Future Underlying Funds will be structured as limited partnerships, trusts or corporations under the laws of Ontario, another jurisdiction of Canada or a foreign jurisdiction.

16. Each of the Underlying Funds has, or will have, separate investment objectives, strategies and/or restrictions.

17. The portfolio of each Underlying Fund will consist primarily of publicly traded securities. Each Underlying Fund will not hold more than 10% of its net asset value (**NAV**) in illiquid assets (as defined in National Instrument 81-102 *Investment Funds* (**NI 81-102**)). An investment by a Top Fund in an Underlying Fund will be effected based on an objective NAV of the Underlying Fund.

18. The Initial Underlying Fund is not a reporting issuer under the Legislation nor is it in default of securities legislation of any jurisdiction of Canada. None of the Future Underlying Funds will be a reporting issuer under the Legislation.

19. An initial securityholder of the Initial Underlying Fund will be a limited partnership organized under the laws of Ontario (**Incentive LP**). The limited partners of Incentive LP will include the Filer or the sole shareholder of the Filer.

20. The Filer is entitled to receive management fees with respect to certain classes of securities of the Initial Underlying Fund that have a management fee. Incentive LP will be entitled to receive a share of profits through special incentive distributions (that will be calculated based on increases in the NAV of the Initial Underlying Fund or of certain classes of securities of the Initial Underlying Fund) with respect to the class of securities of the Initial Underlying Fund held by Incentive LP. Each limited partner of Incentive LP will pay a nominal amount to acquire its interest in Incentive LP, and Incentive LP will pay a nominal amount to acquire its interest in the Initial Underlying Fund.

21. As a limited partner of Incentive LP or as the sole shareholder of a limited partner of Incentive LP, as the case may be, the sole shareholder of the Filer may initially have a significant interest in the Initial Underlying Fund. Once other investors, including the Initial Top Fund, invest in the Initial Underlying Fund, the interest held by Incentive LP in the Initial Underlying Fund will be significantly diluted such that it will no longer hold a significant interest in the Initial Underlying Fund.

22. In the future, for the purpose of receiving a share of profits through special incentive distributions from the Underlying Funds, officers and directors of the Filer and the sole shareholder of the Filer may be, directly or indirectly, limited partners of other limited partnerships that may be the initial securityholders in Future Underlying Funds. As limited partners of such limited partnerships, directly or indirectly, such officers and directors of the Filer and the sole shareholder of the Filer may have a significant interest in Future Underlying Funds. Once other investors, including a Top Fund, invest in a Future Underlying Fund, any interest held indirectly by officers and directors of the Filer and the sole shareholder of the Filer in such Future Underlying Fund will be significantly diluted such that they will no longer hold a significant interest in such Underlying Fund.

23. The Filer expects that the assets of the Initial Top Fund (to the extent it holds securities other than securities of the Initial Underlying Fund) and the Initial Underlying Fund will be held by BMO Nesbitt Burns Inc.

Fund-on-Fund Structure

24. The Top Funds allow investors to obtain exposure to the investment portfolios of the Underlying Funds and their respective investment strategies through direct investments by the Top Funds in securities of the Underlying Funds (the **Fund-on-Fund Structure**). The purpose of a Fund-on-Fund structure is to allow a portfolio manager to manage a single portfolio of assets in a single investment vehicle (commonly referred to as a master fund) while raising capital from investors in different jurisdictions through different investment vehicles (commonly referred to as feeder funds) that are designed to address the specific tax, securities and other laws of each separate jurisdiction or type of investor.

25. Managing a single pool of assets provides economies of scale and allows the Top Funds to achieve their investment objectives in a cost efficient manner and will not be detrimental to the interests of other securityholders of the Underlying Funds.

26. An investment by a Top Fund in an Underlying Fund can provide greater diversification for a Top Fund in particular asset classes on a basis that is not materially more expensive than investing directly in the securities held by the applicable Underlying Fund.

27. Any investment made by a Top Fund in an Underlying Fund will be aligned with the investment objectives, investment strategy, risk profile and other principal terms of the Top Fund.

28. Non-Canadian investors may invest directly in the Initial Underlying Fund in the Cayman Islands, or indirectly through a feeder fund established outside of Canada solely for the purpose of investing in the Initial Underlying Fund. Canadian investors will invest indirectly in the Initial Underlying Fund through the Initial Top Fund.

29. Each of the Top Funds and the Underlying Funds that are subject to National Instrument 81-106 – *Investment Funds Continuous Disclosure* (**NI 81-106**) will prepare annual audited financial statements and interim unaudited financial statements in accordance with NI 81-106 and will otherwise comply with the requirements of NI 81-106, as applicable.

30. A Top Fund will have the same valuation and redemption dates as its Underlying Fund.

31. No Underlying Fund will be a Top Fund.

32. In the absence of the Requested Relief, a Top Fund would be precluded from purchasing and holding securities of an Underlying Fund due to the investment restrictions contained in the Legislation.

33. Each investment by a Top Fund in an Underlying Fund represents the business judgment of responsible persons uninfluenced by considerations other than the best interests of the Top Fund.

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 Requested Relief is granted provided that:

(a) securities of the Top Funds are distributed in Canada solely pursuant to exemptions from the prospectus requirements in NI 45-106;

(b) the investment by a Top Fund in an Underlying Fund is compatible with the fundamental investment objectives of the Top Fund;

(c) no Top Fund will purchase or hold securities of an Underlying Fund unless, at the time of the purchase of securities of the Underlying Fund, the Underlying Fund holds no more than 10% of its net assets in securities of other mutual funds, unless the Underlying Fund:

  (i) purchases or holds securities of a “money market fund” (as defined by NI 81-102), or

  (ii) purchases or holds securities that are “index participation units” (as defined by NI 81-102) issued by a mutual fund;

(d) no management fees or incentive fees are payable by a Top Fund that, to a reasonable person, would duplicate a fee payable by an Underlying Fund for the same service;

(e) no sales fees or redemption fees are payable by a Top Fund in relation to its purchases or redemptions of securities of an Underlying Fund;

(f) the Filer, or its affiliate, does not cause the securities of the Underlying Fund held by a Top Fund to be voted at any meeting of holders of such securities, except that the Filer, or its affiliate, may arrange for the securities the Top Fund holds of the Underlying Fund to be voted by the beneficial holders of securities of the Top Fund;

(g) the offering memorandum, where available, or other disclosure document of a Top Fund, will be provided to investors in a Top Fund prior to the time of investment and will disclose:

(i) that the Top Fund may purchase securities of the Underlying Fund;

(ii) that the Filer, or its affiliate, is the investment fund manager and/or portfolio adviser of both the Top Funds and the Underlying Funds;

(iii) the approximate or maximum percentage of net assets of the Top Fund that the Top Fund intends to invest in securities of the Underlying Fund;

(iv) each officer, director or substantial securityholder of the Filer that has a significant interest in the Underlying Fund for the purpose of receiving a share of profits through special incentive distributions from the Underlying Fund, the nature of the significant interest, and the potential conflicts of interest which may arise from such relationships;

(v) the fees, expenses and any special incentive distributions payable by the Underlying Fund that the Top Fund invests in;

(vi) that investors are entitled to receive from the Filer, or its affiliates, on request and free of charge, a copy of the offering memorandum or other similar disclosure document of the Underlying Fund (if available);

(vii) that investors are entitled to receive from the Filer, or its affiliates, on request and free of charge, the annual and semi-annual financial statements relating to the Underlying Fund in which the Top Fund invests its assets.

"Mary Condon"
Commissioner
Ontario Securities Commission

"Anne Marie Ryan"
Commissioner
Ontario Securities Commission

2.1.4 Standard Life Mutual Funds Ltd. et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Approval granted for change of manager of mutual funds for the purpose of paragraph 5.5(1)(a) – change of manager is not detrimental to investors or the public.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, s. 5.5(1)(a).

[Translation]

January 20, 2015

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

AND

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

AND

IN THE MATTER OF
STANDARD LIFE MUTUAL FUNDS LTD.
(the Filer)

AND

IN THE MATTER OF
MANULIFE ASSET MANAGEMENT LIMITED
(MAML)

AND

IN THE MATTER OF
THE STANDARD LIFE MUTUAL FUNDS
(as defined below)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Maker**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (**the Legislation**) for approval of the proposed change of manager (**the Change of Manager**) of the mutual funds managed by the Filer and listed in Schedule A (**the Standard Life Mutual Funds**) under paragraph 5.5(1)(a) of *Regulation 81-102 respecting Investment Funds* (c. V-1.1, r. 39) (**Regulation 81-102**) (**the Approval Sought**).

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

(a) the Autorité des marchés financiers is the principal regulator for this application;

(b) the Filer has provided notice that subsection 4.7(1) of *Regulation 11-102 respecting Passport System* (c. V-1.1, r. 1) (**Regulation 11-102**) is intended to be relied upon in British Columbia, Alberta, Saskatchewan,

Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, and Northwest Territories;

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

Interpretation

Terms defined in *Regulation 14-101 respecting Definitions* (c. V-1.1, r. 3), Regulation 11-102, Regulation 81-102 and *Regulation 81-106 respecting Investment Fund Continuous Disclosure* (chapter V-1.1, r. 42) (**Regulation 81-106**) 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 (in respect of itself and its affiliates, as applicable), and MAML (in respect of itself and its affiliates, as applicable):

The Filer and the Standard Life Mutual Funds

1. The Filer, a wholly owned subsidiary of Standard Life Financial Inc. (**SL Financial**), is a corporation incorporated and existing under the *Canada Business Corporations Act*. Its head office is located at 1245 Sherbrooke Street West, Montréal, Québec H3G 1G3.

2. The Filer is duly registered as an investment fund manager under the securities legislation in Ontario, Québec and Newfoundland and Labrador.

3. The Filer serves as the investment fund manager of each of the Standard Life Mutual Funds.

4. The Standard Life Mutual Funds are comprised of 34 trust funds (**the Standard Life Trust Funds**) and 23 corporate class funds of Standard life Corporate Class Inc. (**the Standard Life Corporate Class Funds**) as listed in Schedule A.

5. The Standard Life Trust Funds are open-ended investment funds established under an amended and restated master declaration of trust dated 30 October 2014.

6. The Standard Life Corporate Class Funds are share classes of Standard Life Corporate Class Inc., a mutual fund corporation incorporated under the laws of Canada.

7. The Standard Life Mutual Funds are reporting issuers in the Jurisdictions and in all other provinces and territories of Canada, other than Nunavut.

8. The securities of each of the Standard Life Mutual Funds are qualified for distribution in the Jurisdictions and in all other provinces and territories of Canada, other than Nunavut, pursuant to a simplified prospectus dated October 30th, 2014 that has been prepared and filed in accordance with *Regulation 81-101 respecting Mutual Fund Prospectus Disclosure* (c. V-1.1, r. 38).

9. The Standard Life Mutual Funds are notably subject to the provisions of Regulation 81-102, Regulation 81-106 and *Regulation 81-107 respecting Independent Review Committee for Investment Funds* (chapter V-1.1, r. 43) (**Regulation 81-107**).

10. Neither the Filer nor the Standard Life Mutual Funds are in default of their obligations under the applicable securities legislation in any Jurisdictions or in any other provinces and territories of Canada in which the Standard Life Mutual Funds are reporting issuers.

SL Financial and Standard Life Investments Inc.

11. SL Financial, an indirect, wholly-owned subsidiary of Standard Life plc, is a corporation incorporated and existing under the laws of Canada with its head office located at 1245 Sherbrooke Street West, Montréal, Québec H3G 1G3.

12. SL Financial owns all of the issued and outstanding shares of the Filer.

13. Standard Life Investments Inc. (**SL Investments**) is a corporation incorporated and existing under the laws of Canada with its head office located at 1001 de Maisonneuve Boulevard West, Bureau 1000, Montréal, Québec H3A 3C8.

14. SL Investments is the portfolio manager of the Standard Life Mutual Funds, with the following exceptions:

    (a) the Filer has retained Beutel, Goodman & Company Ltd. (**Beutel**) as portfolio manager of the Standard Life Canadian Equity Value Fund, the Standard Life Canadian Equity Value Class, the Standard Life U.S. Equity Value Fund, the Standard Life U.S. Equity Value Class, the Standard Life Global Equity Value Fund and the Standard Life Global Equity Value Class; and

    (b) the Filer has retained Guardian Capital LP (**Guardian**) as portfolio manager of the Standard Life Canadian Equity Growth Fund and the Standard Life Canadian Equity Growth Class.

15. SL Investments is duly registered as a portfolio manager and exempt market dealer in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan, and Yukon and as a derivatives portfolio manager in Québec.

16. SL Investments is also duly registered as an investment fund manager in Ontario, Québec and Newfoundland and Labrador.

17. SL Investments is not in default of its obligations under the applicable securities legislation in any of the provinces and territories of Canada.

The Proposed Transaction

18. On 3 September 2014, Manulife, as defined below, announced that it has agreed to acquire, indirectly, all the shares of the Filer as part of its acquisition of the Canadian based operations of Standard Life plc, all in accordance with terms and conditions of the Share Purchase Agreement described below (**the Proposed Transaction**).

19. Pursuant to the share purchase agreement dated 3 September 2014 (**the Share Purchase Agreement**), The Manufacturers Life Insurance Company will acquire all of the issued and outstanding shares of each of SL Financial and SL Investments resulting in a change of control of the Filer.

20. The Proposed Transaction is subject to all necessary securityholder and regulatory approvals and is expected to be completed on or about 30 January 2015, and in any event during the first quarter of 2015, under the terms of the Share Purchase Agreement.

21. In accordance with Regulation 81-106, the Filer has treated the announcement of the Proposed Transaction as a "material change" for the Standard Life Mutual Funds and therefore filed the press release dated 3 September 2014, a material change report dated 5 September 2014 announcing the Proposed Transaction and amendments dated 10 September 2014 (**the Amendments**) in relation to the Standard Life Mutual Funds' simplified prospectus.

22. In accordance with section 11.9 of *Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* (c. V-1.1, r. 10), Manulife Financial Corporation (**Manulife**) provided notice of the Proposed Transaction to the Canadian securities regulators on September 24, 2014.

23. The Amendments announce an indirect change of control of the Filer, SL Investments and Standard Life Trust Company, the trustee (where applicable) and custodian of the Standard Life Mutual Funds.

24. The securityholders of the Standard Life Mutual Funds (**the Securityholders**) will continue to be able to redeem or purchase securities of the Standard Life Mutual Funds in the normal course, before and after completion of the Proposed Transaction.

Manulife and Manulife Asset Management Limited

25. Manulife is incorporated and existing under the laws of Canada and is a leading Canada-based publicly traded financial services company with its headquarters are located at 200 Bloor Street East, North Tower – 10th Floor, Toronto, Ontario M4W 1E5.

26. Manulife is a reporting issuer in all of the provinces and territories of Canada and its shares are listed on the Toronto Stock Exchange, the New York Stock Exchange, the Philippine Stock Exchange and the Stock Exchange of Hong Kong.

27. Manulife is not in default of securities legislation in any of the provinces and territories of Canada.

28. Manulife has four subsidiaries that are registrants under securities legislation (**the Manulife Registered Subsidiaries**); however, Manulife Asset Management Limited (**MAML**) is the Manulife Registered Subsidiary expected to be most relevant to the Change of Manager.

29. MAML, an indirect, wholly owned subsidiary of Manulife, is a corporation incorporated and existing under the laws of Ontario with its head office located at 200 Bloor Street East, North Tower, Toronto, Ontario M4W 1E5.

30. MAML is duly registered as a portfolio manager in Alberta, British Columbia, Manitoba, Newfoundland and Labrador, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, Québec and Saskatchewan; as an investment fund manager in Québec, Ontario and Newfoundland and Labrador; and as a commodity trading manager in Ontario.

31. MAML surrendered its exempt market dealer registration on 29 September 2014. Its exempt market dealer activities have been transferred to Manulife Asset Management Investments Inc. (**MAMII**), another Manulife Registered Subsidiary.

32. MAMII is duly registered as an exempt market dealer in Alberta, British Columbia, Manitoba, Newfoundland and Labrador, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, Québec and Saskatchewan.

33. MAML is the investment fund manager and portfolio manager for a group of mutual funds domiciled in Canada that are subject to Regulation 81-102 (**the Manulife Mutual Funds**), a group of mutual funds domiciled in Canada that are not subject to Regulation 81-102 (**the Manulife Asset Management Pooled Funds**) and most Manulife non-redeemable investment funds.

34. Manulife, including its subsidiaries, and the Filer are not related parties. Except pursuant to the Share Purchase Agreement and as described below, there are currently no relationships between Manulife, including its subsidiaries, and the Filer or its affiliates. Certain Standard Life entities have an existing relationship with Manulife entities, pursuant to which the Standard Life entities provide portfolio management services to certain Manulife-sponsored Canadian segregated funds and Manulife U.S. subsidiary-sponsored and U.S. domiciled mutual funds. There are currently no relationships between the Filer and the Manulife Registered Subsidiaries.

35. MAML is not in default of its obligations under the securities legislation in any of the provinces and territories of Canada.

36. The experience and integrity of each of the members of MAML's management team is apparent by their education and years of experience in the investment industry and will be described in the Circulars defined below.

The Change of Manager

37. The Proposed Transaction will result in Manulife acquiring indirect control over the Filer.

38. It is the intention of Manulife to proceed with the Change of Manager for the Standard Life Mutual Funds from the Filer to MAML, likely by way of an amalgamation or other consolidation of the Filer with MAML (**the Proposed Amalgamation**).

39. During the initial period following the completion of the Proposed Transaction, Manulife has no present intention to make immediate material changes to the day-to-day operations of the Filer other than as described in this representation 39 and representation 54 below. It is expected that the current directors, executive officers and the registered individuals of the Filer will generally remain in their current positions. However, certain individuals who are currently directors or executive officers of MAML and/or MAMII may also become directors or executive officers of the Filer prior to the Change of Manager and particularly, Manulife intends to appoint Paul Lorentz and Barry Evans as directors of the Filer immediately following the completion of the Proposed Transaction. In addition, while SL Investments, Beutel and Guardian will remain in their current positions as portfolio managers as described above, it is also expected that certain limited changes may be made to the advising representatives of SL Investments and sub-advisers to SL Investments who are responsible for the portfolio advisory function for certain Standard Life Mutual Funds. Any such changes will be implemented in accordance with applicable securities laws.

40. During the initial period following the completion of the Proposed Transaction, it is expected that Michel Fortin will remain the Ultimate Designated Person of the Filer and Marc Goyette will remain the Chief Compliance Officer of the Filer.

41. It is also expected that the directors and officers of Standard Life Corporate Class Inc., the mutual fund corporation managed by the Filer, will generally remain the same immediately following the completion of the Proposed

Transaction; however, certain individuals who are currently directors and executive officers of MAML may also become directors and/or officers of Standard Life Corporate Class Inc.

42. Following the completion of the Change of Manager, Manulife may amalgamate Standard Life Corporate Class Inc. with Manulife Investment Exchange Funds Corp., a mutual fund corporation incorporated under the laws of Canada and managed by MAML in accordance with applicable securities laws.

43. Following completion of the Change of Manager, it is expected that the directors and executive officers of MAML will remain in their positions and certain directors and executive officers of the Filer may be appointed to positions at MAML.

44. Regarding the continuity of operations and administration personnel, it is Manulife's intention to retain all necessary and relevant employees responsible for the operations of the Filer during the period prior to the Change of Manager. This would include the operations and back-office personnel who not only have experience with the operations and administration of conventional mutual funds, but have the institutional knowledge and experience with the Standard Life Mutual Funds. Following the Change of Manager, the operational employees of MAML will include the employees currently responsible for the operations of the Filer and MAML who, as a group, will have sufficient knowledge and experience to ensure the effective ongoing operation and administration of the Standard Life Mutual Funds and the Manulife Mutual Funds.

45. In accordance with paragraph 5.1(1)(b) of Regulation 81-102, Manulife will cause the Filer to call meetings of the Securityholders (the **Securityholder Meetings**) to obtain the approval of such Securityholders prior to completing the Change of Manager, (the **Securityholder Approvals**). It is expected that the Securityholder Meetings will be held by 30 June 2015.

46. During the initial period following completion of the Proposed Transaction, Manulife will develop plans for the integration of the operations of the Filer into MAML subject to the satisfaction of applicable regulatory approval requirements and matters requiring notice to Securityholders and/or matters requiring securityholder approval, including the Securityholder Approvals. Manulife expects that the integration of the operations of the Filer in MAML will involve some or all of the following steps: the shares of the Filer will be transferred within the Manulife group of companies, SL Financial (the shareholder of the Filer) will be dissolved and the Filer will be formally amalgamated or otherwise consolidated with MAML.

47. It is expected that the material aspects of the Change of Manager will be completed by 31 August 2015.

48. Within 10 days of the completion of the Proposed Transaction, it is the intention of the Filer to file a press release and a material change report announcing the completion of the Proposed Transaction and file amendments in relation to the Standard Life Mutual Funds' simplified prospectus.

49. Within 10 days of the completion of the Change of Manager, it is the intention of MAML to file a press release and a material change report announcing the completion of the Change of Manager and file amendments in relation to the Standard Life Mutual Funds' simplified prospectus.

50. Manulife does not expect the Proposed Transaction to adversely affect the Filer's financial position or its ability to fulfill its regulatory obligations.

51. Manulife does not expect the Proposed Transaction or the Change of Manager to have negative consequences on the ability of the Filer to satisfy its obligations to the Standard Life Mutual Funds or to have any material adverse impact on the business, affairs, operations and administration of the Standard Life Mutual Funds or its Securityholders or to give rise to material conflicts of interest.

52. In this regard, the Filer has determined that the Proposed Transaction is not a conflict of interest matter to be referred to the Independent Review Committee of the Standard Life Mutual Funds (**the Standard Life Mutual Funds IRC**) pursuant to section 5.1 of Regulation 81-107 and that, as a result, the Proposed Transaction will not require the approval or recommendation of the Standard Life Mutual Funds IRC. The Filer has, however, provided information relating to the Proposed Transaction and the Change of Manager to the Standard Life Mutual Funds IRC. Any conflicts of interest arising in the future as a result of the Proposed Transaction will be promptly assessed by compliance and legal staff of the Filer and MAML and will be addressed through client disclosure and, where appropriate, client consent and, if applicable, will be referred to the Standard Life Mutual Funds IRC and the Independent Review Committee of the Manulife Mutual Funds, as the case may be.

53. By operation of paragraphs 3.10(1)(b) and 3.10(1)(c) of Regulation 81-107, the members of the Standard Life Mutual Funds IRC will cease to be Standard Life Mutual Funds IRC members on two separate occasions: (i) following the

completion of the Proposed Transaction and (ii) following the completion of the Change of Manager. MAML intends to appoint certain members of the Independent Review Committee of the Manulife Mutual Funds and the Standard Life Mutual Funds IRC to form the new Standard Life Mutual Funds IRC following the completion of the Proposed Transaction and to reappoint the same members following the completion of the Change of Manager.

54. In respect of changes to the Filer and/or the Standard Life Mutual Funds:

(a) Manulife has confirmed that there is no current intention to do any of the following prior to obtaining the Securityholder Approvals:

(i) to make any material changes to the operations of the Filer or how the Filer operates or manages the Standard Life Mutual Funds except as described in representation 39 above;

(ii) to amalgamate or consolidate the Filer with MAML or any other investment fund manager;

(iii) to change the manager of the Standard Life Mutual Funds from the Filer to MAML or another Manulife subsidiary;

(iv) to change the custodian, auditor or trustee of the Standard Life Mutual Funds;

(v) to make any changes to the investment objectives and strategies of the Standard Life Mutual Funds or the expenses that are charged to the Standard Life Mutual Funds;

(b) Manulife currently intends to maintain the Standard Life Mutual Funds as a separately managed fund family prior to the Filer obtaining the Securityholder Approvals; and

(c) after obtaining the Securityholder Approvals, any changes to the Standard Life Mutual Funds (including changes to the corporate name of the Filer and the names of the Standard Life Mutual Funds, possible changes to the investment objectives of the Standard Life Mutual Funds, possible fund mergers and possible change of custodian) will be implemented in accordance with applicable securities laws, including the satisfaction of any applicable regulatory approval requirements and matters requiring notice to Securityholders and/or matters requiring securityholder approval. For example, to the extent that any changes made to the Standard Life Mutual Funds following the Proposed Transaction would constitute “material changes” within the meaning of Regulation 81-106, press releases will be issued, material change reports filed and amendments made to the prospectuses of the applicable Standard Life Mutual Funds.

55. Manulife does not expect the Change of Manager to adversely affect MAML’s financial position or its ability to fulfill its regulatory obligations.

56. The Standard Life Mutual Funds will not bear any of the costs and expenses associated with the Proposed Transaction or the Change of Manager. Such costs will be borne by the Filer. These costs may include legal and accounting fees, proxy solicitation, printing and mailing costs and regulatory fees.

57. The Approval Sought will not be detrimental to the protection of the Standard Life Mutual Funds Securityholders or prejudicial to the public interest.

58. Manulife and the Filer understand that, based on the structure of the Proposed Transaction, it is not necessary to also obtain the approval of the Decision Makers for a change of control of the Filer pursuant to paragraph 5.5(1)(a.1) of Regulation 81-102 or for the Filer to also provide notice of a change of control of the Filer to all securityholders of the Standard Life Mutual Funds pursuant to subsection 5.8(1) of Regulation 81-102.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Makers to make the decision.

The decision of the Decision Makers under the Legislation is that the Approval Sought is granted provided that:

(i) the Filer obtains prior approval of Securityholders for the Change of Manager for the Standard Life Mutual Funds at the Securityholder Meetings;

(ii) the notice of the Securityholder Meetings and the management information circulars in respect of the Securityholder Meetings (the **Circulars**) are sent to Securityholders and copies thereof are filed on SEDAR in accordance with applicable securities legislation;

(iii) the Circulars contain:

(A) sufficient information regarding the business, management and operations of MAML, including details of the funds it manages and its officers and board of directors;

(B) all information necessary to allow Securityholders to make an informed decision about the Change of Manager of the Standard Life Mutual Funds and to vote on the Change of Manager of the Standard Life Mutual Funds; and

(iv) all other information and documents necessary to comply with the applicable proxy solicitation requirements of securities legislation for the Securityholder Meetings are sent to Securityholders.

"Lucie J. Roy"
Senior Director, Corporate Finance
Autorité des marchés financiers

SCHEDULE A

STANDARD LIFE MUTUAL FUNDS

1. Standard Life Trust Funds

Standard Life Fixed Income Funds
Standard Life Money Market Fund
Standard Life Short Term Bond Fund
Standard Life Canadian Bond Fund
Standard Life Tactical Bond Fund
Standard Life Corporate Bond Fund
Standard Life Global Bond Fund (formerly Standard Life International Bond Fund)
Standard Life High Yield Bond Fund
Standard Life Emerging Markets Debt Fund

Standard Life Monthly Income and Balanced Funds
Standard Life Diversified Income Fund
Standard Life Monthly Income Fund
Standard Life Dividend Income Fund
Standard Life Tactical Income Fund
Standard Life Balanced Fund
Standard Life U.S. Monthly Income Fund

Standard Life Canadian Equity Funds
Standard Life Canadian Dividend Growth Fund
Standard Life Canadian Equity Value Fund
Standard Life Canadian Equity Fund
Standard Life Canadian Equity Growth Fund
Standard Life Canadian Small Cap Fund

Standard Life U.S. Equity Funds
Standard Life U.S. Dividend Growth Fund
Standard Life U.S. Equity Value Fund

Standard Life Global Equity Funds
Standard Life Global Dividend Growth Fund
Standard Life International Equity Fund
Standard Life Global Equity Value Fund
Standard Life Global Equity Fund
Standard Life Global Real Estate Fund
Standard Life European Equity Fund
Standard Life Emerging Markets Dividend Fund

Standard Life Portrait Portfolio Funds
Standard Life Conservative Portfolio
Standard Life Moderate Portfolio
Standard Life Growth Portfolio
Standard Life Dividend Growth & Income Portfolio
Standard Life Aggressive Portfolio
Standard Life Global Portfolio

2. Standard Life Corporate Class Funds

Standard Life Fixed Income/Specialty Funds
Standard Life Short Term Yield Class
Standard Life Canadian Bond Class
Standard Life Corporate Bond Class

Standard Life Monthly Income Funds
Standard Life Monthly Income Class
Standard Life Dividend Income Class

Standard Life Canadian Equity Funds
Standard Life Canadian Dividend Growth Class
Standard Life Canadian Equity Value Class
Standard Life Canadian Equity Class
Standard Life Canadian Equity Growth Class
Standard Life Canadian Small Cap Class

Standard Life U.S. Equity Funds
Standard Life U.S. Dividend Growth Class
Standard Life U.S. Equity Value Class

Standard Life Global Equity Funds
Standard Life Global Dividend Growth Class
Standard Life International Equity Class
Standard Life Global Equity Value Class
Standard Life Global Equity Class
Standard Life Emerging Markets Dividend Class

Standard Life Portrait Portfolio Funds
Standard Life Conservative Portfolio Class
Standard Life Moderate Portfolio Class
Standard Life Growth Portfolio Class
Standard Life Dividend Growth & Income Portfolio Class
Standard Life Aggressive Portfolio Class
Standard Life Global Portfolio Class

2.1.5 Aegean Metals Group Inc. – s. 1(10)(a)(ii)

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Issuer deemed to no longer be a reporting issuer under securities legislation.

Applicable Legislative Provisions

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

February 6, 2015

Aegean Metals Group Inc.
Suite 102, 3 Eden Street
North Sydney, NSW 2060
Australia

Dear Sirs/Mesdames:

Re: Aegean Metals Group Inc. (the Applicant) – application for a decision under the securities legislation of Ontario and Alberta (the Jurisdictions) that the Applicant is not a reporting issuer

The Applicant has applied to the local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions for a decision under the securities legislation (the Legislation) of the Jurisdictions that the Applicant is not a reporting issuer.

In this decision, "securityholder" means, for a security, the beneficial owner of the security.

The Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, 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;

(b) no securities of the Applicant, 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;

(c) the Applicant is applying for a decision that it is not a reporting issuer in all of the jurisdictions of Canada in which it is currently a reporting issuer; and

(d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer.

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is not a reporting issuer.

"Sonny Randhawa"
Manager, Corporate Finance
Ontario Securities Commission

2.2 Orders

2.2.1 Christopher Reaney – s. 8(4)

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
CHRISTOPHER REANEY

ORDER
(Subsection 8(4))

WHEREAS on January 13, 2015, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to subsection 8(4) of the Ontario *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") with respect to Christopher Reaney (the "Applicant");

AND WHEREAS on January 14, 2015, the Commission held a hearing to consider a request made by the Applicant to stay a decision of a Director dated January 5, 2015 (the "Decision") pending the disposition of the Applicant's hearing and review of the Decision;

AND WHEREAS the Commission reviewed the Applicant's request for a stay of the Decision;

AND WHEREAS the Commission considered submissions from counsel for the Applicant on the Application Record and submissions from counsel for the Applicant and counsel for Staff of the Commission ("Staff") on relevant case law;

AND WHEREAS the hearing and review of the Decision will be heard on March 31, 2015;

AND WHEREAS counsel for Staff consented to a stay pending the hearing and review or other order of the Commission on certain terms and conditions;

AND WHEREAS upon considering the materials and submissions of the Applicant and of Staff, the Commission was of the opinion that it was in the public interest to grant a stay order with terms and conditions, pursuant to subsection 8(4) of the Act;

AND WHEREAS on January 14, 2015, the Commission ordered that:

1. The suspension of the Applicant's registration imposed by the Decision is stayed immediately and this order will continue in force until further order of the Commission and in any event not later than March 31, 2015.

2. During the period in which the stay is in effect, the Applicant's registration under the Act is subject to the following terms and conditions:

   (a) The registration of the Applicant shall be subject to strict supervision by his sponsoring firm.

   (b) The Applicant's sponsoring firm must submit written monthly strict supervision reports (in the form specified in Appendix "A") to Staff of the Commission, Attention: Deputy Director, Registrant Conduct Team, Compliance and Registrant Regulation Branch, and also to Staff of the Mutual Fund Dealers Association of Canada (the "MFDA"), Attention: Manager, Compliance. These reports must be submitted within 15 calendar days after the end of each month.

   (c) The Applicant must immediately report to the Commission's Deputy Director, Registrant Conduct Team, Compliance and Registrant Regulation Branch if he is under investigation by the MFDA or is reprimanded in any way by the MFDA.

   (d) If the Applicant processes a transaction for a client using a document which is signed or initialled by a client and which is not the original version of the document, the Applicant must deliver the original document to his sponsoring firm within one week of the transaction to permit the firm to verify the authenticity of the copied document, including whether the copied document was created using a pre-signed form. If the sponsoring

firm finds any irregularity, it will notify Staff of the Commission in writing when it submits its monthly report, referred to above.

(e) The Applicant may not use a limited trading authorization for any of his clients;

AND WHEREAS on January 28, 2015, the Applicant requested by letter that paragraph 6 of the Strict Supervision Report appended to the January 14, 2015 order as Appendix "A" be revised to reflect the practice of the Applicant's sponsoring firm;

AND WHEREAS Staff has indicated they are content with the Applicant's requested change to Appendix "A";

IT IS HEREBY ORDERED THAT the Applicant's request is granted, and the written monthly strict supervision reports to be submitted by the Applicant's sponsoring firm to Staff of the Commission and the MFDA, as ordered above, shall be in the form specified in the revised Appendix "A" to this order.

DATED at Toronto this 4th day of February, 2015.

"Mary G. Condon"

Appendix "A"
Strict Supervision Report

I hereby certify that supervision has been conducted for the month ending _____, 201_ of the trading activities of Christopher Reaney (the "Registrant") by the undersigned. I further certify the following:

1. All orders, both buy and sell, and sales contracts have been reviewed by a supervising officer of IPC Investment Corporation prior to the trade occurring.

2. All client accounts have been reviewed for leveraging, suitability of investments, overconcentration of investments, excess trading or switching, and any amendments to know your client information.

3. A review of trading activity on a daily basis has been conducted of the Registrant's client accounts.

4. No transactions have been made in any client account until the full and correct documentation is in place.

5. The Registrant has not been granted any power of attorney over any client accounts.

6. All payments for the purchase of the investments were made payable directly to the dealer or a mutual fund company. There were no cash payments accepted.

7. No client complaints have been received during the preceding month. If there have been complaints, an outline of the nature of the complaint and follow-up action initiated by the company is attached.

8. There has been no handling by the Registrant of clients' funds or securities or issuance of cheques to clients without management approval.

9. Any transfer of funds or securities between clients' accounts has been authorized in writing and reviewed by the supervising officer.

10. Spot audits relative to the Registrant's client accounts have been conducted during the preceding month to ensure compliance with these procedures and no violations of these procedures were discovered.

2.2.2 Welcome Place Inc. et al. – ss. 127(1), 127(7), 127(8)

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
WELCOME PLACE INC.,
DANIEL MAXSOOD also known as MUHAMMAD M. KHAN,
TAO ZHANG, and TALAT ASHRAF

ORDER
(Subsection 127(1), 127(7) and 127(8))

WHEREAS on July 2, 2013, the Ontario Securities Commission (the "Commission") issued a temporary order (the "Temporary Order"), pursuant to subsections 127(1) and (5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), ordering the following:

1. that all trading in any securities by Welcome Place Inc. ("Welcome Place"), Daniel Maxsood also known as Muhammad M. Khan ("Maxsood"), Tao Zhang ("Zhang"), and Talat Ashraf ("Ashraf") shall cease; and

2. that the exemptions contained in Ontario securities law do not apply to any of Welcome Place, Maxsood, Zhang, and Ashraf;

AND WHEREAS on July 2, 2013 the Commission ordered that the Temporary Order shall expire on the 15th day after its making unless extended by the Commission;

AND WHEREAS on July 2, 2013 the Commission issued a Notice of Hearing to consider, among other things, the extension of the Temporary Order, to be held on July 12, 2013 at 11:30 a.m. (the "Notice of Hearing");

AND WHEREAS Staff of the Commission ("Staff") have served Welcome Place, Maxsood, Zhang, and Ashraf (the "Respondents") with copies of the Temporary Order, the Notice of Hearing, the Hearing Brief, Staff's Written Submissions and Brief of Authorities as evidenced by the sixteen Affidavits of Service contained in the Affidavits of Service Brief filed by Staff in advance of the July 12, 2013 hearing;

AND WHEREAS the Commission held a Hearing on July 12, 2013, at which counsel for Welcome Place and Maxsood attended and no one attended on behalf of Zhang or Ashraf, although properly served. Upon reviewing the evidence, hearing submissions from Staff and counsel for Welcome Place and Maxsood, and upon being advised that Welcome Place and Maxsood consented to the extension of the Temporary Order to January 31, 2014, the Commission ordered:

i) pursuant to subsections 127(7) and 127(8) of the Act that the Temporary Order is extended to January 31, 2014, and specifically:

   (a) that all trading in any securities by Welcome Place, Maxsood, Zhang, and Ashraf shall cease;

   (b) that the exemptions contained in Ontario securities law do not apply to any of Welcome Place, Maxsood, Zhang, and Ashraf; and

   (c) that this Order shall not affect the right of any Respondent to apply to the Commission to clarify, amend, or revoke this Order upon seven days written notice to Staff of the Commission; and

ii) that the Hearing is adjourned to Monday, January 27, 2014 at 10:00 a.m.

AND WHEREAS on January 27, 2014, the Commission held a Hearing with respect to the extension of the Temporary Cease Trade Order and Staff appeared and made submissions. No one appeared for the Respondents, but a written consent to the extension of the Temporary Order was filed, which was considered by the Commission. The Commission ordered pursuant to subsections 127(7) and 127(8) of the Act that the Temporary Order is extended until the final disposition of the proceeding resulting from Staff's investigation in this matter, including, if appropriate, any final determination with respect to sanctions and costs, or further Order of the Commission, and specifically:

1. that all trading in any securities by Welcome Place, Maxsood, Zhang, and Ashraf shall cease;

2. that the exemptions contained in Ontario securities law do not apply to any of Welcome Place, Maxsood, Zhang, and Ashraf; and

3. that this Order shall not affect the right of any Respondent to apply to the Commission to clarify, amend, or revoke this Order upon seven days written notice to Staff of the Commission;

AND WHEREAS on December 18, 2014, the Commission issued a Notice of Hearing pursuant to sections 127 and 127.1 of the Act, accompanied by a Statement of Allegations dated December 18, 2014, issued by Staff with respect to the Respondents;

AND WHEREAS the Respondents were served with the Notice of Hearing and Statement of Allegations on December 19, 2014;

AND WHEREAS the Notice of Hearing provided that a hearing would be held before the Commission on February 2, 2015;

AND WHEREAS on February 2, 2015, Staff appeared and counsel appeared and confirmed his attendance on behalf of each of the Respondents;

AND WHEREAS the Commission determined that the parties should return for a subsequent appearance before the Commission after disclosure has been provided to the Respondents;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED that the hearing of this matter is adjourned to May 27, 2015 at 11:00 a.m. or on such other date or time set by the Office of the Secretary and agreed to by the parties.

DATED at Toronto this 2nd day of February, 2015.

“Mary G. Condon”

2.2.3 Ontario Wealth Management Corporation, carrying on business as OWEMANCO – s. 127

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c.S.5, AS AMENDED

AND

IN THE MATTER OF
ONTARIO WEALTH MANAGEMENT CORPORATION,
carrying on business as OWEMANCO

ORDER
(Subsection 127(1))

WHEREAS on February 5, 2015, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing (the "Notice of Hearing") pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "Act") in relation to the Statement of Allegations (the "Statement of Allegations") filed by Staff of the Commission ("Staff") on February 5, 2015 in respect of Ontario Wealth Management Corporation carrying on business as OWEMANCO ("OWEMANCO");

AND WHEREAS OWEMANCO entered into a Settlement Agreement with Staff dated February 5, 2015 (the "Settlement Agreement") in which OWEMANCO and Staff agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing, subject to the approval of the Commission;

AND WHEREAS the Notice of Hearing dated February 5, 2015 also announced that the Commission proposed to hold a hearing to consider whether it is in the public interest to approve the Settlement Agreement;

AND WHEREAS on April 18, 2014, OWEMANCO engaged North Star Compliance and Regulatory Solutions Inc. (the "Consultant") to design and implement a compliance improvement plan;

AND UPON reviewing the Notice of Hearing, the Statement of Allegations and the Settlement Agreement and upon hearing submissions from OWEMANCO and Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

(a) the Settlement Agreement is approved;

(b) Pursuant to paragraph 1 of subsection 127(1) of the Act, the following terms and conditions are placed on OWEMANCO's registration:

(i) The Consultant shall at OWEMANCO's own expense:

1. prepare and assist OWEMANCO in implementing a plan (the "Plan") to strengthen OWEMANCO's "compliance system" within the meaning of section 11.1 of NI 31-103 including the expected dates of completion and person(s) responsible for the implementation. In the Plan, the Consultant will examine OWEMANCO's operations, internal policies, practices and procedures and make recommendations for rectifying all identified compliance deficiencies raised in a Compliance Report dated August 12, 2013;

2. review OWEMANCO's progress with respect to implementation of the Plan;

3. submit written progress reports ("Progress Reports") to Staff detailing:

a. OWEMANCO's progress with respect to the implementation of the Plan and stating whether the specific recommendations included in the Plan have been appropriately implemented;

b. the expected date of completion and person(s) responsible for any recommendations that have not yet been implemented; and

c. the testing done and the results of such testing by the Consultant in relation to the recommendations that have been implemented to determine whether OWEMANCO's procedures are working effectively and are being enforced; and

4. submit a letter to Staff attesting that:

a. OWEMANCO has implemented the procedures and controls recommended by the Consultant that address each of the deficiencies identified in the Compliance Report and that strengthen OWEMANCO's compliance system;

b. OWEMANCO is complying with the new procedures and controls; and

c. In his or her capacity as Consultant, the Consultant has tested the procedures and they are working effectively and are being enforced;

(ii) The Consultant shall provide the Plan to Staff for review and approval no later than February 16, 2015;

(iii) The Plan and the Progress Reports must be reviewed and approved by the ultimate designated person ("UDP") and CCO of OWEMANCO and signed by the UDP and CCO of OWEMANCO as evidence of their review and approval;

(iv) The Consultant shall submit the Progress Reports to Staff every 60 days following approval of the Plan by Staff until Staff is satisfied that the Plan has been appropriately implemented and is being enforced;

(v) The Consultant shall remain in place until the letter referred to in subparagraph (i)4 above has been delivered to Staff and Staff is satisfied that the Plan has been appropriately implemented and is being enforced;

(vi) OWEMANCO shall immediately submit to the Commission a direction from OWEMANCO giving consent to unrestricted access by Staff to communicate with the Consultant regarding OWEMANCO's progress with respect to the implementation of the Plan or any of its specific recommendations; and

(vii) In the event that the Consultant's relationship with OWEMANCO is terminated for any reason prior to the date referred to in subparagraph v above, any replacement Consultant put forward by OWEMANCO shall be subject to approval by Staff; and

(c) Pursuant to paragraph 9 of subsection 127(1) of the Act, OWEMANCO shall pay the amount of $100,000 by way of a certified cheque to be delivered to Staff before the commencement of the settlement hearing, for allocation or use in accordance with subsection 3.4(2)(b) of the Act.

DATED AT TORONTO this 9th day of February, 2015.

"James E. A. Turner"

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 Ontario Wealth Management Corporation, carrying on business as OWEMANCO

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c.S.5, AS AMENDED

AND

IN THE MATTER OF
ONTARIO WEALTH MANAGEMENT CORPORATION,
carrying on business as OWEMANCO

SETTLEMENT AGREEMENT BETWEEN STAFF AND
ONTARIO WEALTH MANAGEMENT CORPORATION,
carrying on business as OWEMANCO

PART I – INTRODUCTION

1. The Ontario Securities Commission (the "Commission") will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "Act"), it is in the public interest for the Commission to approve this Settlement Agreement and to make certain orders in respect of Ontario Wealth Management Corporation, carrying on business as OWEMANCO ("OWEMANCO").

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("Staff") agrees to recommend settlement of the proceeding initiated by the Notice of Hearing dated February 5, 2015 in respect of OWEMANCO (the "Proceeding") in accordance with the terms and conditions set out below. OWEMANCO consents to the making of an order in the form attached as Schedule "A" based on the facts set out below.

PART III – AGREED FACTS

A. Background

3. OWEMANCO was incorporated in Ontario on February 20, 2001 and is a registered as a mortgage brokerage and administrator under the *Mortgage Brokerages, Lenders and Administrators Act*, R.S.O. (2006), c. 29, with the Financial Services Commissions of Ontario.

4. In addition, OWEMANCO trades in units of OWEMANCO Mortgage Trust, a non-investment fund pooled mortgage investment entity. OWEMANCO Mortgage Trust commenced operation on July 9, 2010 under an exchange offering pursuant to an Offering Memorandum whereby existing clients of OWEMANCO holding interests in syndicated mortgage loans originated and administered by OWEMANCO were offered units in the OWEMANCO Mortgage Trust in exchange for their shares in the syndicated mortgages. The syndicated mortgages were then rolled into the OWEMANCO Mortgage Trust.

5. The OWEMANCO Mortgage Trust presently consists of approximately $103 million invested in 96 mortgages of which 93 are first mortgages, representing approximately 96% of the portfolio by dollar amount. The real estate securing the loans is predominantly commercial in nature. The investment criteria of the OWEMANCO Mortgage Trust limit the loan-to-value ratio to 65%. The net asset value of a unit in OWEMANCO Mortgage Trust has remained at $1.00 since inception. Subject to notice and other requirements, units in OWEMANCO Mortgage Trust are redeemable by investors.

6. On or about March 30, 2011, OWEMANCO applied to the Commission for registration under the Act as an exempt market dealer ("EMD").

7. In or about September, 2011, OWEMANCO advised Staff that:

(a) Warren Morris ("Morris"), a mortgage broker at OWEMANCO and OWEMANCO's proposed chief compliance officer ("CCO"), would be the firm's sole dealing representative;

(b) Jonah Bonn ("Bonn"), OWEMANCO's chief operating officer, was completing the requisite proficiency requirements to become a dealing representative and that he would apply for registration upon completion of the applicable course(s); and

(c) Morris was the only individual who would be dealing with investors on behalf of OWEMANCO and that the other members of OWEMANCO did not and would not deal with investors.

8. On or about May 18, 2012, Staff advised OWEMANCO that it was prepared to register OWEMANCO as a dealer in the category of EMD provided that the following undertaking (the "OWEMANCO Undertaking") be signed by an approved officer of OWEMANCO:

> *Within 6 months from the grant of Exempt Market Dealer registration, Ontario Wealth Management Corporation undertakes, with respect to each Person who has since September 14, 2005 purchased securities in* ***OWEMANCO Mortgage Trust*** *and continues to hold such securities:*
>
> *(a) to make reasonable inquiry to confirm that a valid prospectus exemption was available for the purchase of such securities, excluding the $150,000 minimum amount investment exemption, and in the case of Persons seeking to rely on the "accredited investor" exemption contained in National Instrument 45-106 Prospectus and Registration Exemptions, such reasonable inquiry will take the form of obtaining a signed and completed Investor Information Form in the form attached hereto as Schedule A; and*
>
> *(b) where the inquiry does not reasonably demonstrate that a prospectus exemption was available, require such Person to redeem such securities.*

9. As set out above, pursuant to the OWEMANCO Undertaking, OWEMANCO was required to obtain Investor Information Forms ("IIFs") from all clients seeking to qualify for an exemption from the prospectus requirement and to ensure that all securities held by non-qualifying unitholders be redeemed. This process, including collecting IIFs in respect of each unitholder and delivering the funds due on redemption to all non-qualifying unitholders, was required to be completed by November 18, 2012.

10. On May 18, 2012, the OWEMANCO Undertaking was signed by Bonn, on behalf of OWEMANCO. On that same day, OWEMANCO was registered with the Commission in the category of EMD and Morris was registered as OWEMANCO's dealing representative and CCO.

11. Bonn was not registered in any capacity with the Commission until December 19, 2012 when Bonn became registered as a dealing representative of OWEMANCO.

B. The Compliance Review

12. Commencing on or about January 24, 2013, Staff commenced a review of OWEMANCO under section 20 of the Act (the "Compliance Review") for the review period of January 1, 2012 to December 31, 2012 (the "Review Period").

13. By means of a compliance field review report delivered to OWEMANCO on or about August 12, 2013 (the "Compliance Report"), Staff advised OWEMANCO that it had identified a number of significant deficiencies during the Compliance Review ("Significant Deficiencies").

C. The OWEMANCO Undertaking

14. A mong the Significant Deficiencies raised in the Compliance Report, Staff noted that OWEMANCO failed to comply with the OWEMANCO Undertaking and/or failed to comply with the OWEMANCO Undertaking by the required deadline of November 18, 2012. In particular, Staff found that:

(a) Five months after the November 18, 2012 deadline had expired, the procedures set out in the OWEMANCO Undertaking had not yet been performed for 36 clients and, in respect of most of these clients, OWEMANCO had insufficient "know your client" ("KYC") documentation to demonstrate sufficient information to ascertain whether these clients qualified to purchase prospectus-exempt securities or whether these investments needed to be redeemed;

(b) In the case of four of the clients referred to in (a) above, IFFs were not obtained as OWEMANCO improperly relied on the "founder, control person and family" prospectus exemption set out in section 2.7 of National Instrument 45-106 – *Prospectus and Registration Exemptions* ("NI 45-106") in relation to these four clients; and

(c) In at least two instances, OWEMANCO recommended to clients who were not accredited investors to increase the aggregate amount of their investment up to $150,000, or to add to the aggregate amount of their investment in increments smaller than $150,000 (collectively, "Top-Up Investments") to meet the "minimum amount exemption" when this exemption, set out in section 2.10 of NI 45-106, did not apply in such circumstances and after Staff advised OWEMANCO during the Compliance Review that this exemption could not be used in this manner.

15. OWEMANCO has since completed the procedures set out in the OWEMANCO Undertaking to Staff's satisfaction for the 36 clients referred to in subparagraph 14(a) above.

D. OWEMANCO Trading

(i) Improper reliance on Exemptions

16. OWEMANCO, as a registered EMD, could only engage in prospectus-exempt trades.

17. As referred to above, OWEMANCO improperly relied on the "founder, control person and family" prospectus exemption set out in section 2.7 of NI 45-106 in relation to trades with four clients.

18. The "Top-Up Investments" referred to above also did not qualify for the "minimum amount exemption" set out in section 2.10 of NI 45-106, which exemption requires that the $150,000 be paid in cash at the time of the distribution.

19. In addition, on at least four occasions after the Review Period, OWEMANCO allowed clients who had previously met the "minimum amount exemption" set out in section 2.10 of NI 45-106 to make additional investments in amounts of less than $150,000. These investors did not otherwise qualify for exemptions from the prospectus requirement.

(ii) Unregistered trading by OWEMANCO representative

20. During the period May 18, 2012 to December 19, 2012, when Bonn was not registered in any capacity with the Commission, Bonn engaged in acts in furtherance of a trade on behalf of OWEMANCO including:

(a) Meeting with investors to discuss investments in OWEMANCO Mortgage Trust;

(b) Collecting KYC and other information from clients;

(c) Providing clients with offering documents (including offering memorandum and subscription agreements);

(d) Accepting investor funds; and

(e) Executing trade transactions.

E. OWEMANCO failed to establish and maintain systems of controls and supervision

21. OWEMANCO did not have appropriate systems of controls and supervision in place to ensure that the OWEMANCO Undertaking was complied with and to ensure that OWEMANCO otherwise complied with Ontario securities law. Morris was the CCO of OWEMANCO during the period of the conduct referred to above. In May 2013, Morris advised Staff that while he met with new clients, he did not review any trades made by existing OWEMANCO clients, including investments made by existing clients during the period when Morris was the sole registered dealing representative for OWEMANCO.

F. Undertakings signed by Bonn and Morris regarding Future Registration

22. On May 14, 2014, Bonn surrendered his registration in the category of dealing representative and Morris surrendered his registration in the categories of dealing representative and CCO.

23. As a result of the conduct referred to above, Bonn has provided Staff with a signed undertaking that:

(a) Bonn will not apply for reinstatement of registration as a dealing representative for a period of two years from the date of the order of the Commission approving this Settlement Agreement;

(b) Bonn will not apply for reinstatement of registration as a dealing representative until he successfully passes the Conduct and Practices Handbook examination, and until he furnishes Staff with evidence of the successful completion of this examination; and

(c) Bonn accepts that should he apply for reinstatement of registration as a dealing representative and should that registration be granted, he will be subject to a term and condition on his registration requiring strict supervision of him by his sponsoring firm for a period of one year, beginning on the date of reinstatement of his registration (the "Bonn Undertaking").

24. As a result of the conduct referred to above, Morris has provided Staff with a signed undertaking that:

(a) Morris will not apply for reinstatement of registration as a dealing representative for a period of two years from the date of the order of the Commission approving this Settlement Agreement;

(b) Morris will not apply for reinstatement of registration as a dealing representative until he successfully passes the Conduct and Practices Handbook examination, and until he furnishes Staff with evidence of the successful completion of this examination;

(c) Morris accepts that should he apply for reinstatement of registration as a dealing representative and should that registration be granted, he will be subject to a term and condition on his registration requiring strict supervision of him by his sponsoring firm for a period of one year, beginning on the date of reinstatement of his registration; and

(d) Morris will not apply for reinstatement of registration as a CCO for a period of 5 years from the date of the order of the Commission approving this Settlement Agreement (the "Morris Undertaking").

G. Mitigating Factors

25. On April 18, 2014, OWEMANCO engaged North Star Compliance and Regulatory Solutions Inc. (the "Consultant") to design and implement a compliance improvement plan.

26. On May 14, 2014, Bonn and Morris surrendered their respective registration and on February 5, 2015 the signed Bonn and Morris Undertakings were provided to Staff.

27. OWEMANCO has registered a new dealing representative and a new CCO. The new CCO has undertaken to complete the Osgoode Certificate in Regulatory Compliance and Legal Risk Management for Financial Institutions offered by Osgoode Professional Development by June 2015.

28. OWEMANCO has now completed the procedures set out in the OWEMANCO Undertaking to Staff's satisfaction.

29. OWEMANCO represents to Staff that as of the date hereof:

(a) no investor has been harmed by the conduct of OWEMANCO described in this Settlement Agreement;

(b) subject to notice and other requirements, all of the outstanding units of the OWEMANCO Mortgage Trust are redeemable at any time; and

(c) except for the conduct referred to in this Settlement Agreement, OWEMANCO has not distributed securities of OWEMANCO Mortgage Trust to investors except in compliance with the Act.

30. OWEMANCO has cooperated with Staff in connection with Staff's investigation of the matters referred to in this Settlement Agreement.

PART IV – CONDUCT CONTRARY TO THE ACT AND THE PUBLIC INTEREST

31. OWEMANCO contravened Ontario securities law, which was contrary to the public interest, in the following ways:

(a) OWEMANCO improperly purported to rely on the exemptions referred to in Part III D(i) above;

(b) OWEMANCO engaged in trading without registration contrary to subsection 25(1) of the Act; and

(c) OWEMANCO failed to establish and maintain systems of controls and supervision to provide reasonable assurance that the firm and each individual acting on its behalf complied with securities legislation, in breach

of subsection 32(2) of the Act and section 11.1 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103").

32. Further, the failure by OWEMANCO to comply with the OWEMANCO Undertaking was contrary to the public interest.

PART V – TERMS OF SETTLEMENT

33. The Commission will make an order, pursuant to subsection 127(1) of the Act, that:

(a) the Settlement Agreement is approved;

(b) The following terms and conditions are placed on OWEMANCO's registration:

i. The Consultant shall, at OWEMANCO's own expense:

1. prepare and assist OWEMANCO in implementing a plan (the "Plan") to strengthen OWEMANCO's "compliance system" within the meaning of section 11.1 of NI 31-103 including the expected dates of completion and person(s) responsible for the implementation. In the Plan, the Consultant will examine OWEMANCO's operations, internal policies, practices and procedures and make recommendations for rectifying all identified compliance deficiencies raised in the Compliance Report dated August 12, 2013;

2. review OWEMANCO's progress with respect to implementation of the Plan;

3. submit written progress reports ("Progress Reports") to Staff detailing:

a. OWEMANCO's progress with respect to the implementation of the Plan and stating whether the specific recommendations included in the Plan have been appropriately implemented;

b. the expected date of completion and person(s) responsible for any recommendations that have not yet been implemented; and

c. the testing done and the results of such testing, by the Consultant in relation to the recommendations that have been implemented to determine whether OWEMANCO's procedures are working effectively and are being enforced; and

4. submit a letter to Staff attesting that:

a. OWEMANCO has implemented the procedures and controls recommended by the Consultant that address each of the deficiencies identified in the Compliance Report and that strengthen OWEMANCO's compliance system;

b. OWEMANCO is complying with the new procedures and controls; and

c. In his or her capacity as Consultant, the Consultant has tested the procedures and they are working effectively and are being enforced;

ii. The Consultant shall provide the Plan to Staff for review and approval no later than February 16, 2015;

iii. The Plan and the Progress Reports must be reviewed and approved by the ultimate designated person ("UDP") and CCO of OWEMANCO and signed by the UDP and CCO of OWEMANCO as evidence of their review and approval;

iv. The Consultant shall submit the Progress Reports to Staff every 60 days following approval of the Plan by Staff until Staff is satisfied that the Plan has been appropriately implemented and is being enforced;

v. The Consultant shall remain in place until the letter referred to in subparagraph i(4) above has been delivered to Staff and Staff is satisfied that the Plan has been appropriately implemented and is being enforced;

vi. OWEMANCO shall immediately submit to the Commission a direction from OWEMANCO giving consent to unrestricted access by Staff to communicate with the Consultant regarding OWEMANCO's progress with respect to the implementation of the Plan or any of its specific recommendations;

vii. In the event that the Consultant's relationship with OWEMANCO is terminated for any reason prior to the date referred to in subparagraph v. above, any replacement Consultant put forward by OWEMANCO shall be subject to approval by Staff; and

(c) Pursuant to clause 9 of subsection 127(1) of the Act, OWEMANCO shall pay the amount of $100,000 by way of a certified cheque to be delivered to Staff before the commencement of the settlement hearing, for allocation in accordance with subsection 3.4(2)(b) of the Act.

34. OWEMANCO undertakes to consent to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the terms and conditions set out in paragraph 33 above. The terms and conditions may be modified to reflect the provisions of the relevant provincial or territorial securities laws.

PART VI – STAFF COMMITMENT

35. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against OWEMANCO in relation to the facts set out in Part III herein, subject to the provisions of paragraph 36 below.

36. If this Settlement Agreement is approved by the Commission, and at any subsequent time OWEMANCO fails to honour the terms of the Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against OWEMANCO based on, but not limited to, the facts set out in Part III herein as well as the breach of the Settlement Agreement.

PART VII – PROCEDURE FOR APPROVAL OF SETTLEMENT

37. Approval of this Settlement Agreement will be sought at a hearing of the Commission scheduled on a date to be determined by the Secretary to the Commission, or such other date as may be agreed to by Staff and OWEMANCO for the scheduling of the hearing to consider the Settlement Agreement.

38. Staff and OWEMANCO agree that this Settlement Agreement will constitute the entirety of the agreed facts to be submitted at the settlement hearing regarding OWEMANCO's conduct, unless the parties agree that further facts should be submitted at the settlement hearing.

39. If this Settlement Agreement is approved by the Commission, OWEMANCO agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

40. If this Settlement Agreement is approved by the Commission, no party will make any public statement that is inconsistent with this Settlement Agreement or inconsistent with any additional agreed facts submitted at the settlement hearing.

41. Whether or not this Settlement Agreement is approved by the Commission, OWEMANCO agrees that it will not, in any proceeding, refer to or rely upon this Settlement Agreement or the settlement negotiations as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

42. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or the order attached as Schedule "A" is not made by the Commission:

(a) this Settlement Agreement and its terms, including all settlement negotiations between Staff and OWEMANCO leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and OWEMANCO; and

(b) Staff and OWEMANCO shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by the Settlement Agreement or the settlement discussions/negotiations.

43. The terms of this Settlement Agreement will be treated as confidential by all parties hereto but such obligations of confidentiality shall terminate upon the commencement of the public hearing to obtain approval of this Settlement Agreement by the Commission. The terms of the Settlement Agreement will be treated as confidential forever if the Settlement Agreement is

not approved for any reason whatsoever by the Commission, except with the written consent of OWEMANCO and Staff or as may be required by law.

PART IX – EXECUTION OF SETTLEMENT AGREEMENT

44. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.

45. A facsimile or electronic copy of any signature will be as effective as an original signature.

Dated this 4th day of February, 2015.

Signed in the presence of:

Ontario Wealth Management Inc.

"Graham Tobe"
Witness

Per: "Jonah Bonn"

STAFF OF THE ONTARIO SECURITIES COMMISSION

"Tom Atkinson"
Tom Atkinson
Director, Enforcement Branch

Dated this 5th day of February, 2015.

SCHEDULE "A"

IN THE MATTER OF THE SECURITIES ACT, R.S.O. 1990, c.S.5, AS AMENDED

AND

IN THE MATTER OF ONTARIO WEALTH MANAGEMENT CORPORATION, carrying on business as OWEMANCO

ORDER (Subsection 127(1))

WHEREAS on February 4, 2015, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing (the "Notice of Hearing") pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "Act") in relation to the Statement of Allegations (the "Statement of Allegations") filed by Staff of the Commission ("Staff") on February 4, 2015 in respect of Ontario Wealth Management Corporation carrying on business as OWEMANCO ("OWEMANCO");

AND WHEREAS OWEMANCO entered into a Settlement Agreement with Staff dated February •, 2015 (the "Settlement Agreement") in which OWEMANCO and Staff agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing, subject to the approval of the Commission;

AND WHEREAS the Notice of Hearing dated February 4, 2015 also announced that the Commission proposed to hold a hearing to consider whether it is in the public interest to approve the Settlement Agreement;

AND WHEREAS on April 18, 2014, OWEMANCO engaged North Star Compliance and Regulatory Solutions Inc. (the "Consultant") to design and implement a compliance improvement plan;

AND UPON reviewing the Notice of Hearing, the Statement of Allegations and the Settlement Agreement and upon hearing submissions from OWEMANCO and Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

(a) the Settlement Agreement is approved;

(b) Pursuant to paragraph 1 of subsection 127(1) of the Act, the following terms and conditions are placed on OWEMANCO's registration:

i. The Consultant shall, at OWEMANCO's own expense,:

1. prepare and assist OWEMANCO in implementing a plan (the "Plan") to strengthen OWEMANCO's "compliance system" within the meaning of section 11.1 of NI 31-103 including the expected dates of completion and person(s) responsible for the implementation. In the Plan, the Consultant will examine OWEMANCO's operations, internal policies, practices and procedures and make recommendations for rectifying all identified compliance deficiencies raised in a Compliance Report dated August 12, 2013;

2. review OWEMANCO's progress with respect to implementation of the Plan;

3. submit written progress reports ("Progress Reports") to Staff detailing:

a. OWEMANCO's progress with respect to the implementation of the Plan and stating whether the specific recommendations included in the Plan have been appropriately implemented;

b. the expected date of completion and person(s) responsible for any recommendations that have not yet been implemented; and

c. the testing done and the results of such testing, by the Consultant in relation to the recommendations that have been implemented to determine whether OWEMANCO's procedures are working effectively and are being enforced; and

4. submit a letter to Staff attesting that:

   a. OWEMANCO has implemented the procedures and controls recommended by the Consultant that address each of the deficiencies identified in the Compliance Report and that strengthen OWEMANCO's compliance system;

   b. OWEMANCO is complying with the new procedures and controls; and

   c. In his or her capacity as Consultant, the Consultant has tested the procedures and they are working effectively and are being enforced;

ii. The Consultant shall provide the Plan to Staff for review and approval no later than February 16, 2015;

iii. The Plan and the Progress Reports must be reviewed and approved by the ultimate designated person ("UDP") and CCO of OWEMANCO and signed by the UDP and CCO of OWEMANCO as evidence of their review and approval;

iv. The Consultant shall submit the Progress Reports to Staff every 60 days following approval of the Plan by Staff until Staff is satisfied that the Plan has been appropriately implemented and is being enforced;

v. The Consultant shall remain in place until the letter referred to in subparagraph ii(4) above has been delivered to Staff and Staff is satisfied that the Plan has been appropriately implemented and is being enforced;

vi. OWEMANCO shall immediately submit to the Commission a direction from OWEMANCO giving consent to unrestricted access by Staff to communicate with the Consultant regarding OWEMANCO's progress with respect to the implementation of the Plan or any of its specific recommendations; and

vii. In the event that the Consultant's relationship with OWEMANCO is terminated for any reason prior to the date referred to in subparagraph v above, any replacement Consultant put forward by OWEMANCO shall be subject to approval by Staff; and

(c) Pursuant to paragraph 9 of subsection 127(1) of the Act, OWEMANCO shall pay the amount of $100,000 by way of a certified cheque to be delivered to Staff before the commencement of the settlement hearing, for allocation in accordance with subsection 3.4(2)(b) of the Act.

DATED AT TORONTO this _____ day of February, 2015.

This page intentionally left blank

Chapter 4

Cease Trading Orders

4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
Innovative Composites International Inc.	04 February 2015	17 February 2015		
AgriMinco Corp.	05 February 2015	18 February 2015		
Boomerang Oil, Inc.	06 February 2015	18 February 2015		

4.2.1 Temporary, Permanent & Rescinding Management 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

4.2.2 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
Mahdia Gold Corp.	13 January 2015	26 January 2015	26 January 2015		

This page intentionally left blank

Chapter 5

Rules and Policies

5.1.1 OSC Rule 91-507 Trade Repositories and Derivatives Data Reporting and Companion Policy 91-506CP to OSC Rule 91-506 Derivatives: Product Determination

ONTARIO SECURITIES COMMISSION

NOTICE OF AMENDMENTS TO

ONTARIO SECURITIES COMMISSION RULE 91-507
TRADE REPOSITORIES AND DERIVATIVES DATA REPORTING

AND

COMPANION POLICY 91-506CP TO
ONTARIO SECURITIES COMMISSION RULE 91-506
DERIVATIVES: PRODUCT DETERMINATION

1. Introduction

The Ontario Securities Commission (the **OSC**, the **Commission** or **we**) has made amendments to the following instruments:

- OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting* (the **TR Rule**), and
- OSC Companion Policy 91-506CP to OSC Rule 91-506 *Derivatives: Product Determination* (the **Scope CP**).

Ministerial approval is required for the TR Rule amendments to come into force. These amendments were delivered to the Minister of Finance on February 12, 2015. The Minister may approve or reject these amendments or return them for further consideration. If the Minister approves the TR Rule amendments or does not take any further action by April 28, 2015, the TR Rule amendments will come into force on April 30, 2015. The Scope CP changes become effective on the coming into force of the TR Rule amendments.

2. Background

On November 14, 2013, the OSC published the TR Rule and *OSC Rule 91-506 Derivatives: Product Determination* (the **Scope Rule**). The TR Rule and Scope Rule became effective on December 31, 2013. Amendments to the TR Rule were published on April 17, 2014 and became effective on July 2, 2014. Subsequent amendments to the TR Rule were published on June 26, 2014 and became effective on September 9, 2014. Based on consultations with and feedback from various market participants, and in order to more effectively and efficiently promote the underlying policy aims, the Commission has further amended the TR Rule and made some changes to the Scope CP. Details of the amendments are discussed further below.

3. Substance and Purpose of the TR Rule amendments

The key objectives of the TR Rule amendments are to:

- alleviate the burden of reporting obligations under the TR Rule for certain market participants that comply with equivalent trade reporting laws of specified foreign jurisdictions; and
- delay the effective date of the public dissemination of transaction-level data requirement on designated trade repositories in order to permit study of the Canadian over-the-counter (**OTC**) derivatives market data and development of publication delay rules designed to maintain the anonymity of counterparties.

The Scope CP changes provide further clarification with respect to the interpretation of a provision of the Scope Rule to reflect certain classes of international market facilities.

Given their limited nature, the TR Rule amendments are not required to be published for comment under s.143.2(5) of the Act.

Given that the Scope CP changes merely provide clarification in respect of the interpretation of the Scope Rule to reflect certain international market facilities, the Scope CP changes do not require publication for comment under s.143.8(6) of the Act.

4. Summary of the TR Rule amendments

(a) Appendix B: inclusion of European derivatives trade reporting rules for s.26(5) deemed compliance

The Commission has amended Appendix B to the TR Rule to include the European Union ("EU") derivatives trade reporting rules listed in the amended Appendix. This amendment permits certain OTC derivatives market participants who are subject to the reporting obligation under the TR Rule to benefit from substituted compliance when they report pursuant to the EU derivatives trade reporting rules. Substituted compliance through EU trade reporting is available to market participants only in the limited circumstances in which all of the conditions set out in paragraphs (a) through (c) of subsection 26(5) of the TR Rule are satisfied.

The TR Rule contemplated prospective substituted compliance amendments when it was published on November 14, 2013. The inclusion of the EU derivatives trade reporting rules in Appendix B may alleviate the burden of certain TR Rule obligations on applicable market participants and does not impose any new obligations on market participants.

(b) Subsections 43(2) and 39(3): delay of public dissemination of transaction-level data

The Commission has amended the effective date for the public dissemination of transaction-level data requirement under subsection 39(3) of the TR Rule. The effective date of the requirement on designated trade repositories to publish transaction-level data has been changed from April 30, 2015 to July 29, 2016.

The Commission appreciates the importance of maintaining the anonymity of OTC derivative transaction counterparties in the context of public dissemination of market data. We note that real-time publication of anonymized transaction-level data by designated trade repositories could potentially allow market participants to determine the identity of one or both of the counterparties to specific transactions through, for example, the size and/or underlying interest of a particular transaction. The indirect identification of counterparties to a transaction could make hedging the risks of a particular transaction more difficult and expensive as market participants adjust pricing in anticipation of the derivative counterparties' immediate hedging needs.

The Commission seeks to balance the benefits of post-trade transparency against the potential harm that may be caused to market participants' ability to hedge risk. Accordingly, the Commission believes that certain transactions or classes of products should be subject to publication delays so that market participants may avoid signalling the market. Further study will be required to determine the appropriate parameters for publication delays in the Canadian market. The factors to be considered in making this determination could include the type of asset underlying the derivative, the size of a transaction relative to other similar transactions or the size of the transaction relative to the overall volume for a particular class or instrument. Derivatives trade reporting in Ontario commenced on October 31, 2014. Because OTC derivatives trade reporting is a new regime, market participants have experienced challenges to implementation which have affected the quality of data reported to designated trade repositories. Accordingly, in order to effectively analyze trade repository data, the Commission must first verify the reported data in order to perform fact-based analysis. As a result, the Commission is amending subsection 43(2) of the TR Rule to delay the application of the requirement for public dissemination of transaction-level reports under subsection 39(3) of the TR Rule from April 30, 2015 to July 29, 2016, in order to permit analysis of existing market data.

This amendment provides an implementation delay for public dissemination of transaction-level data by designated trade repositories and does not impose any new obligations on market participants.

(c) Scope CP: examples of derivatives trading facilities

Under paragraph 2(1)(g) of the Scope Rule, contracts traded on prescribed exchanges are deemed not to be "derivatives" for purposes of the reporting obligations under the TR Rule. However, subsection 2(2) of the Scope Rule provides that "derivatives trading facilities" are not exchanges for the purposes of the deeming provision. The Scope CP has been updated to provide examples of international market facilities that fall within the meaning of "derivatives trading facility".

This amendment to the Scope CP further clarifies the interpretation of the Scope Rule by providing additional examples of relevant international market facilities and does not impose any new obligations on market participants.

5. Legislative Authority for Rule Making

The TR Rule amendments will come into force under the rulemaking authority provided under subparagraph 35(ii) of subsection 143(1) of the Act. Subparagraph 35(ii) authorizes the Commission to make rules requiring or respecting record keeping, reporting and transparency relating to derivatives.

6. Annexes

Appended as part of this Notice are the following Annexes:

- Annex A, which sets out the TR Rule amendments;
- Annex B, which is the blackline of the TR Rule corresponding to Annex A; and
- Annex C, in which the Scope CP changes are presented by way of blackline.

February 12, 2015

ANNEX A

AMENDMENTS TO
ONTARIO SECURITIES COMMISSION RULE 91-507
TRADE REPOSITORIES AND DERIVATIVES DATA REPORTING

1. Ontario Securities Commission Rule 91-507 Trade Repositories and Derivatives Data Reporting is amended by this Instrument.

2. Subsection 43(2) is amended by replacing "April 30, 2015***" with "***July 29, 2016***".***

3. Appendix B is amended by adding the following below United States of America:

European Union	Regulation (EU) 648/2012 of the European Parliament and Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories. Commission Delegated Regulation (EU) No 148/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards on the minimum details of the data to be reported to trade repositories. Commission Delegated Regulation (EU) No 151/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories, with regard to regulatory technical standards specifying the data to be published and made available by trade repositories and operational standards for aggregating, comparing and accessing the data. Commission Implementing Regulation (EU) No 1247/2012 of 19 December 2012 laying down implementing technical standards with regard to the format and frequency of trade reports to trade repositories according to Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories..

4. This Instrument comes into force on April 30, 2015.

ANNEX B

Note: This blackline is provided for convenience.

ONTARIO SECURITIES COMMISSION RULE 91-507
TRADE REPOSITORIES AND DERIVATIVES DATA REPORTING

PART 1
DEFINITIONS AND INTERPRETATION

Definitions

1. (1) In this Rule

"asset class" means the asset category underlying a derivative and includes interest rate, foreign exchange, credit, equity and commodity;

"board of directors" means, in the case of a designated trade repository that does not have a board of directors, a group of individuals that acts in a capacity similar to a board of directors;

"creation data" means the data in the fields listed in Appendix A;

"derivatives dealer" means a person or company engaging in or holding himself, herself or itself out as engaging in the business of trading in derivatives in Ontario as principal or agent;

"derivatives data" means all data related to a transaction that is required to be reported pursuant to Part 3;

"Global Legal Entity Identifier System" means the system for unique identification of parties to financial transactions developed by the Legal Entity Identifier System Regulatory Oversight Committee;

"Legal Entity Identifier System Regulatory Oversight Committee" means the international working group established by the Finance Ministers and the Central Bank Governors of the Group of Twenty nations and the Financial Stability Board, under the Charter of the Regulatory Oversight Committee for the Global Legal Entity Identifier System dated November 5, 2012;

"life-cycle event" means an event that results in a change to derivatives data previously reported to a designated trade repository in respect of a transaction;

"life-cycle event data" means changes to creation data resulting from a life-cycle event;

"local counterparty" means a counterparty to a transaction if, at the time of the transaction, one or more of the following apply:

(a) the counterparty is a person or company, other than an individual, organized under the laws of Ontario or that has its head office or principal place of business in Ontario;

(b) the counterparty is registered under Ontario securities law as a derivatives dealer or in an alternative category as a consequence of trading in derivatives;

(c) the counterparty is an affiliate of a person or company described in paragraph (a), and such person or company is responsible for the liabilities of that affiliated party;

"participant" means a person or company that has entered into an agreement with a designated trade repository to access the services of the designated trade repository;

"reporting counterparty" means the counterparty to a transaction as determined under section 25 that is required to report derivatives data under section 26;

"transaction" means entering into, assigning, selling or otherwise acquiring or disposing of a derivative or the novation of a derivative;

"user" means, in respect of a designated trade repository, a counterparty (or delegate of a counterparty) to a transaction reported to that designated trade repository pursuant to this Rule; and

"valuation data" means data that reflects the current value of the transaction and includes the data in the applicable fields listed in Appendix A under the heading "Valuation Data".

(2) In this Rule, each of the following terms has the same meaning as in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*: "accounting principles"; "auditing standards"; "publicly accountable enterprise"; "U.S. AICPA GAAS"; "U.S. GAAP"; and "U.S. PCAOB GAAS".

(3) In this Rule, "interim period" has the same meaning as in section 1.1 of National Instrument 51-102 *Continuous Disclosure Obligations*.

PART 2
TRADE REPOSITORY DESIGNATION AND ONGOING REQUIREMENTS

Trade repository initial filing of information and designation

2. (1) An applicant for designation under section 21.2.2 of the Act must file a completed Form 91-507F1 – *Application For Designation and Trade Repository Information Statement*.

(2) In addition to the requirement set out in subsection (1), an applicant for designation under section 21.2.2 of the Act whose head office or principal place of business is located outside of Ontario must

(a) certify on Form 91-507F1 that it will provide the Commission with access to its books and records and will submit to onsite inspection and examination by the Commission,

(b) certify on Form 91-507F1 that it will provide the Commission with an opinion of legal counsel that

(i) the applicant has the power and authority to provide the Commission with access to its books and records, and

(ii) the applicant has the power and authority to submit to onsite inspection and examination by the Commission.

(3) In addition to the requirements set out in subsections (1) and (2), an applicant for designation under section 21.2.2 of the Act whose head office or principal place of business is located in a foreign jurisdiction must file a completed Form 91-507F2 – *Submission to Jurisdiction and Appointment of Agent for Service of Process*.

(4) Within 7 days of becoming aware of an inaccuracy in or making a change to the information provided in Form 91-507F1, an applicant must file an amendment to Form 91-507F1 in the manner set out in that Form.

Change in information

3. (1) Subject to subsection (2), a designated trade repository must not implement a significant change to a matter set out in Form 91-507F1 unless it has filed an amendment to Form 91-507F1 in the manner set out in that Form at least 45 days before implementing the change.

(2) A designated trade repository must file an amendment to the information provided in Exhibit I (Fees) of Form 91-507F1 in the manner set out in the Form at least 15 days before implementing a change to the information provided in the Exhibit.

(3) For a change to a matter set out in Form 91-507F1 other than a change referred to in subsection (1) or (2), a designated trade repository must file an amendment to Form 91-507F1 in the manner set out in that Form by the earlier of

(a) the close of business of the designated trade repository on the 10th day after the end of the month in which the change was made, and

(b) the time the designated trade repository publicly discloses the change.

Filing of initial audited financial statements

4. (1) An applicant must file audited financial statements for its most recently completed financial year with the Commission as part of its application for designation under section 21.2.2 of the Act.

(2) The financial statements referred to in subsection (1) must

(a) be prepared in accordance with one of the following

(i) Canadian GAAP applicable to a publicly accountable enterprise,

(ii) IFRS, or

(iii) U.S. GAAP, if the person or company is incorporated or organized under the laws of the United States of America,

(b) identify in the notes to the financial statements the accounting principles used to prepare the financial statements,

(c) disclose the presentation currency, and

(d) be audited in accordance with

(i) Canadian GAAS,

(ii) International Standards on Auditing, or

(iii) U.S. AICPA GAAS or U.S. PCAOB GAAS if the person or company is incorporated or organized under the laws of the United States of America.

(3) The financial statements referred to in subsection (1) must be accompanied by an auditor's report that

(a) expresses an unmodified opinion if the financial statements are audited in accordance with Canadian GAAS or International Standards on Auditing,

(b) expresses an unqualified opinion if the financial statements are audited in accordance with U.S. AICPA GAAS or U.S. PCAOB GAAS,

(c) identifies all financial periods presented for which the auditor's report applies,

(d) identifies the auditing standards used to conduct the audit,

(e) identifies the accounting principles used to prepare the financial statements,

(f) is prepared in accordance with the same auditing standards used to conduct the audit, and

(g) is prepared and signed by a person or company that is authorized to sign an auditor's report under the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

Filing of annual audited and interim financial statements

5. (1) A designated trade repository must file annual audited financial statements that comply with the requirements in subsections 4(2) and 4(3) with the Commission no later than the 90th day after the end of its financial year.

(2) A designated trade repository must file interim financial statements with the Commission no later than the 45th day after the end of each interim period.

(3) The interim financial statements referred to in subsection (2) must

(a) be prepared in accordance with one of the following

(i) Canadian GAAP applicable to a publicly accountable enterprise,

(ii) IFRS, or

(iii) U.S. GAAP, if the person or company is incorporated or organized under the laws of the United States of America, and

(b) identify in the notes to the financial statements the accounting principles used to prepare the financial statements.

Ceasing to carry on business

6. (1) A designated trade repository that intends to cease carrying on business in Ontario as a trade repository must make an application and file a report on Form 91-507F3 – *Cessation of Operations Report For Trade Repository* at least 180 days before the date on which it intends to cease carrying on that business.

(2) A designated trade repository that involuntarily ceases to carry on business in Ontario as a trade repository must file a report on Form 91-507F3 as soon as practicable after it ceases to carry on that business.

Legal framework

7. (1) A designated trade repository must establish, implement, maintain and enforce written rules, policies and procedures reasonably designed to ensure a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities.

(2) Without limiting the generality of subsection (1), a designated trade repository must establish, implement, maintain and enforce written rules, policies and procedures that are not contrary to the public interest and that are reasonably designed to ensure that

(a) such rules, policies and procedures and the contractual arrangements are supported by the laws applicable to those rules, policies, procedures and contractual arrangements,

(b) the rights and obligations of a user, owner and regulator with respect to the use of the designated trade repository's information are clear and transparent,

(c) the contractual arrangements that it enters into and supporting documentation clearly state service levels, rights of access, protection of confidential information, intellectual property rights and operational reliability, and

(d) the status of records of contracts in its repository and whether those records of contracts are the legal contracts of record are clearly established.

Governance

8. (1) A designated trade repository must establish, implement and maintain written governance arrangements that

(a) are well-defined, clear and transparent,

(b) set out a clear organizational structure with consistent lines of responsibility,

(c) provide for effective internal controls,

(d) promote the safety and efficiency of the designated trade repository,

(e) ensure effective oversight of the designated trade repository,

(f) support the stability of the broader financial system and other relevant public interest considerations, and

(g) properly balance the interests of relevant stakeholders.

(2) A designated trade repository must establish, implement, maintain and enforce written rules, policies and procedures reasonably designed to identify and manage existing and potential conflicts of interest.

(3) A designated trade repository must publicly disclose on its website

(a) the governance arrangements established in accordance with subsection (1), and

(b) the rules, policies and procedures established in accordance with subsection (2).

Board of directors

9. (1) A designated trade repository must have a board of directors.

(2) The board of directors of a designated trade repository must include

(a) individuals who have an appropriate level of skill and experience to effectively and efficiently oversee the management of its operations in accordance with all relevant laws, and

(b) appropriate representation by individuals who are independent of the designated trade repository.

(3) The board of directors of a designated trade repository must, in consultation with the chief compliance officer of the designated trade repository, resolve conflicts of interest identified by the chief compliance officer.

(4) The board of directors of a designated trade repository must meet with the chief compliance officer of the designated trade repository on a regular basis.

Management

10. (1) A designated trade repository must establish, implement, maintain and enforce written rules, policies and procedures that

(a) specify the roles and responsibilities of management, and

(b) ensure that management has the experience, competencies, integrity and mix of skills necessary to discharge its roles and responsibilities.

(2) A designated trade repository must notify the Commission no later than the 5th business day after appointing or replacing its chief compliance officer, chief executive officer or chief risk officer.

Chief compliance officer

11. (1) The board of directors of a designated trade repository must appoint a chief compliance officer with the appropriate experience, competencies, integrity and mix of skills necessary to serve in that capacity.

(2) The chief compliance officer of a designated trade repository must report directly to the board of directors of the designated trade repository or, if so directed by the board of directors, to the chief executive officer of the designated trade repository.

(3) The chief compliance officer of a designated trade repository must

(a) establish, implement, maintain and enforce written rules, policies and procedures to identify and resolve conflicts of interest,

(b) establish, implement, maintain and enforce written rules, policies and procedures to ensure that the designated trade repository complies with securities legislation,

(c) monitor compliance with the rules, policies and procedures required under paragraphs (a) and (b) on an ongoing basis,

(d) report to the board of directors of the designated trade repository as soon as practicable upon becoming aware of a circumstance indicating that the designated trade repository, or an individual acting on its behalf, is not in compliance with the securities laws of a jurisdiction in which it operates and one or more of the following apply:

(i) the non-compliance creates a risk of harm to a user;

(ii) the non-compliance creates a risk of harm to the capital markets;

(iii) the non-compliance is part of a pattern of non-compliance;

(iv) the non-compliance may have an impact on the ability of the designated trade repository to carry on business as a trade repository in compliance with securities legislation,

(e) report to the designated trade repository's board of directors as soon as practicable upon becoming aware of a conflict of interest that creates a risk of harm to a user or to the capital markets, and

(f) prepare and certify an annual report assessing compliance by the designated trade repository, and individuals acting on its behalf, with securities legislation and submit the report to the board of directors.

(4) Concurrently with submitting a report under paragraph (3)(d), (3)(e) or (3)(f), the chief compliance officer must file a copy of the report with the Commission.

Fees

12. All fees and other material costs imposed by a designated trade repository on its participants must be

(a) fairly and equitably allocated among participants, and

(b) publicly disclosed on its website for each service it offers with respect to the collection and maintenance of derivatives data.

Access to designated trade repository services

13. (1) A designated trade repository must establish, implement, maintain and enforce written rules, policies and procedures that establish objective, risk-based criteria for participation that permit fair and open access to the services it provides.

(2) A designated trade repository must publicly disclose on its website the rules, policies and procedures referred to in subsection (1).

(3) A designated trade repository must not do any of the following:

(a) unreasonably prohibit, condition or limit access by a person or company to the services offered by the designated trade repository;

(b) permit unreasonable discrimination among the participants of the designated trade repository;

(c) impose a burden on competition that is not reasonably necessary and appropriate;

(d) require the use or purchase of another service for a person or company to utilize the trade reporting service offered by the designated trade repository.

Acceptance of reporting

14. A designated trade repository must accept derivatives data from a participant for a transaction in a derivative of the asset class or classes set out in the designated trade repository's designation order.

Communication policies, procedures and standards

15. A designated trade repository must use or accommodate relevant internationally accepted communication procedures and standards in order to facilitate the efficient exchange of data between its systems and those of

(a) its participants,

(b) other trade repositories,

(c) exchanges, clearing agencies, alternative trading systems, and other marketplaces, and

(d) other service providers.

Due process

16. For a decision made by a designated trade repository that directly adversely affects a participant or an applicant that applies to become a participant, the designated trade repository must ensure that

(a) the participant or applicant is given an opportunity to be heard or make representations, and

(b) it keeps records of, gives reasons for, and provides for reviews of its decisions, including, for each applicant, the reasons for granting, denying or limiting access.

Rules, policies and procedures

17. (1) The rules, policies and procedures of a designated trade repository must

(a) be clear and comprehensive and provide sufficient information to enable a participant to have an accurate understanding of its rights and obligations in accessing the services of the designated trade repository and the risks, fees, and other material costs they incur by using the services of the designated trade repository,

(b) be reasonably designed to govern all aspects of the services offered by the designated trade repository with respect to the collection and maintenance of derivatives data and other information on a completed transaction, and

(c) not be inconsistent with securities legislation.

(2) A designated trade repository must monitor compliance with its rules, policies and procedures on an ongoing basis.

(3) A designated trade repository must establish, implement, maintain and enforce written rules, policies and procedures for sanctioning non-compliance with its rules, policies and procedures.

(4) A designated trade repository must publicly disclose on its website

(a) its rules, policies and procedures referred to in this section, and

(b) its procedures for adopting new rules, policies and procedures or amending existing rules, policies and procedures.

(5) A designated trade repository must file its proposed new or amended rules, policies and procedures for approval in accordance with the terms and conditions of its designation order, unless the order explicitly exempts the designated trade repository from this requirement.

Records of data reported

18. (1) A designated trade repository must design its recordkeeping procedures to ensure that it records derivatives data accurately, completely and on a timely basis.

(2) A designated trade repository must keep, in a safe location and in a durable form, records of derivatives data in relation to a transaction for the life of the transaction and for a further 7 years after the date on which the transaction expires or terminates.

(3) Throughout the period described in subsection (2), a designated trade repository must create and maintain at least one copy of each record of derivatives data required to be kept under subsection (2), in a safe location and in a durable form, separate from the location of the original record.

Comprehensive risk-management framework

19. A designated trade repository must establish, implement and maintain a written risk-management framework for comprehensively managing risks including business, legal, and operational risks.

General business risk

20. (1) A designated trade repository must establish, implement and maintain appropriate systems, controls and procedures to identify, monitor, and manage its general business risk.

(2) Without limiting the generality of subsection (1), a designated trade repository must hold sufficient insurance coverage and liquid net assets funded by equity to cover potential general business losses in order that it can continue operations and services as a going concern in order to achieve a recovery or an orderly wind down if those losses materialize.

(3) For the purposes of subsection (2), a designated trade repository must hold, at a minimum, liquid net assets funded by equity equal to six months of current operating expenses.

(4) A designated trade repository must identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for an orderly wind-down.

(5) A designated trade repository must establish, implement, maintain and enforce written rules, policies and procedures reasonably designed to facilitate its orderly wind-down based on the results of the assessment required by subsection (4).

(6) A designated trade repository must establish, implement, maintain and enforce written rules, policies and procedures to ensure that it or a successor entity, insolvency administrator or other legal representative, will continue to comply with the requirements of subsection 6(2) and section 37 in the event of the bankruptcy or insolvency of the designated trade repository or the wind-down of the designated trade repository's operations.

System and other operational risk requirements

21. (1) A designated trade repository must establish, implement, maintain and enforce appropriate systems, controls and procedures to identify and minimize the impact of all plausible sources of operational risk, both internal and external, including risks to data integrity, data security, business continuity and capacity and performance management.

(2) The systems, controls and procedures established pursuant to subsection (1) must be approved by the board of directors of the designated trade repository.

(3) Without limiting the generality of subsection (1), a designated trade repository must

(a) develop and maintain

(i) an adequate system of internal controls over its systems, and

(ii) adequate information technology general controls, including without limitation, controls relating to information systems operations, information security and integrity, change management, problem management, network support and system software support,

(b) in accordance with prudent business practice, on a reasonably frequent basis and, in any event, at least annually

(i) make reasonable current and future capacity estimates, and

(ii) conduct capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner, and

(c) promptly notify the Commission of a material systems failure, malfunction, delay or other disruptive incident, or a breach of data security, integrity or confidentiality, and provide a post-incident report that includes a root-cause analysis as soon as practicable.

(4) Without limiting the generality of subsection (1), a designated trade repository must establish, implement, maintain and enforce business continuity plans, including disaster recovery plans reasonably designed to

(a) achieve prompt recovery of its operations following a disruption,

(b) allow for the timely recovery of information, including derivatives data, in the event of a disruption, and

(c) provide for the exercise of authority in the event of an emergency.

(5) A designated trade repository must test its business continuity plans, including disaster recovery plans, at least annually.

(6) For each of its systems for collecting and maintaining reports of derivatives data, a designated trade repository must annually engage a qualified party to conduct an independent review and prepare a report in accordance with established audit standards to ensure that it is in compliance with paragraphs (3)(a) and (b) and subsections (4) and (5).

(7) A designated trade repository must provide the report prepared in accordance with subsection (6) to

(a) its board of directors or audit committee promptly upon the completion of the report, and

(b) the Commission not later than the 30th day after providing the report to its board of directors or audit committee.

(8) A designated trade repository must publicly disclose on its website all technology requirements regarding interfacing with or accessing the services provided by the designated trade repository,

(a) if operations have not begun, sufficiently in advance of operations to allow a reasonable period for testing and system modification by participants, and

(b) if operations have begun, sufficiently in advance of implementing a material change to technology requirements to allow a reasonable period for testing and system modification by participants.

(9) A designated trade repository must make available testing facilities for interfacing with or accessing the services provided by the designated trade repository,

(a) if operations have not begun, sufficiently in advance of operations to allow a reasonable period for testing and system modification by participants, and

(b) if operations have begun, sufficiently in advance of implementing a material change to technology requirements to allow a reasonable period for testing and system modification by participants.

(10) A designated trade repository must not begin operations in Ontario unless it has complied with paragraphs (8)(a) and (9)(a).

(11) Paragraphs (8)(b) and (9)(b) do not apply to a designated trade repository if

(a) the change to its technology requirements must be made immediately to address a failure, malfunction or material delay of its systems or equipment,

(b) the designated trade repository immediately notifies the Commission of its intention to make the change to its technology requirements, and

(c) the designated trade repository publicly discloses on its website the changed technology requirements as soon as practicable.

Data security and confidentiality

22. (1) A designated trade repository must establish, implement, maintain and enforce written rules, policies and procedures reasonably designed to ensure the safety, privacy and confidentiality of the derivatives data.

(2) A designated trade repository must not release derivatives data for commercial or business purposes unless

(a) the derivatives data has otherwise been disclosed pursuant to section 39, or

(b) the counterparties to the transaction have provided the designated trade repository with their express written consent to use or release the derivatives data.

Confirmation of data and information

23. (1) A designated trade repository must establish, implement, maintain and enforce written rules, policies and procedures to confirm with each counterparty to a transaction, or agent acting on behalf of such counterparty, that the derivatives data that the designated trade repository receives from a reporting counterparty, or from a party to whom a reporting counterparty has delegated its reporting obligation under this Rule, is accurate.

(2) Despite subsection (1), a designated trade repository need only confirm the accuracy of the derivatives data it receives with those counterparties that are participants of the designated trade repository.

Outsourcing

24. If a designated trade repository outsources a material service or system to a service provider, including to an associate or affiliate of the designated trade repository, the designated trade repository must

(a) establish, implement, maintain and enforce written rules, policies and procedures for the selection of a service provider to which a material service or system may be outsourced and for the evaluation and approval of such an outsourcing arrangement,

(b) identify any conflicts of interest between the designated trade repository and a service provider to which a

material service or system is outsourced, and establish, implement, maintain and enforce written rules, policies and procedures to mitigate and manage those conflicts of interest,

(c) enter into a written contract with the service provider that is appropriate for the materiality and nature of the outsourced activity and that provides for adequate termination procedures,

(d) maintain access to the books and records of the service provider relating to the outsourced activity,

(e) ensure that the Commission has the same access to all data, information and systems maintained by the service provider on behalf of the designated trade repository that it would have absent the outsourcing arrangement,

(f) ensure that all persons conducting audits or independent reviews of the designated trade repository under this Rule have appropriate access to all data, information and systems maintained by the service provider on behalf of the designated trade repository that such persons would have absent the outsourcing arrangement,

(g) take appropriate measures to determine that a service provider to which a material service or system is outsourced establishes, maintains and periodically tests an appropriate business continuity plan, including a disaster recovery plan in accordance with the requirements under section 21,

(h) take appropriate measures to ensure that the service provider protects the safety, privacy and confidentiality of derivatives data and of users' confidential information in accordance with the requirements under section 22, and

(i) establish, implement, maintain and enforce written rules, policies and procedures to regularly review the performance of the service provider under the outsourcing arrangement.

PART 3
DATA REPORTING

Reporting counterparty

25. (1) The reporting counterparty with respect to a transaction involving a local counterparty is

(a) if the transaction is cleared through a recognized or exempt clearing agency, the recognized or exempt clearing agency,

(b) if the transaction is not cleared through a recognized or exempt clearing agency and is between two derivatives dealers, the derivatives dealer determined to be the reporting counterparty under the ISDA methodology,

(c) if paragraphs (a) and (b) do not apply to the transaction and the transaction is between two derivatives dealers, each derivatives dealer,

(d) if the transaction is not cleared through a recognized or exempt clearing agency and is between a derivatives dealer and a counterparty that is not a derivatives dealer, the derivatives dealer,

(e) if paragraphs (a) to (d) do not apply to the transaction, the counterparty determined to be the reporting counterparty under the ISDA methodology, and

(f) in any other case, each local counterparty to the transaction.

(2) A party that would not be the reporting counterparty under the ISDA methodology with regard to a transaction required to be reported under this Rule may rely on paragraph (1)(b) or (e) in respect of that transaction only if

(a) each party to the transaction has agreed to the terms of a multilateral agreement

(i) that is administered by and delivered to the International Swaps and Derivatives Association, Inc., and

(ii) under which the process set out in the ISDA methodology is required to be followed by it with respect to each transaction required to be reported under this Rule,

(b) the ISDA methodology process is followed in determining the reporting counterparty in respect of that transaction, and

(c) each party to the transaction consents to the release to the Commission by the International Swaps and Derivatives Association, Inc. of information relevant in determining the applicability of paragraphs (a) and (b) to it.

(3) For the purposes of this section, "ISDA methodology" means the methodology described in the Canadian Transaction Reporting Party Requirements (issued by the International Swaps and Derivatives Association, Inc. and dated April 4, 2014).

Duty to report

26. (1) A reporting counterparty to a transaction involving a local counterparty must report, or cause to be reported, the data required to be reported under this Part to a designated trade repository.

(2) A reporting counterparty in respect of a transaction is responsible for ensuring that all reporting obligations in respect of that transaction have been fulfilled.

(3) A reporting counterparty may delegate its reporting obligations under this Rule, but remains responsible for ensuring the timely and accurate reporting of derivatives data required by this Rule.

(4) Despite subsection (1), if no designated trade repository accepts the data required to be reported by this Part, the reporting counterparty must electronically report the data required to be reported by this Part to the Commission.

(5) A reporting counterparty satisfies the reporting obligation in respect of a transaction required to be reported under subsection (1) if

(a) the transaction is required to be reported solely because a counterparty to the transaction is a local counterparty pursuant to paragraph (b) or (c) of the definition of "local counterparty",

(b) the transaction is reported to a designated trade repository pursuant to

(i) the securities legislation of a province of Canada other than Ontario, or

(ii) the laws of a foreign jurisdiction listed in Appendix B; and

(c) the reporting counterparty instructs the designated trade repository referred to in paragraph (b) to provide the Commission with access to the derivatives data that it is required to report pursuant to this Rule and otherwise uses its best efforts to provide the Commission with access to such derivatives data.

(6) A reporting counterparty must ensure that all reported derivatives data relating to a transaction

(a) is reported to the same designated trade repository to which the initial report was made or, if the initial report was made to the Commission under subsection (4), to the Commission, and

(b) is accurate and contains no misrepresentation.

(7) A reporting counterparty must report an error or omission in the derivatives data as soon as technologically practicable upon discovery of the error or omission, and in no event later than the end of the business day following the day of discovery of the error or omission.

(8) A local counterparty, other than the reporting counterparty, must notify the reporting counterparty of an error or omission with respect to derivatives data relating to a transaction to which it is a counterparty as soon as technologically practicable upon discovery of the error or omission, and in no event later than the end of the business day following the day of discovery of the error or omission.

(9) A recognized or exempt clearing agency must report derivatives data to the designated trade repository specified by a local counterparty and may not report derivatives data to another trade repository without the consent of the local counterparty where

(a) the reporting counterparty to a transaction is the recognized or exempt clearing agency, and

(b) the local counterparty to the transaction that is not a recognized or exempt clearing agency has specified a designated trade repository to which derivatives data in respect of that transaction is to be reported.

Identifiers, general

27. A reporting counterparty must include the following in every report required by this Part:

(a) the legal entity identifier of each counterparty to the transaction as set out in section 28;

(b) the unique transaction identifier for the transaction as set out in section 29;

(c) the unique product identifier for the transaction as set out in section 30.

Legal entity identifiers

28. (1) A designated trade repository must identify each counterparty to a transaction that is required to be reported under this Rule in all recordkeeping and all reporting required under this Rule by means of a single legal entity identifier.

(2) Each of the following rules apply to legal entity identifiers

(a) a legal entity identifier must be a unique identification code assigned to a counterparty in accordance with the standards set by the Global Legal Entity Identifier System, and

(b) a local counterparty must comply with all applicable requirements imposed by the Global Legal Entity Identifier System.

(3) Despite subsection (2), if the Global Legal Entity Identifier System is unavailable to a counterparty to a transaction at the time when a report under this Rule is required to be made, all of the following rules apply

(a) each counterparty to the transaction must obtain a substitute legal entity identifier which complies with the standards established March 8, 2013 by the Legal Entity Identifier Regulatory Oversight Committee for pre-legal entity identifiers,

(b) a local counterparty must use the substitute legal entity identifier until a legal entity identifier is assigned to the counterparty in accordance with the standards set by the Global Legal Entity Identifier System as required under paragraph (2)(a), and

(c) after the holder of a substitute legal entity identifier is assigned a legal entity identifier in accordance with the standards set by the Global Legal Entity Identifier System as required under paragraph (2)(a), the local counterparty must ensure that it is identified only by the assigned legal entity identifier in all derivatives data reported pursuant to this Rule in respect of transactions to which it is a counterparty.

Unique transaction identifiers

29. (1) A designated trade repository must identify each transaction that is required to be reported under this Rule in all recordkeeping and all reporting required under this Rule by means of a unique transaction identifier.

(2) A designated trade repository must assign a unique transaction identifier to a transaction, using its own methodology or incorporating a unique transaction identifier previously assigned to the transaction.

(3) A designated trade repository must not assign more than one unique transaction identifier to a transaction.

Unique product identifiers

30. (1) For the purposes of this section, a unique product identifier means a code that uniquely identifies a derivative and is assigned in accordance with international or industry standards.

(2) A reporting counterparty must identify each transaction that is required to be reported under this Rule in all recordkeeping and all reporting required under this Rule by means of a unique product identifier.

(3) A reporting counterparty must not assign more than one unique product identifier to a transaction.

(4) If international or industry standards for a unique product identifier are unavailable for a particular derivative when a report is required to be made to a designated trade repository under this Rule, a reporting counterparty must assign a unique product identifier to the transaction using its own methodology.

Creation data

31. (1) Upon execution of a transaction that is required to be reported under this Rule, a reporting counterparty must report the creation data relating to that transaction to a designated trade repository.

(2) A reporting counterparty in respect of a transaction must report creation data in real time.

(3) If it is not technologically practicable to report creation data in real time, a reporting counterparty must report creation data as soon as technologically practicable and in no event later than the end of the business day following the day on which the data would otherwise be required to be reported.

Life-cycle event data

32. (1) For a transaction that is required to be reported under this Rule, the reporting counterparty must report all life-cycle event data to a designated trade repository by the end of the business day on which the life-cycle event occurs.

(2) If it is not technologically practicable to report life-cycle event data by the end of the business day on which the life-cycle event occurs, the reporting counterparty must report life-cycle event data no later than the end of the business day following the day on which the life-cycle event occurs.

Valuation data

33. (1) For a transaction that is required to be reported under this Rule, a reporting counterparty must report valuation data, based on industry accepted valuation standards, to a designated trade repository

(a) daily, based on relevant closing market data from the previous business day, if the reporting counterparty is a derivatives dealer or a recognized or exempt clearing agency , or

(b) quarterly, as of the last day of each calendar quarter, if the reporting counterparty is not a derivatives dealer or a recognized or exempt clearing agency.

(2) Valuation data required to be reported pursuant to paragraph 1(b) must be reported to the designated trade repository no later than 30 days after the end of the calendar quarter.

Pre-existing transactions

34. (1) Despite section 31 and subject to subsection 43(5), a reporting counterparty (as determined under subsection 25(1)) to a transaction required to be reported under subsection 26(1) is required to report only the creation data indicated in the column in Appendix A entitled “Required for Pre-existing Transactions” on or before April 30, 2015 if

(a) the reporting counterparty is a derivatives dealer or a recognized or exempt clearing agency,

(b) the transaction was entered into before October 31, 2014, and

(c) there were outstanding contractual obligations with respect to the transaction on October 31, 2014.

(1.1) Despite section 31 and subject to subsection 43(6), a reporting counterparty (as determined under subsection 25(1)) to a transaction required to be reported under subsection 26(1) is required to report only the creation data indicated in the column in Appendix A entitled “Required for Pre-existing Transactions” on or before December 31, 2015 if

(a) the reporting counterparty is neither a derivatives dealer nor a recognized or exempt clearing agency,

(b) the transaction was entered into before June 30, 2015, and

(c) there were outstanding contractual obligations with respect to the transaction on June 30, 2015.

(2) Despite section 32, for a transaction to which subsection (1) or (1.1) applies, a reporting counterparty’s obligation to report life-cycle event data under section 32 commences only after it has reported creation data in accordance with subsection (1) or (1.1).

(3) Despite section 33, for a transaction to which subsection (1) or (1.1) applies, a reporting counterparty’s obligation to report valuation data under section 33 commences only after it has reported creation data in accordance with subsection (1) or (1.1).

Timing requirements for reporting data to another designated trade repository

35. Despite the data reporting timing requirements in sections 31, 32, 33 and 34, where a designated trade repository ceases operations or stops accepting derivatives data for a certain asset class of derivatives, the reporting counterparty may fulfill its reporting obligations under this Rule by reporting the derivatives data to another designated trade repository, or the Commission if there is not an available designated trade repository, within a reasonable period of time.

Records of data reported

36. (1) A reporting counterparty must keep transaction records for the life of each transaction and for a further 7 years after the date on which the transaction expires or terminates.

(2) A reporting counterparty must keep records referred to in subsection (1) in a safe location and in a durable form.

PART 4
DATA DISSEMINATION AND ACCESS TO DATA

Data available to regulators

37. (1) A designated trade repository must, at no cost

(a) provide to the Commission direct, continuous and timely electronic access to such data in the designated trade repository's possession as is required by the Commission in order to carry out the Commission's mandate,

(b) accept and promptly fulfil any data requests from the Commission in order to carry out the Commission's mandate,

(c) create and make available to the Commission aggregate data derived from data in the designated trade repository's possession as required by the Commission in order to carry out the Commission's mandate, and

(d) disclose to the Commission the manner in which the derivatives data provided under paragraph (c) has been aggregated.

(2) A designated trade repository must conform to internationally accepted regulatory access standards applicable to trade repositories.

(3) A reporting counterparty must use its best efforts to provide the Commission with access to all derivatives data that it is required to report pursuant to this Rule, including instructing a trade repository to provide the Commission with access to such data.

Data available to counterparties

38. (1) A designated trade repository must provide counterparties to a transaction with timely access to all derivatives data relevant to that transaction which is submitted to the designated trade repository.

(2) A designated trade repository must have appropriate verification and authorization procedures in place to deal with access pursuant to subsection (1) by non-reporting counterparties or a party acting on behalf of a non-reporting counterparty.

(3) Each counterparty to a transaction is deemed to have consented to the release of all derivatives data required to be reported or disclosed under this Rule.

(4) Subsection (3) applies despite any agreement to the contrary between the counterparties to a transaction.

Data available to public

39. (1) A designated trade repository must, on a periodic basis, create and make available to the public, at no cost, aggregate data on open positions, volume, number and, where applicable, price, relating to the transactions reported to it pursuant to this Rule.

(2) The periodic aggregate data made available to the public pursuant to subsection (1) must be complemented at a minimum by breakdowns, where applicable, by currency of denomination, geographic location of reference entity or asset, asset class, contract type, maturity and whether the transaction is cleared.

(3) A designated trade repository must make transaction level reports of the data indicated in the column entitled "Required for Public Dissemination" in Appendix A for each transaction reported pursuant to this Rule available to the public at no cost not later than

(a) the end of the day following the day on which it receives the data from the reporting counterparty to the transaction, if one of the counterparties to the transaction is a derivatives dealer, or

(b) the end of the second day following the day on which it receives the data from the reporting counterparty to the transaction in all other circumstances.

(4) In disclosing transaction level reports required by subsection (3), a designated trade repository must not disclose the identity of either counterparty to the transaction.

(5) A designated trade repository must make the data required to be made available to the public under this section available in a usable form through a publicly accessible website or other publicly accessible technology or medium.

(6) Despite subsections (1) to (5), a designated trade repository is not required to make public any derivatives data for transactions entered into between affiliated companies as defined under subsection 1(2) of the Act.

PART 5
EXCLUSIONS

40. Despite any other section of this Rule, a local counterparty is under no obligation to report derivatives data for a transaction if,

(a) the transaction relates to a derivative the asset class of which is a commodity other than cash or currency,

(b) the local counterparty is not a derivatives dealer, and

(c) the local counterparty has less than $500,000 aggregate notional value, without netting, under all its outstanding transactions at the time of the transaction including the additional notional value related to that transaction.

41. Despite any other section of this Rule, a counterparty is under no obligation to report derivatives data in relation to a transaction if it is entered into between

(a) Her Majesty in right of Ontario or the Ontario Financing Authority when acting as agent for Her Majesty in right of Ontario, and

(b) an Ontario crown corporation or crown agency that forms part of a consolidated entity with Her Majesty in right of Ontario for accounting purposes.

PART 6
EXEMPTIONS

42. A Director may grant an exemption to this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

PART 7
EFFECTIVE DATE

Effective date

43. (1) Parts 1, 2, 4, and 6 come into force on December 31, 2013.

(2) Despite subsection (1), subsection 39(3) does not apply until ~~April 30, 2015.~~July 29, 2016.

(3) Parts 3 and 5 come into force October 31, 2014.

(4) Despite subsection (3), Part 3 does not apply so as to require a reporting counterparty that is not a derivatives dealer or a recognized or exempt clearing agency to make any reports under that Part until June 30, 2015.

(5) Despite subsection (3) and section 34, Part 3 does not apply to a transaction entered into before October 31, 2014 that expires or terminates on or before April 30, 2015 if the reporting counterparty to the transaction is a derivatives dealer or a recognized or exempt clearing agency.

(6) Despite subsection (3) and section 34, Part 3 does not apply to a transaction entered into before June 30, 2015 that expires or terminates on or before December 31, 2015 if the reporting counterparty to the transaction is neither a derivatives dealer nor a recognized or exempt clearing agency.

Appendix A to OSC Rule 91-507 – Trade Repositories and Derivatives Data Reporting
Minimum Data Fields Required to be Reported to a Designated Trade Repository

Instructions:

The reporting counterparty is required to provide a response for each of the fields unless the field is not applicable to the transaction.

Data field	Description	Required for Public Dissemination	Required for Pre-existing Transactions
Transaction identifier	The unique transaction identifier as provided by the designated trade repository or the identifier as identified by the two counterparties, electronic trading venue of execution or clearing agency.	N	Y
Master agreement type	The type of master agreement, if used for the reported transaction.	N	N
Master agreement version	Date of the master agreement version (e.g., 2002, 2006).	N	N
Cleared	Indicate whether the transaction has been cleared by a clearing agency.	Y	Y
Intent to clear	Indicate whether the transaction will be cleared by a clearing agency.	N	N
Clearing agency	LEI of the clearing agency where the transaction is or will be cleared.	N	Y
Clearing member	LEI of the clearing member, if the clearing member is not a counterparty.	N	N
Clearing exemption	Indicate whether one or more of the counterparties to the transaction are exempted from a mandatory clearing requirement.	Y	N
Broker/Clearing intermediary	LEI of the broker acting as an intermediary for the reporting counterparty without becoming a counterparty.	N	N
Electronic trading venue identifier	LEI of the electronic trading venue where the transaction was executed.	Y (Only "Yes" or "No" shall be publicly disseminated)	Y
Inter-affiliate	Indicate whether the transaction is between two affiliated entities. (This field is only required to be reported as of April 30, 2015.)	N	N
Collateralization	Indicate whether the transaction is collateralized. Field Values: • Fully (initial and variation margin required to be posted by both parties), • Partially (variation only required to be posted by both parties), • One-way (one party will be required to post some form of collateral), • Uncollateralized.	Y	N
Identifier of reporting counterparty	LEI of the reporting counterparty or, in case of an individual, its client code.	N	Y

Data field	Description	Required for Public Dissemination	Required for Pre-existing Transactions
Identifier of non-reporting counterparty	LEI of the non-reporting counterparty or, in case of an individual, its client code.	N	Y
Counterparty side	Indicate whether the reporting counterparty was the buyer or seller. In the case of swaps, other than credit default, the buyer will represent the payer of leg 1 and the seller will be the payer of leg 2.	N	Y
Identifier of agent reporting the transaction	LEI of the agent reporting the transaction if reporting of the transaction has been delegated by the reporting counterparty.	N	N
Jurisdiction of reporting counterparty	If the reporting counterparty is a local counterparty under the derivatives data reporting rules of one or more provinces of Canada, indicate all of the jurisdictions in which it is a local counterparty.	N	N
Jurisdiction of non-reporting counterparty	If the non-reporting counterparty is a local counterparty under the derivatives data reporting rules of one or more provinces of Canada, indicate all of the jurisdictions in which it is a local counterparty.	N	N
A. Common Data	• These fields are required to be reported for all derivative transactions even if the information may be entered in an Asset field below. • Fields do not have to be reported if the unique product identifier adequately describes those fields.		
Unique product identifier	Unique product identification code based on the taxonomy of the product.	Y	N
Transaction type	The name of the transaction type (e.g., swap, swaption, forwards, options, basis swap, index swap, basket swap, other).	Y	Y
Underlying asset identifier 1	The unique identifier of the asset referenced in the transaction.	Y	Y
Underlying asset identifier 2	The unique identifier of the second asset referenced in the transaction, if more than one. If more than two assets identified in the transaction, report the unique identifiers for those additional underlying assets.	Y	Y
Asset class	Major asset class of the product (e.g., interest rate, credit, commodity, foreign exchange, equity, etc.).	Y	N
Effective date or start date	The date the transaction becomes effective or starts.	Y	Y
Maturity, termination or end date	The date the transaction expires.	Y	Y
Payment frequency or dates	The dates or frequency the transaction requires payments to be made (e.g., quarterly, monthly).	Y	Y
Reset frequency or dates	The dates or frequency at which the price resets (e.g., quarterly, semi-annually, annually).	Y	Y
Day count convention	Factor used to calculate the payments (e.g., 30/360, actual/360).	Y	Y

Data field	Description	Required for Public Dissemination	Required for Pre-existing Transactions
Delivery type	Indicate whether transaction is settled physically or in cash.	N	Y
Price 1	The price, yield, spread, coupon, etc., of the derivative. The price/rate should not include any premiums such as commissions, collateral premiums, accrued interest, etc.	Y	Y
Price 2	The price, yield, spread, coupon, etc., of the derivative. The price/rate should not include any premiums such as commissions, collateral premiums, accrued interest, etc.	Y	Y
Price notation type 1	The manner in which the price is expressed (e.g., percent, basis points, etc.).	Y	Y
Price notation type 2	The manner in which the price is expressed (e.g., percent, basis points, etc.).	Y	Y
Price multiplier	The number of units of the underlying reference entity represented by 1 unit of the transaction.	N	N
Notional amount leg 1	Total notional amount(s) of leg 1 of the transaction.	Y	Y
Notional amount leg 2	Total notional amount(s) of leg 2 of the transaction.	Y	Y
Currency leg 1	Currency(ies) of leg 1.	Y	Y
Currency leg 2	Currency(ies) of leg 2.	Y	Y
Settlement currency	The currency used to determine the cash settlement amount.	Y	Y
Up-front payment	Amount of any up-front payment.	N	N
Currency or currencies of up-front payment	The currency in which any up-front payment is made by one counterparty to another.	N	N
Embedded option	Indicate whether the option is an embedded option.	Y	N
B. Additional Asset Information	These additional fields are required to be reported for transactions in the respective types of derivatives set out below, even if the information is entered in a Common Data field above.		
i) Interest rate derivatives			
Fixed rate leg 1	The rate used to determine the payment amount for leg 1 of the transaction.	N	Y
Fixed rate leg 2	The rate used to determine the payment amount for leg 2 of the transaction.	N	Y
Floating rate leg 1	The floating rate used to determine the payment amount for leg 1 of the transaction.	N	Y
Floating rate leg 2	The floating rate used to determine the payment amount for leg 2 of the transaction.	N	Y
Fixed rate day count convention	Factor used to calculate the fixed payer payments (e.g., 30/360, actual/360).	N	Y

Data field	Description	Required for Public Dissemination	Required for Pre-existing Transactions
Fixed leg payment frequency or dates	Frequency or dates of payments for the fixed rate leg of the transaction (e.g., quarterly, semi-annually, annually).	N	Y
Floating leg payment frequency or dates	Frequency or dates of payments for the floating rate leg of the transaction (e.g., quarterly, semi-annually, annually).	N	Y
Floating rate reset frequency or dates	The dates or frequency at which the floating leg of the transaction resets (e.g., quarterly, semi-annually, annually).	N	Y
ii) Currency derivatives			
Exchange rate	Contractual rate(s) of exchange of the currencies.	N	Y
iii) Commodity derivatives			
Sub-asset class	Specific information to identify the type of commodity derivative (e.g., Agriculture, Power, Oil, Natural Gas, Freights, Metals, Index, Environmental, Exotic).	Y	Y
Quantity	Total quantity in the unit of measure of an underlying commodity.	Y	Y
Unit of measure	Unit of measure for the quantity of each side of the transaction (e.g., barrels, bushels, etc.).	Y	Y
Grade	Grade of product being delivered (e.g., grade of oil).	N	Y
Delivery point	The delivery location.	N	N
Load type	For power, load profile for the delivery.	N	Y
Transmission days	For power, the delivery days of the week.	N	Y
Transmission duration	For power, the hours of day transmission starts and ends.	N	Y
C. Options	These additional fields are required to be reported for options transactions set out below, even if the information is entered in a Common Data field above.		
Option exercise date	The date(s) on which the option may be exercised.	Y	Y
Option premium	Fixed premium paid by the buyer to the seller.	Y	Y
Strike price (cap/floor rate)	The strike price of the option.	Y	Y
Option style	Indicate whether the option can be exercised on a fixed date or anytime during the life of the transaction (e.g., American, European, Bermudan, Asian).	Y	Y
Option type	Put/call.	Y	Y
D. Event Data			
Action	Describes the type of event to the transaction (e.g., new transaction, modification or cancellation of existing transaction, etc.).	Y	N

Data field	Description	Required for Public Dissemination	Required for Pre-existing Transactions
Execution timestamp	The time and date of execution or novation of a transaction, expressed using Coordinated Universal Time (UTC).	Y	Y (If available)
Post-transaction events	Indicate whether the transaction resulted from a post-transaction service (e.g. compression, reconciliation, etc.) or from a lifecycle event (e.g. novation, amendment, etc.).	N	N
Reporting date	The time and date the transaction was submitted to the trade repository, expressed using UTC.	N	N
E. Valuation data	These additional fields are required to be reported on a continuing basis for all reported derivative transactions, including reported pre-existing transactions.		
Value of transaction calculated by the reporting counterparty	Mark-to-market valuation of the transaction, or mark-to-model valuation	N	N
Valuation currency	Indicate the currency used when reporting the value of the transaction.	N	N
Valuation date	Date of the latest mark-to-market or mark-to-model valuation.	N	N
F. Other details	Where the terms of the transaction cannot be effectively reported in the above prescribed fields, provide any additional information that may be necessary.	N	Y

Appendix B to OSC Rule 91-507 – Trade Repositories and Derivatives Data Reporting
Equivalent Trade Reporting Laws of Foreign Jurisdictions
Subject to Deemed Compliance Pursuant to Subsection 26(5)

The Commission has determined that the laws and regulations of the following jurisdictions outside of Ontario are equivalent for the purposes of the deemed compliance provision in subsection 26(5).

Jurisdiction	Law, Regulation and/or Instrument
United States of America	*CFTC Real-Time Public Reporting of Swap Transaction Data*, 17 C.F.R. pt. 43 (2013). *CFTC Swap Data Recordkeeping and Reporting Requirements*, 17 C.F.R. pt. 45 (2013). *CFTC Swap Data Recordkeeping and Reporting Requirements: Pre-Enactment and Transition Swaps*, 17 C.F.R. pt. 46 (2013).
European Union	Regulation (EU) 648/2012 of the European Parliament and Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories Commission Delegated Regulation (EU) No 148/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards on the minimum details of the data to be reported to trade repositories Commission Delegated Regulation (EU) No 151/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories, with regard to regulatory technical standards specifying the data to be published and made available by trade repositories and operational standards for aggregating, comparing and accessing the data Commission Implementing Regulation (EU) No 1247/2012 of 19 December 2012 laying down implementing technical standards with regard to the format and frequency of trade reports to trade repositories according to Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories

ANNEX C

Note: This blackline is provided for convenience.

COMPANION POLICY 91-506CP
TO ONTARIO SECURITIES COMMISSION RULE 91-506
DERIVATIVES: PRODUCT DETERMINATION

TABLE OF CONTENTS

PART 1
GENERAL COMMENTS

Introduction

This Companion Policy (the "Policy") sets out the views of the Commission ("our" or "we") on various matters relating to Ontario Securities Commission Rule 91-506 *Derivatives: Product Determination* (the "Rule").

Except for Part 1, the numbering and headings in this Companion Policy correspond to the numbering and headings in the Rule. Any general guidance for a Section appears immediately after the Section name. Any specific guidance on sections in the Rule follows any general guidance.

The Rule applies only to the Ontario Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting*.

Unless defined in the Rule or this Companion Policy, terms used in the Rule and in this Companion Policy have the meaning given to them in securities legislation, including, for greater certainty, in National Instrument 14-101 *Definitions* and Ontario Securities Commission Rule 14-501 *Definitions*.

In this Companion Policy, the term "contract" is interpreted to mean "contract or instrument".

PART 2
GUIDANCE

Excluded derivatives

2. (1)(a) *Gaming contracts*

Paragraph 2(1)(a) of the Rule prescribes certain domestic and foreign gaming contracts not to be "derivatives". While a gaming contract may come within the definition of "derivative", it is generally not recognized as being a financial derivative and typically does not pose the same potential risk to the financial system as other derivatives products. In addition, the Commission does not believe that the derivatives regulatory regime will be appropriate for this type of contract. Further, gaming control legislation of Canada (or a jurisdiction of Canada), or equivalent gaming control legislation of a foreign jurisdiction, generally has consumer protection as an objective and is therefore aligned with the objective of securities legislation to provide protection to investors from unfair, improper or fraudulent practices.

With respect to subparagraph 2(1)(a)(ii), a contract that is regulated by gaming control legislation of a foreign jurisdiction would only qualify for this exclusion if: (1) its execution does not violate legislation of Canada or Ontario, and (2) it would be considered

a gaming contract under domestic legislation. If a contract would be treated as a derivative if entered into in Ontario, but would be considered a gaming contract in a foreign jurisdiction, the contract does not qualify for this exclusion, irrespective of its characterization in the foreign jurisdiction.

(b) *Insurance and annuity contracts*

Paragraph 2(1)(b) of the Rule prescribes qualifying insurance or annuity contracts not to be "derivatives". A reinsurance contract would be considered to be an insurance or annuity contract.

While an insurance contract may come within the definition of "derivative", it is generally not recognized as a financial derivative and typically does not pose the same potential risk to the financial system as other derivatives products. The Commission does not believe that the derivatives regulatory regime will be appropriate for this type of contract. Further, a comprehensive regime is already in place that regulates the insurance industry in Canada and the insurance legislation of Canada (or a jurisdiction of Canada), or equivalent insurance legislation of a foreign jurisdiction, has consumer protection as an objective and is therefore aligned with the objective of securities legislation to provide protection to investors from unfair, improper or fraudulent practices.

Certain derivatives that have characteristics similar to insurance contracts, including credit derivatives and climate-based derivatives, will be treated as derivatives and not insurance or annuity contracts.

Subparagraph 2(1)(b)(i) requires an insurance or annuity contract to be entered into with a domestically licensed insurer and that the contract be regulated as an insurance or annuity contract under Canadian insurance legislation. Therefore, for example, an interest rate derivative entered into by a licensed insurance company would not be an excluded derivative.

With respect to subparagraph 2(1)(b)(ii), an insurance or annuity contract that is made outside of Canada would only qualify for this exclusion if it would be regulated under insurance legislation of Canada or Ontario if made in Ontario. Where a contract would otherwise be treated as a derivative if entered into in Canada, but is considered an insurance contract in a foreign jurisdiction, the contract does not qualify for this exclusion, irrespective of its characterization in the foreign jurisdiction. Subparagraph 2(1)(b)(ii) is included to address the situation where a local counterparty purchases insurance for an interest that is located outside of Canada and the insurer is not required to be licensed in Canada.

(c) *Currency exchange contracts*

Paragraph 2(1)(c) of the Rule prescribes a short-term contract for the purchase and sale of a currency not to be a "derivative" if it is settled within the time limits set out in subparagraph 2(1)(c)(i). This provision is intended to apply exclusively to contracts that facilitate the conversion of one currency into another currency specified in the contract. These currency exchange services are often provided by financial institutions or other businesses that exchange one currency for another for clients' personal or business use (e.g., for purposes of travel or to make payment of an obligation denominated in a foreign currency).

Timing of delivery (subparagraph 2(1)(c)(i))

To qualify for this exclusion the contract must require physical delivery of the currency referenced in the contract within the time periods prescribed in subparagraph 2(1)(c)(i). If a contract does not have a fixed settlement date or otherwise allows for settlement beyond the prescribed periods or permits settlement by delivery of a currency other than the currency referenced in the contract, it will not qualify for this exclusion.

Clause 2(1)(c)(i)(A) applies to a transaction that settles by delivery of the referenced currency within two business days – being the industry standard maximum settlement period for a spot foreign exchange transaction.

Clause 2(1)(c)(i)(B) allows for a longer settlement period if the foreign exchange transaction is entered into contemporaneously with a related securities trade. This exclusion reflects the fact that the settlement period for certain securities trades can be three or more days. In order for the provision to apply, the securities trade and foreign exchange transaction must be related, meaning that the currency to which the foreign exchange transaction pertains was used to facilitate the settlement of the related security purchase.

Where a contract for the purchase or sale of a currency provides for multiple exchanges of cash flows, all such exchanges must occur within the timelines prescribed in subparagraph 2(1)(c)(i) in order for the exclusion in paragraph 2(1)(c) to apply.

Settlement by delivery except where impossible or commercially unreasonable (subparagraph 2(1)(c)(i))

Subparagraph 2(1)(c)(i) requires that a contract must not permit settlement in a currency other than what is referenced in the contract unless delivery is rendered impossible or commercially unreasonable as a result of events not reasonably within the control of the counterparties.

Settlement by delivery of the currency referenced in the contract requires the currency contracted for to be delivered and not an equivalent amount in a different currency. For example, where a contract references Japanese Yen, such currency must be delivered in order for this exclusion to apply. We consider delivery to mean actual delivery of the original currency contracted for either in cash or through electronic funds transfer. In situations where settlement takes place through the delivery of an alternate currency or account notation without actual currency transfer, there is no settlement by delivery and therefore the exclusion in paragraph 2(1)(c) would not apply.

We consider events that are not reasonably within the control of the counterparties to include events that cannot be reasonably anticipated, avoided or remedied. An example of an intervening event that would render delivery to be commercially unreasonable would include a situation where a government in a foreign jurisdiction imposes capital controls that restrict the flow of the currency required to be delivered. A change in the market value of the currency itself will not render delivery commercially unreasonable.

Intention requirement (subparagraph 2(1)(c)(ii))

Subparagraph 2(1)(c)(ii) excludes from the reporting requirement a contract for the purchase and sale of a currency that is intended to be settled through the delivery of the currency referenced in such contract. The intention to settle a contract by delivery may be inferred from the terms of the relevant contract as well as from the surrounding facts and circumstances.

When examining the specific terms of a contract for evidence of intention to deliver, we take the position that the contract must create an obligation on the counterparties to make or take delivery of the currency and not merely an option to make or take delivery. Any agreement, arrangement or understanding between the parties, including a side agreement, standard account terms or operational procedures that allow for the settlement in a currency other than the referenced currency or on a date after the time period specified in subparagraph 2(1)(c)(i) is an indication that the parties do not intend to settle the transaction by delivery of the prescribed currency within the specified time periods.

We are generally of the view that certain provisions, including standard industry provisions, the effect of which may result in a transaction not being physically settled, will not necessarily negate the intention to deliver. The contract as a whole needs to be reviewed in order to determine whether the counterparties' intention was to actually deliver the contracted currency. Examples of provisions that may be consistent with the intention requirement under subparagraph 2(1)(c)(ii) include:

- a netting provision that allows two counterparties who are party to multiple contracts that require delivery of a currency to net offsetting obligations, provided that the counterparties intended to settle through delivery at the time the contract was created and the netted settlement is physically settled in the currency prescribed by the contract, and

- a provision where cash settlement is triggered by a termination right that arises as a result of a breach of the terms of the contract.

Although these types of provisions permit settlement by means other than the delivery of the relevant currency, they are included in the contract for practical and efficiency reasons.

In addition to the contract itself, intention may also be inferred from the conduct of the counterparties. Where a counterparty's conduct indicates an intention not to settle by delivery, the contract will not qualify for the exclusion in paragraph 2(1)(c). For example, where it could be inferred from the conduct that counterparties intend to rely on breach or frustration provisions in the contract in order to achieve an economic outcome that is, or is akin to, settlement by means other than delivery of the relevant currency, the contract will not qualify for this exclusion. Similarly, a contract would not qualify for this exclusion where it can be inferred from their conduct that the counterparties intend to enter into collateral or amending agreements which, together with the original contract, achieve an economic outcome that is, or is akin to, settlement by means other than delivery of the relevant currency.

Rolling over (subparagraph 2(1)(c)(iii))

Subparagraph 2(1)(c)(iii) provides that, in order to qualify for the reporting exclusion in paragraph 2(1)(c), a currency exchange contract must not permit a rollover of the contract. Therefore, physical delivery of the relevant currencies must occur in the time periods prescribed in subparagraph 2(1)(c)(i). To the extent that a contract does not have a fixed settlement date or otherwise allows for the settlement date to be extended beyond the periods prescribed in subparagraph 2(1)(c)(i), the Commission would consider it to permit a rollover of the contract. Similarly, any terms or practice that permits the settlement date of the contract to be extended by simultaneously closing the contract and entering into a new contract without delivery of the relevant currencies would also not qualify for the exclusion in paragraph 2(1)(c).

The Commission does not intend that the exclusion in paragraph 2(1)(c) will apply to contracts entered into through platforms that facilitate investment or speculation based on the relative value of currencies. These platforms typically do not provide for

physical delivery of the currency referenced in the contract, but instead close out the positions by crediting client accounts held by the person operating the platform, often applying the credit using a standard currency.

(d) *Commodities*

Paragraph 2(1)(d) of the Rule prescribes a contract for the delivery of a commodity not to be a "derivative" if it meets the criteria in subparagraphs 2(1)(d)(i) and (ii).

Commodity

The exclusion available under paragraph 2(1)(d) is limited to commercial transactions in goods that can be delivered either in a physical form or by delivery of the instrument evidencing ownership of the commodity. We take the position that commodities include goods such as agricultural products, forest products, products of the sea, minerals, metals, hydrocarbon fuel, precious stones or other gems, electricity, oil and natural gas (and by-products, and associated refined products, thereof), and water. We also consider certain intangible commodities, such as carbon credits and emission allowances, to be commodities. In contrast, this exclusion will not apply to financial commodities such as currencies, interest rates, securities and indexes.

Intention requirement (subparagraph 2(1)(d)(i))

Subparagraph 2(1)(d)(i) of the Rule requires that counterparties *intend* to settle the contract by delivering the commodity. Intention can be inferred from the terms of the relevant contract as well as from the surrounding facts and circumstances.

When examining the specific terms of a contract for evidence of an intention to deliver, we take the position that the contract must create an obligation on the counterparties to make or take delivery of the commodity and not merely an option to make or take delivery. Subject to the comments below on subparagraph 2(1)(d)(ii), we are of the view that a contract containing a provision that permits the contract to be settled by means other than delivery of the commodity, or that includes an option or has the effect of creating an option to settle the contract by a method other than through the delivery of the commodity, would not satisfy the intention requirement and therefore does not qualify for this exclusion.

We are generally of the view that certain provisions, including standard industry provisions, the effect of which may result in a transaction not being physically settled, may not necessarily negate the intention to deliver. The contract as a whole needs to be reviewed in order to determine whether the counterparties' intention was to actually deliver the commodity. Examples of provisions that may be consistent with the intention requirement under subparagraph 2(1)(d)(i) include:

- an option to change the volume or quantity, or the timing or manner of delivery, of the commodity to be delivered;
- a netting provision that allows two counterparties who are party to multiple contracts that require delivery of a commodity to net offsetting obligations provided that the counterparties intended to settle each contract through delivery at the time the contract was created,
- an option that allows the counterparty that is to accept delivery of a commodity to assign the obligation to accept delivery of the commodity to a third-party; and
- a provision where cash settlement is triggered by a termination right arising as a result of the breach of the terms of the contract or an event of default thereunder.

Although these types of provisions permit some form of cash settlement, they are included in the contract for practical and efficiency reasons.

In addition to the contract itself, intention may also be inferred from the conduct of the counterparties. For example, where it could be inferred from the conduct that counterparties intend to rely on breach or frustration provisions in the contract in order to achieve an economic outcome that is, or is akin to, cash settlement, the contract will not qualify for this exclusion. Similarly, a contract will not qualify for this exclusion where it can be inferred from their conduct that the counterparties intend to enter into collateral or amending agreements which, together with the original contract, achieve an economic outcome that is, or is akin to, cash settlement of the original contract.

When determining the intention of the counterparties, we will examine their conduct at execution and throughout the duration of the contract. Factors that we will consider include whether a counterparty is in the business of producing, delivering or using the commodity in question and whether the counterparties regularly make or take delivery of the commodity relative to the frequency with which they enter into such contracts in relation to the commodity.

Situations may exist where, after entering into the contract for delivery of the commodity, the counterparties enter into an agreement that terminates their obligation to deliver or accept delivery of the commodity (often referred to as a "book-out" agreement). Book-out agreements are typically separately negotiated, new agreements where the counterparties have no obligation to enter into such agreements and such book-out agreements are not provided for by the terms of the contract as initially entered into. We will generally not consider a book-out to be a "derivative" provided that, at the time of execution of the original contract, the counterparties intended that the commodity would be delivered.

Settlement by delivery except where impossible or commercially unreasonable (subparagraph 2(1)(d)(ii))

Subparagraph 2(1)(d)(ii) requires that a contract not permit cash settlement in place of delivery unless physical settlement is rendered impossible or commercially unreasonable as a result of an intervening event or occurrence not reasonably within the control of the counterparties, their affiliates or their agents. A change in the market value of the commodity itself will not render delivery commercially unreasonable. In general, we consider examples of events not reasonably within the control of the counterparties would include:

- events to which typical *force majeure* clauses would apply,
- problems in delivery systems such as the unavailability of transmission lines for electricity or a pipeline for oil or gas where an alternative method of delivery is not reasonably available, and
- problems incurred by a counterparty in producing the commodity that they are obliged to deliver such as a fire at an oil refinery or a drought preventing crops from growing where an alternative source for the commodity is not reasonably available.

In our view, cash settlement in these circumstances would not preclude the requisite intention under subparagraph 2(1)(d)(i) from being satisfied.

(e) and (f) *Evidence of a deposit*

Paragraphs 2(1)(e) and (f) of the Rule prescribe certain evidence of deposits not to be a "derivative".

Paragraph 2(1)(f) refers to "similar statutes of Canada or a jurisdiction of Canada". While the *Credit Unions and Caisses Populaires Act, 1994* (Ontario) is Ontario legislation, it is intended that all federal or province-specific statutes will receive the same treatment in every province or territory. For example, if a credit union to which the Ontario *Credit Unions and Caisses Populaires Act, 1994* (Ontario) applies issues an evidence of deposit to a market participant that is located in a different province, that province would apply the same treatment under its equivalent legislation.

(g) *Exchange-traded derivatives*

Paragraph 2(1)(g) of the Rule prescribes a contract not to be a derivative if it is traded on certain prescribed exchanges. Exchange-traded derivatives provide a measure of transparency to regulators and to the public, and for this reason are not required to be reported. We note that where a transaction is cleared through a clearing agency, but not traded on an exchange, it will not be considered to be exchange-traded and will be required to be reported.

Subsection 2(2) of the Rule excludes derivatives trading facilities from the meaning of exchange as it is used in paragraph 2(1)(g). A derivatives trading facility ~~includes any trading system, facility or platform in which multiple participants have the ability to execute or trade derivative instruments by accepting bids and offers made by multiple participants in the facility or system, and in which multiple third party buying and selling interests in~~means a person or company that constitutes, maintains, or provides a facility or market that brings together buyers and sellers of over-the-counter derivatives ~~have the ability to interact in the system, facility or platform in a way that results in a contract~~, brings together the orders of multiple buyers and multiple sellers, and uses methods under which the orders interact with each other and the buyers and sellers agree to the terms of trades.

For example, the following would not be considered an exchange for purposes of paragraph 2(1)(g): a "swap execution facility" as defined in the Commodity Exchange Act 7 U.S.C. §(1a)(50); a "security-based swap execution facility" as defined in the Securities Exchange Act of 1934 15 U.S.C. §78c(a)(77); ~~and a "Multilateral~~a "multilateral trading facility" as defined in Directive 2014/65/EU Article 4(1)(22) of the European Parliament; and an "organized trading facility" as defined in Directive ~~2004/39/EC~~2014/65/EU Article 4(1)(~~15~~23) of the European Parliament. Therefore derivatives traded on the foregoing facilities that would otherwise be considered derivatives for the purposes of this Rule are required to be reported.

(h) *Additional contracts not considered to be derivatives*

Apart from the contracts expressly prescribed not to be derivatives in section 2 of the Rule, there are other contracts that we do not consider to be "derivatives" for the purposes of securities or derivatives legislation. A feature common to these contracts is that they are entered into for consumer, business or non-profit purposes that do not involve investment, speculation or hedging. Typically, they provide for the transfer of ownership of a good or the provision of a service. In most cases, they are not traded on a market.

These contracts include, but are not limited to:

- a consumer or commercial contract to acquire, or lease real or personal property, to provide personal services, to sell or assign rights, equipment, receivables or inventory, or to obtain a loan or mortgage, including a loan or mortgage with a variable rate of interest, interest rate cap, interest rate lock or embedded interest rate option;
- a consumer contract to purchase non-financial products or services at a fixed, capped or collared price;
- an employment contract or retirement benefit arrangement;
- a guarantee;
- a performance bond;
- a commercial sale, servicing, or distribution arrangement;
- a contract for the purpose of effecting a business purchase and sale or combination transaction;
- a contract representing a lending arrangement in connection with building an inventory of assets in anticipation of a securitization of such assets; and
- a commercial contract containing mechanisms indexing the purchase price or payment terms for inflation such as via reference to an interest rate or consumer price index.

Investment contracts and over-the-counter options

3. Section 3 of the Rule prescribes a contract (to which section 2 of the Rule does not apply) that is a derivative and a security solely by reason of being an investment contract under paragraph (n) of the definition of "security" in subsection 1(1) of the Act, not to be a security. Some types of contracts traded over-the-counter, such as foreign exchange contracts and contracts for difference meet the definition of "derivative" (because their market price, value, delivery obligations, payment obligations or settlement obligations are derived from, referenced to or based on an underlying interest) but also meet the definition of "security" (because they are investment contracts). This section prescribes that such instruments will be treated as derivatives and therefore be required to be reported to a designated trade repository.

Similarly, options fall within both the definition of "derivative" and the definition of "security". Section 3 of the Rule prescribes an option that is only a security by virtue of paragraph (d) of the definition of "security" in subsection 1(1) of the Act (and not described in section 5 of the Rule), not to be a security. This section prescribes that such instruments will be treated as derivatives and therefore will be required to be reported to a designated trade repository. This treatment will only apply to options that are traded over-the-counter. Under paragraph 2(g), exchange-traded options will not be required to be reported to a designated trade repository. Further, options that are entered into on a commodity futures exchange pursuant to standardized terms and conditions are commodity futures options and therefore regulated under the *Commodity Futures Act* (Ontario) and excluded from the definition of "derivative".

Derivatives that are securities

4. Section 4 of the Rule prescribes a contract (to which sections 2 and 3 of the Rule do not apply) that is a security and a derivative, not to be a derivative. Derivatives that are securities and which are contemplated as falling within this section include structured notes, asset-backed securities, exchange-traded notes, capital trust units, exchangeable securities, income trust units, securities of investment funds and warrants. This section ensures that such instruments will continue to be subject to applicable prospectus disclosure and continuous disclosure requirements in securities legislation as well as applicable registration requirements for dealers and advisers. The Commission anticipates that it will again review the categorization of instruments as securities and derivatives once the comprehensive derivatives regime has been implemented.

Derivatives prescribed to be securities

5. Section 5 of the Rule prescribes a security-based derivative that is used by an issuer or its affiliate to compensate an officer, director, employee or service provider, or as a financing instrument, not to be a derivative. Examples of the compensation instruments that are contemplated as falling within section 5 include stock options, phantom stock units, restricted share units, deferred share units, restricted share awards, performance share units, stock appreciation rights and compensation instruments provided to service providers, such as broker options. Securities treatment would also apply to the aforementioned instruments when used as a financing instrument, for example, rights, warrants and special warrants, or subscription rights/receipts or convertible instruments issued to raise capital for any purpose. The Commission takes the view that an instrument would only be considered a financing instrument if it is used for capital-raising purposes. An equity swap, for example, would generally not be considered a financing instrument. The classes of derivatives referred to in section 5 can have similar or the same economic effect as a securities issuance and are therefore subject to requirements generally applicable to securities. As they are prescribed not to be derivatives they are not subject to the derivatives reporting requirements.

5.1.2 Amendments to NI 81-101 Mutual Fund Prospectus Disclosure

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 by adding the following definitions:

"managed account" has the meaning ascribed to that term in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

"permitted client" has the meaning ascribed to that term in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

"pre-authorized purchase plan" means a contract or other arrangement for the purchase of securities of a mutual fund, by payments of a specified amount, on a regularly scheduled basis, and which can be terminated at any time;**.**

3. Subsections 3.2(2) to (2.3) are repealed.

4. The following sections are added:

3.2.01 Pre-Sale Delivery of Fund Facts Document

(1) If securities legislation requires a dealer to deliver or send a prospectus in connection with a purchase of a security of a mutual fund, the dealer must, unless the dealer has previously done so, deliver to the purchaser the fund facts document most recently filed under this Instrument for the applicable class or series of securities of the mutual fund before the dealer accepts an instruction from the purchaser for the purchase of the security.

(2) In Nova Scotia, a fund facts document is a disclosure document prescribed under subsection 76(1A) of the *Securities Act* (Nova Scotia).

(3) In Ontario, a fund facts document is a disclosure document prescribed under subsection 71(1.1) of the *Securities Act* (Ontario).

(4) The requirement under securities legislation to deliver or send a prospectus in connection with a purchase of a security of a mutual fund does not apply if

(a) a fund facts document for the applicable class or series of securities of the mutual fund is

(i) delivered to the purchaser before the dealer accepts an instruction from the purchaser for the purchase of the security, or

(ii) delivered or sent to the purchaser in accordance with section 3.2.02 or 3.2.04 and the conditions set out in the applicable section are satisfied, or

(b) section 3.2.03 applies and the conditions set out in that section are satisfied.

3.2.02 Exception to Pre-Sale Delivery of Fund Facts Document

(1) Despite subsection 3.2.01(1), a dealer may deliver or send to the purchaser the most recently filed fund facts document for the applicable class or series of securities of the mutual fund not later than midnight on the second business day after entering into the purchase of a security of the mutual fund, if all of the following apply:

(a) the purchaser instructs the dealer that the purchase must be completed immediately or by a specified time;

(b) it is not reasonably practicable for the dealer to deliver the fund facts document before the time specified by the purchaser under paragraph (a);

(c) before the instruction from the purchaser for the purchase of a security of the mutual fund is accepted,

(i) the dealer informs the purchaser of the existence and purpose of the fund facts document and explains the dealer's obligation to deliver the fund facts document,

(ii) the purchaser consents to the dealer delivering or sending the fund facts document after entering into the purchase, and

(iii) the dealer verbally discloses to the purchaser a summary of all of the following:

(A) the fundamental features of the mutual fund, and what it primarily invests in, as set out under the heading "What does the fund invest in?" in Item 3 of Part I of the fund facts document;

(B) the investment risk level of the mutual fund as set out under the heading "How risky is it?" in Item 4 of Part I of the fund facts document;

(C) the suitability of the mutual fund for particular investors as set out under the heading "Who is this fund for?" in Item 7 of Part I of the fund facts document;

(D) any costs associated with buying, owning and selling a security of the mutual fund as set out under the heading "How much does it cost?" in Item I of Part II of the fund facts document;

(E) any applicable withdrawal rights or rescission rights that the purchaser is entitled to under securities legislation, as set out under the heading "What if I change my mind?" in Item 2 of Part II of the fund facts document.

(2) For the purposes of subparagraph (1)(c)(ii), the consent must be given in respect of a specific instruction to purchase a security of a mutual fund and, for greater certainty, cannot be in the form of blanket consent from the purchaser.

3.2.03 Delivery of Fund Facts for Subsequent Purchases Under a Pre-authorized Purchase Plan

Despite subsection 3.2.01(1), a dealer is not required to deliver the fund facts document to a purchaser in connection with a purchase of a security of a mutual fund made pursuant to a pre-authorized purchase plan if all of the following apply:

(a) the purchase is not the first purchase under the plan;

(b) the dealer has provided a notice to the purchaser that states,

(i) subject to paragraph (c), the purchaser will not receive a fund facts document after the date of the notice, unless the purchaser specifically requests it,

(ii) the purchaser is entitled to receive upon request, at no cost to the purchaser, the most recently filed fund facts document by calling a specified toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address,

(iii) how to access the fund facts document electronically,

(iv) the purchaser will not have a right of withdrawal under securities legislation for subsequent purchases of a security of a mutual fund under the plan, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus, and

(v) the purchaser may terminate the plan at any time;

(c) at least annually during the term of the plan, the dealer notifies the purchaser in writing of how the purchaser can request the most recently filed fund facts document; and

(d) the dealer delivers or sends the most recently filed fund facts document to the purchaser if the purchaser requests it.

3.2.04 Delivery of Fund Facts for Managed Accounts and Permitted Clients

Despite subsection 3.2.01(1), a dealer may deliver or send to the purchaser of a security of a mutual fund the most recently filed fund facts document for the applicable class or series of securities of the mutual fund not later than midnight on the second business day after entering into the purchase of a security of the mutual fund if

(a) the purchase is made in a managed account, or

(b) the purchaser is a permitted client that is not an individual.

3.2.05 Electronic Delivery of the Fund Facts Document

(1) If the purchaser of a security of a mutual fund consents, a fund facts document that may be or is required to be delivered or sent under this Part may be delivered or sent electronically.

(2) For the purposes of subsection (1), a fund facts document may be delivered or sent to the purchaser by means of an e-mail that contains

(a) the fund facts document as an attachment, or

(b) a hyperlink that leads directly to the fund facts document..

5. Subsection 3.2.1(1) is amended by replacing "subsection 3.2(2)***" with "***sections 3.2.01, 3.2.02 or 3.2.04***".***

6. Subsection 3.2.2(1) is amended by replacing "subsection 3.2(2)***" with "***sections 3.2.01, 3.2.02 or 3.2.04***".***

7. Section 5.2 is replaced with the following:

5.2 Combinations of Fund Facts Documents for Delivery Purposes

(1) If a fund facts document for a particular class or series of securities of a mutual fund is delivered under subsection 3.2.01(1), the fund facts document must not be combined with any other materials or documents.

(2) Despite subsection (1), a fund facts document may be combined with one or more other fund facts documents if the combination of documents is not so extensive as to cause a reasonable person to conclude that the combination of documents prevents the information from being presented in a simple, accessible and comparable format.

(3) Despite subsection (2), if multiple fund facts documents are being delivered electronically at the same time, those fund facts documents cannot be combined into a single e-mail attachment or a single document accessible through a hyperlink.

(4) A fund facts document delivered or sent under section 3.2.02, 3.2.03, or 3.2.04 must not be combined with any other materials or documents including, for greater certainty, another fund facts document, except one or more of the following:

(a) a general front cover pertaining to the package of attached or bound materials and documents;

(b) a trade confirmation which discloses the purchase of securities of the mutual fund;

(c) a fund facts document of another mutual fund if that fund facts document is also being delivered or sent under section 3.2.02, 3.2.03, or 3.2.04;

(d) the simplified prospectus or the multiple SP of the mutual fund;

(e) any material or document incorporated by reference into the simplified prospectus or the multiple SP of the mutual fund;

(f) an account application document;

(g) a registered tax plan application or related document.

(5) If a trade confirmation referred to in paragraph (4)(b) is combined with a fund facts document, any other disclosure documents required to be delivered or sent to satisfy a regulatory requirement for purchases listed in the trade confirmation may be combined with the fund facts document.

(6) If a fund facts document is combined with any of the materials or documents referred to in subsection (4), a table of contents specifying all documents must be combined with the fund facts document, unless the only other documents combined with the fund facts document are the general front cover permitted under paragraph (4)(a) or the trade confirmation permitted under paragraph (4)(b).

(7) If one or more fund facts documents are combined with any of the materials or documents referred to in subsection (4), only the general front cover permitted under paragraph (4)(a), the table of contents required under subsection (6) and the trade confirmation permitted under paragraph (4)(b) may be placed in front of the fund facts documents..

8. Section 5.5 is replaced with the following:

5.5 Combinations of Fund Facts Documents for Filing Purposes

For the purposes of section 2.1, a fund facts document may be combined with another fund facts document of a mutual fund in a simplified prospectus or, if a multiple SP, another fund facts document of a mutual fund combined in the multiple SP..

Expiration of exemptions and waivers

9. Any exemption from or waiver of a provision of National Instrument 81-101 *Mutual Fund Prospectus Disclosure* in relation to the prospectus or fund facts document delivery requirements for mutual funds expires on May 30, 2016.

Transition for pre-authorized purchase plans

10. (1) For the purposes of section 3.2.03 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, as enacted by section 4 of this Instrument, the first purchase of a security of a mutual fund made pursuant to a pre-authorized purchase plan on or after May 30, 2016, is considered to be the first purchase transaction under the plan.

(2) Subsection (1) does not apply to a pre-authorized purchase plan established prior to May 30, 2016, if a notice in a form substantially similar to the notice contemplated under paragraph 3.2.03(c) was delivered or sent to the purchaser between May 30, 2015 and May 30, 2016.

Effective date

11. (1) Subject to subsection (2), this Instrument comes into force on March 11, 2015.

(2) The provisions of this Instrument listed in column 1 of the following table come into force on the date set out in column 2 of the table:

Column 1: Provisions of this Instrument	Column 2: Date
Sections 3, 4, 5, 6, 7, 8 and 10	May 30, 2016

5.1.3 Changes to Companion Policy 81-101CP to NI 81-101 Mutual Fund Prospectus Disclosure

CHANGES TO
COMPANION POLICY 81-101CP *TO NATIONAL INSTRUMENT 81-101 MUTUAL FUND PROSPECTUS DISCLOSURE*

1. The changes to Companion Policy 81-101CP To National Instrument 81-101 Mutual Fund Prospectus Disclosure are set out in this Annex.

2. Part 7 is replaced with the following:

PART 7 Delivery

7.1 Delivery of the Simplified Prospectus and Annual Information Form – The Instrument contemplates delivery to all investors of a fund facts document in accordance with the requirements in securities legislation. It does not require the delivery of the simplified prospectus, or any other documents incorporated by reference into the simplified prospectus, unless requested. Mutual funds or dealers may also provide investors with any of the other disclosure documents incorporated by reference into the simplified prospectus.

7.2 Pre-Sale Delivery of the Fund Facts Document – (1) The Instrument requires a fund facts document to be delivered before a dealer accepts an instruction for the purchase of a security of a mutual fund. The purpose of pre-sale delivery of a fund facts document is to provide a purchaser with key information about the mutual fund that will inform a purchase decision. What constitutes "before" is intended to be flexible, provided it occurs within a reasonable timeframe before the purchaser's instruction to purchase. Accordingly, the Canadian securities regulatory authorities would generally expect that delivery of a fund facts document will occur within a timeframe that provides a purchaser with a reasonable opportunity to consider the information in the fund facts document before proceeding with the transaction. It should not be delivered so far in advance of the purchase of a security of a mutual fund that the delivery cannot be said to have any connection with the purchaser's instruction to purchase the mutual fund.

(2) Where a purchaser has already received a fund facts document for a particular class or series of securities of a mutual fund, it is not necessary to deliver to the purchaser another fund facts document for a subsequent purchase of that same class or series of securities of a mutual fund, unless a more recent version of the fund facts document has been filed.

7.3 Post-Sale Delivery of the Fund Facts Document – (1) While the Instrument generally requires pre-sale delivery of the fund facts document, it also sets out specific requirements that would permit post-sale delivery of the fund facts document in circumstances where the purchaser has indicated that they require the purchase of a security of a mutual fund to be completed immediately, or by a specified time, and it is not reasonably practicable for the dealer to effect pre-sale delivery of the fund facts document within the timeframe specified by the purchaser.

(2) The requirements for post-sale delivery of the fund facts document are set out in section 3.2.02 and should be interpreted consistently with the dealer's general duties to act fairly, honestly and in good faith and to establish and maintain a compliance system in accordance with securities legislation. Accordingly, the Canadian securities regulatory authorities expect dealers will adapt their business models to comply with the general requirement for pre-sale delivery of the fund facts document.

(3) Section 3.2.02 requires dealers to provide a summary of the information contained in the fund facts document. This should include describing the purpose of the fund facts document, the type of information it contains, and advising purchasers that they are entitled to receive and review the fund facts document before the purchase of a security of a mutual fund. Where the purchaser consents to post-sale delivery of the fund facts document, dealers are required to provide verbal disclosure of certain information contained in the fund facts document. This would include a description of the fundamental features of the mutual fund and what it primarily invests in, as well as the investment risk level of the mutual fund. The Canadian securities regulatory authorities would not generally consider it necessary to disclose the information included in the fund facts document under "Top 10 investments" or "Investment mix". In disclosing the suitability of the mutual fund for particular investors, dealers would be required to describe the characteristics of the investor for whom the mutual fund may or may not be an appropriate investment, and the portfolios for which the mutual fund is and is not suited. In terms of providing an overview of any costs associated with buying, selling and owning the mutual fund, the information provided should, at a minimum, include a discussion of any applicable sales charges, as well as ongoing fund expenses (e.g., MER and TER), and any applicable trailing commissions. Information related to sales charges and trailing commissions is also required as part of pre-trade disclosure requirements set out in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Finally, dealers would also be required to provide purchasers with a summary of any applicable right to withdraw from a purchase within two days after receipt of the fund facts document and to rescind a purchase within 48 hours after receipt of the trade confirmation for the purchase**.** This latter requirement is intended to alert purchasers to the fact that

they will have an opportunity to consider the information in the fund facts document that will be delivered or sent post-sale and, based on that information, determine whether they want to cancel their purchase of the mutual fund securities at that time.

(4) Where a purchaser consents to receive delivery of the fund facts document after entering into the purchase of a security of a mutual fund, the consent will only be valid for the particular transaction. A dealer cannot rely on a blanket consent from a purchaser to carry out post-sale delivery of the fund facts document for other purchases of mutual fund securities.

(5) In accordance with existing practices, dealers must establish internal policies and procedures to ensure delivery of the fund facts document occurs in accordance with Part 3. Dealers must maintain evidence of delivery of the fund facts document, as well as receipt of purchaser consents to receive delivery of the fund facts document after entering into the purchase of a security of a mutual fund. Dealers must also maintain adequate records to evidence that satisfactory disclosure about the fund facts document has been provided to purchasers in compliance with section 3.2.02. Such records should also indicate why delivery of the fund facts document was impracticable in the circumstances. The Canadian securities regulatory authorities expect that dealers will follow their current practices to maintain evidence of required disclosures to sufficiently document delivery of the fund facts document.

(6) The Instrument does not specify a particular manner of evidencing a purchaser's consent to allow delivery of the fund facts document after entering into the purchase of a security of a mutual fund. In particular, the Instrument does not require dealers to obtain written consent from clients. The Canadian securities regulatory authorities expect that dealers will follow their current policies and procedures for tracking and monitoring client instructions and authorizations.

(7) The Canadian securities regulatory authorities expect that dealers will remain faithful to the overall objective of ensuring that purchasers are provided with a fund facts document prior to accepting instructions to purchase a security of a mutual fund. Although the instrument allows for post-sale delivery of the fund facts document in certain limited circumstances, the Canadian securities regulatory authorities expect that post-sale delivery of the fund facts document will be the exception rather than the norm. The Canadian securities regulatory authorities may examine practices or arrangements that raise the suspicion of being structured to permit dealers to do indirectly what they cannot do directly and that are inconsistent with the overall intent of providing key information to investors at a time that is most relevant to their purchase decision.

(8) Section 3.2.03 sets out an exception from the requirement to deliver a fund facts document for subsequent purchases of a mutual fund made pursuant to a pre-authorized purchase plan provided certain conditions are met. One of these conditions requires investors to be provided with an initial notice indicating, among other things, that they will not receive a fund facts document unless they specifically request it. The notice must also specify how a fund facts document can be obtained. Investors must also be provided with an annual notice reminding them about how they can request a fund facts document. The Canadian securities regulatory authorities expect that both the initial notice and the annual notice will be presented in a clear, comprehensible and prominent manner so that investors can easily ascertain how they can avail themselves of the option to request a fund facts document.

7.4 Methods of Delivery – (1) The methods of delivery of a fund facts document are consistent with methods of delivery of a prospectus under securities legislation. A fund facts document required to be delivered or sent under Part 3 of the Instrument may be delivered or sent electronically, subject to the purchaser's consent. Electronic delivery may include providing an electronic copy of a fund facts document to the purchaser in the form of an e-mail attachment or providing a hyperlink to the fund facts document.

(2) The Canadian securities regulatory authorities will not consider the making of a fund facts document available on a website, or referring an investor to a general website address where the fund facts document can be found to constitute delivery under the Instrument, even if the investor consents to that method of delivery.

(3) Where a hyperlink is provided to the purchaser, the link should lead the purchaser directly to the specific fund facts document for the applicable class or series of the mutual fund being purchased. Consideration should be given to ensuring that the hyperlink remains accessible to the purchaser for so long as the purchaser may reasonably need to consult it.

(4) In the case of online transactions conducted through order execution service accounts, there may be a number of ways in which compliance with the requirement for pre-sale delivery of the fund facts document could be achieved. For example, dealers could consider the use of a "pop-up" notice informing the purchaser that a fund fact document is available for review and provide a hyperlink to the relevant fund facts document. Dealers could also consider requiring the purchaser to "click through" the fund facts document prior to accepting their purchase order.

(5) In addition to the requirements in the Instrument and the guidance in this section, dealers may want to refer to National Policy 11-201 *Electronic Delivery of Documents* for additional guidance.

7.5 Consolidation of Fund Facts Documents – (1) For the purposes of pre-sale delivery, subsection 5.2(2) of the Instrument allows a fund facts document to be combined with one or more fund facts documents, provided the size of the document does not make the presentation of the information inconsistent with the principles of simplicity, accessibility and comparability. For example, a fund facts document may be combined with fund facts documents of other classes or series of securities of the same mutual fund, other mutual funds from the same fund family, or other mutual funds of a similar type from different fund families. In making this determination, mutual funds, managers and participants in the mutual fund industry should consider the ability of an investor to easily find and use the information that is relevant to the particular mutual funds securities they are considering purchasing, and whether a reasonable person in the circumstances would come to the same conclusion. We think a document combining more than 10 fund facts documents may discourage an investor from finding and reading each fund facts document and obscure key information, which is inconsistent with the principles of simplicity, accessibility and comparability.

(2) Where multiple fund facts documents are being delivered electronically in compliance with the pre-sale delivery requirement, subsection 5.2(3) prohibits those fund facts documents from being combined into a single e-mail attachment. The use of a hyperlink that directs the investor to a single document combining all the relevant fund facts would also be prohibited under the Instrument. Instead, a dealer would be expected to provide individual attachments or hyperlinks for each fund facts document that is required to be delivered.

(3) When delivery of the fund facts document occurs after the purchase transaction, subsections 5.2(4) to (6) of the Instrument permit a fund facts document to be combined with certain other materials or documents. With the exception of a general front cover, a table of contents or a trade confirmation, subsection 5.2(7) requires the fund facts document to be located as the first item in the package of documents or materials.

7.6 Preparation of Disclosure Documents in Other Languages – Nothing in the Instrument prevents the simplified prospectus, annual information form or fund facts document from being prepared in other languages, provided that these documents are delivered or sent in addition to any disclosure document filed and required to be delivered in accordance with the Instrument. The Canadian securities regulatory authorities would consider such documents to be sales communications.

7.7 Delivery of Documents by a Mutual Fund – Section 3.3 of the Instrument requires that a mutual fund deliver or send to a person or company, upon request and free of charge, a simplified prospectus or documents incorporated by reference. The Canadian securities regulatory authorities are of the view that compliance with this specifically-mandated requirement by an unregistered entity is not a breach of the registration requirements of securities legislation.

7.8 Delivery of Separate Part A and Part B Sections – Mutual fund organizations that create physically separate Part B sections are reminded that any obligation to provide the simplified prospectus would be satisfied only by the delivery of both the Part A and Part B sections of a simplified prospectus.

7.9 Delivery of Non-Educational Material – The Instrument and related forms contain no restrictions on the delivery of non-educational material such as promotional brochures with either of the simplified prospectus and the annual information form. This type of material may, therefore, be delivered with, but cannot be included within, or attached to, the simplified prospectus and the annual information form. The Instrument does not permit the binding of educational and non-educational material with the fund facts document. The intention of the Instrument is not to unreasonably encumber the fund facts document with additional documents..

Chapter 6

Request for Comments

6.1.1 CSA Notice and Request for Comments – Proposed NI 94-101 Mandatory Central Counterparty Clearing of Derivatives and Proposed Companion Policy 94-101CP Mandatory Central Counterparty Clearing of Derivatives

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Notice and Request for Comment
Proposed National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives*
Proposed Companion Policy 94-101CP *Mandatory Central Counterparty Clearing of Derivatives*

February 12, 2015

Introduction

We, the Canadian Securities Administrators are publishing for a 90-day comment period expiring on May 13, 2015:

- Proposed National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives* (the **Clearing Rule**), and
- Proposed Companion Policy 94-101CP *Mandatory Central Counterparty Clearing of Derivatives* (the **Clearing CP**).

Collectively, the Clearing Rule and the Clearing CP will be referred to as the "Proposed National Instrument".

We are issuing this notice to provide interim guidance and solicit comments on the Proposed National Instrument.

We would like to draw your attention to the recent publication of Proposed National Instrument 24-102 *Clearing Agency Requirements* and the January 2014 publication of CSA Staff Notice 91-304 *Model Provincial Rule – Derivatives: Customer Clearing and Protection of Customer Collateral and Positions.* These publications, including the Proposed National Instrument, relate to central counterparty clearing and we therefore invite the public to consider these publications comprehensively.

Background

On December 19, 2013, the OTC Derivatives Committee (the **Committee**) published CSA Notice 91-303 *Proposed Model Provincial Rule on Mandatory Central Counterparty Clearing of Derivatives* (the **Draft Model Rule**). The Committee invited public comments on all aspects of the Draft Model Rule. Thirty-four comment letters were received. A list of those who submitted comments, as well as a chart summarizing the comments received and the Committee's responses are attached in Appendix A to this Notice. Copies of the comment letters can be found at http://www.lautorite.qc.ca/en/previous-consultations-derivatives-conso.html.

The Committee has reviewed the comments received and made determinations on revisions to the Draft Model Rule, which has been transformed into the Proposed National Instrument for the purpose of adopting a harmonized instrument across Canada. A few modifications were made since the last publication, such as including the Bank for International Settlements in the non-application section as well as deleting the requirements for an approval from the board of directors and the agency relationship from the end-user exemption.

The Committee will review all comment letters on the Proposed National Instrument to make recommendations on changes at a Committee level.

Substance and Purpose of the Proposed National Instrument

The purpose of the Clearing Rule is to propose mandatory central counterparty clearing of certain standardized over-the-counter (**OTC**) derivatives transactions, in order to improve transparency in the derivatives market and enhance the overall mitigation of systemic risk.

The Clearing Rule is divided into two rule-making areas: (i) rules relating to mandatory central counterparty clearing for certain derivatives (including proposed end-user and intragroup exemptions), and (ii) rules relating to the determination of derivatives subject to mandatory central counterparty clearing (each a mandatory clearable derivative).

Summary of the Clearing Rule

a) Mandatory central counterparty clearing and end-user and intragroup exemptions

The Clearing Rule provides that a local counterparty to a transaction in a mandatory clearable derivative must submit that transaction for clearing to a regulated clearing agency.

The Clearing Rule provides substituted compliance for transactions involving a local counterparty where the transaction is submitted for clearing pursuant to the laws of a jurisdiction of Canada other than the jurisdiction of the local counterparty or pursuant to the laws of a foreign jurisdiction listed in Appendix B or, in Québec, that appears on a list to that effect. It also provides substituted compliance for a local counterparty in a reliant jurisdiction if the transaction is submitted for clearing to a clearing agency or a clearing house that is recognized or exempted from recognition pursuant to the securities legislation of another jurisdiction of Canada.

Two exemptions to the clearing requirement are provided in the Clearing Rule. The proposed end-user exemption applies when at least one of the counterparties is not a financial entity, as defined in the Clearing Rule, and the counterparty that is not a financial entity is entering into the transaction to hedge or mitigate a commercial risk. The Clearing Rule provides an interpretation of hedging or mitigating commercial risk. There is no requirement to apply for the end-user exemption or to submit any documents to the regulator in order to rely on the exemption.

The proposed intragroup exemption applies, subject to conditions provided in the Clearing Rule, where affiliated entities or counterparties prudentially supervised on a consolidated basis enter into a transaction in a mandatory clearable derivative. A counterparty relying on the intragroup exemption must submit a form to the regulator, identifying the other counterparty and the basis for relying on the exemption.

A counterparty relying on either exemption must document and maintain records to demonstrate its eligibility to rely on the exemption.

b) Determination of mandatory clearable derivatives

A regulated clearing agency is required to notify the regulator of all OTC derivatives or classes of OTC derivatives:

- for which it provides clearing services as of the date of the coming into force of the Clearing Rule, and
- for which it provides clearing services after the date of the coming into force of the Clearing Rule.

After receiving notification by the clearing agency, the regulators will determine whether such cleared derivative or class of derivatives should be made a mandatory clearable derivative.

Our goal is to harmonize, to the greatest extent appropriate, the determination of mandatory clearable derivatives or classes of derivatives across Canada and with international standards.

The Committee is contributing to the work carried out by the OTC Derivative Regulators Group (**ODRG**), which is composed of executives and senior representatives from OTC derivatives regulators in Australia, Brazil, Ontario, Québec, the European Union, Hong Kong, Japan, Singapore, Switzerland and the United States. The Committee's goal is to harmonize the determination process in Canada with the relevant international standards on clearing determinations,[2] which provide for: 1) a framework for consultation among authorities on mandatory clearing determinations, and 2) where practicable, an expeditious review of derivatives that are subject to a mandatory clearing determination in another jurisdiction.

[2] This framework is founded on IOSCO recommendations and aims to harmonize mandatory clearing determinations across jurisdictions to the extent practicable and where appropriate, subject to jurisdictions' determination procedures. *See IOSCO Report on Requirements for Mandatory Clearing* (February 2012), available at: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD374.pdf

As part of the determination process, we will publish for comment the derivatives we propose to be mandatory clearable derivatives and invite interested persons to make representations in writing. Except in Québec, the determination process is expected to follow our typical rule-making or regulation making process. The list of mandatory clearable derivatives will be included in the Clearing Rule as Appendix A, as amended from time to time. In Québec, the determination process will be made by decision and the list of mandatory clearable derivatives will appear on a public register kept by the Autorité des marchés financiers.

In assessing whether a derivative or class of derivatives should be a mandatory clearable derivative, we anticipate considering various factors including the standardization of a derivative or class of derivatives, its risk profile, and the liquidity and characteristics of its market in determining whether the derivative or class of derivatives is appropriate for mandatory central counterparty clearing. It is anticipated that derivatives transaction data reported pursuant to local derivatives data reporting rules[3] will provide key information in the determination process.

c) Phase-in of the requirement to clear a mandatory clearable derivative

We expect to follow a phase-in approach with respect to the clearing requirement which would be consistent with the approach taken by the United States and the European Union, and which has been proposed in Australia.

More specifically, we anticipate that the requirement to clear a derivative or class of derivatives that has been determined to be a mandatory clearable derivative would be phased-in across different categories of market participants. Clearing members of a regulated clearing agency that provides clearing for the mandatory clearable derivative at the time its determination becomes effective would be subject to the clearing requirement in the first phase-in category. The second phase-in category would include financial entities above a specified (yet to be determined) threshold. The third phase-in category would include all other financial entities. The fourth and final phase-in category would include all counterparties that are not financial entities.

We are considering granting a cumulative 6-month grace period to each phase-in category except the first category. Hence, counterparties that are not financial entities would benefit from an 18-month grace period after the date the determination becomes effective for the first phase-in category. The Committee asks market participants to comment on an appropriate basis and value for the threshold that would determine whether a financial institution should be included in the second or third phase-in category; that is, whether the requirement to submit for clearing a transaction in a mandatory clearable derivative that involves a local counterparty should apply at 6 months or 12 months after the date on which the determination becomes effective. Is average monthly aggregate gross notional outstanding value an appropriate basis for the threshold? If so what time period should be used, for example the last 3 months preceding the determination?

Anticipated Costs and Benefits

We believe that the impact of the Clearing Rule, including anticipated compliance costs for market participants, is proportional to the benefits we seek to achieve. Greater transparency in the OTC derivatives market is one of the central pillars of derivatives regulatory reform in Canada and internationally. The G20 has agreed that requiring standardized and sufficiently liquid OTC derivatives transactions to be cleared through central counterparties, where appropriate, will result in more effective management of counterparty credit risk. In addition, central counterparty clearing of derivatives may also contribute to greater stability of our financial markets and to a reduction in systemic risk.

We recognize that counterparties will incur additional costs in order to comply with the Clearing Rule. The primary expenditure associated with the proposed Clearing Rule is the cost of clearing transactions. However, we note that the G20 has also committed to impose capital and collateral requirements on OTC derivative transactions that are not centrally cleared; the related costs may well exceed the costs associated with clearing OTC derivatives transactions. The end-user and intragroup exemptions in the Clearing Rule will help mitigate the initial costs associated with the clearing of OTC derivative transactions. Moreover, the proposed phase-in of the clearing requirement for a mandatory clearable derivative will provide temporary relief for market participants that are not financial entities and smaller or less active financial entities. We note that the phase-in approach of the clearing requirement will allow the local provincial regulators to provide more clarity on the developing derivatives registration regime, and to use trade repository data to investigate whether thresholds or carve-outs are appropriate for certain types of entities.

[3] *Regulation 91-507 respecting Trade Repositories and Derivatives Data Reporting* (Québec); Ontario Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting*; Manitoba Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting*; and, once implemented, Proposed Multilateral Instrument 96-101 *Trade Repositories and Derivatives Data Reporting* (collectively, the **TR Rules**).

Contents of Annexes

The following annexes form part of this CSA Notice:

- Annex A – Summary of Comments and List of Commenters;
- Annex B – Proposed National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives*; and
- Annex C – Proposed Companion Policy 94-101CP *Mandatory Central Counterparty Clearing of Derivatives*.

Comments

Please provide your comments in writing by **May 13, 2015**.

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period. In addition, all comments received will be posted on the websites of each of the Alberta Securities Commission at www.albertasecurities.com, 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.

Thank you in advance for your comments.
Please address your comments to each of the following:
Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Nova Scotia Securities Commission
Nunavut Securities Office
Ontario Securities Commission
Office of the Superintendent of Securities, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

Please send your comments **only** to the following addresses. Your comments will be forwarded to the remaining jurisdictions:

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Fax: 514-864-6381
consultation-en-cours@lautorite.qc.ca

Josée Turcotte
Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
comments@osc.gov.on.ca

Questions

Please refer your questions to any of:

Derek West
Co-Chairman, CSA Derivatives Committee
Senior Director, Derivatives Oversight
Autorité des marchés financiers
514-395-0337, ext. 4491
derek.west@lautorite.qc.ca

Kevin Fine
Co-Chairman, CSA Derivatives Committee
Director, Derivatives Branch
Ontario Securities Commission
416-593-8109
kfine@osc.gov.on.ca

Paula White
Manager Compliance Oversight
Manitoba Securities Commission
204-945-5195
Paula.white@gov.mb.ca

Michael Brady
Senior Legal Counsel
British Columbia Securities Commission
604-899-6561
mbrady@bcsc.bc.ca

Susan Powell
Senior Legal Counsel, Regulatory Affairs
Financial and Consumer Services Commission, New Brunswick
506-643-7697
susan.powell@fcnb.ca

Martin McGregor
Legal Counsel, Corporate Finance
Alberta Securities Commission
403-355-2804
martin.mcgregor@asc.ca

Abel Lazarus
Securities Analyst
Nova Scotia Securities Commission
902-424-6859
abel.lazarus@novascotia.ca

ANNEX A

COMMENT SUMMARY AND CSA RESPONSES

Section Reference	Issue/Comment	Response
General Comments	Harmonization A number of commenters raised concerns about a possible lack of harmonization across provinces in the implementation of the Clearing Rule and in the determination of derivatives to be subject to mandatory clearing.	Change made. We note that the Committee has now opted to develop a national instrument, given its intention that the substance of the rules be the same across jurisdictions, and that market participants and derivative products will receive the same treatment across Canada, both in terms of participants (similar exemptions) and of products (same determinations) included. See *Determination of mandatory clearable derivatives* above.
	Implementation A commenter requested greater clarity regarding the intended timing of implementation and application of the Clearing Rule. Another commenter recommended that the local provincial regulators give sufficient time to counterparties to get set up with their clearing intermediaries and agents.	No change. The committee would like to see the rule in place by Q4 2015 or Q1 2016. We note that a requirement to clear would not be triggered until a proposed determination has been published for comment and a final determination made. See *Phase-in of the requirement to clear a mandatory clearable derivative* above.
	Determination Four commenters were concerned about the harmonization, within Canada and at the international level, of derivatives subject to mandatory clearing. Three commenters proposed a joint determination process for the local provincial regulators. Three commenters suggested types or classes of derivatives that should or should not be mandated for clearing, and one commenter discussed additional factors to consider when making a determination. Two commenters suggested that a "top-down approach" whereby local provincial regulators assess what types of products and transactions contribute to systemic risk in the market and determine, based on their analysis, that certain products are "clearable derivatives", should be considered in addition to the bottom-up approach. Another commenter supported an approach whereby a regulator cannot mandate that a clearing agency clears a particular clearable derivative. Finally, five commenters requested that regulators provide advance notice or mandatory consultations with the industry before mandating a derivative or class of derivatives for clearing.	No change. See *Determination of mandatory clearable derivatives* above. We also note that the existence of master agreements or short form confirmations is a factor considered in evaluating the level of standardization of a derivative.
	Scope A commenter submitted that OTC derivative transactions involving physical commodities such as OTC natural gas commodity hedging transactions should not be classified as derivatives per the Draft Model Rule's	No change. We note that it is the intention of the Committee that the determinations to be made will not include derivatives that are outside the scope of the local *Derivatives: Product Determination*[4] rules.

[4] Manitoba Securities Commission Rule 91-506 *Derivatives: Product Determination*, Ontario Securities Commission Rule 91-506 *Derivatives: Product Determination*, Québec *Regulation 91-506 Respecting Derivatives Determination* and Proposed Multilateral Instrument 91-101 *Derivatives: Product Determination* (the **Scope Rules**).

	definitions and therefore should not be subject to the pending derivatives legislation.	
S. 1 – Definitions: Local Counterparty	A commenter pointed out that the local counterparty definition in TR Rules differs from the local counterparty definition in the Draft Model Rule.	No change. We note that the inclusion of registrants in the local counterparty definition of the Clearing Rule would result in requiring foreign registrants to clear even when there is no local counterparties involved in a transaction.
	A number of commenters requested additional guidance on concepts such as “head office”, “principal place of business” and “affiliate” or, more specifically, what is meant by “responsible for the liabilities of that affiliated party”. Another commenter suggested cross-referencing the definition of local counterparty found in the Policy Statement of the TR Rules.	No change. We note that these are longstanding legal concepts.
	A commenter pointed out that the definition of local counterparty brings into the clearing requirements numerous counterparties that conduct no business and, in particular, do not carry out any derivative trading activities in Canada, such as companies organized under a province law but which have no actual presence or business in Canada.	No change. We note that a local provincial regulator may exempt entities or groups of entities in its jurisdiction.
S. 1 – Definitions: Financial Entity	A commenter pointed out that former paragraph 1(g) reference to former paragraph 1(f) would capture any entity anywhere in the world that might potentially be subject to registration as a derivatives dealer in Canada. The practical effect of this is that any such party transacting with a local counterparty that is itself a financial entity may be subject to mandatory clearing requirements in Canada regardless of whether the transaction is eligible for a clearing exemption in such party’s own jurisdiction. Another commenter suggested that a local counterparty has satisfied its clearing requirement in respect of a transaction if the counterparty to that transaction is not a local counterparty and, if under the applicable laws of the foreign jurisdiction, such transaction is exempt from clearing because the counterparty qualifies for an exemption.	No change. See *Determination of mandatory clearable derivatives* above. We note that the local provincial regulators intend to adopt a “stricter rule applies” principle in case of cross-border discrepancies. As a result, when a foreign party transacts with a local counterparty in a derivative that is subject to mandatory clearing under the Clearing Rule, the transaction must be cleared even if an exemption exists in the foreign party’s jurisdiction. We also note that the Committee continues to monitor the development of cross-border guidance with respect to substituted compliance on clearing requirements.
	A number of commenters have requested more clarity on the upcoming registration regime, or to wait until the regime is in place before mandating derivatives to be cleared. Moreover, a number of commenters expressed concern with the inclusion of certain entities in the definition of financial entity, such as pension funds, investment funds (mortgage investment entities, private equity funds and venture capital funds) and entities registered or exempt from registration.	No change. See *Phase-in of the requirement to clear a mandatory clearable derivative* above. We note that the phase-in approach to the clearing requirement will allow the local provincial regulators to provide more clarity on the developing derivatives registration regime, and to use trade repository data to investigate whether thresholds or carve-outs are appropriate for certain types of entities.
	A commenter suggested that, in former paragraph (g), reference should also be made to entities that would be regulated “or exempted from regulation” under the applicable legislation of Canada or the applicable local jurisdiction to	Change made. See revised section 1. We note that entities exempted from registration are included in the financial entity definition. See *Phase-in of the requirement to clear a mandatory clearable derivative* above.

	conform to former paragraph (f). The commenter further suggested that the statement "had it been organized in Canada or the applicable local jurisdiction" is not necessary.	
S. 1 – Definitions: Transaction	Three commenters proposed that trades which reduce risk, such as compression replacement trades, terminations, compression amended trades (partial unwinds) and certain risk rebalancing trades resulting from post-trade risk reduction services should not trigger the clearing requirement.	No change. We note that the Committee will continue to monitor international regulatory developments with regards to trade compression.
	A commenter pointed out that it would be beneficial to have an objective test to determine what is considered to be a "large change".	No change. We note that the Committee considers that the proposed approach provides flexibility as an entity should be able to establish subjectively whether a transaction was amended with the sole purpose of avoiding the central clearing requirement.
Former S. 3 – Interpretation of hedge or mitigation of commercial risk	A number of commenters have requested additional guidance on the concepts of "hedging" and "mitigating commercial risk", and how these differ from "speculation". Commenters also suggested that the Committee adopt a flexible approach to these concepts given the wide variety of derivatives, potential end-users, and hedging strategies to which the Clearing Rule will apply. Another commenter encouraged the recognition of derivatives, which satisfy the requirements under IFRS or U.S. GAAP to be accounted for as hedges, as being held for the purpose of hedging or mitigating commercial risk.	No change. We note that the Committee considers that the proposed approach provides flexibility and legal certainty, and that the Clearing CP provides sufficient guidance on the concepts of "hedging" and "mitigating commercial risk". Additional guidance may be published once compliance with the Clearing Rule is assessed. We also note that hedges meeting the stricter accounting standards should be sufficient to meet the conditions of the end-user exemption.
	A number of commenters requested additional or revised guidance with regards to the interpretation of commercial risk or a definition for the terms "closely correlated" and "highly effective".	Changes made. See revised section 4 on Interpretation of hedge or mitigation of commercial risk.
	A number of commenters pointed out that the list of risks in former paragraphs 3(a)(i) and (ii) may not be exhaustive.	Changes made. We note that the amendments brought to paragraphs 4(1)(a) and (b) are consistent with the definition of Derivatives in the *Securities Act* (Ontario).
	A commenter suggested that the addition of "incurring in the normal course of its business" at the end of former paragraph 3(a)(i) may be problematic as companies develop new risk management strategies as they enter into new lines of business and new commercial arrangements.	No change. We note that new activities occur in the normal course of business. Entities can therefore use the end-user exemption as long as the conditions are met.
	Two commenters stated that they enter into commodity derivatives trading with their customers as part of their core business and are required to hedge these transactions. However, given that the transactions with their customers are not held for the purpose of hedging or mitigating commercial risk, they cannot benefit from the end-user exemption	No change. We note that the end-user exemption specifically targets transactions that are entered into to hedge or mitigate a commercial risk incurred by an eligible entity.

	(see former paragraph 3(b)(ii)). They argued that former paragraph 3(b)(ii) should be modified so that the ineligibility applies only where the party concerned is hedging in its capacity as an intermediary or market-maker in derivatives, rather than hedging to mitigate a commercial risk of another kind.	
Former subsection 4(1) – Duty to submit for clearing	Two commenters pointed out that there may not be sufficient time to clear a transaction before the end of the day if that transaction is executed shortly before the clearing agency closes.	No change. We note that this issue should not materialize where straight-through processing is implemented. The Committee will monitor the implementation of the rule and may provide further guidance if needed.
	A commenter pointed out that technically, the "transaction" is not submitted for clearing. If the transaction has the required features, then the clearer submits the deal terms and a new transaction with the clearing agency is created. The contract between the original parties no longer exists.	No change. We note that the Committee believes that the Clearing Rule provides sufficient clarity as currently drafted.
Former subsection 4(2) – Duty to submit for clearing: substituted compliance	Two commenters suggested to broaden the concept of substituted compliance such that the clearing requirement would be satisfied if the transaction was submitted for clearing, pursuant to the laws of another Canadian jurisdiction or the laws of an approved foreign jurisdiction, to a clearing agency recognized in that jurisdiction.	Partial change made. Substituted compliance was added for a local counterparty in a reliant jurisdiction if the transaction is submitted for clearing to a regulated clearing agency of another jurisdiction of Canada. See *Determination of mandatory clearable derivatives* above. We note that the Committee continues to monitor the development of cross-border guidance with respect to substituted compliance on clearing requirements.
Former S. 5 – Notification	Three commenters were concerned with the operational consequences of considering a transaction to be void *ab initio* if it is rejected for clearing by the clearing agency.	Changes made. See revised Section 7 of the Policy Statement. The guidance now refers to the rules of the clearing agencies and to the legal arrangements governing indirect clearing in place with regards to the rejection of transactions.
Former S. 7 – End-user exemption	A number of commenters pointed out that the end-user exemption should not require a formal agency relationship.	Change made. The reference to "agent" has been removed from former paragraph 7(2)(a).
	A number of commenters requested precisions on the end-user exemption: • Are both the end-user exemption and the intragroup exemption available for intragroup transactions? • Can an entity self-exempt on the basis that it is not a financial entity and is undertaking transactions to hedge or mitigate risk? • In the event that both counterparties are not financial entities, is it sufficient that only one party satisfies the requirement under former paragraph 7(1)(b)?	No change. We note that: • Both the end-user exemption and the intragroup exemption are available for intragroup transactions unless the entity seeking exemption is a financial entity (cannot use the end-user exemption). • It is the responsibility of the entity seeking to be exempted to determine whether the exemption applies to its transactions. • In the event that both counterparties are not financial entities, it is sufficient that only one party satisfies the requirement under paragraph 9(1)(b).

	A number of commenters have requested that the end-user exemption be available to small financial entities (including credit unions, captive financial companies, registered dealers and registered portfolio managers) that fall below a threshold coherent with the size of the Canadian OTC derivatives market. Moreover, a commenter suggested allowing registered dealers to exercise the end-user exemption when hedging the risk of their affiliates, as long as such affiliates would qualify to exercise the end-user exemption on their own.	No change. See *Phase-in of the requirement to clear a mandatory clearable derivative* above. We note that the phase-in approach of the clearing requirement will allow the local provincial regulators to provide more clarity on the developing derivatives registration regime, and to use trade repository data to investigate whether thresholds or carve-outs are appropriate for certain types of entities, such as credit unions.
	A commenter stated that former paragraph 7(2)(c) should refer to an affiliated entity that is not subject to a registration requirement, or that is exempted from a registration requirement, under the securities legislation of a jurisdiction of Canada. Failing to include all exempt entities on a general basis may prevent access to the exemption even where there the policy rationale underlying the Draft Model Rule does not support it.	Change made. See revised paragraph 9(2)(c).
	A commenter proposed to add “at least” prior to “one of the counterparties is not a financial entity” to make it clear that the end-user exemption is also available to two parties if neither of them is a financial entity.	Changes made. See revised paragraph 9(2)(a).
Former S. 8 – Intragroup exemption	Two commenters questioned the necessity of Form F1 in the context of securities regulation. A commenter suggested that the intragroup exemption be simplified such that transactions between 100% owned affiliates are exempt as long as certain conditions are met without the need for additional agreements or forms. Three commenters proposed that a Form F1 should be effective until withdrawn, unless updates or notifications of change to the originally filed form are submitted. Two other commenters requested that parties should be permitted to provide a listing of all types of transactions in a particular sub-asset class expected between them.	Change made. We note that the Committee believes that Form F1 is necessary in all cases, even for 100% owned affiliates. We note, however, that the annual filing requirement has been removed and replaced with a requirement to amend the original filing with a notification of material change.
	A commenter asked whether “prudentially supervised” is intended to refer to federally-regulated financial entities that are under the regulatory jurisdiction of the Office of the Superintendent of Financial Institutions.	No change. We note that “entities prudentially supervised on a consolidated basis” refers to two counterparties that are supervised on a consolidated basis either by the Office of the Superintendent of Financial Institutions (Canada), a government department or a regulatory authority of Canada or a jurisdiction of Canada responsible for regulating deposit-taking institutions.
	Two commenters suggested that the requirement that the entities prepare statements on a consolidated basis is not	No change. We note that the former paragraph 8(1)(b) is sufficiently broad to allow entities which do not prepare financial statements on a

	necessary and may unduly exclude affiliated entities that should otherwise properly be able to rely on the exemption. They suggested the adoption of the securities laws' "affiliate" definition.	consolidated basis to rely on the Intragroup exemption.
	A commenter suggested that transactions between credit unions and their centrals should benefit from the intragroup exemption.	No change. We note that the proposed phase-in of the clearing requirement provides temporary relief for credit unions and their centrals. The proposed phase-in of the clearing requirement will also allow the local provincial regulators to use trade repository data to investigate whether thresholds or carve-outs are appropriate for certain types of entities.
	A commenter pointed out that the documentation related to the intragroup exemption should be flexible and should refer to the CFTC and EMIR rules on the matter.	No change. We note that the Committee has reviewed the CFTC and EMIR rules on the matter and believes the Clearing Rule provides sufficient flexibility.
	A commenter suggested that it should be clarified that reference to "securities legislation of a jurisdiction of Canada" includes commodity futures and derivatives legislation.	No change. We note that "securities legislation" is defined in NI 14-101 and includes in Québec the *Derivatives Act*. In other jurisdictions, the relevant *Securities Act* applies. We further note that it is the intention of the Committee to respect the Scope Rules in the determinations to be made.
	A commenter would like confirmation that the intragroup exemption is available to registered dealers as long as they satisfy the necessary criteria.	No change. We note that the intragroup exemption applies to registered dealers as long as the criteria provided by the exemption are met.
	A commenter proposed that former paragraph 8(2)(c) could be shortened to simply stipulate the requirement for a written agreement setting out the terms of the transaction between the counterparties.	Changes made. See revised paragraph 10(2)(c).
Former S. 9 – Improper use of exemption	Three commenters requested clarification on how the local provincial regulators would determine that an entity has improperly used an exemption, and on the process by which the local provincial regulators would direct a local counterparty to submit a transaction for clearing under section 4.	Changes made. Former section 9 on Improper use of exemption has been removed as local regulators have the legal powers to enforce regulations.
Former S. 9 – Record keeping	A commenter pointed out that a party to an OTC derivatives transaction should be able to rely on representations made by the other party, without any further investigation or documentation, in order to determine whether the clearing requirement applies.	Changes made. See additional guidance included in Section 11 of the Clearing CP. We note, however, that certain conditions must be met for a local counterparty to rely on factual representations by the other counterparty.
	A commenter pointed out that, with respect to the requirement in former subsection 9(1) and specifically with respect to the Intragroup exemption, it should be sufficient that the records are kept by one of the "intragroup" parties.	No change. We note that it is not expected that documents or legal opinions be kept by each counterparty; however, both counterparties must be able to make copies of these agreements available to the regulator upon request.
	Three commenters questioned the necessity to obtain board approval for qualifying for the end-user exemption.	Changes made. See revised paragraph 11(1). End-users will not be required to obtain board approval in order to qualify for the end-user exemption.

	A commenter suggested that a board of directors should be required to authorize the use of the end-user exemption no more than annually and requested that the CSA permit lower-tier entities to rely upon authorization from the board of directors of a higher-tier affiliate to exercise the exemption.	
	A number of commenters requested additional guidance and questioned the level of detail required as supporting documentation with respect to each transaction for which the end-user exemption will be relied upon. They also expressed the opinion that it imposed a heavy regulatory burden on participants using this exemption. Notably, a number of commenters requested guidance on how the Committee requires entities to assess or document their hedging effectiveness.	No change. We note that hedge-accounting compliant record-keeping is not a requirement for all hedging derivatives under the Clearing Rule. However, hedges meeting the stricter accounting standards should be sufficient to meet the conditions of the end-user exemption.
Former S. 10– Non-Application	Two commenters requested that the non-application be extended to foreign governments, entities owned by foreign governments and recognized supra-national agencies, such as the International Monetary Fund.	Change made. See amendments made to section 6 on Non-Application. We note that non-application has not been extended to recognized supra-national agencies. The Committee expects to receive exemption requests from these entities.
	A commenter requested that the non-application should be extended to entities wholly owned by a federal, or provincial government, **or** to entities whose obligations are guaranteed by a federal or provincial government. Another commenter proposed that the non-application should be extended when a crown corporation or other corporation owned by the government is an agent of the Crown without a guarantee being in place. Another commenter argued that government-related entities that are also agents of the Crown should be granted the same immunity through former section 10 as government.	No change. We note that in the case of entities wholly owned by the government of Canada, a government of a jurisdiction of Canada or a government of a foreign jurisdiction, the non-application is only extended to those entities whose obligations are guaranteed, respectively, by the government of Canada, a government of a jurisdiction of Canada or a government of a foreign jurisdiction.
	A number of commenters were opposed to the non-application of the Draft Model Rule to federal and provincial governments and to government entities. A commenter suggested limiting the application of former section 10 only to those government entities whose OTC derivatives portfolios are not in excess of a certain threshold.	No change. We note that the local provincial regulators retain the right to modify the applicability of all exemptions and may register certain entities given the size of their activities.
Former S. 12 – Transition	Two commenters suggested that parties should not have to clear transactions entered into before the coming into force of this rule if they are “materially amended” as this requirement may deter parties from making amendments for legitimate purposes.	No change. See the interpretation of material amendment in the Clearing CP. We note that the end-user and intragroup exemptions will apply to material amendments.

	Two commenters requested confirmation that the end-user and intragroup exemptions will apply to Material Changes.	
	A commenter suggested that an objective test would be beneficial to determine whether an amendment is material.	No change. We note that the Committee considers that the proposed approach provides flexibility as an entity should be able to establish whether a transaction was amended materially. Guidance on material amendments is provided in the Clearing CP.
Form F1	A commenter requested that the word "application" be removed from section 3 of the form. A commenter asked whether this information will be accessible to the public.	Changes made. We note that Form F1 is a notice filing and not an application.
Form F2	A commenter requested that the access given to regulators be limited to "applicable" books and records.	Changes made. See revised Form F2.

List of Commenters

1. Atlantic Central
2. Bruce Power L.P.
3. Caisse de dépôt et placement du Québec
4. Canadian Bankers Association
5. Canadian Commercial Energy Working Group submitted by Sutherland Asbill & Brennan LLP
6. CanadianLife and Health Insurance Association Inc.
7. Capital Power
8. Central 1
9. Canadian Market Infrastructure Committee
10. Concentra Financial
11. Enbridge Inc.
12. Encana Corporation
13. Énergie NB Power
14. Financial Institutions Commission
15. Ford Motor Company
16. FortisBC Energy Inc.
17. Global Foreign Exchange Division
18. IGM Financial Inc.
19. International Swaps and Derivatives Association
20. Investment Industry Association of Canada
21. Just Energy Group Inc.
22. KfW Bankengruppe
23. LCH.ClearnetGroup Limited
24. New Brunswick Investment Management Corporation
25. Pension Investment Association of Canada
26. Sask Energy Incorporated
27. Sask Power
28. Shell Trading
29. Stewart McKelvey
30. Suncor Energy Inc.
31. TMX Group Limited
32. Trans Canada Corporation
33. Tri Optima AB
34. Western Union Business Solutions

ANNEX B

PROPOSED NATIONAL INSTRUMENT 94-101
MANDATORY CENTRAL COUNTERPARTY CLEARING OF DERIVATIVES

PART 1
DEFINITIONS AND INTERPRETATION

Definitions

1. In this Instrument,

"financial entity" means any of the following:

(a) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under subsection 473(1) of that Act;

(b) a bank, loan corporation, loan company, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(c) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada;

(d) an investment fund;

(e) a person or company, other than an individual, that under the securities legislation of a jurisdiction of Canada is any of the following:

(i) subject to the registration requirement;

(ii) registered;

(iii) exempted from the registration requirement;

(f) a person or company organized under the laws of a foreign jurisdiction that is similar to an entity referred to in any of paragraphs (a) to (e);

"local counterparty" means a counterparty to a transaction if, at the time of execution of the transaction, either of the following applies:

(a) the counterparty is a person or company to which one or more of the following apply:

(i) it is organized under the laws of the local jurisdiction;

(ii) its head office is in the local jurisdiction;

(iii) its principal place of business is in the local jurisdiction;

(b) the counterparty is an affiliated entity of a person or company referred to in paragraph (a) and the person or company is responsible for the liabilities of the counterparty;

"mandatory clearable derivative" means,

(a) except in Québec, a derivative or a class of derivatives listed in Appendix A, and

(b) in Québec, a derivative or a class of derivatives that is determined by the Autorité des marchés financiers to be subject to the clearing requirement;

"transaction" means either of the following:

(a) entering into, materially amending, assigning, acquiring or disposing of a derivative;

(b) the novation of a derivative, other than a novation resulting from submitting the derivative to a regulated clearing agency;

"regulated clearing agency" means,

(a) except in Québec, a person or company recognized or exempted from recognition as a clearing agency in the local jurisdiction, and

(b) in Québec, a person recognized or exempted from recognition as a clearing house.

Application – Québec

2. In Québec, this Instrument applies to derivatives that are not traded on an exchange and to derivatives that are traded on a derivatives trading facility.

Interpretation of the term affiliated entity

3. (1) In this Instrument, a company will be deemed to be an affiliated entity of another company if one of them is the subsidiary of the other or if both are subsidiaries of the same company or if each of them is controlled by the same person or company.

(2) In this section, a company will be deemed to be controlled by another person or company or by two or more companies if

(a) voting securities of the first-mentioned company carrying more than 50 per cent of the votes for the election of directors are held, otherwise than by way of security only, by or for the benefit of the other person or company or by or for the benefit of the other companies, and

(b) the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of the first-mentioned company.

(3) In this section, a company will be deemed to be a subsidiary of another company if one of the following applies:

(a) it is controlled by,

(i) that other,

(ii) that other and one or more companies each of which is controlled by that other, or

(iii) two or more companies each of which is controlled by that other;

(b) it is a subsidiary of a company that is that other's subsidiary.

Interpretation of hedging or mitigating commercial risk

4. (1) In this Instrument, a counterparty's transaction is considered to be for the purpose of hedging or mitigating commercial risk if, at the time of the transaction, the transaction establishes a position which is intended to reduce risk relating to the commercial activity or treasury financing activity of the counterparty or of an affiliated entity of the counterparty and either of the following apply:

(a) that derivative covers risk arising from the change in the value, price, rate or level of assets, services, inputs, products, commodities or liabilities that the counterparty or an affiliated entity of the counterparty owns, produces, manufactures, processes, provides, purchases, merchandises, leases, sells or incurs or reasonably anticipates owning, producing, manufacturing, processing, providing, purchasing, merchandising, leasing, selling or incurring in the normal course of its business;

(b) that derivative covers the risk arising from the indirect impact on the value, price, rate or level of assets, services, inputs, products, commodities or liabilities referred to in paragraph (a), resulting from fluctuation of one or more interest rates, inflation rates, foreign exchange rates or credit risk;

(2) Despite subsection (1), a counterparty's transaction is not considered to be for the purpose of hedging or mitigating commercial risk if the position referred to in subsection (1) is held for either of the following purposes:

(a) to speculate;

(b) to offset or reduce the risk of another transaction, unless such position is itself held for the purpose of hedging or mitigating commercial risk.

PART 2
MANDATORY CENTRAL COUNTERPARTY CLEARING

Duty to submit for clearing

5. (1) A local counterparty to a transaction in a mandatory clearable derivative must submit, or cause to be submitted, that transaction for clearing to a regulated clearing agency that provides clearing services for that mandatory clearable derivative.

(2) A local counterparty submitting a transaction for clearing under subsection (1) must submit the transaction in accordance with the rules of the regulated clearing agency, as amended from time to time.

(3) A local counterparty must submit a transaction for clearing under subsection (1) not later than

(a) if the transaction is executed during the business hours of the regulated clearing agency, the end of the day of execution, or

(b) if the transaction is executed after the business hours of the regulated clearing agency, the end of the next business day.

(4) In Newfoundland and Labrador, the Northwest Territories, Nunavut, Prince Edward Island and Yukon, a local counterparty satisfies subsection (1) if the transaction in a mandatory clearable derivative is submitted for clearing, or caused to be submitted, to a clearing agency or clearing house that is recognized or exempted from recognition pursuant to the securities legislation of another jurisdiction of Canada.

(5) A local counterparty that is a local counterparty solely under paragraph (b) of the definition of local counterparty satisfies subsection (1) with respect to a transaction if the transaction is submitted for clearing in accordance with the laws of a foreign jurisdiction that

(a) except in Québec, is listed in Appendix B, and

(b) in Québec, appears on a list determined by the Autorité des marchés financiers.

Non-application

6. Section 5 does not apply to a transaction if any of the counterparties is one of the following:

(a) the government of Canada, the government of a jurisdiction of Canada or the government of a foreign jurisdiction;

(b) a crown corporation whose obligations are guaranteed by the government of the jurisdiction in which the crown corporation was constituted;

(c) an entity wholly owned by a government referred to in paragraph (a) whose obligations are guaranteed by that government;

(d) the Bank of Canada or a central bank of a foreign jurisdiction;

(e) the Bank for International Settlements.

Notice of rejection

7. If a regulated clearing agency rejects a transaction submitted to it for clearing, the regulated clearing agency must immediately notify each local counterparty to the transaction.

Public disclosure of clearable and mandatory clearable derivatives

8. A regulated clearing agency must publicly disclose on its website, and must allow access to that website at no cost to the public, a list of all derivatives or classes of derivatives for which it will provide clearing services and, for each derivative or class of derivatives listed, identify whether it is a mandatory clearable derivative.

PART 3
EXEMPTIONS AND APPLICATION

End-user exemption

9. (1) Section 5 does not apply to a transaction if both of the following apply:

(a) at least one of the counterparties to the transaction is not a financial entity;

(b) a counterparty that is not a financial entity is entering into the transaction for the purpose of hedging or mitigating commercial risk.

(2) Section 5 does not apply to a transaction entered into by an affiliated entity of a counterparty that is not a financial entity if all of the following apply:

(a) the affiliated entity is acting on behalf of the counterparty that is not a financial entity;

(b) the transaction is entered into for the purpose of hedging or mitigating commercial risk;

(c) the affiliated entity is not subject to, registered under or exempted from the registration requirement under the securities legislation of a jurisdiction of Canada.

Intragroup exemption

10. (1) In this section, "intragroup transaction" means a transaction between either of the following:

(a) two counterparties that are prudentially supervised on a consolidated basis;

(b) a counterparty and its affiliated entity if the financial statements for the counterparty and its affiliated entity are prepared on a consolidated basis in accordance with accounting principles as defined by the National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*.

(2) Section 5 does not apply to an intragroup transaction if all of the following conditions apply:

(a) both counterparties agree to rely on this exemption;

(b) the transaction is subject to centralized risk evaluation, measurement and control procedures reasonably designed to identify and manage risks;

(c) there is a written agreement setting out the terms of the transaction between the counterparties.

(3) No later than the 30th day after a local counterparty to an intragroup transaction relies on the exemption in subsection (2), the local counterparty must submit to the regulator, in an electronic format, a completed Form 94-101F1 *Intragroup Exemption*.

(4) No later than the 10th day after a local counterparty becomes aware that the information in a previously submitted Form 94-101F1 *Intragroup Exemption* is no longer accurate, the local counterparty must submit to the regulator, in an electronic format, an amended Form 94-101F1 *Intragroup Exemption*.

Record keeping

11. (1) A local counterparty to a transaction that relies on section 9 or section 10 must maintain, for a period of 7 years following the date on which the transaction expires or terminates, records demonstrating that the conditions referred to in those sections, as applicable, were satisfied.

(2) The records required to be maintained under subsection (1) must be

(a) kept in a safe location and in a durable form, and

(b) provided to the regulator within a reasonable time following request.

PART 4
MANDATORY CLEARABLE DERIVATIVES

Submission of information on clearing services for derivatives by a regulated clearing agency

12. No later than the 10th day after a regulated clearing agency first provides or offers clearing services for a derivative or class of derivatives, the regulated clearing agency must submit to the regulator, in an electronic format, a completed Form 94-101F2 *Derivatives Clearing Services*, identifying the derivative or class of derivatives.

PART 5
EXEMPTION

Exemption

13. (1) The regulator or the securities regulatory authority may grant an exemption to this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant an exemption.

(3) Except in Alberta and Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

PART 6
TRANSITION AND EFFECTIVE DATE

Transition – regulated clearing agency filing requirement

14. No later than the 30th day after the coming into force of this Instrument, a regulated clearing agency must submit to the regulator, in an electronic format, a completed Form 94-101F2 *Derivatives Clearing Services*, identifying all derivatives or classes of derivatives for which it provided clearing services as of the date of the coming into force of this Instrument.

Effective date

15. This Instrument comes into force on [*insert date*].

APPENDIX A

MANDATORY CLEARABLE DERIVATIVES

[Derivative or] Class of derivatives	**Date on which section 5 applies to a transaction involving a local counterparty**
[*description of derivative*]	[*Insert date* •] - for a local counterparty that is a member of a regulated clearing agency that offers clearing services for the derivative or class of derivatives and subscribes to such service, [*Insert the date which is 6 months after* •] - for a local counterparty that is a financial entity which [*insert specific threshold*] [*Insert the date which is 12 months after* •] - for a local counterparty that is a financial entity, other than a financial entity which [*insert specific threshold*], [*Insert the date which is 18 months after* •] - for a local counterparty that is not one of the following: a member of a regulated clearing agency that offers clearing services for the derivative or class of derivatives and subscribes to such service, or a financial entity.

APPENDIX B

EQUIVALENT CLEARING LAWS OF FOREIGN JURISDICTIONS PURSUANT TO PARAGRAPH 5(5)(a)

The laws and regulations of each of the following jurisdictions outside of Canada are considered equivalent for the purposes of paragraph 5(5)(a).

Jurisdiction	Law, Regulation and/or Instrument

FORM 94-101F1 *INTRAGROUP EXEMPTION*

Type of Filing: ☐ **INITIAL** ☐ **AMENDMENT**

Section 1 – Notifying counterparty information

1. State the full legal name of the notifying counterparty that relied on the exemption for an intragroup transaction.

2. Disclose the name under which it conducts business, if different from item 1:

3. If this Form is used to report a name change on behalf of the counterparty referred to in item 1 or item 2, enter the previous name and the new name:

   Previous name:
   New name:
   Head office:
   Address:
   Mailing address (if different):
   Telephone:
   Website:

   Contact employee:
   Name and title:
   Telephone:
   E-mail:

   Other offices:
   Address:
   Telephone:
   Email:

   Canadian counsel (if applicable)
   Firm name:
   Contact name:
   Telephone:
   E-mail:

Section 2 – Combined notification on behalf of other counterparties within the group to which the notifying counterparty belongs

1. Provide a statement confirming that both counterparties to each transaction to which this report relates chose to rely on the intragroup exemption and describe the basis on which the exemption is available to them.

2. Provide a statement confirming that each transaction to which this report relates is subject to appropriate centralized risk evaluation, measurement and control procedures. Describe those procedures.

3. State the legal entity identifier of both counterparties to each transaction to which this report relates in the manner required under the securities legislation.

4. For each transaction to which this report relates, describe the ownership and control structure of the counterparties that are affiliated entities.

5. For each transaction to which this report relates, state whether there is a written agreement setting out the terms of the transaction and, if so, state the date of the agreement and the signatories to the agreement and describe the agreement.

Section 3 – Certification

I certify that I am authorised to submit this Form on behalf of the notifying counterparty and, where applicable, on behalf of the other affiliated entities listed above in Section 2 and that the information in this Form is true and correct.

DATED at _____ this _____ day of _____, 20____

_____
(Print name of authorized person)

_____
(Print title of authorized person)

_____
(Signature of authorized person)

_____
(Email)

_____
(Phone number)

Instructions: Submit this form to the regulator in the local jurisdiction as follows:

[*Insert names of each jurisdiction and email or other address by which submission is to be made.]*

FORM 94-101F2 *DERIVATIVES CLEARING SERVICES*

Type of Filing: ☐ **INITIAL** ☐ **AMENDMENT**

Section 1 – Regulated Clearing Agency Information

1. Full name of regulated clearing agency:

2. Contact information of person authorized to submit this form:

   Name and title:
   Telephone:
   E-mail:

Section 2 – Description of Derivatives

1. Identify each derivative or class of derivatives for which the regulated clearing agency provides clearing services, for which a Form 94-101F2 has not previously been filed.

2. For each derivative or class of derivatives referred to in item 1, describe all material attributes of the derivative including:

   (a) standard practices for managing any life cycle events, as defined in the securities legislation, associated with the derivative,

   (b) the extent to which it is electronically confirmable,

   (c) the degree of standardization of the contractual terms and operational processes,

   (d) the market for the derivative or class of derivatives, including its participants, and

   (e) data on the volume and liquidity of the derivative or class of derivatives within Canada and internationally.

3. Describe the impact of providing clearing services for the derivative or class of derivatives on the regulated clearing agency's risk management framework and financial resources, including the default waterfall and the effect on the clearing members.

4. Describe the extent to which the regulated clearing agency can maintain compliance with its regulatory obligations should the regulator or securities regulatory authority mandate the clearing of the derivative or class of derivatives.

5. Describe the clearing services to be provided.

6. If applicable, attach a copy of the notice the regulated clearing agency provided to its members and a summary of any concerns received in response to that notice.

Section 3 – Certification

CERTIFICATE OF REGULATED CLEARING AGENCY

I certify that I am authorized to submit this form on behalf of the regulated clearing agency named below and that the information in this form is true and correct.

DATED at _____ this _____ day of _____, 20____

_____
(Print name of regulated clearing agency)

_____
(Print name of authorized person)

_____
(Print title of authorized person)

_____
(Signature of authorized person)

Instructions: Submit this form to the regulator in the local jurisdiction as follows:

[*Insert names of each jurisdiction and email or other address by which submission is to be made.]*

ANNEX C

PROPOSED COMPANION POLICY 94-101CP
MANDATORY CENTRAL COUNTERPARTY CLEARING OF DERIVATIVES

GENERAL COMMENTS

Introduction

This Companion Policy sets out how the Canadian Securities Administrators (the "CSA" or "we") interpret or apply the provisions of National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives* ("NI 94-101 or the "Instrument") and related securities legislation.

The numbering of Parts and sections in this Companion Policy correspond to the numbering in NI 94-101. Any specific guidance on sections in NI 94-101 appears immediately after the section heading. If there is no guidance for a section, the numbering in this Companion Policy will skip to the next provision that does have guidance.

SPECIFIC COMMENTS

Unless defined in NI 94-101 or explained in this Companion Policy, terms used in NI 94-101 and in this Companion Policy have the meaning given to them in the securities legislation of each jurisdiction including National Instrument 14-101 *Definitions* and in Manitoba, Ontario and Québec, local rule or regulation 91-506 on Derivatives: Product Determination.

In this Companion Policy, "TR Instrument" means,

in Manitoba and Ontario, local Rule 91-507 *Trade Repositories and Derivatives Data Reporting*

in Québec, Regulation 91-507 respecting Trade Repositories and Derivatives Data Reporting, and

in Alberta, British Columbia, New Brunswick, Nova Scotia and Saskatchewan, Proposed Multilateral Instrument 96-101 *Trade Repositories and Derivatives Data Reporting*.[5]

PART 1
DEFINITIONS AND INTERPRETATION

Definitions

1. The term "financial entity" is defined in NI 94-101 for the purposes of the end-user exemption in section 9 of the Instrument, which provides that a transaction will only be exempt from mandatory clearing if the hedging counterparty is not a financial entity.

The entities referred to under subparagraph (b) of the definition of "financial entity" do not include a company or its affiliates that lend to customers to finance the purchase of its non-financial goods or services.

The investment funds included in subparagraph (d) are those described in subsections 1.2 (1), (2) and (3) of National Instrument 81-106 *Investment Fund Continuous Disclosure* regarding the application of that instrument to investment funds.

Subparagraph (f) of the definition of "financial entity" addresses the situation where a foreign counterparty enters into a transaction in a mandatory clearable derivative with a local counterparty. If the foreign counterparty is similar to an entity referred to in any of paragraphs (a) to (e) of the definition of "financial entity", the end-user exemption will not be available for that transaction unless the local counterparty qualifies to benefit from the end-user exemption.

The Instrument uses the term "transaction" rather than the term "trade" in part to reflect that "trade" is defined in the securities legislation of some jurisdictions as including the termination of a derivative. We do not think the termination of a derivative should trigger a requirement to submit the derivative for central clearing. Similarly, the definition of transaction in NI 94-101 excludes a novation resulting from the submission of a transaction to a regulated clearing agency as this is already a cleared transaction. Finally, the definition of "transaction" is not the same as the definition found in the TR Instrument as the latter does not include a material amendment since the TR Instrument expressly provides that an amendment must be reported.

The term "material amendment" in the definition of "transaction" should be considered in light of the fact that only new transactions will be subject to mandatory central counterparty clearing under NI 94-101. If a derivative that existed prior to the

[5] This Instrument has been published for consultation, but has not yet come into force.

coming into force of NI 94-101 is materially amended after NI 94-101 is effective, that amendment will trigger the mandatory clearing requirement. A material amendment is one that changes information that would reasonably be expected to have a significant effect on the derivative's attributes, including its value, the terms and conditions of the contract evidencing the derivative, the transaction methods or the risks related to its use, excluding information that is likely to have an effect on the market price or value of its underlying interest.

We will consider several factors when determining whether a modification to an existing transaction is a material amendment. Examples of modifications to an existing transaction that would be a material amendment include any modification which would result in a significant change in the value of the transaction, differing cash flows or the creation of upfront payments.

2. The term "derivative" is defined in section 3 of the Québec *Derivatives Act* to include both "standardized" and "over-the-counter" derivatives. Standardized derivatives are derivatives traded on a published market, as provided by section 3 of the Québec *Derivatives Act*. A published market is defined to include an exchange, an alternative trading system or any other derivatives market that constitutes or maintains a system for bringing together buyers and sellers of standardized derivatives. As such, section 2 of the Instrument limits the application of the Instrument to derivatives that are not traded on an exchange; however, an exception is made for derivatives trading facilities.

Interpretation of hedging or mitigating commercial risk

4. The interpretation in the Instrument of the phrase "for the purpose of hedging or mitigating commercial risk" focuses on the purpose and effect of one or more transactions. A market participant executing a transaction for the purpose of hedging would not be precluded from relying on the end-user exemption if a perfect hedge is not ultimately achieved. The use of multiple transactions as a hedging strategy would not in itself preclude an end-user from relying on the exemption. There will be situations where an end-user may be able to rely on the exemption even where some of the transactions could be interpreted as not being a hedge, as long as there is a reasonable commercial basis to conclude that such transactions were intended to be part of the end-user's hedging strategy.

The concept of hedging or mitigating commercial risk excludes all activities that are investing or speculative in nature. However, in some cases macro, proxy or portfolio hedging may benefit from the exemption. The strategy or program should be documented and, where reasonable, subject to regular compliance audits to ensure it continues to be used for relevant hedging purposes. Hedging a risk can be a dynamic process and it is expected that an entity may have to close-out or add contracts to the original hedging position should it begin to under- or over-perform. These additional transactions may also benefit from the exemption provided the transactions are intended to hedge a commercial risk.

The facts and circumstances that exist at the time the transaction is executed should be considered to determine whether a transaction satisfies the criteria for hedging or mitigating commercial risk. A market participant which in the past has conducted speculative transactions using derivatives may use the end-user exemption for a transaction that meets the conditions set out in section 4.

The determination of whether the risk being hedged or mitigated is commercial will be based on the underlying activity to which the risk relates, not the type of entity claiming the end-user exemption. For example, a not-for-profit entity would not be prevented from relying on the end-user exemption. That determination will depend on the nature of the activity to which the risk being hedged or mitigated relates. The interpretation of "hedging or mitigating of commercial risk" leaves room for judgment but a flexible approach is needed given the variety of derivatives and potential counterparties that may qualify for the exemption and hedging strategies to which this Instrument applies.

Not extending the end-user exemption to speculative transactions is intended to prevent abuse of the exemption. A counterparty's ability to rely on the end-user exemption for a particular transaction depends on the purpose of the transaction.

Section 11 of NI 94-101 requires a local counterparty to maintain records demonstrating that the conditions to the exemption have been met. To meet this obligation, a local counterparty should develop sufficient policies and procedures to ensure that reasonable supporting documentation is prepared and retained with respect to transactions for which the end-user exemption will be relied upon. We would generally consider several factors in determining what constitutes reasonable supporting documentation, including the sophistication of the local counterparty and the regularity with which it enters into derivatives transactions. Where reasonable, we would expect such documentation to include: the risk management objective and nature of risk being hedged, the date of hedging, the hedging instrument, the hedged item or risk, how hedge effectiveness will be assessed, and how hedge ineffectiveness will be measured and corrected as appropriate.

PART 2
MANDATORY CENTRAL COUNTERPARTY CLEARING

Duty to submit for clearing

5. For a local counterparty that is not a clearing member of a regulated clearing agency**,** we have used the phrase "cause to be submitted" to refer to the local counterparty's obligation. The local counterparty will need to have arrangements in place with a clearing member in advance of entering into a transaction. The Instrument requires that a transaction subject to mandatory central clearing be submitted to a regulated clearing agency as soon as practicable, but no later than the end of the day on which the transaction was executed or if the transaction occurs after business hours of the clearing agency, the next business day.

The obligation to submit a transaction for clearing only applies at the time the transaction is executed. If a derivative or class of derivatives is determined to be subject to the clearing requirement after the date of execution of a transaction in that derivative or class of derivatives, a local counterparty will not be required to submit the transaction for clearing. However, if after a clearing determination is made in respect of a derivative or class of derivatives, there is another transaction in that same derivative, including a material amendment to it, (as discussed in section 1 above), that transaction in or material amendment to the derivative will be subject to the mandatory clearing requirement. Where a derivative is not subject to the requirement to submit for clearing but the derivative is clearable through a regulated clearing agency, the counterparties have the option to submit the derivative for clearing at any time.

Non-Application

6. Section 5 does not apply to any transaction in a mandatory clearable derivative with an entity listed in section 6. Transactions with an entity listed in section 6 are not subject to the duty to submit for clearing under section 5 even if the other counterparty is otherwise subject to it.

For the purpose of paragraphs (b) and (c), it is our view that the guarantee must be for all or substantially all of the liabilities of the crown corporation or entity wholly owned by a government referred to in paragraph (a).

Notice of rejection

7. The rules of regulated clearing agencies providing for confirmations and rejections of transactions as well as legal arrangements governing indirect clearing, where applicable, should ensure that the counterparties are notified of the rejection of a transaction submitted for clearing.

PART 3
EXEMPTIONS AND APPLICATION

End-user exemption

9. (1) Section 9 exempts a transaction from the clearing requirement under section 5 provided that at least one of the counterparties is not a financial entity as defined in section 1 and such transaction, at the time of execution, is intended to hedge, directly or indirectly, commercial risk related to the operation of the business of one of the counterparties that is not a financial entity. If, after execution of the transaction, circumstances change such that the transaction no longer meets the criteria of hedging or mitigating commercial risk, it will not result in a requirement to submit the transaction for clearing under section 5.

Entities not defined as a financial entity may benefit from the end-user exemption provided the particular transaction meets the interpretation of hedging or mitigating commercial risk in section 4 of NI 94-101.

(2) Certain entities may choose to centralize their trading activities through one affiliated entity. An entity that meets all conditions related to the end-user exemption can have an affiliated entity act on its behalf. The affiliated entity acting on behalf of the entity cannot be an entity subject to, registered under or exempted from the registration requirement under the securities legislation of a jurisdiction of Canada, although it may be a financial entity, provided that the conditions in paragraphs (a), (b) and (c) are met. The end-user exemption includes subsection (2) to allow affiliated entities that are part of a non-financial group to use the end-user exemption to enter into a market-facing transaction so long as the transaction is a hedge under the Instrument. For a transaction to continue to be considered to hedge commercial risk and qualify under the end-user exemption, the affiliated entity may act only on behalf of the entity, and may not act in this capacity for entities that are not affiliated entities, that is to say it cannot be a dealer.

Intragroup exemption

10. (1) and (2) The exemption for intragroup transactions is based on the premise that the risk created by these transactions is expected to be managed in a centralized manner to allow for the risk to be identified and managed appropriately. Entities using this exemption should have appropriate legal documentation between the affiliated entities and detailed operational material outlining the robust risk management techniques used by the overall parent entity and its affiliated entities when entering into the intragroup transactions.

Paragraph 10(1)(a) extends the availability of the intragroup transaction exemption provided for in subsection (2) to transactions among entities that do not prepare consolidated financial statements. This may apply, e.g., to cooperatives or other entities that are prudentially supervised on a consolidated basis.

Subsection (2) sets out the conditions that must be met for the intragroup counterparties to rely on the intragroup exemption for a transaction in a mandatory clearable derivative. Paragraph (b) refers to a system of risk management policies and procedures designed to monitor and manage the risks associated with a particular transaction. We are of the view that a group of affiliated entities may structure its centralized risk management according to its unique needs, provided that the program reasonably monitors and manages risks associated with non-centrally cleared derivatives.

(3) Within 30 days of the first transaction between two affiliated entities relying on the section 10 intragroup exemption, a completed Form 94-101F1 *Intragroup Exemption*

("Form 94-101F1") must be submitted to the regulator to notify the regulator that the exemption is being relied upon. The information submitted in the Form 94-101F1 will aid the regulators in better understanding the legal and operational structure being used to allow counterparties to benefit from the intragroup exemption. The obligation to submit the completed Form 94-101F1 is imposed on one of the counterparties to a transaction relying on the exemption. For greater clarity, a completed Form 94-101F1 must be submitted for each pairing of affiliated entities that seek to rely upon the intragroup exemption.

(4) Examples of changes to the information submitted that we would consider material include: (i) a change in the control structure of one or more of the affiliated entities listed in

Form 94-101F1, and (ii) any significant amendment to the risk evaluation, measurement and control procedures of an affiliated entity listed in Form 94-101F1.

Record keeping

11. (1) We would generally expect that the reasonable supporting documentation to be kept in accordance with section 11 would include full and complete records of any analysis undertaken by the end-user to demonstrate it satisfies the requirements necessary to rely on the end-user exemption under section 9 or the intragroup exemption under section 10.

With respect to the end-user exemption under section 9, reasonable supporting documentation should be kept for each transaction where the end-user exemption is relied upon, setting out the basis on which the transaction is entered into for the purposes of hedging or mitigating commercial risk, including:

- risk management objective and nature of risk being hedged,
- date of hedging,
- hedging instrument,
- hedged item or risk,
- how hedge effectiveness will be assessed, and
- how hedge ineffectiveness will be measured and corrected as appropriate.

The level of diligence required may vary depending on the circumstances of each counterparty. We would generally expect that, to the extent produced in relation to an end-user counterparty, records to be kept in accordance with section 11 would include documentation of the end-user's macro, proxy or portfolio hedging strategy or program and the results of regular compliance audits to ensure such strategy or program continues to be used for relevant hedging purposes.

In determining whether an exemption is available, a local counterparty may rely on factual representations by the other counterparty, provided that the local counterparty has no reasonable grounds to believe that those representations are false. However, the local counterparty subject to the mandatory central counterparty clearing is responsible for determining whether,

given the facts available, the exemption is available. Generally, we would expect a local counterparty relying on an exemption to retain all documents that show it properly relied on the exemption. It is not appropriate for a local counterparty to assume an exemption is available.

PART 4
MANDATORY CLEARABLE DERIVATIVES

and

PART 6
TRANSITION AND EFFECTIVE DATE

12 & 14. Each of the regulators has the power to determine by rule or otherwise which derivative or classes of derivatives will be subject to the mandatory central counterparty clearing requirement. NI 94-101 includes a bottom-up approach for determining whether a derivative or class of derivatives will be subject to the mandatory clearing obligation. The information required by Form 94-101F2 *Derivatives Clearing Services* ("Form 94-101F2") will allow the CSA to carry out this determination.

In the course of determining whether a derivative or class of derivatives will be subject to the clearing requirement, some of the factors we will consider include the following:

- the level of standardization, such as the availability of electronic processing, the existence of master agreements, product definitions and short form confirmations;
- the effect of central clearing of the derivative on the mitigation of systemic risk, taking into account the size of the market for the derivative and the available resources of the regulated clearing agency to clear the derivative;
- whether mandating the derivative to be cleared would bring undue risk to regulated clearing agencies;
- the outstanding notional exposures, the current liquidity and the availability of reliable and timely pricing data;
- the existence of third-party vendors providing pricing services;
- with regards to a regulated clearing agency, the existence of an appropriate rule framework, and the existence of capacity, operational expertise and resources, and credit support infrastructure to clear the derivative on terms that are consistent with the material terms and trading conventions on which the derivative is then traded;
- whether a regulated clearing agency would be able to manage the risk of the additional derivatives that might be submitted due to the clearing requirement determination;
- the effect on competition, taking into account appropriate fees and charges applied to clearing, and whether mandating clearing could harm competition;
- alternative derivatives or clearing services co-existing in the same market;
- the existence of a clearing obligation in other jurisdictions;
- the public interest.

Submission of information on clearing services of derivatives by the regulated clearing agency

Paragraphs (a), (b) and (c) of item 2 in section 2 of Form 94-101F2 address the potential for a derivative or class of derivatives to be a mandatory clearable derivative given its level of standardization in terms of market conventions, including legal documentation, processes and procedures, and whether pre- to post -transaction operations are carried out predominantly by electronic means. The standardization of the economic terms is a key input in the determination process as discussed in the following section.

In paragraph (a), life cycle event has the same meaning as in section 1 of the TR Instrument.

Paragraphs (d) and (e) of item 2 in section 2 of Form 94-101F2 provide details needed to assess the extensiveness of the use of a particular derivative or class of derivatives, the nature and landscape of the market for that derivative or class of derivatives and the potential impact a determination for central counterparty clearing could have on market participants, including the

regulated clearing agency. The determination process will have different or additional considerations when assessing whether a derivative or class of derivatives should be a mandatory clearable derivative in terms of its liquidity and price availability, versus the considerations used by the securities regulator in allowing a regulated clearing agency to offer clearing services for a derivative or class of derivatives. The stability of the pricing availability will also be an important factor considered in the determination process.

APPENDIX A

For each mandatory clearable derivative, the requirement under section 5 to submit, or cause to be submitted, a transaction for clearing does not apply to a local counterparty until both counterparties to a transaction are subject to it pursuant to Appendix A or, in Québec, as determined by the Autorité des marchés financiers. For example, where a transaction is between a counterparty that is a member of a regulated clearing agency that offers clearing services for the mandatory clearable derivative and subscribes to such service and a counterparty that is neither a member of a regulated clearing agency nor a financial entity, section 5 will not apply until 18 months after the date on which section 5 will apply to the first counterparty.

Where a local counterparty enters into more than one category provided in Appendix A or, in Québec, as determined by the Autorité des marchés financiers, the earlier date on which section 5 applies to it prevails. For example, where a local counterparty is both a member of a regulated clearing agency that offers clearing services for the mandatory clearable derivative and subscribes to such service and a financial entity, its status as a member of a regulated clearing agency prevails for purposes of the date on which section 5 applies.

Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesSource (see www.carswell.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).

Chapter 8

Notice of Exempt Financings

REPORT OF TRADES ON FORM 45-106F1 AND 45-501F1

There are no Reports of Exempt Distribution on Forms 45-106F1 or 45-501F1 (Reports) in this Bulletin.

Reports filed on or after February 19, 2014 must be filed electronically.

As a result of the transition to mandated electronic filings, the OSC is considering the most effective manner to make data about filed Reports available to the public, including whether and how this information should be reflected in the Bulletin. In the meantime, Reports filed with the Commission continue to be available for public inspection during normal business hours.

This page intentionally left blank

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Credit Suisse AG
Principal Regulator - Ontario
Type and Date:
Preliminary Base Shelf Prospectus dated February 4, 2015
NP 11-202 Receipt dated February 5, 2015
Offering Price and Description:
Cdn.$4,000,000,000 - Medium Term Notes (Unsecured)
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2305754

Issuer Name:
Exemplar Growth and Income Fund
Exemplar Performance Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated February 2, 2015
NP 11-202 Receipt dated February 5, 2015
Offering Price and Description:
Series A, Series AN, Series L, Series LN, Series F, Series FN and Series I Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
ARROW CAPITAL MANAGEMENT INC.
Project #2305995

Issuer Name:
InterRent Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 3, 2015
NP 11-202 Receipt dated February 3, 2015
Offering Price and Description:
$75,001,600 - 11,719,000 trust units
Price: $6.40 per Offered Unit
Underwriter(s) or Distributor(s):
DUNDEE SECURITIES LTD.
GMP SECURITIES L.P.
BMO NESBITT BURNS INC.
SCOTIA CAPITAL INC.
CANACCORD GENUITY CORP.
TD SECURITIES INC.
CIBC WORLD MARKETS INC.
NATIONAL BANK FINANCIAL INC.
RAYMOND JAMES LTD.
DESJARDINS SECURITIES INC.
EURO PACIFIC CANADA, INC.
Promoter(s):
-
Project #2305324

Issuer Name:
iWallet Corporation
Type and Date:
Preliminary Long Form Non-Offering Prospectus dated January 29, 2015
Receipted on February 3, 2015
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Steven Cabouli
Project #2304675

Issuer Name:
Rock Energy Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated February 9, 2015
NP 11-202 Receipt dated February 9, 2015
Offering Price and Description:
$13,160,000 - 5,600,000 Common Shares
Price: $2.35 per Common Share
Underwriter(s) or Distributor(s):
DUNDEE SECURITIES LTD.
ACUMEN CAPITAL FINANCE PARTNERS LIMITED
ALTACORP CAPITAL INC.
FIRSTENERGY CAPITAL CORP.
HAYWOOD SECURITIES INC.
NATIONAL BANK FINANCIAL INC.
PARADIGM CAPITAL INC.
GMP SECURITIES L.P.
Promoter(s):
-
Project #2305487

Issuer Name:
Asanko Gold Inc.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated February 5, 2015
NP 11-202 Receipt dated February 5, 2015
Offering Price and Description:
$39,996,000
19,800,000 Common Shares
Price: $2.02 per Offered Share
Underwriter(s) or Distributor(s):
CORMARK SECURITIES INC.
BMONESBITT BURNS INC.
CLARUS SECURITIES INC.
HAYWOOD SECURITIES INC.
RAYMOND JAMES LTD.
RBC DOMINION SECURITIES INC.
Promoter(s):
-
Project #2301430

Issuer Name:
Conservative Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated January 21, 2015 to the Simplified Prospectus and Annual Information Form dated September 5, 2014
NP 11-202 Receipt dated February 4, 2015
Offering Price and Description:
Class E Units
Class F Units
Class O Units
Class P Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
SEI Investments Canada Company
Project #2228823

Issuer Name:
Detour Gold Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 3, 2015
NP 11-202 Receipt dated February 3, 2015
Offering Price and Description:
$140,800,000
11,000,000 Common Shares
$12.80 per Common Share
Underwriter(s) or Distributor(s):
BMO NESBITT BURNS INC.
CIBC WORLD MARKETS INC.
RBC DOMINION SECURITIES INC.
TD SECURITIES INC.
SCOTIA CAPITAL INC.
NATIONAL BANK FINANCIAL INC.
CANACCORD GENUITY CORP.
CORMARK SECURITIES INC.
CREDIT SUISSE SECURITIES (CANADA),INC.
DESJARDINS SECURITIES INC.
DUNDEE SECURITIES LTD.
GOLDMAN SACHS CANADA INC.
HAYWOOD SECURITIES INC.
MACQUARIE CAPITAL MARKETS CANADA LTD.
MERRILL LYNCH CANADA INC.
RAYMOND JAMES LTD.
BEACON SECURITIES LIMITED
GMP SECURITIES L.P.
LAURENTIAN BANK SECURITIES INC.
MORGAN STANLEY CANADA LIMITED
PARADIGM CAPITAL INC.
Promoter(s):
-
Project #2302890

Issuer Name:
Dynamic Venture Opportunities Fund Ltd.
Type and Date:
Final Long Form Prospectus dated February 2, 2015
Receipted on February 4, 2015
Offering Price and Description:
Class A Shares, Series II @ Net Asset Value
Underwriter(s) or Distributor(s):
1832 Asset Management L.P.
Promoter(s):
-
Project #2292403

Issuer Name:
HANWEI ENERGY SERVICES CORP.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated February 2, 2015
NP 11-202 Receipt dated February 3, 2015
Offering Price and Description:
$7,282,546
Offering of 97,100,617 Rights to Subscribe for
up to 97,100,617 Common Shares
at a Price of $0.075 per Common Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2294820

Issuer Name:
Horizons Active Cdn Dividend ETF
Horizons Active Global Dividend ETF
Horizons Active Diversified Income ETF
Horizons Active Corporate Bond ETF
Horizons Active US Floating Rate Bond (USD) ETF
Horizons Active Preferred Share ETF
Horizons Active Floating Rate Bond ETF
Horizons Active High Yield Bond ETF
Horizons S&P/TSX 60 Equal Weight Index ETF
Horizons Active Cdn Bond ETF
Horizons Active Emerging Markets Dividend ETF
Horizons Active Floating Rate Preferred Share ETF
Horizons Active Global Fixed Income ETF (formerly known as Horizons Active Yield Matched
Duration ETF)
Horizons Cdn Equity Managed Risk ETF
Horizons US Equity Managed Risk ETF
Horizons Active Floating Rate Senior Loan ETF
Horizons Active US Dividend ETF
(Class E Units and Advisor Class Units)
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated January 29, 2015
NP 11-202 Receipt dated February 4, 2015
Offering Price and Description:
Class E and Advisor Class Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
ALPHAPRO MANAGEMENT INC.
Project #2296171

Issuer Name:
Hudson's Bay Company
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 4, 2015
NP 11-202 Receipt dated February 4, 2015
Offering Price and Description:
$115,616,400
4,899,000 Common Shares
Price: $23.60 per Offered Share
Underwriter(s) or Distributor(s):
RBC DOMINION SECURITIES INC.
MORGAN STANLEY CANADA LIMITED
Promoter(s):
-
Project #2302063

Issuer Name:
iShares Core MSCI All Country World ex Canada Index ETF
iShares Core MSCI EAFE IMI Index ETF (CAD-Hedged)
iShares Core S&P U.S. Total Market Index ETF
iShares Core S&P U.S. Total Market Index ETF (CAD-Hedged)
iShares U.S. High Dividend Equity Index ETF
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated February 4, 2015
NP 11-202 Receipt dated February 5, 2015
Offering Price and Description:
Exchange Traded Funds at Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2295831

Issuer Name:
LL CAPITAL CORP.
Principal Regulator - Ontario
Type and Date:
Final CPC Prospectus dated February 4, 2015
NP 11-202 Receipt dated February 5, 2015
Offering Price and Description:
MINIMUM OFFERING: $200,000 or 2,000,000 Common Shares
MAXIMUM OFFERING: $300,000 or 3,000,000 Common Shares
PRICE: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Richardson GMP Limited
Promoter(s):
Amar Bhalla
Project #2294700

Issuer Name:
Postmedia Network Canada Corp.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 5, 2015
NP 11-202 Receipt dated February 5, 2015
Offering Price and Description:
$173,500,003
Offering of Rights to Subscribe for 240,972,226 Subscription Receipts
each Subscription Receipt representing the right to receive one Class NC Variable Voting Share
at a price of $0.72 per Subscription Receipt
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2302891

Issuer Name:
Primero Mining Corp.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 3, 2015
NP 11-202 Receipt dated February 3, 2015
Offering Price and Description:
US$75,000,000.00 - 5.75% Convertible Unsecured Subordinated Debentures
Price US$1,000 per Debenture
Underwriter(s) or Distributor(s):
RBC DOMINION SECURITIES INC.
BMO NESBITT BURNS INC.
SCOTIA CAPITAL INC.
CANACCORD GENUITY CORP.
CIBC WORLD MARKETS INC.
TD SECURITIES INC.
Promoter(s):
-
Project #2301448

Issuer Name:
Romarco Minerals Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 4, 2015
NP 11-202 Receipt dated February 4, 2015
Offering Price and Description:
$300,034,000.00
517,300,000 Common Shares
Price: $0.58 per Offered Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Cormark Securities Inc.
RBC Dominion Securities Inc.
National Bank Financial Inc.
Desjardins Securities Inc.
Paradigm Capital Inc.
Clarus Securities Inc.
Euro Pacific Canada Inc.
Macquarie Capital Markets Canada Ltd.
Raymond James Ltd.
Promoter(s):
-
Project #2302969

Issuer Name:
San Angelo Oil Limited
Principal Regulator - British Columbia
Type and Date:
Amended and Restated Long Form Prospectus dated February 3, 2015 to the Long Form Prospectus dated November 14, 2014
NP 11-202 Receipt dated February 3, 2015
Offering Price and Description:
$1,000,000.00 - 5,000,000 Units
Price: $0.20 per Unit
Underwriter(s) or Distributor(s):
Richardson GMP Limited
Promoter(s):
Michael Arguijo
Project #2270551

Issuer Name:
Scotia Private Global Real Estate Pool
(Pinnacle Series, Series F and Series I units)
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated January 30, 2015 to the Simplified Prospectus and Annual Information Form dated November 12, 2014
NP 11-202 Receipt dated February 9, 2015
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Scotia Capital Inc.(for Pinnacle Class and Class F units only)
Scotia Capital Inc. (for Pinnacle Class and Class F units only)
Scotia Capital Inc. (for Pinnacle Class and Class F units only)
Scotia Capital Inc. (for Pinnacle Class only)
Scotia Capital Inc. (for Pinnacle Class and Class F units)
Scotia Captial Inc. (for Pinnacle Class and Class F units only)
Scotia Capital Inc. (for Class A and F units only)
Promoter(s):
1832 Asset Management L.P.
Project #2266209

Issuer Name:
TVA Group Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated February 4, 2015
NP 11-202 Receipt dated February 4, 2015
Offering Price and Description:
$110,000,000 Rights to Subscribe for 19,434,629 Class B Shares, Non-Voting, Participating, Without Par Value at a Price of $5.66 per Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2300792

This page intentionally left blank

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Voluntary Surrender	CNC Asset Management Ltd.	Portfolio Manager	February 4, 2015
Voluntary Surrender	Toll Cross Securities Inc.	Investment Dealer	February 4, 2015
Voluntary Surrender	Liquidity Source Inc.	Exempt Market Dealer	February 4, 2015
Voluntary Surrender	Wellington Management Company, LLP	Exempt Market Dealer, Portfolio Manager and Commodity Trading Manager	February 6, 2015
Voluntary Surrender	NexGen Financial Limited Partnership	Commodity Trading Manager	February 6, 2015

This page intentionally left blank

Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.1 SROs

13.1.1 IIROC – Proposed Amendments Respecting Dark Order Price Improvement Obligations When Trading Against an Odd-Lot Order

NOTICE OF PUBLICATION OF
PROPOSED AMENDMENTS RESPECTING
DARK ORDER PRICE IMPROVEMENT OBLIGATIONS
WHEN TRADING AGAINST AN ODD-LOT ORDER

IIROC is publishing for public comment proposed amendments to the Universal Market Integrity Rules. The proposed amendments would clarify a Dark Order's obligations respecting the requirement to provide a "better price" when executing against orders for less than one standard trading unit. The proposed amendments would confirm that the provision of price improvement by a Dark Order is not required if the order that it executes against is for less than one standard trading unit. A copy of the IIROC Notice including the proposed amendments is published on our website at www.osc.gov.on.ca. The comment period ends on April 13, 2015.

This page intentionally left blank

Index