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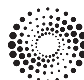

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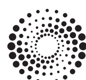

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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 CSA Staff Notice 31-342 – Guidance for Portfolio Managers Regarding Online Advice

CSA Staff Notice 31-342
Guidance for Portfolio Managers Regarding Online Advice

September 24, 2015

Purpose of this Notice

Some Canadian registered portfolio managers and restricted portfolio managers (**PMs**) have recently begun operating as "online advisers". They include new registrants as well as portfolio managers that were already registered and have changed their operating model to provide advice using an online platform. These firms provide discretionary investment management services at a low cost to retail investors through an interactive website.

This Notice describes the operations of these online advisers and provides guidance from staff of the CSA (**CSA staff** or **we**) about the ways in which a PM can provide advice using an online platform, while complying with regulatory requirements.

The guidance in this Notice is directed only at PMs planning to undertake online advice. A brief discussion of the use of online platforms by registered dealers appears at the end of this Notice.

Key Points

- There is no "online advice" exemption from the normal conditions of registration for a PM. The registration and conduct requirements set out in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) are "technology neutral". The rules are the same if a PM operates under the traditional model of interacting with clients face-to-face and if a PM uses an online platform.

- The online advice platforms that we have seen so far are hybrid services that utilize an online platform for efficiency, while registered advising representatives (**ARs**) remain actively involved in decision-making. These platforms use electronic questionnaires for the know-your-client (**KYC**) information gathering process, but an AR is responsible for determining that sufficient KYC information has been gathered to support investment suitability determinations for a client. Clients' managed accounts are invested in relatively simple products, including unleveraged exchange traded funds (**ETFs**), low cost mutual funds or other redeemable investment funds, cash and cash equivalents. Often, model portfolios are created using algorithmic software although, again, an AR has responsibility for the suitability of each client's investments.

- Prior to implementing an online advice operating model, a PM or an applicant for registration as a PM will be asked to file substantial documentation, including their proposed KYC questionnaire and information about the processes relating to its use. The documents will be reviewed by CSA staff to assess how the firm will meet its obligations under NI 31-103.

- CSA staff would need to carefully consider whether a PM would be able to fully comply with its obligations under NI 31-103 if the PM sought to conduct operations using an online advice platform that is materially different from the model described in this Notice.

Online Advice by PMs with Active Involvement of an AR

The online advisers that have been approved to carry on business in Canada are not “robo-advisers” of the kind that are operating in the United States, which may provide their services to clients with little or no involvement of an AR. By comparison, Canadian online advisers can be seen as providing hybrid services, in that they use an online platform for the efficiencies it offers, while ARs remain actively involved in (and responsible for) decision-making.

KYC Process and Suitability Determination

In the hybrid model, an interactive website is used to collect KYC information, which is then reviewed by an AR. The AR is responsible for determining that sufficient KYC information has been gathered to support investment suitability determinations for the client or prospective client. In most cases, the firm’s policy is that an AR will always communicate directly with a client or prospective client before its KYC information gathering is completed. Less often, a firm will only require an AR to have direct communications with a client or prospective client if the AR has questions or concerns about the information gathered through the online platform. In such cases, the software for the KYC questionnaire will include mechanisms to identify inconsistencies in responses and other triggers for the AR to contact the client or prospective client. In either model, the AR may communicate with the client or prospective client by telephone, video link, email or internet chat. A client or prospective client always has the option of initiating contact with an AR.

Effectively bringing on clients in these ways depends on the quality of the online questionnaire and the availability of helpful explanations and other relevant information on the PM’s website. An online adviser’s KYC process must amount to a meaningful discussion with the client or prospective client, even if that discussion is not in the form of a face-to-face conversation. A well-designed online KYC questionnaire and system will:

- use a series of behavioural questions to establish risk tolerance and elicit other KYC information
- prevent a client or prospective client from progressing further until all questions have been answered
- test for inconsistencies in the answers (for example, answers that indicate both low risk tolerance and a maximum growth objective), and will not let the client or prospective client complete the questionnaire until the conflict is resolved
- flag inconsistencies or conflicts in the client or prospective client’s responses that would trigger a call from the AR to the investor
- offer investor education about the terms and concepts involved, and
- remind the investor that an AR is available to help them throughout the process.

The system should also prompt clients to update their personal information online at least annually, and more often if there has been a material change in their circumstances (for example, marriage, divorce, birth of a child, loss or change in employment). An AR must review all changes to KYC information and consider whether the selected model portfolio is still suitable.

See CSA Staff Notice 31-336 *Guidance for Portfolio Managers, Exempt Market Dealers and Other Registrants on the Know-Your-Client, Know-Your-Product and Suitability Obligations* for more information about these obligations. This guidance is applicable regardless of whether a PM uses a traditional operating model or an online platform to provide advice to clients.

Investment Portfolios

To-date, online advisers’ client portfolios have consisted of ETFs, low-cost mutual funds or other redeemable investment funds, or cash and cash equivalents. There is no use of leveraged strategies or short selling. Some online advisers rely entirely on an AR to determine the asset allocation and selection of products in a client’s portfolio. However, in most cases, after the KYC process is completed, software is used to make a preliminary determination of:

- the client’s investor profile, and
- a model portfolio that is suitable for a client with that investor profile.

An AR will review the investor profile generated by the software to ensure it accurately reflects the information gathered in the KYC process. The AR is also responsible for ensuring that the model portfolio that the software proposes for the client is in fact suitable for them. Going forward, the PM will ensure that the client’s investments are consistent with the model portfolio that the AR has approved for the client. This includes rebalancing the client’s portfolio to its target asset allocation mix at appropriate

intervals. This is usually done by the client authorizing the PM to direct trading in an account opened for the client at a member firm of the Investment Industry Regulatory Organization of Canada (**IIROC**).

Notification to CSA Staff

The registration and ongoing conduct requirements for PMs as set out in NI 31-103 are "technology neutral". This means the KYC and suitability obligations of PMs that provide their services through online platforms are the same as for any other PM. This is also true for other requirements applicable to a registered adviser under securities law.

PMs conducting operations using an online platform in the manner described in this Notice have not been granted exemptions from any of the conduct requirements for a registered adviser.

There is no special application process for PMs wishing to conduct operations using an online platform. Any firm applying for registration must provide a business plan and other information about its proposed business activities as part of its Form 33-109F6 *Firm Registration* (**F6**) filing. For firms wishing to conduct operations using an online advice operating model, this information should include their proposed online KYC questionnaire, investor profiles, model portfolios and details of related processes. This will be reviewed by CSA staff as part of our usual pre-registration due diligence.

Existing registrants are required to submit a Form 31-109F5 *Change of Registration Information* if they change their primary business activities, target market, or the products and services they provide to clients to something different than what is described in their current F6 filing. This would include adopting an online advice platform or making a significant change in the way an existing online advice platform operates.

Firms contemplating online advice operations are encouraged to contact CSA staff at an early stage, particularly if they propose to conduct them in a manner materially different from the model described in this notice.

Due Diligence Review by CSA Staff

In reviewing a PM's plans for online advice, CSA staff will give particular attention to the firm's KYC and suitability determination processes. Like any other PM, an online adviser must gather its own KYC information and make its own suitability determinations – it cannot rely on information provided under a referral arrangement or otherwise delegate its obligations to someone else. A KYC questionnaire used with an online platform cannot be just a "tick the box" exercise. The KYC process must be designed and then conducted so that it will amount to a meaningful discussion between the firm and the client or prospective client. Clients should have the opportunity to initiate a live interaction with an AR by telephone, video link, email or internet chat.

As the number of its clients grows, an online adviser, like any PM, must ensure that it has a sufficient number of ARs to service clients and continue to operate effectively. Also like any other PM, an online adviser must document the KYC information gathered for each client and update it regularly (this is generally built into an internet-based system). Other areas where CSA staff will focus attention, given the characteristics of online advice, include reviewing the composition of the different investor profiles and model portfolios that will be used for clients.

System security and the integrity of client information are obvious concerns related to online advice platforms. However, these concerns are not unique to online advisers, since many registrants have some online interaction with their clients, such as providing electronic account statement delivery or online access to account information. All registrants operating online must comply with laws and regulatory requirements relating to client identification, privacy of information and the prevention of money laundering, among other things. At a minimum, we expect online advisers to follow the practices that have already been developed by the industry for these purposes and accepted by regulators.

CSA staff may conduct compliance reviews of online advisers within one or two years after they commence operations in order to ascertain that all regulatory requirements are being met.

To-date we have only approved online advisers with the relatively simple product offerings described in this Notice. We believe portfolios with uncomplicated asset allocation models, made up of relatively basic ETFs or mutual funds, are readily understood by most investors and determining whether they are suitable for a given investor is a comparatively straight-forward exercise for a registrant. If a PM or applicant for registration as a PM proposes to use more complex investment products in an online platform, CSA staff will carefully assess whether it can meet its regulatory obligations.

The due diligence review conducted by CSA staff in no way diminishes any registrant's ongoing responsibilities under applicable securities laws.

Terms and Conditions on Registration

To-date, we have not imposed terms and conditions on online advisers who contact each prospective client during the on-boarding process. If a PM or applicant for registration that is planning to operate as an online adviser does not intend to have an AR initiate contact with every prospective client (but will have an AR available to respond to every client initiated contact) CSA staff:

- will ask it to demonstrate to us that it has a satisfactory system for identifying circumstances when an AR *will* initiate contact with a prospective client, and
- may recommend that terms and conditions be imposed limiting it to using the relatively simple investment products described in this Notice and registration in the restricted portfolio manager category.

We will consider whether terms and conditions will be appropriate for different operating models as they develop over time.

Use of Online Platforms by Registered Dealers

Registered dealers may utilize online platforms in different ways, which may have different regulatory implications. The same general principle will apply as for online advice by PMs: the obligations of registrants using new business models for registerable activity are the same as for registrants using established business models. Members of IIROC or the Mutual Fund Dealers Association of Canada will also have to comply with any requirements imposed by their self-regulatory organization.

Questions

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1.1.2 OSC Staff Notice 33-746 – Annual Summary Report for Dealers, Advisers and Investment Fund Managers

OSC Staff Notice 33-746 – *Annual Summary Report for Dealers, Advisers and Investment Fund Managers* follows on separately numbered pages. Bulletin pagination resumes after the Staff Notice.

Annual Summary Report for Dealers, Advisers and Investment Fund Managers

Compliance and Registrant Regulation

OSC Staff Notice 33-746

September 21, 2015

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DIRECTOR'S MESSAGE

Ontario's capital markets are continuously evolving as is the regulatory landscape. The emergence of complex business models and products requires registrants and regulators alike to work together, protecting investors and fostering fair and efficient capital markets.

Registrants have an obligation to deal fairly, honestly and in good faith with clients, which is essential to promoting confidence in Ontario's capital markets. The Ontario Securities Commission's Compliance and Registrant Regulation Branch (CRR) supports registrants in meeting their obligation by focusing on improving how we work together. We continue to develop our oversight and guidance, whether through compliance reviews, the publication of staff notices or the provision of outreach sessions. Our open communication with registrants allows us to enhance existing tools and develop and apply new ones to help registrants achieve effective compliance systems.

We continue to focus on the Registrant Outreach program, by providing sessions on timely topics. In June, we held a session on the elements of an effective compliance system and prior to that we held a session on Phase 2 of the Client Relationship Model (CRM2), given the imminent deadlines that registrants have to meet. We are always looking for new presentation topics and encourage registrants to inform us of any issues that we could address and provide additional guidance on.

As a gatekeeper to Ontario's capital markets, CRR's registration process is essential to assessing the suitability of potential market participants and their interaction with investors in our markets. As part of our review of initial firm registration applications, we established a pre-registration review process that we refer to as "Registration as the First Compliance Review". We are happy to say that this process has been launched and is fully operational. Our objective is to provide guidance to new registrants, answer their questions and assist them in establishing an effective compliance system. The end goal is to help registrants be compliant and meet their regulatory obligations from the start of their operations. We are delighted with the positive feedback we have received regarding the pre-registration interviews completed to date.

We also recently launched the Topical Guide for registrants which organizes relevant information, including rules and guidance, to allow registrants to easily search for guidance. Similarly, work has been done to improve access to CRR's Director's decisions. These tools are located on the Registrant Outreach program web page.

CRR is committed to maintaining open communication with our registrants and to assist them with managing these challenges. We are encouraged by the positive feedback received from our registrant community regarding our efforts to maintain ongoing and open interaction. We look forward to maintaining this important productive relationship.

Debra Foubert
Director, Compliance and Registrant Regulation Branch

INTRODUCTION

Introduction

"Guidance is the equivalent to receiving the answers to an exam before you take the exam. We are providing you with a roadmap for meeting the regulatory obligations. You may not always agree with the guidance as there may be more than one way to meet [your] regulatory obligations depending on your business model….if you determined another way of meeting the regulatory principles tailored to your firm, then the guidance has served its purpose."

April 29, 2014 speech by Debra Foubert, Director, CRR Branch to the Strategy Institute

This annual summary report prepared by the CRR Branch (the annual report) provides information for registered firms and individuals (collectively, registrants) that are directly regulated by the Ontario Securities Commission (OSC). These registrants primarily include:

- exempt market dealers (EMDs),
- scholarship plan dealers (SPDs),
- advisers (portfolio managers or PMs), and
- investment fund managers (IFMs).

The OSC's CRR Branch registers and oversees firms and individuals in Ontario that trade or advise in securities or act as IFMs.

Individuals	Firms			
66,836	**1,071**[1]			
	PMs	**EMDs**	**SPDs**	**IFMs**
	311[2]	**262**[3]	**2**[4]	**496**[5]

a) Registrants overseen by the OSC

Although the OSC registers firms and individuals in the category of mutual fund dealer and firms in the category of investment dealer, these firms and individuals are directly overseen by their self-regulatory organizations (SROs), the Mutual Fund Dealers Association of Canada (MFDA), and the Investment Industry Regulatory Organization of Canada (IIROC), respectively. This report focuses primarily on registered firms and individuals directly overseen by the OSC.

[1]This number excludes firms registered solely in the category of investment dealer, mutual fund dealer, commodity trading manager, futures commission merchant, restricted PM, and restricted dealer.
[2] This number includes firms registered as sole PMs and PMs also registered as EMDs.
[3] This number includes firms solely registered as EMDs.
[4] This number includes firms solely registered as SPDs.
[5] This number includes sole IFMs and IFMs registered in multiple categories.

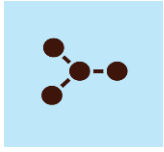
In this annual report, we summarize new and proposed rules and initiatives impacting registrants, current trends in deficiencies from compliance reviews of registrants (including acceptable practices to address them and unacceptable practices to prevent them), and current trends in registration. We provide an update on our Registrant Outreach program that helps strengthen our communication with registrants on compliance practices. We also provide a summary of some key registrant misconduct cases, explain where registrants can get more information about their regulatory obligations, and provide CRR Branch contact information.

This report is a key component of our outreach to registrants. We strongly encourage registrants to thoroughly read and use this report to enhance their understanding of:

- initial and ongoing registration and compliance requirements,
- our expectations of registrants and our interpretation of regulatory requirements, and
- new and proposed rules and other regulatory initiatives.

As a means of promoting pro-active compliance, we recommend registrants use this report as a self-assessment tool to strengthen their compliance with Ontario securities law, and as appropriate, to make changes to enhance their systems of compliance, internal controls and supervision.[6]

[6] The content of this report is provided as guidance for information purposes and not as advice. We encourage firms to seek advice from a professional advisor as they conduct their self-assessment and/or implement any changes to address issues raised in the report.



KEY POLICY INITIATIVES IMPACTING REGISTRANTS

1.1 Cost disclosure, performance reporting and client statements

1.2 Expanded exempt market review

1.3 Best interest standard

1.4 EMD scope of activities

1.5 Outbound advising and dealing

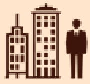
1.6 Derivatives regulation

1.7 Registrant custody practices

1.8 Independent dispute resolution services for registrants

1.9 Ongoing amendments to registration requirements, exemptions and ongoing registrant obligations

1 Key policy initiatives impacting registrants



> "We will tackle the big issues and important policy work across the regulatory spectrum. We will take a proactive approach through research and risk management which will allow us to respond quickly where appropriate."
>
> **June 18, 2015 Message from the OSC Chair in the 2015 – 2017 OSC Strategic Outlook**

1.1 Cost disclosure, performance reporting and client statements

On July 15, 2013, the CRM2 amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ogoing Registrant Obligations* (NI 31-103) came into effect. They are being phased-in over a three-year period, ending in 2016. The amendments introduce new requirements for reporting to clients about the costs and performance of their investments, and the content of the investments in their accounts. The requirements apply to dealers and PMs in all categories of registration, with some application to IFMs as well. For more information about these amendments, see *CSA Notice of Amendments to NI 31-103 and to Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations (Cost Disclosure, Performance Reporting and Client Statements)*.

IIROC and MFDA member rules have been harmonized with the Canadian Securities Administrators (CSA) CRM2 requirements and will be implemented on the same schedule. SRO members who comply with equivalent member rules have been exempted from the CRM2 requirements in NI 31-103.

In May, the OSC issued orders in parallel with other CSA members providing interim relief from the new requirements relating to enhanced account statements that came into effect as of July 15, 2015. The orders provide that these requirements may be met starting with statements delivered for the period ending December 31, 2015, instead of the period that includes July 15, 2015. The orders also addressed certain technical issues that had been identified relating to the delivery of information prescribed in the CRM2 requirements. The SROs have made housekeeping amendments to their member rules that have the same effect as the CSA orders. For more information about the orders, see *CSA Staff Notice 31-341 - Omnibus/Blanket Orders Exempting Registrants from Certain CRM2 Provisions of*

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National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

The last phase of the implementation of CRM2 will begin with the 12-month period that includes July 15, 2016, when requirements for the delivery of annual reports on charges and on investment performance will come into effect. It is our expectation that most firms will plan to report on a calendar year basis, which will mean their first reports will cover the year beginning January 2016 and will be delivered to clients in January 2017.

For additional information, see

- CSA Staff Notice 31-337 - *Cost Disclosure, Performance Reporting and Client Statements – Frequently Asked Questions and Additional Guidance as of February 27, 2014*, and
- *CRM2 Planning Tips and FAQ*.

1.2 Expanded exempt market review

EXEMPT MARKET REVIEW[7]		
$45 BILLION	**90%**	**27,000**
• ontario capital exemption distributions	• capital raised through accredited investor exemption	• purchases made by Ontario residents in exempt distributions

On March 20, 2014, we published for comment four new capital raising prospectus exemptions. The proposed exemptions include the offering memorandum prospectus exemption, a family, friends and business associates prospectus exemption, an existing security holder prospectus exemption, and a crowdfunding prospectus exemption (crowdfunding) along with a registration framework applicable to online crowdfunding portals. These exemptions are intended to facilitate capital raising by businesses at different stages of development, including start-ups and small and medium-sized enterprises (SMEs), while maintaining an appropriate level of investor protection.

[7] Source: February 19, 2015 Exempt Market Review Backgrounder

> "This is a good news story from a securities regulatory point of view. We are proposing the right rules, applying the right principles and moving forward with the right package to facilitate capital formation while ensuring investor protection."
>
> **March 20, 2014 interview with Jim Turner, Vice Chair and executive sponsor on proposed prospectus exemptions**

Registrants that will be relying on these prospectus exemptions must comply with the terms of each prospectus exemption. If a registrant plans to distribute securities under any of the new prospectus exemptions, the registrant must establish, maintain and apply internal controls and procedures to monitor compliance with the new prospectus exemptions and to manage the risks associated with its business in accordance with prudent business practices.

In anticipation of the adoption of the new exemptions, the CRR Branch, along with other OSC branches, are developing compliance programs to oversee the use of the new exemptions. CRR is reviewing current compliance measures with respect to registrants involved in the exempt market to consider how existing compliance oversight may need to be adapted once the new exemptions are in force. This includes a review of resources and consideration of how the new exemptions will impact our risk-based approach to compliance reviews of registered firms.

The existing security holder prospectus exemption along with the corresponding changes to the companion policy came into force on February 11, 2015. The family, friends and business associates prospectus exemption along with the corresponding changes to the companion policy came into force on May 5, 2015.

On February 19, 2015, we also published amendments to National Instrument 45-106 *Prospectus Exemptions* (NI 45-106) relating to the accredited investor and minimum amount investment prospectus exemptions. Effective May 5, 2015, the following changes came into force:

- the minimum amount exemption is only available for distributions to non-individuals, and
- the accredited investor exemption (the AI exemption) is amended to:
  - require individual accredited investors, other than those who qualify as permitted clients, to complete and sign a new risk acknowledgment form that describes, in plain language, the categories of individual accredited investor and identifies the key risks associated with purchasing securities in the exempt market,

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  - include family trusts established by an accredited investor for his or her family in the definition of accredited investor, and
  - in Ontario, allow fully managed accounts to purchase investment fund securities under the managed account category of the AI exemption, harmonizing with the rest of the CSA.

There are two other initiatives intended to facilitate capital raising by businesses from a broad investor base, the offering memorandum prospectus exemption (OM exemption) and crowdfunding regime. In March 2014, the OSC published for comment an OM exemption, which would allow businesses to raise capital based on a comprehensive disclosure document being made available to investors. The exemption would be available for a wide range of businesses at different stages of development and would provide businesses with access to a broad investor base. At the same time, the OSC published for comment a crowdfunding regime that would enable early stage businesses to raise capital from a large number of investors through a registered online funding portal. The proposed regime included both a crowdfunding prospectus exemption and a registration framework applicable to online crowdfunding portals. The comment period ended in June 2014 and the participating CSA jurisdictions have been working closely in formulating the OM exemption and the crowdfunding regime. The OSC intends to publish the OM exemption and crowdfunding regime in final form and deliver them to the Minister of Finance for decision in the fall of 2015. After taking into account the feedback from stakeholders, our intention is that the final form of these capital raising tools in Ontario will include the following key elements:

OM exemption

- comprehensive disclosure document at point of sale,
- no limit on the amount of capital an issuer can raise,
- investment limits for investors, other than those who would qualify as accredited investors or investors who would qualify to invest under the family, friends and business associates exemption, substantially along the following:
  - in the case of a purchaser that is not an eligible investor, $10,000 in a 12-month period,
  - in the case of a purchase that is an eligible investor, $30,000 in a 12-month period, and

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    - in the case of a purchaser that is an eligible investor and that receives advice from a portfolio manager, investment dealer or EMD that an investment above $30,000 is suitable, up to $100,000 in a 12-month period,
- risk acknowledgement form signed by investors, and
- ongoing disclosure made available to investors, including audited annual financial statements, annual notice regarding the use of the money raised and notice of a limited list of significant events.

Crowdfunding regime

- streamlined offering document at point of sale,
- limit of $1.5 million on amount an issuer group can raise in a 12-month period,
- all investments be made through a funding portal that is registered with securities regulators,
- low investment limits for investors who do not qualify as accredited investors, ($2,500 in a single investment and $10,000 under the exemption in a calendar year) with higher investment limits for accredited investors and no investment limits for permitted clients,
- risk acknowledgement form signed by investors, and
- ongoing disclosure made available to investors, including annual financial statements, annual notice regarding the use of the money raised and notice of a limited list of significant events.

1.3 Best interest standard

In order to support the OSC's goal this year of championing investor protection issues by advancing regulatory reforms that put the interests of investors first, we are analyzing various approaches for creating a statutory best interest standard with a view to developing one or more proposals for consideration.

In addition to our work on a statutory best interest standard, we are also:

- finalizing our analysis of adviser compensation practices with a view to publishing our review findings, including expectations for compliance and best practices, and

- developing and evaluating other targeted regulatory reforms and/or guidance under NI 31-103 to improve the adviser/client relationship.

The work streams discussed above aim to improve the alignment of the expectations of investors and the actions of their advisers and to assist investors to more effectively meet the challenging environment they face. This is a regulatory area that requires careful consideration to determine the right solution for Ontario's investors and capital markets while at the same time avoiding unintended consequences.

1.4 EMD scope of activities

In the recent amendments to NI 31-103, the CSA closely considered the activities that EMDs should and should not conduct.

Subsection 7.1(5) of NI 31-103 came into effect on July 11, 2015 and prohibits EMDs from conducting brokerage activities (trading securities listed on an exchange in foreign or Canadian markets). As a general matter, the CSA believes that the appropriate registration category for participating in prospectus offerings is the investment dealer category. IIROC has rules and an oversight infrastructure to supervise these brokerage activities and, as such, only investment dealers who are IIROC members can conduct these activities.

We continue to work with the U.S. broker dealers affected by this prohibition to ensure compliance with this provision.

1.5 Outbound advising and dealing

On June 5, 2015, OSC Rule 32-505 *Conditional Exemption from Registration for United States Broker-Dealers and Advisers Servicing U.S. Clients from Ontario* (OSC Rule 32-505) came into force. Its Companion Policy became effective on the same date.

OSC Rule 32-505 provides exemptions from the relevant dealer and adviser registration requirements under the *Securities Act* (Ontario) (the Act), subject to certain conditions, for broker-dealers (U.S. broker-dealers) and advisers (U.S. advisers) that are trading to, with, or on behalf of, clients that are resident in the USA (U.S. clients), or acting as advisers to U.S. clients, but that trigger the requirement to register as a dealer or adviser in Ontario because they have offices or employees in Ontario. The exemptions in OSC Rule 32-505

are not available to U.S. broker-dealers that trade to, with, or on behalf of, persons or companies that are resident in Ontario (Ontario residents), or U.S. advisers that act as advisers to Ontario residents.

OSC Rule 32-505 was made on the basis that, over the last decade, the OSC (and other Canadian regulators) had, subject to certain conditions that are similar to those in OSC Rule 32-505, exempted U.S. broker-dealers and U.S. advisers with offices in Ontario from the requirement to register. On March 26, 2015, members of the CSA, except Ontario, issued parallel orders of general application (the Blanket Orders) granting exemptions from the requirement to register as a dealer or an adviser on conditions that are substantially similar to those in the Rule. As orders of general application are not authorized under Ontario securities law, the OSC made OSC Rule 32-505 in order to coordinate with the action taken by the CSA.

For more information see OSC Rule 32-505, its Companion Policy and the related notice.

"Management of systemic risk in capital markets….has been an implicit consideration in approaching [the OSC's] mandate to foster an efficient capital market. Systemic risk considerations have traditionally found expression in [the OSC's] oversight of financial market infrastructure such as clearing systems and exchanges…Promoting financial stability is…about fostering confidence in the integrity and proper functioning of securities markets, a core responsibility of securities regulators."

June 17, 2015 speech by OSC Vice-Chair Monica Kowal to the C.D. Howe Institute

1.6 Derivatives regulation

In April 2013, the CSA Derivatives Committee published for comment CSA Consultation Paper 91-407 - Derivatives: Registration. Comments have been received and are being reviewed. We continue to work with our colleagues in the OSC Derivatives Branch and the CSA Derivatives Committee to develop a rule that will set out the principal registration requirements and exemptions for derivatives market participants, including derivatives dealers, derivatives advisers, and large derivatives market participants.

On October 31, 2014, the reporting obligation for reporting counterparties pursuant to Part 3 of OSC Rule 91-507 - Trade Repositories and Derivatives Data Reporting (the TR Rule) came into effect. The purpose of the TR Rule is to improve transparency in the derivatives market. Derivatives data is essential for effective regulatory oversight of the derivatives market, including the ability to identify and address systemic risk and the risk of market abuse. OSC Staff Notice 91-704 - *Compliance Review Plan for OSC Rule 91-507 Trade*

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Repositories and Derivatives Data Reporting (OSC Staff Notice 91-704) was published on June 29, 2015 which provides guidance on how we intend to review compliance with the reporting requirements set out in the TR Rule. We expect to commence on-site TR Rule compliance reviews in the fiscal year 2015-2016. Initial reviews are expected to focus on derivatives dealers that are most active in the market.

1.7 Registrant custody practices

We continue our work with the CSA in reviewing the existing custody requirements in NI 31-103 for non-SRO registrants to assess whether these requirements still adequately protect client assets. As discussed in OSC Staff Notice 33-742 - *2013 OSC Annual Summary Report for Dealers, Advisers and Investment Fund Managers* (OSC Staff Notice 33-742), the existing custody requirements for EMDs, PMs and IFMs in sections 14.6 to 14.9 of NI 31-103 focus primarily on maintaining clients' assets separate and apart from the registrants' assets and do not have specific requirements regarding who can act as a custodian for clients' securities. We have found that most of the non-SRO registrants do not hold clients' assets. However, we are aware of a small number of firms that have custody of their clients' assets, and currently there is no requirement for these firms to hold those assets in each client's name. As a result of the review of custody requirements for non-SRO registrants, the CSA may propose further guidance or enhancements to existing requirements to strengthen investor protection. We will also continue to review custody practices of registered firms as part of our compliance field reviews.

1.8 Independent dispute resolution services for registrants

As we mentioned in last year's report, all registered dealers and advisers operating outside of Quebec are required to join the Ombudsman for Banking Services and Investments (OBSI) as the common service provider for dispute resolution services after August 1, 2014, unless an exemption is available. This requirement is set out in amendments to section 13.16 of NI 31-103, see *CSA Notice of Amendments to NI 31-103 and to 31-103CP (Dispute Resolution Services)*. As well, all dealers and PMs must establish complaint handling policies to ensure that all client complaints are addressed appropriately as required in section 13.15 of NI 31-103.

As part of our follow up procedures on confirming OBSI membership, we sent out two surveys in October 2014 and February 2015 to our registrants.

Publication of OBSI Joint Regulators Committee (JRC) Annual Report

On March 19, 2015, the CSA (other than Quebec), IIROC and the MFDA jointly published the first annual report of the OBSI JRC, see *CSA Staff Notice 31-340 OBSI Joint Regulators Committee Annual Report for 2014*. The report provides an overview of the JRC and also highlights the major activities conducted by the JRC in 2014. The JRC comprises of representatives from the participating CSA jurisdictions and the SROs.

The mandate of the JRC is to:

- facilitate a holistic approach to information sharing and monitor the dispute resolution process with an overall view to promoting investor protection and confidence in the external dispute resolution system,
- support fairness, accessibility and effectiveness of the dispute resolution process, and
- facilitate regular communication and consultation among JRC members and OBSI.

The JRC meets regularly with OBSI to discuss governance and operational matters and other significant issues that could influence the effectiveness of the dispute resolution system. For more information on the terms of reference for the JRC, see Memorandum of Understanding concerning oversight of the Ombudsman for Banking Services and Investments (OBSI) among the participating members of the Canadian Securities Administrators and OBSI.

1.9 Ongoing amendments to registration requirements, exemptions and ongoing registrant obligations

We have continued to monitor NI 31-103 since its implementation in September 2009, and the amendments which came into force in July 2011. Further amendments to NI 31-103 became effective on January 11, 2015. For additional information, refer to amendments to NI 31-103.

OUTREACH TO REGISTRANTS

2.1 Registrant Outreach program

a) Registrant Outreach web page

b) Educational seminars

c) Registrant Outreach Community

d) Registrant resources

2.2 Registrant Advisory Committee

2.3 Communication tools for registrants

2.4 Topical Guide for registrants

2 Outreach to registrants

"The OSC was recognized in 2013 and 2014 as one of Toronto's Top Employers, recognizing its workplace programmes and policies that...demonstrate innovative business practices and stakeholder outreach programmes."

2015 – 2017 OSC Strategic Outlook

We continue to interact with our stakeholders through our Registrant Outreach program which was launched in 2013. The objectives of our Registrant Outreach program are to strengthen our communication with Ontario registrants that we directly regulate and other industry participants (such as lawyers and compliance consultants), promote stronger compliance practices and enhance investor protection.

2.1 Registrant Outreach program

REGISTRANT OUTREACH STATISTICS (since inception)		
26	**4100**	**Key features**
• in-person & webinar seminars provided to June 30, 2015	• individuals that attended outreach sessions to June 30, 2015	• dedicated web page • educational seminars • registrant outreach community • registrant resources

The Registrant Outreach program continues to provide Ontario registrants with practical knowledge on compliance-related matters and gives them the opportunity to hear first-hand from us about the latest issues impacting our registrants. Since the launch of the program in July 2013, approximately 4,100 individuals have attended registrant outreach sessions, either in-person or via a webinar. The feedback from these participants has been very positive.

The Registrant Outreach program is interactive and has the following features to enhance the dialogue with registrants:

a) Registrant Outreach web page

We set up a Registrant Outreach web page on the OSC's website at www.osc.gov.on.ca, which was designed to enhance awareness of topical compliance issues and policy initiatives. Registrants are encouraged to check the web page on a regular basis for updates on regulatory issues impacting them.

b) Educational seminars

Anyone interested in attending an event can go to the Calendar of Events section of the Registrant Outreach page of the OSC website, for seminar descriptions and registration.

c) Registrant Outreach Community

Registrants are also encouraged to join our Registrant Outreach Community to receive regular e-mail updates on OSC policies and initiatives impacting registrants, as well as the latest publications and guidance on our expectations regarding compliance issues and topics.

d) Registrant resources

The registrant resources section of the web page provides registrants and other industry participants with easy, centralized access to recent compliance materials. If you have questions related directly to the Registrant Outreach program or have suggestions for seminar topics, please send an e-mail to RegistrantOutreach@osc.gov.on.ca.

2.2 Registrant Advisory Committee

The OSC's Registration Advisory Committee (RAC) was established in January 2013. The RAC, which is currently comprised of 12 external members, advises us on issues and challenges faced by registrants in interpreting and complying with Ontario securities law, including registration and compliance related matters. The RAC also acts as a source of feedback on the development and implementation of policy and rule making initiatives that promote investor protection and fair and efficient capital markets. The RAC meets quarterly and members serve a minimum two year term. The initial two year term for the first RAC members expired in December 2014 and a call for new members was made in the

fall of 2014. The new RAC members were officially appointed in January of 2015. You can find a list of current RAC members on the OSC website.

Topics of discussion with the new RAC members have included:

- outside business activities,
- next steps relating to CRM2,
- the OSC's proposed whistleblower program introduced by OSC Staff Consultation Paper 15-401: *Proposed Framework for an OSC Whistleblower Program*, and
- information relating to OSC Staff Notice 21-708 - *OSC Staff Report on the Canadian Fixed Income Market and Next Steps to Enhance Regulation and Transparency of Fixed Income Markets*.

2.3 Communication tools for registrants

We use a number of tools to communicate initiatives that we work on and the findings of those initiatives to our registrants, including CRR annual reports, Staff Notices (OSC and CSA) and e-mail blasts. The information provided to registrants via e-mail blasts is discussed in various sections of this report. The table below provides a listing of recent e-mail blasts sent to registrants.

Date of e-mail blast	E-mail blast topic and additional information
July 27, 2015	**Monthly Suppression of Terrorism and UN Sanctions Report**
July 16, 2015	**OSC Staff Notice 11-329 – Withdrawal of Notices and Revocation of Omnibus/Blanket Orders** See section 4.1 b) of this report for additional information.
January 14, 2015	**OSC Staff Notice 13-705 - Reduced Late Fee for Certain Outside Business Activities Filings** See section 4.1 b) of this report for additional information.
October 30, 2014	**OSC Capital Markets Participation Fees Calculation**
July 17, 2014	**Requirement to make OBSI available to clients** See section 1.8 of this report for additional information.

For more information, see OSC E-mail blasts.

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2.4 Topical Guide for registrants

In October 2014, we published a Topical Guide for registrants that is designed to assist registrants and other stakeholders to locate topical guidance regarding compliance and registrant regulation matters.

REGISTRATION OF FIRMS AND INDIVIDUALS

3.1 Update on registration initiatives

- **a) Update on pre-registration reviews**
- **b) Registration service commitment**
- **c) Voluntary surrenders of registration**
- **d) Peer-to-peer lending**

3.2 Current trends in deficiencies and acceptable practices

- **a) Common deficiencies in firm registration filings**
- **b) Common deficiencies in individual registration filings**

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3 Registration of firms and individuals

> "As a gatekeeper to the markets, the OSC vets potential participants to confirm that they are suitable to participate in our markets and interact with investors to raise capital in our markets….Effective registration and compliance oversight regimes, combined with timely enforcement, help deter misconduct and non-compliance by registrants….".
>
> **OSC Notice 11-772 - Notice of Statement of Priorities for Financial Year to end March 31, 2016**

The registration requirements under securities law help to protect investors from unfair, improper or fraudulent practices by market participants. The information required to support a registration application allows us to assess a firm's and an individual's fitness for registration. When assessing a firm's fitness for registration we consider whether it is able to carry out its obligations under securities law. We use three fundamental criteria to assess an individual's fitness: proficiency, integrity and solvency. These fitness requirements are the cornerstones of the registration regime.

In this section, we provide an update on current registration initiatives, discuss common deficiencies noted in firm and individual registration filings, highlight the voluntary surrender process, and highlight the potential need for registration related to peer-to-peer lending arrangements.

3.1 Update on registration initiatives

a) Update on pre-registration reviews

> "I found the…interview to be the most useful step in the [registration] process. I learned more in the…interview than at any other point in the registration process. I left with a very good sense of what I need to do and am more confident and focused than ever. Hats off to the OSC for creating a dialogue at the beginning of [the relationship]."
>
> **Feedback from an external participant of the pre-registration review process**

As part of our review of initial firm registration applications and applications where firms are adding categories of registration, we perform pre-registration interviews of key personnel of the firms. This process, which we refer to as "Registration as the First Compliance Review" was described in section 3.1 a) of OSC Staff Notice 33-745 – 2014 Annual Summary Report for Dealers, Advisers and Investment Fund Managers (OSC Staff Notice 33-745).

As of March 31, 2015, we completed twenty-one pre-registration interviews. In most cases, these have been face-to-face interviews with the proposed Ultimate Designated Person (UDP) and the Chief Compliance Officer (CCO) as well as other key personnel (such as the primary dealing or advising representative or the Chief Financial Officer of the applicant firm).

These interviews have helped us to obtain a good understanding of the proposed business activities, compliance system, and proficiency of key individuals of the firms involved. These interviews have also enabled the firms to take action to address potential deficiencies before commencing operations. As part of the pre-registration reviews, we highlight key registration resources such as the Registrant Outreach program, the annual summary report, the Topical Guide for registrants and the guidance provided in CSA Staff Notice 31-336 - *Guidance for Portfolio Managers, Exempt Market Dealers and Other Registrants on the Know-Your-Client, Know-Your-Product and Suitability Obligations* (CSA Staff Notice 31-336). There have been some registration applications where we have recommended denial of registration or taken other regulatory action including registering the firm subject to terms and conditions and referral of the firm to the OSC's Enforcement Branch.

In addition to the guidance provided in OSC Staff Notice 33-745, based on our experience to date we suggest the additional practices set out below.

Acceptable practices to prepare for an OSC pre-registration review:

- We expect the proposed CCO to demonstrate a good understanding of the regulatory requirements applicable to the firm and individuals acting on its behalf and of the firm's policies and procedures.
- We expect the firm's business plan to be sufficiently developed so that key personnel can describe with some specificity the business in which the firm intends to engage.
- We expect the description of the business to be consistent with the business plan provided.

Unacceptable practices

Firms and key individuals are discouraged from the following practices:

- Expecting their advisors to respond to questions that should be within the expertise of the key personnel. This may lead to concerns that key firm individuals are not fully

proficient.
- Indicate that they will only become familiar with regulatory requirements applicable to the firm and its individuals and will only familiarize themselves with the firm's policies and procedures after registration.

b) Registration service commitment

We continue to follow the OSC service commitment published in May 2014 that sets out a framework for standards, conditions and timelines pertaining to registrants and registration-related filings for which the OSC is the principal regulator. Details of the framework can also be found in section 3.1 c) of OSC Staff Notice 33-745. In relation to registration filings, we also continue to consider a file to be dormant and will take steps to close it if we do not receive a response within three weeks of making a request for additional information. Prior to closing the file, we will send another notification informing the filer of the imminent closure unless a response is received within two weeks of the date of the notification. In cases where a re-activation of the file is requested, an additional fee may be required.

c) Voluntary surrenders of registration

We expect a registrant firm to file an application to surrender its registration when it ceases (or intends to cease) conducting registerable activities. When considering a firm's application, we seek to ensure that satisfactory evidence exists that all financial obligations to clients have been discharged and that surrender of the registration is not prejudicial to the public interest. The evidence that we will require a firm to file will depend on the circumstances. However, in most cases we will require the following:

- an officer's certificate,
- a firm's unaudited financial statements, as at a date after the firm ceased registerable activity, and
- an auditor's comfort letter or specified procedures report.

We encourage surrendering firms to contact us at the time of their applications so that we can tailor information requirements to their businesses.

We will not recommend that the Director approve an application to surrender registration if the information that we require is not provided to us. Further, where a firm refuses to

provide the required information, this non-compliance may be considered when assessing future registration applications.

"If you are approaching any Ontario investors to fund peer-to-peer loans or loan portfolios, then you should be talking to the OSC about securities law requirements, including whether you need to be registered or require a prospectus."

June 19, 2015 – Debra Foubert, Director of CRR in a press release titled "OSC Sets Out Expectations for Businesses Planning to Operate Peer-to-Peer Lending Websites"

d) Peer-to-peer lending

We have identified a number of "peer-to-peer" lending websites (P2P Websites) that are conducting business in Ontario. P2P Websites generally facilitate the matching of borrowers and lenders. The loan agreements entered into on P2P Websites may constitute a "security" as defined in the Act. If you are approaching Ontario investors to fund peer-to-peer loans or loan portfolios, you must consider whether registration and/or prospectus requirements apply. Additional information on our expectations is available in a news release issued on June 19, 2015.

3.2 Current trends in deficiencies and acceptable practices

a) Common deficiencies in firm registration filings

(i) New firm registration filings – Form 33-109F6 *Firm Registration* (Form 33-109F6)

We have received a number of new applications for firm registration that are often submitted without key documents or information necessary for us to assess whether there are issues that impact the suitability of the firm for registration. For example, some firms are submitting applications for the firm's registered and permitted individuals weeks or months after the filing of Form 33-109F6, which can delay a firm's registration if the individuals have any proficiency or suitability issues. We pre-screen new firm applications to ensure that they are substantially complete before assigning these applications for a full review.

Acceptable practices to apply for initial registration in Ontario

Applicants must:

- Include all required attachments to the Form 33-109F6 at the time of the application for registration.
- Be prepared to file registration applications on a timely basis for all of the

firm’s individuals seeking registration or approval as a permitted individual.

- Provide a business plan covering the firms anticipated plans for the next upcoming three years.
- Provide the index of the firm’s policy and procedures manual (and be prepared to provide the entire document upon request).
- If requested, be prepared to provide:
    - know your client (KYC) forms (for individuals and permitted clients), and
    - relationship disclosure information.

Unacceptable practices

Applicants must not:

- Filie a completed Form 33-109F6 with incomplete documentation and request the application to be assigned for review.

(ii) Change to firm registration filings – Form 33-109F5 *Change of Registration Information* (Form 33-109F5)

All registered firms with a head office in Ontario, including IIROC and MFDA members, must notify the OSC of changes to their firm registration information by submitting a completed Form 33-109F5 to update any changes to information previously reported on Form 33-109F6, including changes to a firm’s business model.

The required changes and deadlines are outlined in Part 3 of National Instrument 33-109 *Registration Information* (NI 33-109). Form 33-109F5 must be filed through the OSC’s electronic filing portal. Late filings of Form 33-109F5 are subject to the late fees outlined in Appendix D of OSC Rule 13-502 *Fees* (OSC Rule 13-502 or the Fee Rule).

Acceptable practices to report changes to firm information

Registrants must:

- Ensure that all changes to Form 33-109F6 are filed by submitting a completed Form 33-109F5 within the time frames set out in Part 3 of NI 33-109.
- Ensure that Form 33-109F5 is filed for updates to both firm information (Form 33-109F5) and individual information (Form 33-109F4) with respect to changes (For example: registration of a new CCO or addition of a new shareholder).

Unacceptable practices

Registrants must not:

- Rely on information provided in notices to the OSC under sections 11.9 or 11.10 of NI 31-103 as a substitute for reporting changes on Form 33-109F5 (For example: transactions that result in a change to a firm's business model, business or ownership structure).
- Rely on filings made to IIROC or the MFDA as a substitute for reporting changes on Form 33-109F5.

b) Common deficiencies in individual registration filings

(i) Suitability issues that require additional review

Three criteria are considered when assessing an individual's suitability for registration: integrity, proficiency and solvency. When we identify integrity or proficiency concerns in a registration filing, a further review and analysis must be completed before a recommendation for a registration decision can be made.

We remind registrants that integrity concerns may arise from activities conducted both inside and outside of the securities industry. Violating statutes, regulations, rules or standards of conduct for example in the banking, insurance or mortgage fields may impact a registration decision. Possible non-securities violations that would impact a registration decision include:

- the falsification of credit card applications,
- misconduct, such as churning or rebating, related to the sale of insurance, and
- promoting mortgage investments to an ineligible client.

Concerns identified with respect to an individual's suitability for registration may result in a recommendation to the Director that the individual be subject to terms and conditions on his or her registration or, in situations involving more serious misconduct, a recommendation that the individual's registration be denied.

Acceptable practices to identify suitability issues with individuals

Registrants are expected to:

- Perform a background check on the individual applicant during the hiring process and prior to submitting a Form 33-109F4, in order to identify any potential issues, such as securities and non-securities related violations.

Unacceptable practices

Registrant firms must not:

- Expect that violations of the law by an individual outside of the securities industry will be excluded as relevant information to the assessment of the individual applicant's suitability for registration.

(ii) Improper use of reinstatement notices – Form 33-109F7 *Reinstatement of Registered Individuals and Permitted Individuals* (Form 33-109F7)

When an individual leaves a sponsoring firm and joins a new registrant firm, they may submit a form 33-109F7 to have their registration or permitted individual status automatically reinstated in one or more of the same categories and jurisdictions as before, subject to all of the conditions set out in subsection 2.3(2) or 2.5(2) of NI 33-109. Only individuals who meet these conditions are permitted to file Form 33-109F7.

Acceptable practices when reinstating an individual's registration status

Registrants must:

- Review the individual's Form 33-109F1 – *Notice of Termination of Registered Individuals and Permitted Individuals* (Form 33-109F1) carefully and conduct additional due diligence to determine if a reinstatement is appropriate.

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Unacceptable practices

Registrants must not:

- File Form 33-109F7 for an individual before the individual is eligible to start performing registrable activities with the new registrant firm (i.e. if the individual is still registered with another registrant).
- Submit a reinstatement notice if, for instance, an individual's Form 33-109F1 describes alleged or acknowledged misconduct in the previous twelve month period. Examples of misconduct include breaches of securities laws, SRO rules, or an employer's code of conduct.

(iii) Reactivation of registrant application – Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* (Form 33-109F4)

An individual that is applying to reactivate his or her registration with a new sponsoring firm must file Form 33-109F4 (if the individual does not meet the conditions for reinstatement using Form 33-109F7).

We have found that some individuals have not been disclosing all of the details surrounding the individual's resignation, termination or dismissal for cause by the individual's previous employer(s).

Acceptable practices when applying for individual registration reactivation

Registrants must:

- Provide accurate and complete details under item 12 – Resignations and Terminations in Form 33-109F4 for an individual applying for registration with a new sponsoring firm.
- If applicable, list and explain in item 12 of Form 33-109F4 the specific issues noted in the notice of termination (Form 33-109F1) filed by the individual's former sponsoring firm. For example, include details with regards to any resignations, terminations or dismissals for cause by an employer following allegations of:
    - violations from any statutes, regulations, rules or standards of conduct,
    - failure to appropriately supervise compliance with any statutes, regulations, rules or standards of conducts, or
    - committing fraud or the wrongful taking of property, including theft.

(iv) Non-disclosure or late disclosure in Form 33-109F4

A registered individual or permitted individual must notify the OSC of a change to any information previously submitted in respect of the individual's Form 33-109F4.

The required changes and deadlines are outlined in Part 4 of NI 33-109. Updates to Form 33-109F4 are made by completing Form 33-109F5 through the National Registration Database (NRD). Late filings of Form 33-109F5 (to amend Form 33-109F4) are subject to the late fees outlined in Appendix D of OSC Rule 13-502.

We have found that individuals often do not make accurate and timely disclosures of changes to information on Form 33-109F4, particularly with respect to the criminal, civil or financial items. These deficiencies often raise suitability issues, which may lead to a recommendation that regulatory action be imposed, such as supervisory terms and conditions, or denial or suspension of registration.

Acceptable practices to submit changes to an individual's registration information

Registrants must:

- File an update to Form 33-109F4 for each new event occurrence (e.g. next court date involving a criminal or civil case or a copy of the Statement of Defense involving a criminal or civil case).
- Consider whether updates to information are required in multiple sections of Form 33-109F4. Examples include the following disclosures:
    - individuals who obtain an insurance license (required to be disclosed in item 13.3(a) of Form 33-109F4) must also disclose if they start working for or open their own insurance business under Item 10 of Form 33-109F4, and
    - a UDP who holds securities of the registered firm through a personal holding company (required to be disclosed in item 17 of Form 33-109F4) must also disclose that holding company under Item 10 of Form 33-109F4.

Unacceptable practices

Registrants should not:

- Wait and combine multiple changes into one NRD submission. Registrants must notify the regulator of each change by the deadlines outlined in Part 4 of NI 33-109. A separate late fee applies to each change reported on the basis that a separate form was required to be filed in respect of each change.

INFORMATION FOR DEALERS, ADVISERS AND INVESTMENT FUND MANAGERS

4.1 All registrants

a) Compliance review process

b) Current trends in deficiencies and acceptable practices

c) Update on initiatives impacting all registrants

4.2 Dealers (EMDs and SPDs)

a) Current trends in deficiencies and acceptable practices

b) Update on initiatives impacting EMDs

4.3 Advisers (PMs)

a) Current trends in deficiencies and acceptable practices

b) Update on initiatives impacting PMs

4.4 Investment fund managers

a) Current trends in deficiencies and acceptable practices

b) Update on initiatives impacting IFMs

4 Information for dealers, advisers and investment fund managers

"Effective compliance and strong enforcement are the cornerstones of protecting investors and fostering confidence in capital markets. The importance of effective compliance and supervision continues to grow as domestic market structures, processes and products and international guidelines and responsibilities evolve."

OSC Notice 11-772 – Notice of Statement of Priorities for Financial Year to end March 31, 2016

The information in this section includes the key findings and outcomes from our ongoing compliance reviews of the registrants we directly regulate. We highlight current trends in deficiencies from our reviews and provide acceptable practices to address the deficiencies. We also discuss new or proposed rules and initiatives impacting registrants.

This part of the report is divided into four main sections. The first section contains general information that is relevant for all registrants. The other sections contain information specific to dealers (EMDs and SPDs), advisers (PMs) and IFMs, respectively. This report is organized to allow a registrant to focus on reading the section for all registrants and the sections that apply to their registration categories. *However, we recommend that registrants review all sections in this part, as some of the information presented for one type of registrant may be relevant to other types of registrants*.

4.1 All registrants

This section discusses our compliance review process, current trends in deficiencies resulting from compliance reviews applicable to all registrants (and acceptable practices to address them) and an update on initiatives impacting all registrants.

a) Compliance review process

We conduct compliance reviews of registered firms on a continuous basis. The purpose of compliance reviews is primarily to assess compliance with Ontario securities law; but they also help registrants to improve their understanding of regulatory requirements and our expectations, and help us focus on a specific industry topic or practice we may have concerns with. We conduct compliance reviews on-site at a registrant's premises, but we also perform desk reviews from our offices. For information on "What to expect from,

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and how to prepare for an OSC compliance review" see the slides from the Registrant Outreach session provided on October 22, 2013 on "Start to finish: Getting through an OSC compliance review".

(i) Risk-based approach

Firms are generally selected for review using a risk-based approach. This approach is intended to identify:

- firms that are most likely to have material compliance issues or practices requiring review (including risk of harm to investors) and therefore considered to be higher risk, and
- firms that could have a significant impact to the capital markets if there are compliance breaches.

To determine which firms should be reviewed, we consider a number of factors, including firms' responses to the most recent risk assessment questionnaire, their compliance history, complaints or tips from external parties, and intelligence information from another OSC branch, an SRO or another regulator.

(ii) Risk Assessment Questionnaire

In June 2014, firms registered with the OSC in the categories of PM, restricted PM, IFM, EMD and/or restricted dealer were asked to complete a comprehensive risk assessment questionnaire (the 2014 RAQ) consisting of questions covering various business operations related to the different registration categories. The RAQ supports our risk based approach to select firms for on-site compliance reviews or targeted reviews.

The data collected from the 2014 RAQ was analyzed using a risk assessment model. Every registrant response was risk ranked and a risk score was generated. Those firms that were risk ranked as high were recommended for a compliance review. A more detailed discussion of these reviews is included in section 4.1 b), 4.2 a), 4.3 a) and 4.4 a) of this report.

(iii) Sweep reviews

In addition to reviewing firms based on risk ranking, we also conduct sweeps which are compliance reviews on a specific topic. Sweeps allow us to respond on a timely basis to industry-wide concerns or issues. We regularly perform sweeps of newly registered firms to assess if they are off to a "good start" and to help them to understand their

requirements and our expectations. We also review large or "impact" firms as discussed in (i) above.

We focused the majority of our resources this year on compliance reviews of firms categorized as high risk based on our analysis of the results to the 2014 RAQ. Additional details on the results of these compliance reviews can be found in sections 4.1 b), 4.2 a), 4.3 a) and 4.4 a) of this report.

(iv) Outcomes of compliance reviews

In most cases, the deficiencies found in a compliance review are set out in a written report to the firm so that they can take appropriate corrective action. After a firm addresses its deficiencies, the expected outcome is that they have enhanced their compliance. If a firm had many significant deficiencies, once it addresses these, the expected outcome is that they have significantly enhanced their compliance.

In addition to issuing compliance deficiency reports, we take additional regulatory action when we identify more serious registrant misconduct.

The outcomes of our compliance reviews in fiscal 2015, with comparables for 2014, are presented in the following table and are listed in their increasing order of seriousness. Firms are shown under the most serious outcome for a particular review. The percentages in the table are based on the registered firms we reviewed during the year and not the population of all registered firms.

Outcomes of compliance reviews (all registration categories)	Fiscal 2015	Fiscal 2014
Enhanced compliance	40%	53%
Significantly enhanced compliance	47%	28%
Terms and conditions on registration[8]	9%	10%
Surrender of registration	0%	3%
Referral to the Enforcement Branch[9]	3%	5%
Suspension of registration[10]	1%	9%

For an explanation of each outcome, see Appendix A in OSC Staff Notice 33-738 - *2012 OSC Annual Summary Report for Dealers, Advisers and Investment Fund Managers* (OSC Staff Notice 33-738).

b) Current trends in deficiencies and acceptable practices

In this section, we summarize key trends in deficiencies from recent compliance reviews of EMDs, PMs, and IFMs categorized as higher risk based on the response to the 2014 RAQ. These deficiencies were noted as common deficiencies across all three registration categories.

For each deficiency, we summarize the applicable requirements under Ontario securities law which must be followed. In addition, where applicable, we provide acceptable and unacceptable practices relating to the deficiency discussed. ***The acceptable and unacceptable practices throughout this report are intended to give guidance to help registrants address the deficiencies, and provide our expectations of registrants. While the best practices set out in this report are intended to present acceptable methods registrants can use to prevent or rectify a deficiency, they are not the only acceptable methods. Registrants may use alternative methods, provided those methods adequately demonstrate that registrants have met their responsibility under the spirit and letter of securities law.***

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[8]This percentage includes some registrants reviewed in the prior period.
[9]This percentage includes some registrants reviewed in the prior period.
[10]This percentage includes some registrants reviewed in the prior period.

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We strongly recommend registrants review the deficiencies and acceptable practices in this report that apply to their registration categories and operations to assess and, as needed, implement enhancements to their compliance systems and internal controls.

(i) Inadequate referral arrangements

We continue to be concerned about the practice of some registrants delegating their KYC and suitability obligations to referral agents such as financial planners and mutual fund dealing representatives. We have detailed our concerns with these types of arrangements in previous annual reports (see section 5.2A of OSC Staff Notice 33-736 – *2011 Annual Summary Report for Dealers, Advisers and Investment Fund Managers* (OSC Staff Notice 33-736), section 4.3.1 of OSC Staff Notice 33-742 and section 4.3 a) of OSC Staff Notice 33-745. Despite this, some registrants continued to delegate their KYC and suitability obligations to referral agents. As a result, we focused on the number of referral arrangements and the amount of fees paid to the referring agents, when analyzing the 2014 RAQ responses in order to select the sample of registrants included in the high risk compliance reviews.

We noted the following issues in relation to these types of referral arrangements where deficiencies were identified:

- registrants had a high number of referral arrangements in place with referral agents,
- registrants established a business model that is primarily reliant on third parties, most of whom are not registered under the Act, to refer clients to the registrant,
- the majority of registrant clients were obtained through these referral arrangements,
- registrants were relying on the referral agents to communicate directly with the referred clients for the purpose of completing the KYC process, executing the suitability analysis, and obtaining regular updates to KYC information and therefore improperly delegating their KYC and suitability obligations under NI 31-103,
- clients confirmed that their ongoing relationship was with the referral agent and not the registrant, even after the client money had been invested by the registrant, including calling the referral agent if they had questions about the client statements received from the registrant,
- the referral agreement did not adequately:

- identify the roles and responsibilities of each of the registrant and the referral agent,
    - provide that the registrant may terminate the referral agreement if the referral agent engaged in activities that require registration in relation to the registrant's clients,
    - identify a non-exhaustive list of activities that the referral agent could engage in,
    - did not identify how the registrant would monitor and enforce the referral agent's compliance with the terms of the referral agreement,
- the referral agents name and contact information appeared on the client statement instead of the registrant's contact information,
- registrants did not have enough registered individuals to be able to adequately service the number of referred clients, thus relying on the referral agent to execute registerable activities on their behalf,
- registrants had not created adequate investment management agreements with the referred clients, and
- in some instances, the referral agent received the majority of the management fee as a referral fee charged by the registrant to the referred client based on the client's assets under management.

In the instances where these issues were identified, we responded by taking further regulatory action, including the imposition of terms and conditions on registration. We also are considering additional regulatory action, including recommending a suspension of registration.

Registrants must comply with the referral arrangement requirements in sections 13.8 to 13.10 of NI 31-103 (also, see the guidance in Part 13 of 31-103CP). A client who is referred to a registrant becomes the client of that registrant for the purposes of the services provided under the referral arrangement. The registrant receiving a referral must meet all of its obligations as a registrant towards its referred clients, including KYC and suitability determinations. Registrants may not use a referral arrangement to assign, contract out of or otherwise avoid their regulatory obligations. Registrants that use referral agents should carefully review their practices to ensure that only appropriately registered individuals are performing registerable activities. Registerable activities include

meeting with investors to ascertain their investment needs and objectives, risk tolerance and financial circumstances, discussing and recommending investment opportunities, and performing ongoing portfolio reviews. We also encourage registrants to review the guidance provided in previous annual reports, as referenced above.

(ii) Incomplete and/or inadequate books and records

During our high risk compliance reviews, we noted a number of instances where some firms did not maintain adequate books and records that led to deficiencies in the following areas:

- a lack of or inadequate records to accurately record all business activities, financial affairs and client transactions and to demonstrate compliance with applicable requirements of securities law, and
- firms could not provide OSC Staff with requested books and records, that should have been readily available, supporting a firm's compliance with securities law in a timely manner.

The requirement to maintain adequate books and records is found in section 11.5 of NI 31-103 and in section 19(1) of the Act. Maintaining adequate books and records that can be accessed in a timely manner is a key component of a firm establishing and maintaining an adequate compliance system under section 11.1 of NI 31-103. Additional guidance related to this issue is also found in section 11.1 and 11.5 of 31-103CP and subsection 19(3) of the Act.

Acceptable practices to maintain adequate and complete books and records:
Registrants must:

- Develop and enforce policies and procedures that require adequate books and records to be maintained in relation to all aspects of a registrant's operations.
- Maintain books and records in a manner that is readily available and accessible.
- Have a process in place to review books and records on a regular basis to ensure that adequate and complete books and records are being maintained and that the books and records are up to date (e.g. missing or outdated investment management agreements, outdated insurance riders, incorrect client statements and trade confirmations, missing referral agreements, missing agreements between affiliated entities, incorrect details related to client accounts, etc.).

Unacceptable practices
Registrants must not:
• Engage in registerable activities with missing, incorrect or outdated books and records.

(iii) Repeat common deficiencies

The following includes the deficiencies that we continued to find during the high risk compliance reviews that have been reported on in previous annual reports. The chart highlights the common deficiency and provides information on where guidance related to this deficiency can be found. We encourage you to review the information sources provided as the previously published guidance is still applicable to these issues.

Repeat common deficiency	Information source
1) Inadequate written policies and procedures	• Section 4.1 c)(ii) of OSC Staff Notice 33-745
2) Inadequate or no annual compliance report	• Section 4.1 c)(iv) in OSC Staff Notice 33-745 • Section 4.1.2 in OSC Staff Notice 33-742 under the heading *Inadequate or no annual compliance report* • Section 5.1.2 in OSC Staff Notice 33-738 under the heading *Failure by CCO to submit an annual compliance report*
3) Inaccurate calculation of excess working capital	• Section 4.1 c)(iv) in OSC Staff Notice 33-745
4) Inadequate relationship disclosure information	• Section 4.1 c)(iv) in OSC Staff Notice 33-745 • *CSA Staff Notice 31-334 – CSA Review of Relationship Disclosure Practices* (CSA Staff Notice 31-334) • Section 5.1.2 in OSC Staff Notice 33-738 under the heading *Inadequate relationship disclosure information*
5) Incomplete client account statements	• Section 5.2C in OSC Staff Notice 33-736 • Section 4.3.3 in OSC Staff Notice 33-742 under the heading *PM client account statement practices*
6) No notice of or inadequate filing of	• Section 3.2 in OSC Staff Notice 33-742 under the heading *Outside business activities*

outside business activities	• Section 5.2.1 of OSC Staff Notice 33-738 under the heading *Not disclosing outside business activities*
7) Financial statements not in accordance with International Financial Reporting Standards (IFRS)	• Section 4.1.2 in OSC Staff Notice 33-742 under the heading *Financial statements not prepared in accordance with NI 52-107*
8) Inadequate marketing material	• Section 5.2B of OSC Staff Notice 33-736 • CSA Staff Notice 31-325 – *Marketing Practices of Portfolio Managers* (CSA Staff Notice 31-325)
9) Inadequate marketing practices	• CSA Staff Notice 31-325

c) Update on initiatives impacting all registrants

(i) Failure to provide notice of ownership changes or asset acquisitions

As reported in section 4.1 b) of OSC Staff Notice 33-745, we continue to have significant concerns with some registrants not filing the required notice under sections 11.9 or 11.10 of NI 31-103 of proposed ownership changes in, or asset acquisitions of, registered firms. For example, we continue to find a number of cases where:

- registrants (including the UDP, CCO, advising representative or dealing representative of the firm) acquired 10% or more of the securities of another registered firm, or their sponsoring firm, without first providing us with the required notice,
- registrants knew, or had reason to believe, that 10% or more of their voting securities were going to be acquired by a non-registrant, including an officer, director, permitted individual or employee of the firm (barring exceptional circumstances, we expect to receive notice of these transactions at least 30 days prior to the transaction taking place) but did not provide us with the required notice as soon as the registered firm knew, or had reason to believe, that this scenario existed, and
- registrants acquired all or a substantial part of the assets of another registered firm without first providing us with the required notice, examples of scenarios where we would expect to receive a section 11.9 or 11.10 notice include:

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- the acquisition of another registered firm's book of business, including where the other registered firm is a one-person firm,
- the acquisition of a business line or division of another, large registered firm, and
- the acquisition of all of the investment fund management contracts of another registered firm that is an IFM.

We also found that some IIROC or MFDA member firms did not file the required notices under sections 11.9 or 11.10 based on the view that their SRO notice process was sufficient. This is not the case. The notice obligations apply to all registrants, including member firms of IIROC and the MFDA, and arise from the OSC's responsibility to register dealer firms.

In the cases where registrants did not provide us with the required notice for their completed acquisitions, we required them to file the notice materials for review and pay the applicable filing fees. We typically issue a warning letter to a firm regarding the seriousness of their failure to provide notice, however we may in appropriate circumstances object to the transactions and also take other regulatory action. We may also object to the notice of acquisition even though the transaction has been completed. As mentioned in last year's report, registrants that do not give us the required notice (or provide the notice after the specified deadline) will most likely also be charged late fees for the late notice, as well as applicable late fees for each related securities regulatory filing that is also filed late. For a further discussion regarding late fees generally, see section 3.2(a) of this report.

In addition to filing notices under sections 11.9 or 11.10 of NI 31-103, a change in share ownership of a registered firm, or an acquisition of its assets, typically triggers additional securities regulatory filings. In addition to any SRO filings (discussed above), these additional filings could include:

- filings under NI 33-109 (including, in particular, filings of Form 33-109F5), and
- change of manager approval requests under section 5.5 of National Instrument 81-102 *Investment Funds* (NI 81-102).

Registrants must ensure that all applicable securities regulatory filings are filed in accordance with their specified timelines in the event of a change in share ownership of a registered firm, or an acquisition of its assets.

(ii) Incomplete applications for exemptive relief

We have noted that applicants and/or their filing counsel (collectively, the filers) do not always follow the required procedures when filing exemptive relief applications. As a consequence, we may be required to spend significant time ensuring that all relevant information has been provided and the application is complete. This additional time can prevent us from processing the application according to the OSC's service standards, or within an expedited time frame, where requested.

We have listed below some of the issues that we encounter when processing exemptive relief applications.

General issues

Some of the general issues noted include:

- applications may not be filed in a timely manner (for example, a filer may request exemptive relief on an expedited basis within a timeframe that is not reasonable to allow for proper review and processing),
- a request to process an application on an expedited basis is made without providing a satisfactory reason to support the request,
- some applications are either not signed by each applicant or do not include a verification statement from each applicant,
- some applications do not follow the required form as set out in the relevant guidance,
- some filers do not make proper use of precedents (for example, some applications are not prepared based on the most up-to-date, relevant precedents or do not cite the relevant precedents), and
- some filers have not completed the applicable legal analysis prior to submission for our review and consideration.

In instances where the applications are deficient, the materials will be returned to the registrant for further review.

Incorrect application filing fees

Some issues relating to filing fees include:

- the filer has not paid the appropriate filing fee for the application, for example:
    - the required additional filing fees have not been paid where the application requests relief from two or more sections of the Act, a Regulation or a Rule, and
    - the required additional filing fees have not been paid where the application requests relief for more than one filer,
- the filers have not paid the additional $2,000 filing fee to which each of the applicants is subject if an applicant (or its parent company or, if it is a fund, its IFM) is not subject to a participation fee under the Fee Rule or OSC Rule 13-503 *(Commodity Futures Act) Fees* (the CFA Fee Rule), and
- where the filers may qualify for a fee waiver, the filers have not specified that they are requesting a fee waiver or have not provided reasons for a fee waiver request.

Acceptable practices to ensure exemptive relief applications are ready for submission to the OSC

Filers should ensure that:

- For novel or complex applications, prior to making a formal application for exemptive relief, the filer has considered the submission of a pre-filing to consult with us on a specific issue and how Ontario securities law will be interpreted.
- For local, Ontario-only applications, the filer has consulted OSC Policy 2.1 *Applications to the Ontario Securities Commission*.
- For applications involving multiple Canadian jurisdictions, the filer has consulted National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* (NP 11-203).
- The application is signed by each applicant or includes a signed verification statement from each applicant that authorizes the filing of the application and confirms the truth of the facts in the application.
- Inclusion of all applicable ancillary documents, including the precedents that are cited in the application.
- An explanation of how the precedents are relevant to the application is included with the application, along with any material distinctions between the precedents and the application.
- For novel applications, the filer states the application is novel and precedents cannot be identified.

- The draft order conforms as much as reasonable to the most recent and applicable precedents.
- All applicable legal analysis has been executed prior to submitting the application for review.
- The inclusion of a "not in default of securities legislation" representation with respect to the filer (and any other relevant parties) that is consistent with the requirements found in section 5.2 of NP 11-203.
- A thorough review of the relevant Fee Rule or CFA Fee Rule, as applicable, has been conducted to determine the appropriate amount of fees payable for the application.

(iii) Withdrawal of notices and revocation of omnibus/blanket orders

On July 16, 2015, the CSA published CSA Staff Notice 11-329 *Withdrawal of Notices and Revocation of Omnibus/Blanket Orders*. This Notice formally withdraws a number of previous, now stale or redundant CSA Staff Notices and confirms the revocation of certain omnibus decisions in Ontario and blanket orders in the other CSA jurisdictions. It also formally announces the withdrawal of Multilateral Policy 34-202 *Registrants Acting as Corporate* Directors.

(iv) Fees

a) Participation fees

Since 2013 firms have calculated participation fees (see part 3.2 of OSC Rule 13-502) based on a reference fiscal year. The amendments to the Fee Rule and the CFA Rule, which became effective April 6, 2015, have changed this requirement. Firms will now be required to use their most recent financial year information ending in the calendar year to complete the online Form 13-502F4 – *Capital Market Participation Fee Calculation* (Form 13-502F4) (or 13-503F1 for Commodity Futures Act registrants) through the OSC's website on or before December 1 of each year.

Firms that do not have their year-end financial results before December 1, are required to file the Form 13-502F4 based on a good faith estimate. These firms must then, not later than 90 days after the end of their fiscal year end, determine if they underestimated their participation fee payable. If so, these firms must pay the balance owing and file a completed Form 13-502F4 (13-503F1 for Commodity Futures Act registrants). A firm that

overpaid its participation fee must also file a Form 13-502F4 and *Form 13-502F5 – Adjustment of Fee for Registrant Firms and Unregistered Exempt International Firms* and request a refund within 90 days of their fiscal year end. These forms must be filed online.

The calculation and payment of participation fees for unregistered IFMs has now been aligned with that of other registrants and exempt international firms. The Form 13-502F4 for these firms is now due December 1 of each year, regardless of the firm's fiscal year end. These firms are also required to pay participation fees by December 31 of each year. There has been a transition period provided for these firms in section 3.1(5) of OSC Rule 13-502. Unregistered IFMs with a financial year ending between January 1, 2015 and April 5, 2015 that filed a 2015 Form 13-502F4 and paid the required participation fee within 90 days of that financial year end, will not be required to file another Form 13-502F4 by December 1, 2015 or pay another participation fee by December 31, 2015.

A new requirement this year relating to participation fees involves the requirement for a CCO to certify the Form 13-502F4 prior to submission of the form to the OSC. For unregistered capital markets participants without a CCO, an individual acting in a similar capacity to a CCO must provide the certification.

The late filing fee for filing the Form 13-502F4 after the December 1 deadline remains at $100 per business day the filing is late. A late filing fee of 0.1% of the unpaid portion of the participation fee applies for each business day any portion of the participation fee was due but unpaid.

Firms with bank accounts linked to NRD and who have filed their Form 13-502F4 by the required deadline should expect to have participation fees (along with NRD administrative fees) withdrawn on or after December 31. Firms that do not have bank accounts linked to NRD (such as unregistered capital markets participants) can continue to pay participation fees by cheque or wire transfer.

b) Activity fees and late filing fees

There were changes to the activity fees payable for certain types of registration filings, including fees for proficiency exemptions and filings for new firm applications (see Appendix C, Part E of OSC Rule 13-502 for additional information). Additionally some changes were made with respect to the timing of the assessment of late filing fees. Late

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filing fees will now only apply to filings on behalf of firms or individuals for which Ontario is the principal regulator and only for specified sections of the Form 33-109F4 or Form 33-109F6. The late filing fees charged in relation to: (a) amending the Form 33-109F6 with the information of a specified affiliate of the registrant firm has been reduced to a flat fee of $100 and (b) the late fees cap has increased for firms that reported specified Ontario revenues of $500 million or more. (See Appendix D of OSC Rule 13-502 for additional information).

c) Outside business activities – late filings and fees

Amendments to NI 31-103 became effective on January 11, 2015. As part of these amendments, section 13.4 of the companion policy to NI 31-103 (31-103CP) was also amended to add guidance about conflicts of interest in relation to registered and permitted individuals that serve on boards or have outside business activities (OBAs).

We were concerned that some market participants believed the additional guidance in 31-103CP was a new requirement that now required the submission of a completed Form 33-109F5 with respect to previously existing OBAs. The purpose of the amended guidance included in 31-103CP is meant to highlight and explain that there has always been an existing requirement for individuals to report OBA activities.

In order to enable market participants to "catch up" with these filings, OSC Staff issued OSC Staff Notice 13-705 – *Reduced Late Fee for Certain Outside Business Activities Filings* (OSC Staff Notice 13-705) on January 14, 2015. OSC Staff Notice 13-705 provided registrant firms and their registered and permitted individuals an opportunity to update item 10 of Form 33-109F4 for any employment, other business activities, officer positions held and directorships, and to apply for a one-time reduced late fee with respect to the activities that were not reported on a timely basis. The eligibility criteria and the late fee relief process were set out in OSC Staff Notice 13-705. The deadline to apply for reduced fee relief was March 27, 2015.

In total, the OSC received applications from approximately 300 registrant firms and over 1,200 individual NRD submissions with updates to item 10 of Form 33-109F4. Firms that were granted relief were issued a late fee of $100 for each OBA not reported on a timely basis.

As a result of the review process, we have outlined acceptable practices for firms below.

For any required updates, firms must complete Form 33-109F5 via NRD to report each change to item 10 of Form 33-109F4 by the required deadlines (deadlines are outlined in Part 4 of NI 33-109). Late filings are subject to the late fees outlined in OSC Rule 13-502.

Acceptable practices to avoid the payment of fees related to late filings of OBAs

Registrants must:

- Have policies and procedures in place to identify any updates to a registered or permitted individual's employment, other business activities, officer positions held and directorships.
- Have policies and procedures in place to address conflicts of interest with respect to an individual's activities. If a firm has determined that there is no conflict of interest, this does not mean that the activity does not have to be reported on item 10 of Form 33-109F4.

Examples of types of activities that we expect individuals to report include:

Employment: All employment activities with the sponsoring firm and outside of the sponsoring firm.

Officer and director positions: All officer and director positions with the sponsoring firm and outside of the sponsoring firm (regardless of whether the individual is in a position of power or influence). Examples include officer or director positions in the following organizations:

- hospitals
- charities
- cultural and religious organizations
- general partnerships.

Equivalent positions to an officer or director: Equivalent positions to an officer or director include positions where the individual is in a position of power or influence over clients or potential clients. This may include non-leadership roles. For example, some of the activities that we have required to be disclosed include:

- roles handling investments or monies of an organization, such as being on a charity's investment or finance committee, as these roles are similar to activities performed by registrants,
- acting as a pastor, as this role places the individual in a position of influence over his or her congregation (see section 3.2 of OSC Staff Notice 33-742 for additional information), and
- mentoring youth through an organization (e.g. mentor of a disabled youth where the individual sells the family securities), as it places the individual in a position of influence over potential clients, including family members of the youth.

Outside business activities: OBAs include activities where the individual is in a position of power, position of influence or position that places the individual in contact with clients or potentially vulnerable clients (e.g. seniors). Examples of these type of positions include:

- teachers (elementary, secondary and college)
- registered nurses (hospital and nursing home)
- early childhood educators (daycare and school)
- a volunteer minister, and
- support workers (work with clients with mental health issues, abused women or the elderly; see section 3.2 g) of OSC Staff Notice 33-745 for additional information).

Having ownership in a holding company is an activity that requires disclosure since owning a holding company allows a person to perform, control or influence a business activity indirectly. However, where the ownership is at a negligible level of 1% or 2%, we generally do not require disclosure (see section 3.2 of OSC Staff Notice 33-742 for additional information). Additional guidance is outlined in section 13.4 of 31-103CP.

4.2 Dealers (EMDs and SPDs)

This section contains information specific to EMDs, including current trends in deficiencies from compliance reviews of EMDs (and acceptable practices to address them) and an update on current initiatives applicable to EMDs.

a) Current trends in deficiencies and acceptable practices

In this section, we summarize key trends in deficiencies from recent compliance reviews of EMDs categorized as higher risk based on the response to the 2014 RAQ.

(i) Failure to complete adequate KYC, know your product and assessment of suitability

We continue to find firms that are not collecting and documenting adequate KYC information for each of their clients (see section 13.2 of NI 31-103). The purpose of KYC is to establish the client's identity, establish the suitability of the proposed transaction and to determine whether the prospectus exemption relied upon is available in the circumstance.

The CSA issued CSA Staff Notice 31-336 in January 2014. KYC, know your product (KYP) and suitability obligations are among the most fundamental obligations owed by registrants to their clients, and are cornerstones of our investor protection regime. We have repeatedly recognized that these requirements are basic obligations of a registrant, and a course of conduct by a registrant involving a failure to comply with them is an extremely serious matter.

Registered firms are required to ensure that, before they make a recommendation or accept a client's instruction to buy or sell a security, the purchase or sale is suitable for the client (see section 13.3(1) of NI 31-103). We have identified concerns with EMDs whose suitability process and practices limit their interaction with investors. Assessing suitability is more than a mechanical fact-finding exercise. An EMD must:

- have a meaningful dialogue with the client to obtain a solid understanding of the client's investment needs and objectives,
- explain to the client the product's features and risks, and
- explain how a proposed investment is suitable for the client.

An EMD's suitability obligation must be discharged regardless of the source of a new client relationship, for example a client's relationship or previous interactions with an issuer does not negate a registrant's suitability obligations.

We encourage EMDs to review [CSA Staff Notice 31-336] to improve their understanding of, and compliance with, the fundamental KYC, KYP and suitability obligations and as a self-assessment tool to strengthen their compliance with securities law.

Acceptable practices for interacting with investors

EMDs must establish processes or practices that:

- Promote engagement in meaningful KYC discussions with clients, including, if possible, meeting with clients face to face, or other alternative means such as FaceTime or Skype etc.
- Promote plain language discussion between the dealing representative and the client.
- Ask detailed questions of clients to assist in understanding the clients' investment needs and objectives.
- Collect and document sufficient minimum KYC information including name, age, investment objectives, annual income, net financial assets, net assets, liquidity needs, time horizon, risk tolerance, and portfolio composition.
- Consider a client's *willingness* to accept risk and *ability* to accept risk when assessing a client's risk tolerance.
- Require dealing representatives to retain notes of discussions.

Unacceptable practices

EMDs must not establish a process or practice that:

- Is focused substantially on e-mail correspondence for the distribution and receipt of completed KYC forms and subscription agreements.
- Minimizes the dealing representative and CCO's interaction with clients to confirm the accuracy of the information received.
- Relies on the client to read the information on their own and to determine the investment risks themselves.

(ii) Inappropriate practice of "renting out" a firm's registration

We continue to see that some EMDs are not implementing adequate internal controls to oversee their business operations. We are concerned that some EMDs are sponsoring dealing representatives solely for the purpose of distributing securities of the dealing representatives' employing or affiliated issuers, and are therefore "renting out" their firm's registration. In these instances, the dealing representatives receive a fixed compensation or salary from the issuers, and hold themselves out as acting on behalf of the issuers with

little or no mention of the EMD firm. The dealing representatives' independent operations within the EMD firm suggest that the issuers themselves should be registered in the appropriate category. A dealing representative should not be acting as a stand-alone operation within a firm and they should not sell only the products of their employer or affiliated issuers. A person or company engaged in the business of trading must be registered as a dealer. To comply with the dealer registration requirement , section 25(1)(b) of the Act requires that individuals not only be registered as dealing representatives of a registered firm, but that they be acting on behalf of that registered firm. A dealing representative who engages in, or holds themselves out as engaging in, the business of trading on behalf of an unregistered entity (such as their employing issuer) is therefore not complying with the dealer registration requirement. Furthermore, to meet their suitability obligations to clients, dealing representatives should know and consider other products of their EMD firm when recommending investments to clients.

Section 11.1 of NI 31-103 requires a firm to establish, maintain and apply policies and procedures which establish a system of controls and supervision sufficient to:

(a) provide reasonable assurance that the firm and each individual acting on its behalf complies with securities law, and
(b) manage the risks associated with its business in accordance with prudent business practices.

Acceptable practices to avoid the improper use of a firm's registration

EMDs must ensure that:

- Dealing representatives act on behalf of the EMD firm.
- Dealing representatives are compensated by the EMD firm for its registration activities.
- There is an adequate KYP process to conduct product due diligence and to train dealing representatives on all the products approved by the sponsoring firm.
- There are adequate controls and supervision by the firm to oversee the activities of its dealing representatives.

Unacceptable practices

EMDs must not allow a practice of:

- Dealing representatives to operate "their own business" within the operations of the EMD firm's registration.

- Dealing representatives to sell only his/her own shelf of products. The products approved by the firm should be available to be sold by all registered dealing representatives acting for the firm.
- Minimizing the compliance and supervision of dealing representatives.

(iii) Inadequate supervision of dealing representatives

As a result of inadequate supervision of dealing representatives, we have found that EMDs:

- did not collect complete KYC information for the purpose of establishing client identity and assessing the suitability of a proposed transaction,
- distributed securities in reliance on a prospectus exemption that was not available because the dealing representative did not have an adequate understanding of the requirements of the prospectus exemption,
- failed to ensure that dealing representatives had knowledge of the products they were recommending or trading in,
- did not effectively review trades which led to the approval of unsuitable trades,
- were not aware of outside business relationships that dealing representatives had which raised potential conflicts of interest,
- were not aware of the social media marketing activities of their dealing representatives,
- were not aware of the outside employment and business activities of their dealing representatives, and had failed to report these to the OSC, and
- failed to supervise the personal trading activities of their dealing representatives.

We remind EMDs of their obligation to have adequate policies and processes in place, which:

- monitor the firm's operations for non-compliance with securities laws, and provide for self-reporting to the Commission, if necessary,
- identify weaknesses in the internal controls to report to management or another individual who has authority to take supervisory action to correct them, and
- demonstrate that the firm can take supervisory action to correct any identified non-compliance.

Subsection 32(2) of the Act requires registrants to establish and maintain systems of control and supervision for controlling their activities and supervising their representatives. Also, section 11.1 of 31-103CP, under the heading "Day-to-day monitoring and

supervision" states that anyone who supervises registered individuals has a responsibility on behalf of the firm to take all reasonable measures to provide assurance that the firm and individuals acting on its behalf:

- deal fairly, honestly and in good faith with their clients,
- comply with securities legislation,
- comply with the firm's policies and procedures, and
- maintain an appropriate level of proficiency.

Section 3.4 of NI 31-103 requires that a registered individual must not perform an activity that requires registration unless the individual has the education, training and experience that a reasonable person would consider necessary to perform the activity competently, including understanding the structure, features and risks of each security the individual recommends.

Acceptable processes for supervision of dealing representatives

EMDs must establish, maintain and apply policies and procedures to supervise the activities of the firm, including those activities undertaken by registered individuals, that:

- Clearly articulates the activities to be supervised and by whom.
- Provides a process regarding the frequency of the supervision.
- Provides a process on how the supervision will be evidenced and enforced by the firm.

EMDs must provide ongoing training for dealing representatives that provides:

- Awareness of the securities law requirements impacting their activities.
- An understanding of how to comply with their firm's policies and procedures.
- An in-depth understanding of the products they recommend to clients.
- Information regarding any changes to the above on a timely basis.

A best industry practice may include conducting a formal review of the dealing representatives, on an annual basis, to assess their proficiency, their knowledge of compliance, and identifying areas for improvement through possible further training. Conducting a risk ranking of dealing representatives may also assist to focus supervision resources to those registered individuals that display a higher risk of non-compliance. In addition, EMDs should consider what supervisory resources are required to oversee dealing representatives and clients who communicate only in French or another language.

Unacceptable practices

EMDs must not allow dealing representatives to:

- Trade in securities not approved by the firm.
- Complete trades without reviewing to ensure compliance with the available prospectus exemption relied on.
- Use and send documentation to clients on anything but the firm's letterhead.
- Engage in verbal referral arrangements.
- Conduct OBA without the knowledge and approval of the firm.
- Engage in social media activities or other marketing activities without the knowledge and approval of the firm.

(iv) Failure to provide adequate disclosure of underwriting conflicts

During our compliance reviews, we identified that certain EMDs are not providing adequate consideration to the requirements of NI 33-105 *Underwriting Conflicts* (NI 33-105). If an EMD is trading in securities of a "related issuer" or "connected issuer", then NI 33-105 applies.

The disclosure requirements apply to distributions under a prospectus and most types of prospectus-exempt distributions including distributions made in reliance on the AI exemption. Further, an EMD that is acting as an intermediary, whether as a principal or an agent, is considered to be an underwriter and must comply with the disclosure requirements.

It is important that investors purchase securities at a price determined through a process unaffected by conflicts of interest, and that investors receive full, true and plain disclosure of all material facts regarding the issuer and the securities offered. NI 33-105 seeks to protect the integrity of the underwriting process in circumstances where there is a direct or indirect relationship between the issuer and the underwriter which might give a perception that they are not independent of the distribution.

There are two requirements:

- full disclosure of the relationships, giving rise to the potential conflicts of interest, must be given to investors, and

- an independent underwriter is required in certain circumstances to participate in the transaction.

An EMD, selling a "related issuer" or a "connected issuer" in a private placement to an accredited investor made in reliance on the AI exemption, is required to ensure that the distribution is made on the basis of a document (e.g. an offering memorandum) that contains the disclosure required by Appendix C to NI 33-105. The disclosure includes, among other things:

- certain information to be included on the front page of the prospectus or other document, including a bold statement that the issuer is a connected issuer or a related issuer of the registrant, the basis for the relationship and a cross-reference for further information, and
- certain information to be included in the body of the prospectus or other document, including if the issuer is a connected issuer because of indebtedness, then information about that indebtedness.

We encourage you to review and complete a self-assessment using the illustrations provided in Appendix A to NI 33-105 to determine whether this instrument applies to your distribution and to review the guidance in the companion policy to NI 33-105.

(v) Failure to provide adequate relationship information

The CSA issued guidance on relationship disclosure practices in July 2013 through CSA Staff Notice 31-334. We continue to find EMDs are not delivering to clients all information that a reasonable investor would consider important about the client's relationship with the registrant, including a description of conflicts of interest and types of risks.

Subsection 14.2(2) of NI 31-103 requires EMDs to deliver specific relationship disclosure information. We noted that EMDs have failed to provide clients with:

- information about the nature or type of account that the client has with the firm (paragraph 14.2(2)(a)),
- information that identifies the products or services the firm offers to its clients (paragraph 14.2(2)(b)),
- a description of the types of risks that a client should consider when making an investment decision (paragraph 14.2(2)(c)),

- a description of the risks of using borrowed money to finance a purchase of a security (paragraph 14.2(2)(d)),
- a description of the conflicts of interest that the firm is required to disclose under securities law (paragraph 14.2(2)(e)),
- a description of all of the costs that the client will incur to operate an account, and all costs they will incur when making, holding and selling an investment (paragraph 14.2(2)(f) and 14.2(2)(g)), and
- a statement that the firm has an obligation to assess whether a purchase or sale of a security is suitable for the client prior to executing the transaction or at any other time (paragraph 14.2(2)(k)).

EMDs may provide this information in a single document, or in separate documents, which together give the client the prescribed information. We encourage you to review CSA Staff Notice 31-334 to improve your understanding of, and compliance with, relationship information obligations and as a self-assessment tool to strengthen your compliance with securities law.

Acceptable processes for delivering relationship information

EMDs must:

- Provide relationship information which is clear and meaningful to the client, so that the client is able to understand the information presented.
- Ensure that their dealing representatives spend sufficient time with clients as part of an in-person or telephone meeting, or other method that is consistent with their operations, to adequately explain the information that is delivered to them.
- Have policies and procedures in place which will require its registered individuals to be able to demonstrate to the firm that they met with the client to discuss relationship information and the client has an adequate understanding.
- Be able to demonstrate delivery of relationship information at account opening, prior to trading and at any other times when a significant change in the relationship information has occurred.

Unacceptable practices

EMDs must not deliver relationship information which:

- Is full of technical terms and acronyms.
- Simply provides a link or a reference to another document, such as an offering

document, for the client to obtain information on the risks of the product, and the registrant does not provide the client with that actual document.
- Assumes the client will just read the relationship disclosure information at another time.

b) Update on initiatives impacting EMDs

(i) Online portals

In recent years we have registered firms who operate accredited investor online portals. These EMDs can facilitate distributions of securities in reliance on prospectus exemptions provided they comply with all of the normal requirements applicable to their EMD registration. Our initial review of these business models has identified concerns that these registrants are not applying the principles of NI 31-103 to their operations, including:

- establishing, maintaining and applying an adequate compliance system (see Part 11 of NI 31-103),
- meeting KYC and suitability obligations, conflict of interest and referral obligations (see Part 13 of NI 31-103),
- providing adequate disclosure to clients (see Part 14 of NI 31-103), and
- meeting financial condition requirements and delivering financial information to the OSC (see Part 12 of NI 31-103).

We have identified concerns with online portals performing an inadequate assessment of the issuers/products they are distributing. For an investment to be posted on an online portal website, the firm must have completed an adequate product assessment (KYP), in order to meet its suitability obligations. Further, the investment opportunities should not be marketed in any form prior to all KYP obligations being fully discharged – this includes posting security offerings on websites and social media, which could be construed as a recommendation. It is unacceptable to conduct product due diligence only if a client expresses interest in the product.

(ii) Registrants who sell related party products

We continue to have concerns with firms registered solely in the EMD category who trade solely or primarily in a limited number of related or connected issuers (referred to in this section as "captive dealers"). The basis of this concern is that EMDs who trade solely or primarily in the securities of related or connected issuers or who are financially dependent

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on these issuers have created a business model that has significant inherent conflicts of interest.

During our compliance reviews, we continued to identify significant deficiencies that include concealment of the poor financial condition of related and/or connected issuers, sale of unsuitable, high-risk investments to investors, high investment concentration in related party products and in some rare cases, the misappropriation of investor funds. Material conflicts of interest arise with these relationships, in large part due to the lack of separation between the mind and management of the captive dealer and the issuer. We expect EMDs to avoid conflicts of interest that are not able to be mitigated with controls and/or disclosure.

We remind EMDs that when soliciting investors to invest in a related and/or connected issuers, those investors are clients of the EMD. We have identified captive dealers who did not recognize that investors were their clients, instead treating them as clients of their related and/or connected issuers. An EMD's client is the investor purchasing the securities, not the issuer. Captive dealers are required to comply with all registrant obligations, including those relating to KYC, KYP and suitability (refer to section 4.2 a) (i) in this report for a discussion of registrants' KYC, KYP and suitability obligations).

For those captive dealers that are able to manage these material conflicts of interest through internal controls and/or disclosure, we expect meaningful disclosure to be provided to investors in plain language. For example, disclosure in a simplified document, similar to a mutual fund fact sheet, which includes a useful and readable summary of the key facts, risks, conflicts of interest, up-front and on-going related party compensation and a breakdown of the use of proceeds is helpful to investors.

Our compliance reviews of captive dealers will continue to focus on how conflicts of interest are addressed. Captive dealers with business models where conflicts of interest have not been properly addressed will be subject to regulatory action where appropriate. For applicants who propose to have this business model, we will focus our pre-registration review on conflicts of interest identification, evaluation and controls. We may also recommend refusal of registration to firms that propose to have a captive dealer business model that does not adequately address the conflicts of interest.

We remind dealers that changes in business models must be filed with us. If an EMD's business model changes from distributing third-party products to distributing products of related or connected issuers, the EMD is required to file Form 33-109F5.

4.3 Advisers (PMs)

This section contains information specific to PMs, including current trends in deficiencies from compliance reviews of PMs (and acceptable practices to address them) and an update on current initiatives applicable to PMs.

a) Current trends in deficiencies and acceptable practices

In this section, we summarize key trends in deficiencies from recent compliance reviews of PMs categorized as higher risk based on the response to the 2014 RAQ.

(i) Repeat common deficiencies

The following includes the deficiencies that we continued to find in reviews of PMs that have been reported on in previous annual reports and prior guidance. We encourage you to review the information sources provided as the previously published guidance is still applicable to these issues.

Repeat common deficiency	Information source
1) Delegating KYC and suitability obligations to referral agents or unregistered employees	• Section 4.3.1 under the heading *Delegating KYC and suitability obligations to referral agents* in OSC Staff Notice 33-742 • Section 5.2A under the heading *Delegating know your client and suitability obligations* in OSC Staff Notice 33-736 • Section 13.3 of 31-103CP • CSA Staff Notice 31-336: see unacceptable practices under the heading '*How should registrants collect and document KYC information?*'

2) Inadequate investment management agreements	• Section 4.3.1 of OSC Staff Notice 33-742 under the heading *Inadequate investment management agreements* • Sections 11.5(1) and 11.5(2)(k) of NI 31-103
3) Inadequate personal trading policies	• Section 4.3.1 of OSC Staff Notice 33-742 under the heading Inadequate personal trading policies • Section 32(2) and 119 of the Act • Section 11.1 of NI 31-103
4) Account statement practices	• Section 4.3.3 of OSC Staff Notice 33-742 under the heading *PM client account statement practices* • Sections 14.14 and 14.14.1 of NI 31-103 and 31-103CP

(ii) Inadequate written policies and procedures on portfolio management

We noted that a majority of the PMs reviewed did not maintain adequate written policies and procedures on how they manage portfolios for clients, and how they place trades with dealers. These PMs' policies and procedures did not cover the following areas:

- portfolio management processes or trading practices,
- the PM's actual practices relating to portfolio management processes, and trading practices.

Section 11.1 of NI 31-103 requires PMs to establish, maintain and apply policies and procedures that establish a system of controls and supervision to provide reasonable assurance that the firm and individuals acting on its behalf comply with securities legislation and manage the risks associated with their business in accordance with prudent business practices. To comply, PMs must establish, maintain and apply detailed policies and procedures on their portfolio management processes and trading practices that are tailored to their business operations and reflect their actual practices. We also expect PMs to have a process in place to ensure that written policies and procedures are regularly updated (at least annually) for changes in the firm's business operations (including clients,

personnel, administrators or any material changes in business arrangements), industry practices and securities law. PMs should also consider if any compliance matters that arose in the past year indicate a need to revise the written policies and procedures.

Acceptable practices to ensure adequate written policies and procedures

PMs must ensure the policies and procedures manual addresses the following topics:

- In relation to portfolio management practices, cover:
  - collection, documentation and timely updating of KYC information for clients,
  - suitability of investments and trades for each client,
  - compliance with clients' specified investment restrictions or other instructions,
  - compliance with regulatory requirements (e.g. Part 2 of NI 81-102 if managing investment funds),
  - the requirement for sufficient research to support investment decisions, which includes understanding attributes and risks of investments (KYP),
  - restrictions on risky investment strategies, such as short-selling and the use of derivatives or leverage,
  - regular re-balancing of client portfolios,
  - supervision of advising representatives, including associate advising representatives and sub-advisers,
  - ensuring that proxies are voted in accordance with any client instructions, and
  - guidance on proxy voting, including such issues as executive compensation (e.g. stock options), take-over protection (poison pills), and acquisitions.

- In relation to trading practices, cover the following:
  - ensure trades are executed in accordance with the advising representatives' instructions,
  - identify and resolve failed trades and trading errors, including how trading losses are allocated,
  - guidelines on the selection of dealers,
  - fairness in allocating investment opportunities amongst clients, including block trades, initial public offerings and other new issues,
  - obtain best execution for clients and executing trades in a timely manner,
  - ensure trades are settled on a timely basis in the correct client accounts, at the correct quantity and amount,

- procedures governing any client directed brokerage arrangements,
- guidelines on use of client brokerage commissions (i.e. soft dollar arrangements),
- guidelines on cross trades, including their review and approval, pricing, execution cost, requirement to execute through a dealer, and restrictions on certain managed account transactions, and
- ensure institutional trades are matched on a timely basis, monitoring of trade matching percentages, and reporting trade matching exceptions.

Unacceptable practices

PMs must not:

- Use a template of written policies and procedures provided by another firm or a consultant without reviewing and tailoring the template to the firm's operations and security law obligations.
- Rely on a policies and procedures manual of an affiliated firm as a substitute for its own policies and procedures.

(iii) Inadequate update of clients' KYC and suitability information

A majority of the PMs reviewed did not have current KYC and suitability information on file for all of their managed account clients. This indicates that these PMs had an inadequate process for updating their client's KYC and suitability information. For example, these PMs:

- did not have a discussion with each of their clients in the past twelve months to ascertain if there had been any changes in their KYC information,
- only sent an e-mail or letter to each of their clients requesting that they inform them if there had been any changes in their KYC information, but did not follow-up with clients if there was no response, or
- did not always document the results of their KYC update discussion with the client, especially when there had been no changes in the client's circumstances.

Since PMs have an ongoing suitability obligation for managed accounts, these PMs may not have sufficiently up-to-date KYC and suitability information to perform adequate suitability assessments.

Section 13.2(4) of NI 31-103 requires PMs to take reasonable steps to keep their client's KYC and suitability information current. Section 13.2 of 31-103CP states that we

consider information to be current if it is sufficiently up-to-date to support a suitability determination. For example, a PM with discretionary authority should update its clients' KYC information frequently. Further section 11.5(2)(l) of NI 31-103 requires PMs to maintain records that demonstrate compliance with the KYC and suitability obligations in section 13.2 of NI 31-103. For more information, see CSA Staff Notice 31-336.

When there is a change in a client's KYC information, PMs must document the change and assess if the client's investment strategy and investment portfolio remains suitable or should be adjusted.

Acceptable practices to adequately update KYC information:

An advising representative must:

- Be proactive in ensuring client's KYC information is kept up-to-date.
- Create and implement a process to update each client's KYC information at least annually and more often if there is a material change in the client's circumstances (for example, due to trigger events such as marriage, divorce, birth of a child, loss or change in employment, serious health issue), or when there is a significant change in market conditions.
- Update KYC information through a meaningful discussion with each client, such as at a scheduled meeting to discuss the client's portfolio, returns and progress in meeting their investment goals.
- Create and use a KYC update form, check-list or standard list of questions to ask (which uses the above trigger events) to facilitate the discussion and to document the results.
- When applicable, document in the client's file that there has been no change in a client's KYC information or circumstances as evidence that a KYC update was performed and when it was performed.
- Where a letter or e-mail is sent to clients to update their KYC information:
    - obtain positive confirmation from the client when there is no change in their circumstances by requesting a reply by a specific date and follow-up with the client if no reply is received (i.e. don't assume no changes if the client doesn't respond),
    - provide a copy of the client's latest KYC information on file, and ask them to confirm if it is accurate and current, or to notify you of the changes (and how to do so), and

- provide examples of changes that the client should inform you of (such as the above trigger events, an increase or decrease in income or net worth, etc.).
- Document the steps taken to contact clients for KYC updates, especially when the client is non-responsive.
- If a client remains non-responsive to updating their KYC information over a prolonged period, inform them of your obligation to keep their KYC information current and that continued non-cooperation may result in the closure of their account with you.

Further, any changes in KYC information should be signed, dated and reviewed by the advising representative and the client, and the client should receive a signed copy of the revised KYC form for their records.

Unacceptable practices

An advising representative must not:

- Use outdated KYC information to assess suitability of investments.
- Wait for clients to inform them of a change in KYC information if the advising representative becomes aware of client information that suggests a change in KYC information.
- Rely on a referral agent or unregistered employee to update the client's KYC information.

(iv) No collection of client's insider status

We have concerns that some of the PMs reviewed did not ascertain if all of their clients are an insider of a public company, including positions as an officer or director, or being a significant owner. These PMs did not, for all of their clients, collect and document this information as part of their account opening process or when they updated clients' KYC information. Ascertaining this information is important for compliance with the insider trading rules in Part XXI of the Act.

Section 13.2(2)(b) of NI 31-103 requires PMs to establish whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded. Further, section 11.5(2)(l) of NI 31-103 requires PMs to maintain records that demonstrate compliance with the KYC and suitability obligations in section 13.2.

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An insider is defined in section 1(1) of the Act and includes a director or officer of a reporting issuer or a person or company that beneficially owns, controls or directs more than 10% of the voting securities of a reporting issuer. Section 13.2(1) of NI 31-103 states that for the purposes of section 13.2(2)(b) of NI 31-103, the definition of insider is to include reporting issuer and any other issuer whose securities are publicly traded. Publicly traded includes trades on any public market, including domestic, foreign, exchange-listed and over-the-counter markets.

PMs must collect and document each client's insider status at the time of opening the client account and when updating client KYC information.

Acceptable practices for PMs to establish a client's insider status:

Advising representatives must:

- When asking the client if they are an insider, explain what an insider is and what it means for securities to be publicly traded.
- For clients that are insiders, assess if there are any restrictions in managing the client's portfolio (i.e. restrictions on trading in securities of the issuer, or taking any instructions from the client).
- For clients that are insiders, discuss with the client and document (e.g. in investment management agreement) who is responsible for insider trading reporting obligations.
- When updating clients' insider status as part of the KYC information updating process, give extra attention to clients that are existing insiders.

Unacceptable practices

Advising representatives must not:

- Wait for clients to inform them of their insider status if the PM becomes aware of information that suggests the client is an insider.
- Assume the client knows what an insider is or what publicly traded means.
- Assume the client will be responsible for filing any insider trading reports.

b) Update on initiatives impacting PMs

(i) Accredited investor exemption for investment funds

As part of the OSC's broader exempt market initiative, the AI exemption has been amended to permit fully managed accounts, where the adviser has a fiduciary

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relationship with the investor, to purchase any securities on an exempt basis, including investment fund securities. For additional information, refer to section 4.4 b) (ii) a) in this report for additional information.

(ii) PM-IIROC member dealer service arrangements

The CSA and IIROC staff continue to review service arrangements between CSA-regulated PMs and investment dealers that are members of IIROC to assess if rule amendments and/or guidance are needed. Review topics include:

- whether there is a way for clients to receive a single account statement instead of two statements, and
- principle related to a written services agreement between the PM and IIROC member dealer outlining roles and responsibilities.

(iii) Registration of online advisory business

Some PMs have recently begun operating as "online advisers". They include new registrants as well as PMs that were already registered and have changed their operating model to provide advice using an online platform. These firms provide discretionary investment management services to retail investors through an interactive website.

There is no "online advice" exemption from the normal conditions of registration for a PM. The rules are the same whether the PM operates under the traditional model of interacting with clients face-to-face or on an online platform.

The online advice platforms registered to date are hybrid services that utilize an online platform for efficiency, while registered advising representatives remain actively involved in (and responsible for) the "on-boarding" of new clients and decisions about their investment portfolios. Clients' managed accounts are invested in relatively simple investment products, including un-leveraged exchange traded funds (ETFs), low cost mutual funds or other redeemable investment funds, or cash and cash equivalents.

Prior to implementing an online advice operating model, a PM or an applicant for registration as a PM will be asked to file substantial documentation, including their proposed online KYC questionnaire and information about the processes relating to its use. For new applicants, this is part of the normal process to provide information about

proposed business activities and plans. For existing registrants, this is part of the obligation to inform us of plans to change any of a firm's primary business activities, target market, or the products and services it intends to provide to clients.

To date, we have not imposed terms and conditions on online advisers who contact each prospective client during the on-boarding process. If a firm is planning to operate as an online adviser and does not intend to have an advising representative contact every prospective client, we will:

- ask the firm to demonstrate to us that it has a satisfactory system for identifying circumstances when an advising representative *will* initiate contact with a prospective client, and
- recommend that the firm be registered as a restricted PM with terms and conditions imposed limiting the firm to using the relatively simple investment products described above.

We will also consider whether terms and conditions are appropriate for different online operating models as they develop over time. The due diligence review conducted by CSA Staff in no way diminishes any registrant's ongoing responsibilities under applicable securities laws.

4.4 Investment fund managers

This section contains information specific to IFMs, including current trends in deficiencies from compliance reviews of IFMs (and acceptable practices to address them) and an update on current initiatives applicable to IFMs.

a) Current trends in deficiencies and acceptable practices

In this section, we summarize key trends in deficiencies from recent compliance reviews of IFMs categorized as higher risk based on the response to the 2014 RAQ.

(i) Repeat common deficiencies

The following includes the deficiencies that we continued to find in reviews of our IFMs that have been reported on in previous annual reports and prior guidance. We encourage you to review the information sources provided as the previously published guidance is still applicable to these issues.

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Repeat common deficiency	Information source
1) Inappropriate expenses charged to investment funds	• Section 4.4 (a)(i) of OSC Staff Notice 33-745 • Part II of OSC Staff Notice 33-743
2) Inadequate oversight of outsourced functions and service providers	• Section 4.4 (a)(i) of OSC Staff Notice 33-745 • Part V of OSC Staff Notice 33-743 • Section 4.4.1 of OSC Staff Notice 33-742 under the heading *Inadequate oversight of outsourced functions and service providers* • Section 11.1 of NI 31-103 and 11.1 of 31-103CP
3) Non-delivery of net asset value adjustments to the OSC	• Section 4.4.1 of OSC Staff Notice 33-742 under the heading *Non-delivery of net asset value adjustments* • Section 4.4 (a)(i) and 4.4 (d)(i) in OSC Staff Notice 33-745 • Paragraph 12.14 c) of NI 31-103 and Form 31-103F4 *Net Asset Value Adjustments* • Paragraph 12.14 of 31-103CP

(ii) Commingling of client assets

We noted issues with IFMs, managing private investment funds that were not adhering to the requirement to separate assets of the investment funds they manage from their own property in separately designated trust accounts. A registered firm that holds client assets must ensure that those client assets are dealt with in the following manner:

- are held separate and apart from the registrants own property,
- are held in trust for the registrant's clients,
- cash must be held in a designated trust account at a Canadian financial institution, a Schedule III bank, or a member of IIROC.

We noted the following circumstances in instances where IFMs were holding assets but not adhering to these requirements:

- the registrant was accepting subscription proceeds via a cheque payable to the registrant and depositing the cheque in the registrant's operating bank account,
- the registrant was directing redemption proceeds to be deposited in the registrant's operating bank account and then issuing a cheque for the amount of the redemption proceeds to investors from the registrant's operating bank account.

Section 14.6 of NI 31-103 provides specific requirements that a registrant must adhere to when holding client assets in relation to an investment in an investment fund managed by the IFM. An IFM must ensure that these requirements are adhered to when holding client assets.

Acceptable practices to prevent the commingling of assets of an investment fund

IFMs must:

- Determine if they are holding client assets. Examples of holding assets include the following:
    - client cheques for subscriptions in an investment fund are made payable to the IFM,
    - the IFM accepts cash for investment in one of their investment funds.
- If the IFM concludes that they are holding assets, set up a designated trust account at a Canadian financial institution, a Schedule III bank, or a member of IIROC and use this account for unitholder subscription and redemption proceeds.
- Open a separate operating account in the name of the registrant to handle transactions relating to the IFMs operations and ensure that these transactions do not flow through the trust account related to the investment funds managed by the IFM.
- Develop internal policies and procedures regarding the use of the designated trust account taking into consideration the following:
    - which transactions can and cannot flow through the trust account,
    - which transactions will flow through the IFMs operating account,
    - prepare a reconciliation of activity in the trust account, and
    - ensure the timely preparation, review and approval of the trust account reconciliation.

Unacceptable practices

IFMs must not:

- Commingle the assets of the investment fund and its unitholders with the assets of the IFM.
- Use one bank account for the transactions of the IFM and the transactions of the investment funds managed.
- Use a bank account that is not designated as a trust account to handle client cash.
- Accept client assets without having clearly documented policies and procedures regarding the handling of client assets.

(iii) Prohibited inter-fund trading

We noted issues with IFMs that manage multiple private investment funds that are also registered as PMs, directing trades of securities between their investment funds.

In the cases that we reviewed, the registrant traded a security between two private investment funds both managed and advised by the registrant, at the closing market price without executing the trade through a registered dealer.

The inter-fund trading was the result of a rebalancing of the portfolio securities held by both investment funds. The securities were in line with the investment objectives and investment restrictions of the investment fund and were held by the investment fund prior to the occurrence of the inter-fund trades. The investment funds and ultimately the underlying unitholders were not negatively affected. However, the inter-fund trades were offside securities law.

Section 13.5(2)(b) of NI 31-103 strictly prohibits inter-fund trading between two investment funds that have the same adviser. An inter-fund trade occurs when an adviser for an investment fund knowingly directs a trade in portfolio securities to another investment fund that it acts for or instructs the dealer to execute the trade with the other investment fund. Although there currently is an exemption from this prohibition that exists for inter-fund trades by public investment funds in section 6.1 of National Instrument 81-107 *Independent Review Committee for Investment Funds*, the exemption does not apply to private investment funds. Section 13.5(2)(b) of NI 31-103 is not intended to prohibit a responsible person from purchasing units in the investment fund itself, nor is it intended to

prohibit one investment fund from purchasing units of another investment fund in situations where they have the same adviser.

Acceptable practices to avoid inter-fund trading in private investment funds

IFMs must:

- As part of their conflict of interest policies and procedures, develop and implement a process to ensure that inter-fund trading does not occur, including a process to oversee adviser activity.
- Discuss the inter-fund prohibition with the adviser of the investment funds and ensure the adviser has a process in place to avoid the occurrence of inter-fund trading through their own conflict of interest policies and procedures and through their own process to monitor the trading activities of the adviser in relation to the investment fund.

Unacceptable practices

IFMs must not:

- Rely solely on the advisers of their investment funds to ensure that the inter-fund prohibition is followed.

b) Update on initiatives impacting IFMs

(i) Changes to the Act

Part XXI of the Act, Insider Trading and Self-Dealing, contains conflict of interest investment restrictions which, until July 24, 2014, only applied to mutual funds. This was reported on in section 4.4(d)(ii) of OSC Staff Notice 33-745. The conflict of interest investment restrictions now apply to all investment funds, including non-redeemable investment funds. After the Act was amended on July 24, 2014, some questions arose about the application of Part XXI to non-redeemable investment funds, and about the impact of the amendments on the existing requirements for mutual funds. Staff of the Investment Funds and Structured Products Branch (IFSP) responded to these questions by setting out its views in OSC Staff Notice 81-725 - *Recent Amendments to Part XXI Insider Trading and Self-Dealing of the Securities Act (Ontario) – Transition Issues* on August 7, 2014. In particular, IFSP Branch Staff provided guidance on the interaction between Part XXI of the Act and the Modernization amendments to NI 81-102 that came into force in September 2014 (see paragraph 4.4 (ii) c) below in this section of the report for additional information).

(ii) Investment Funds and Structured Products Branch

Our IFSP Branch has worked on a number of new and proposed rules with the CSA on the regulation of investment funds, and other initiatives, which impact IFMs. A number of these initiatives represent a continuation of projects previously discussed in detail in section 4.4(d)(iii) of OSC Staff Notice 33-745. A summary of some of this work and the relevant information sources can be found in the chart and brief write-ups below.

Project	Information source
1) Mutual fund fees	• Section 1.1 of 2014 – Summary Report for Investment Fund and Structured Product Issuers published on February 18, 2015. • On December 17, 2013 the CSA published CSA Staff Notice 81-323 *Status Report on Consultation under CSA Discussion Paper and Request for Comment 81-407 Mutual Fund Fees* which provides additional information on this initiative.
2) Mutual fund risk classification	• Section 1.2 (i) of 2014 – Summary Report for Investment Fund and Structured Product Issuers published on February 18, 2015. • On January 29, 2015 the CSA published CSA Staff Notice 81-325 *Status Report on Consultation under CSA Notice 81-324 and Request for Comment on Proposed CSA Mutual Fund Risk Classification Methodology for Use in Fund Facts* which provides additional information on this initiative.
3) Point of sale disclosure	• Section 1.2 of 2014 – Summary Report for Investment Fund and Structured Product Issuers published on February 18, 2015. • On December 11, 2014 the CSA published final amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* and to Companion Policy 81-101CP to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* to implement pre-sale delivery of Fund Facts for mutual funds. This amendment becomes effective on May 30, 2016.
4) Review of portfolio liquidity	• Our IFSP Branch recently conducted a targeted review of mutual funds that invest in asset classes that may be

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	susceptible to liquidity issues, in particular, funds with exposure to high yield fixed income, small cap equity funds, and emerging market issuers. OSC Staff Notice 81-727 – *Report on Staff's Continuous Disclosure Review of Mutual Fund Practices Relating to Portfolio Liquidity* summarizes the findings and provides guidance to address the findings.
IFM Resources	**Information source**
1) Annual Summary Report	• The IFSP Branch publishes an annual summary report for Investment Fund Issuers. The fifth annual summary report 2014 – Summary Report for Investment Fund and Structured Product Issuers was published on February 18, 2015.
2) Investment Funds Practitioner	• The Practitioner is an ongoing publication that provides an overview of operational issues arising from applications for discretionary relief, prospectuses, and continuous disclosure documents that are filed with the OSC.

a) Accredited Investor exemption for investment funds

As part of the OSC's broader exempt market initiative, the AI exemption has been amended to permit fully managed accounts, where the adviser has a fiduciary relationship with the investor, to purchase any securities on an exempt basis, including investment fund securities. The OSC has removed the carve out of the managed account category of the AI exemption for investment funds to harmonize the managed account category in all Canadian jurisdictions. This amendment became effective May 5, 2015. See section 1.2 of this report for additional information.

b) Development of a summary disclosure document for exchange traded mutual funds

On June 18, 2015, the CSA published for comment proposed amendments mandating the form of a summary disclosure document for ETFs (called "ETF Facts") and requiring its delivery within two days of purchase. The ETF Facts is based on the Fund Facts, with modifications to reflect the specific attributes of ETFs. For additional information, refer to CSA Notice and Request for Comment Mandating a Summary Disclosure Document for Exchange-Traded Mutual Funds and Its Delivery – Proposed Amendments to NI 41-101 *General Prospectus Requirements* and to Companion Policy 41-101CP to National

Instrument 41-101 *General Prospectus Requirements* and Related Consequential Amendments.

c) Recent Amendments to NI 81-102 – Closed-End Funds

Phase 2 of Modernization of Investment Fund Product Regulation came into effect on September 22, 2014. These recent amendments introduce investment restrictions and fundamental operational requirements for non-redeemable investment funds. For additional information, refer to Amendments to NI 81-102 *Mutual Funds* and Changes to Companion Policy 81-102CP *Mutual Funds*.

ACTING ON REGISTRANT MISCONDUCT

a) Regulatory action during April 1, 2014 to March 31, 2015

b) CSA Disciplined Persons List

c) Cases of interest

d) Contested OTBH decisions and settlements by topic

5 Acting on registrant misconduct

We are alert to signs of potential registrant misconduct which may come to our attention through compliance reviews, applications for registration, disclosures on NRD and by other means such as complaints, inquiries or tips. We respond by taking appropriate, timely and effective regulatory action. Regulatory actions applicable to both firms and individuals may include the imposition of terms and conditions on registration, suspension of registration, or referrals to our Enforcement Branch.

HIGHLIGHTS OF MISCONDUCT CASES	
"In my opinion, there are no other effective options [other than firm suspension] available to address the breaches of securities law and address the integrity issues identified in this matter. Considering that registration is a privilege, not a right…"[11]	"There are many registrants in Ontario that are considered small……A registrant is required to have sufficient resources in place to discharge their regulatory obligations regardless of the number of persons who are employed by the firm."[12]

Prior to a Director of the OSC imposing terms and conditions on a registration, or refusing an application for registration or reinstatement of registration, or suspending or amending a registration, a registrant has the right under section 31 of the Act to request an Opportunity to be Heard (OTBH) before the Director.

Director's decisions on OTBH proceedings are published in the OSC Bulletin and on the OSC website. Director's decisions are now presented by topic on the OSC website, in addition to being presented by year. The topical headings used on this page represent some of the significant issues that arise in these Director's decisions.

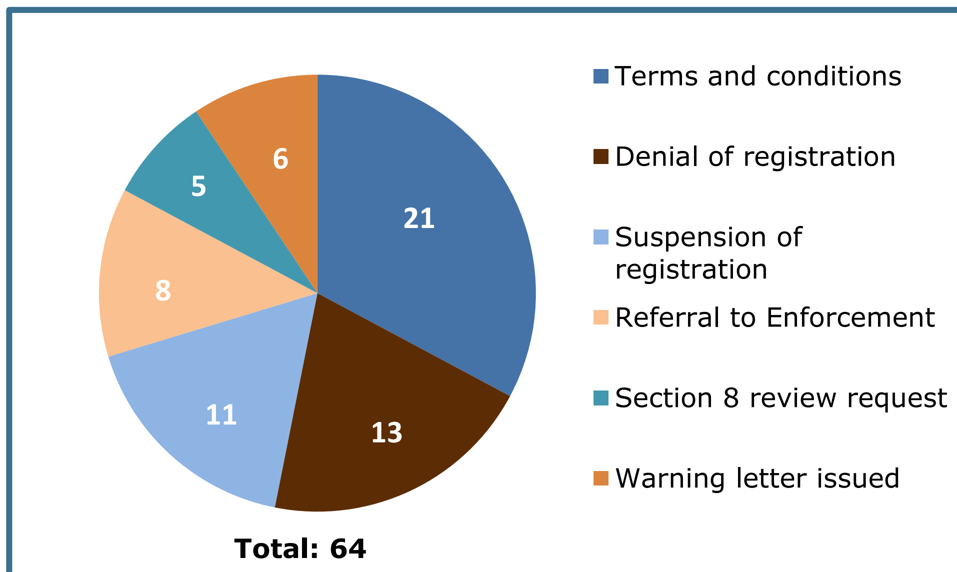
Director's decisions are an important resource for registrants and their advisers, as they highlight matters of concern to the OSC as well as the regulatory action that may be

[11]Director's Decision – June 13, 2014 – Wealth Stewards Portfolio Management Inc.
[12]Director's Decision – August 6, 2014 – Acasta Capital Inc.

taken as a result of misconduct. Directors' decisions approving settlements of OTBH proceedings are also published on the website. Publication of Directors' decisions increases transparency by communicating important information regarding registrant conduct to the public in a timely manner.

a) Regulatory action during April 1, 2014 to March 31, 2015

For the period of this report, the following chart summarizes the regulatory actions taken by CRR staff against firms or individuals engaged in registrant misconduct or serious non-compliance with Ontario securities law.



The chart demonstrates our actions during the year along what we call the compliance – enforcement continuum; we take appropriate and effective regulatory action in the context of the magnitude of the non-compliance or breach in a given situation. In some situations, we use the tools available within our Branch to address serious non-compliance. These include terms and conditions, denials of registration, suspensions of registration or warning letters. In other cases, for example, where the appropriate tools are powers that only the Commission can exercise, we make prompt and effective referrals to the Enforcement Branch (eight matters during the year). In some cases, a registrant may request a hearing and review by the Commission of a Director's Decision under Section 8 of the *Securities Act* (Ontario) (five matters during the year). In some cases, a suspension or a term and

condition was applied while a referral to the Enforcement Branch is also made in order to deal appropriately with the serious non-compliance and limit investor harm.

During the year, three opportunities to be heard were conducted; two of these were the subject of a hearing and review to the Commission under section 8 of the Act. One of these reviews was ultimately withdrawn.

b) CSA Disciplined Persons List

We have publicly prioritized enhanced transparency to the public in respect of disciplined registrants, and to reflect this priority, the CSA Disciplined Persons List (DPL) has been expanded to include individual registrants subject to discipline through the CRR Branch. This will assist retail investors by reducing the number of sources they must check in order to perform thorough research on the background of registrants with whom they wish to do business.

When an individual registrant faces regulatory action such as a suspension, refusal or strict supervision based on concerns with the individual's integrity, the individual's name will generally be added to the DPL. The DPL is available on the CSA website.

c) Cases of interest

(i) Criminal charges

Registered and permitted individuals are required by NI 33-109 to notify the individual's principal regulator of changes to information previously submitted in respect of the individual's Form 33-109F4. This includes changes to Item 14, which requires disclosure of, among other things, any outstanding criminal charges.

Where charges are brought against a registrant pursuant to the *Criminal Code*, and where the allegations, if proven, would bear directly on an individual's suitability for registration, we will take immediate measures to protect investors (such as imposing supervisory terms and conditions on the individual's registration) pending the outcome of the criminal proceedings. Examples of such charges include theft, fraud, perjury, smuggling, identity theft, and obtaining by false pretenses. In such situations, we reserve the right to investigate independently or take further action as the case advances. This year strict supervision was imposed in three such cases.

(ii) Failure to comply with terms and conditions

Non-compliance with terms and conditions may result in further regulatory action, including suspension of registration. In a recent case reviewed by us, terms and conditions were imposed on an individual's registration as a mutual fund dealing representative for failure to disclose a bankruptcy on NRD until after the bankruptcy was discharged. The terms and conditions required that the registrant successfully complete the Conduct and Practices Handbook (CPH) course within six months.

After we agreed to extend this deadline in light of extenuating circumstances, and after three failed attempts at the examination, the individual did not successfully complete the CPH. In our view, by failing to disclose the bankruptcy and failing to complete the CPH, the individual did not meet the proficiency requirements of a registrant. Further, the breach of the terms and conditions constituted a breach of Ontario securities law and made the individual's registration objectionable, both grounds for suspension under section 28 of the Act. As a result, we recommended that the individual's registration be suspended. The individual then resigned. Since the matter did not proceed to an OTBH, no Director's decision was made or published.

d) Contested OTBH decisions and settlements by topic

The following matters came before the Director this year. The full Director's decisions on these matters are available on the OSC website under the following topical headings.

(i) False client documentation

Registrant and date of Director's decision	Description
Christopher Reaney January 6, 2015	Christopher Reaney was registered as a mutual fund dealing representative. An internal compliance audit by his sponsor firm found that he had signed the signatures of some of his clients to investment documents, and that he had also obtained pre-signed forms from some of them. In the exercise of its jurisdiction over the ongoing registration of mutual fund dealing representatives, we conducted a review of the matter and recommended to the Director that Mr. Reaney's registration be suspended. Following an OTBH, the Director suspended Mr. Reaney's registration for a period of six

	months. The Director's decision to suspend Mr. Reaney was stayed pending a hearing and review by a panel of the Commission under section 8 of the Act. The hearing and review was held on March 31, 2015. On July 13, 2015, the Commission dismissed Mr. Reaney's application and released its reasons for the decision. In its reasons, the Commission considered the problem of using pre-signed forms as a corner-cutting tactic (not as a means to defraud the client) and affirmed the principle that forgeries and pre-signed forms are always bad, regardless of the motivation. It goes on to identify various factors which may aggravate or mitigate the conduct. The Commission emphasized that a high standard of conduct is necessary for meeting the requirements for registration. In the result, the Commission suspended Mr. Reaney's registration for six months.
Kevin Duffy October 16, 2014	Kevin Duffy is a mutual fund dealing representative, whose employment with his sponsoring firm was terminated for a number of reasons, including his continued use of pre-signed forms. Mr. Duffy applied for a reactivation of registration, and during our assessment of the application, we learned that in the course of compliance audits conducted in 2008, 2010, and 2013, Mr. Duffy's sponsor firm found him in possession of pre-signed forms. We further learned that after each compliance review, Mr. Duffy signed a document for his sponsoring firm stating that he would not obtain pre-signed forms again. We notified Mr. Duffy that there were grounds upon which we could recommend to the Director that his application for a reactivation of registration be refused, which would trigger his right to an OTBH. This matter was resolved on the basis that Mr. Duffy would withdraw his application for a period of time that effectively resulted in a nine-month suspension of registration, and that in the event of his registration in the future, terms and conditions would be imposed such that he would be subject to strict supervision, and that he would be required to submit original copies of all trade documentation to his sponsoring firm in a timely manner to allow the firm to check for the recurrence of pre-signed forms. Prior to applying for reinstatement of his registration, Mr. Duffy would be required to complete the CPH.
Wealth Stewards	Wealth Stewards Portfolio Management Inc. was a registered PM.

Portfolio Management Inc. and Sushila Lucas June 13, 2014*	Sushila Lucas was the sole registered advising representative and the firm's UDP and CCO. However, Bruce Deck, an unregistered individual, handled KYC, suitability and advising responsibilities while maintaining the client facing relationships for most of the firm's clients. Mr. Deck maintained a financial planning business and was a 50% owner of the firm, although he had not filed the appropriate notice to acquire his position in the firm; he was in default of a settlement agreement with the predecessor IIROC, which required him to pay a fine and costs as a result of disciplinary proceedings. In addition to improperly delegating KYC, suitability and advising responsibilities to Mr. Deck, Ms. Lucas also falsely signed documents indicating that she had verified client identity and attesting that she had met with clients to discuss their managed accounts, when in fact Mr. Deck handled these duties. The firm also asked clients to sign a waiver that falsely claimed that Mr. Deck had not provided any investment advice. Following an OTBH, the Director suspended the firm's registration indefinitely. The Director also suspended Ms. Lucas as UDP and CCO for three years, and as advising representative for six months. The Director further mandated that Ms. Lucas complete specified additional educational requirements tailored to the specific category (or categories) for which she would seek reactivation of registration.

* The Director's decision in Wealth Stewards Portfolio Management Inc. and Sushila Lucas can also be found in the Director's Decisions section of the OSC website under the categories of 'KYC, KYP and Suitability' and 'Trading or Advising Without Appropriate Registration'.

(ii) KYC, KYP and suitability

Registrant	Description
Gold Investment Management Ltd. October 23, 2014	Gold Investment Management Ltd. (Gold) is a PM that established a business model whereby it accepted referrals from unregistered financial planners. Initially, Gold relied on these financial planners to meet with Gold's clients for the purpose of collecting KYC information, and as a result many of the firm's 1000-plus client households had never spoken with any of Gold's registered advising representatives. In May 2013, Gold consented to terms and conditions on its registration that required it to retain a compliance consultant to assist the firm in strengthening its compliance system by the end of the year. In mid-December 2013, it became apparent that Gold was not going to meet its end-of-year deadline, and as a result we recommended to the Director that additional terms and conditions be imposed on Gold's registration that would prohibit the firm from accepting new clients. The firm requested an OTBH in respect of these proposed terms and conditions, but eventually agreed to them on an interim basis. In October 2014, the Director approved of a settlement agreement in which the interim terms and conditions were removed and new terms and conditions were imposed that required the ongoing retention of the compliance consultant, reporting on KYC testing and new account opening, annual compliance reviews by the consultant for a period of three years, and amendments to Gold's referral agreements to enhance the firm's oversight of its referral agents.
Sloane Capital Corp. and Freedman July 14, 2014	During a compliance review of Sloane Capital Corp. (Sloane) an EMD, we found that Sloane had numerous significant deficiencies, many of which were repeat issues from another compliance review conducted approximately one year earlier. Among the serious issues we discovered were a failure by Sloane to comply with its KYC and suitability obligations. In particular, we found that Stephen Freedman, Sloane's UDP, CCO and one of its registered dealing representatives had agreed to distribute numerous issuers, and he had limited knowledge about some of these issuers. We also found that a representative of Sloane did not always meet with a client to obtain KYC information before a trade was made, instead relying on representatives of the issuer to carry out

	this function, a type of misconduct known as being a "dealer after the fact" that the Commission has found to be unacceptable in *Re Sterling Grace and Co. Ltd.* (September 2014). The Director approved of a settlement agreement to resolve the OTBH requested by Sloane and Stephen Freedman. Among other things, the settlement agreement provides that Sloane is to be suspended indefinitely, and Mr. Freedman is to be suspended as a UDP and CCO for a period of 5 years, and as a dealing representative for 10 months. In the settlement agreement, the Director also provides a non-objection to the acquisition of Sloane's assets (namely its sales force and back office software) to another EMD.

(iii) Trading or advising without appropriate registration

Registrant	Description
Arkady Burdo August 21, 2014	Arkady Burdo was registered as a SPD representative. Despite only being registered in the category of SPD, Mr. Burdo acted in furtherance of trades in an "investment program" that purported to relate to a real estate development in the Caribbean. Mr. Burdo introduced clients to the investment program, explained the nature of the business of the investment program, and provided clients with copies of the program's "revenue capital agreement" for signature. Mr. Burdo's clients suffered total or partial losses of their investment, and Mr. Burdo suffered a total loss of the principal of his own investment. Although Mr. Burdo knew as a result of his own investment that the investment program became unable to honour redemption requests, he did not disclose the collapse of the investment program to one of his clients for months. This client had expressed a low risk tolerance when agreeing to invest in the investment program. Mr. Burdo admitted to trading outside his category of registration and failing to discharge his obligations as a registered dealing representative. In a settlement agreement, Mr. Burdo agreed to an 18 month suspension and a requirement to complete the CPH Handbook course before reapplying for registration.

(iv) Late delivery of financial statements

Registrant	Description
Acasta Capital Inc. August 6, 2014	Acasta Capital Inc. (Acasta) is an EMD. Acasta did not submit its annual financial statements to CRR within the time required by NI 31-103. Acasta stated that its failure to meet the delivery requirement was the result of resource constraints, travel commitments caused by an expanding client base, and the unexpected departure of their CCO. Following an OTBH, the Director imposed terms and conditions on Acasta's registration requiring monthly financial reporting to CRR, and a review by the firm of its procedures for compliance with Ontario securities law.

ADDITIONAL RESOURCES

6 Additional resources

This section discusses how registrants can get more information about their obligations.

The CRR Branch works to foster a culture of compliance through outreach and other initiatives. We try to assist registrants in meeting their regulatory requirements in a number of ways.

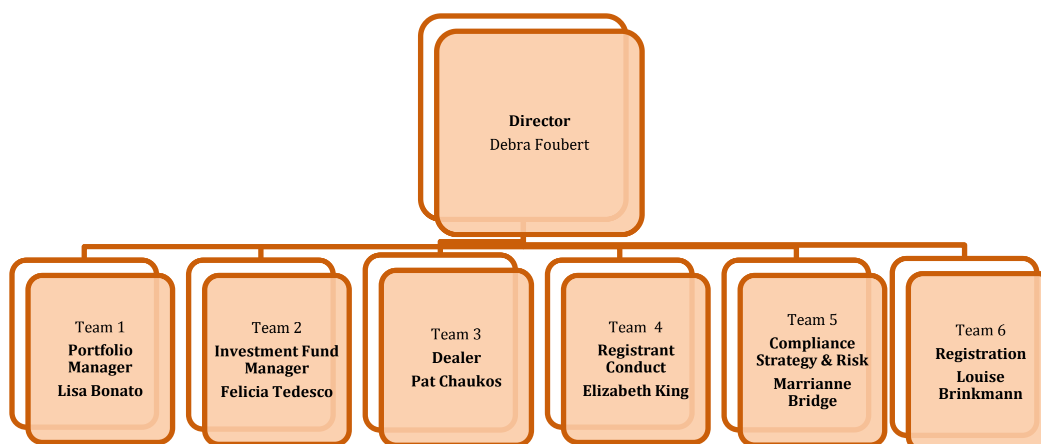
We continue to develop new discussion topics and update the Registrant Outreach program to registrants (see section 2.1 of this report) to help them understand and comply with their obligations. We encourage registrants to visit our Registrant Outreach web page on the OSC's website.

Also, the Information for: Dealers, Advisers and IFMs section on the OSC website provides detailed information about the registration process and registrants' ongoing obligations. It includes information about compliance reviews and acceptable practices, provides quick links to forms, rules and past reports and e-mail blasts to registrants. It also contains links to previous years' versions of our annual summary reports to registrants.

The Information for: Investment Funds and Structured Products section on our website also contains useful information for IFMs, including past editions of The Investment Funds Practitioner published by the IFSP Branch.

Registrants may also contact us. Refer to Appendix A of this report for the CRR Branch's contact information. The CRR Branch's PM, IFM and dealer teams focus on oversight, policy changes, and exemption applications for their respective registration categories. The Registrant Conduct team supports the PM, IFM, dealer, registration and financial analyst teams in cases of potential registrant misconduct. The financial analysts on the Compliance, Strategy and Risk team review registrant submissions for financial reporting (such as audited annual financial statements, calculations of excess working capital and subordination agreements). The Registration team focuses on registration and registration-related matters for the PM, IFM and dealer registration categories, among others.

Appendix A – Compliance and Registrant Regulation Branch and contact information for registrants



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8:30 a.m. to 5:00 p.m. Eastern Time, Monday to Friday,
and can be reached on the Contact Us page of

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If you have questions or comments about this report, please contact:

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(416) 593-2398

1.5 Notices from the Office of the Secretary

1.5.1 Travis Michael Hurst et al.

FOR IMMEDIATE RELEASE
September 16, 2015

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

AND

IN THE MATTER OF
TRAVIS MICHAEL HURST,
TERRY HURST and BRYANT HURST

TORONTO – The Commission issued an Order pursuant to Subsections 127(1) and 127(10) of the *Securities Act* in the above noted matter.

A copy of the Order dated September 15, 2015 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
SECRETARY

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1-877-785-1555 (Toll Free)

1.5.2 AMTE Services Inc. et al.

FOR IMMEDIATE RELEASE
September 16, 2015

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

AND

IN THE MATTER OF
AMTE SERVICES INC.,
OSLER ENERGY CORPORATION,
RANJIT GREWAL, PHILLIP COLBERT
AND EDWARD OZGA

TORONTO – The Commission issued a Temporary Order in the above named matter which provides that the Temporary Order is extended until March 1, 2016 without prejudice to Staff or the Respondents to seek to vary the Temporary Order on application to the Commission and that the hearing to consider a further extension of the Temporary Order is adjourned until February 26, 2016 at 10:00 a.m. or to such other date or time as provided by the Office of the Secretary and agreed to by the parties.

A copy of the Temporary Order dated September 16, 2015 is available at www.osc.gov.on.ca.

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1.5.3 Pro-Financial Asset Management Inc. et al.

FOR IMMEDIATE RELEASE
September 17, 2015

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

AND

IN THE MATTER OF
PRO-FINANCIAL ASSET MANAGEMENT INC.,
STUART MCKINNON and JOHN FARRELL

TORONTO – The Commission issued an Order in the above named matter which provides that:

1. The Preliminary Determination Motion shall be heard on November 6, 2015 at 10:00 a.m.;

2. The Third Appearance in this matter shall be held on November 16, 2015 at 9:00 a.m.;

3. PFAM and McKinnon shall make disclosure to Staff, by no later than 30 days before the date of the Third Appearance, of their witness lists and summaries and indicate any intention to call an expert witness, in which event they shall provide Staff with the name of the expert and state the issue or issues on which the expert will be giving evidence; and

4. The dates for the hearing on the merits and for the provision of expert affidavits or reports, if any, will be set at the Third Appearance.

A copy of the Order dated September 17, 2015 is available at www.osc.gov.on.ca.

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1.5.4 Oversea Chinese Fund Limited Partnership et al.

FOR IMMEDIATE RELEASE
September 18, 2015

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

AND

IN THE MATTER OF
OVERSEA CHINESE FUND LIMITED PARTNERSHIP,
WEIZHEN TANG AND ASSOCIATES INC.,
WEIZHEN TANG CORP. AND WEIZHEN TANG

TORONTO – The Commission issued a Temporary Order in the above named matter which provides that the Temporary Order against Oversea Chinese Fund Limited Partnership, Weizhen Tang and Associates Inc., and Weizhen Tang Corp., is hereby lifted; and the Temporary Order against Weizhen Tang, in his personal capacity, is extended until the conclusion of the proceeding brought by Staff against Tang under sub-sections 127(1) and (10) of the *Securities Act*, without prejudice to the Respondent's right to bring an application to vary the Temporary Order pursuant to section 144 of the Act.

A copy of the Temporary Order dated September 18, 2015 is available at www.osc.gov.on.ca.

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1.5.5 GreenStar Agricultural Corporation and Lianyun Guan

FOR IMMEDIATE RELEASE
September 21, 2015

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

AND

IN THE MATTER OF
GREENSTAR AGRICULTURAL CORPORATION
and LIANYUN GUAN

TORONTO – Following the hearing on the merits held In Writing in the above noted matter, the Commission issued its Reasons and Decision and an Order.

A copy of the Reasons and Decision and the Order dated September 18, 2015 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
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1.5.6 Portfolio Strategies Securities Inc. and Clifford Todd Monaghan

FOR IMMEDIATE RELEASE
September 22, 2015

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

AND

IN THE MATTER OF
A HEARING AND REVIEW OF THE DECISION OF
THE INVESTMENT INDUSTRY REGULATORY
ORGANIZATION OF CANADA REGARDING
PORTFOLIO STRATEGIES SECURITIES INC.

AND

IN THE MATTER OF
CLIFFORD TODD MONAGHAN

TORONTO – The Commission issued an Order in the above named matter which provides that,

1. the hearing dates scheduled for the motion hearing, September 16, 2015, and the application hearing, October 16, 2015, are vacated;

2. the Moving Parties, shall serve and file a motion record and memoranda of fact and law, if any, by January 12, 2016;

3. the Applicant, shall serve and file a responding motion record and memoranda of fact and law, if any, by January 20, 2016; and

4. a motion hearing, if any, shall take place on January 25, 2016 at 10:00 a.m.

A copy of the Order dated September 16, 2015 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
SECRETARY

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Aston Hill Capital Markets Inc. and Aston Hill Asset Management Inc.

Under paragraph 4.1(1)(b) of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations a firm registered in any jurisdiction of Canada must not permit an individual to act as a dealing, advising or associate advising representative of the registered firm if the individual is registered as a dealing, advising or associate advising representative of another firm registered in any jurisdiction of Canada. The Filers are affiliated entities and have valid business reasons for the individual to be registered with both firms. The Filers have policies in place to handle potential conflicts of interest. The Filers are exempted from the prohibition.

Applicable Legislative Provisions

National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 4.1, 13.4 and 15.1.
National Instrument 81-107 Independent Review Committee for Investment Funds.

September 10, 2015

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

AND

**IN THE MATTER OF
ASTON HILL CAPITAL MARKETS INC.
(AHCM)**

AND

**ASTON HILL ASSET MANAGEMENT INC.
(AHAMI) (each a Filer and together, the Filers)**

DECISION

Background

The regulator in the Jurisdiction (the **Decision Maker**) has received an application from the Filers for a decision under the securities legislation of the Jurisdiction (the **Legislation**) for relief from the restriction under paragraph 4.1(1)(b) 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 Darren Cabral (the **Representative**), who is currently registered as an advising representative of AHCM, to also be registered as an advising representative of AHAMI (the **Dual Registration**) (the **Exemption Sought**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions* 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. AHCM is registered as an investment fund manager in Ontario, Newfoundland and Labrador, and Quebec. AHCM is also registered as an adviser in the category of portfolio manager in Ontario. The head office of AHCM is located in Ontario.

2. AHAMI is registered as an adviser in the category of portfolio manager and as a dealer in the category of exempt market dealer in Ontario, Alberta, British Columbia, Manitoba, Quebec, New Brunswick, Newfoundland and Labrador, and Nova Scotia. AHAMI is also registered as an investment fund manager in Ontario, Newfoundland and Labrador, and Quebec. The head office of AHAMI is located in Ontario.

3. The Filers are affiliates. AHAMI is a wholly-owned subsidiary of Aston Hill Financial Inc. (**Aston Hill**) and Aston Hill owns 80% of the outstanding shares of AHCM. Aston Hill has the right to acquire the balance of the outstanding shares of AHCM that are not held by Aston Hill.

4. The Filers also share common officers and directors. There are approximately 5 individuals that act as permitted individuals for each of the Filers and certain of their affiliates, and one individual that acts as the chief compliance officer (**CCO**) for AHCM, AHAMI and another of their affiliates.

5. The Representative is currently registered with AHCM as an advising representative in Ontario where AHCM is registered in the category of portfolio manager. He also carries out the activities of a director and officer for AHCM in the category of permitted individual. If the Exemption Sought is granted, he will also be registered as an advising representative of AHAMI in Ontario only as all of the AHAMI funds are located in Ontario and the Representative will only be acting as an advising representative in respect of funds managed by AHAMI.

6. AHCM was established in 2013 through the acquisition of Connor, Clark & Lunn Capital Markets Inc. by Aston Hill. AHCM's main line of business is providing investment fund management and portfolio management services to the various closed-end funds managed by AHCM. AHCM also provides portfolio management services in a sub-advisory capacity to third-party asset managers.

7. AHAMI was established in 2000 under the laws of the Province of Ontario. AHAMI's main line of business is providing investment fund management and portfolio management services to the various investment funds managed by AHAMI. AHAMI also provides portfolio management services to accredited investors as defined in National Instrument 45-106 *Prospectus Exemptions* or permitted clients as defined in NI 31-103.

8. The Representative has acted as an advising representative – portfolio manager with AHCM since July 6, 2010. In that capacity, he is involved in managing the investment portfolios of certain funds, structuring new products and monitoring existing products.

9. There are valid business reasons for the Representative's Dual Registration with both AHCM and AHAMI. Specifically, Aston Hill distributes its open-end funds through AHAMI and its closed-end funds through AHCM. AHAMI plans to launch open-end funds similar to a closed-end fund that is currently managed by the Representative for AHCM that employs quantitative analysis and options. Accordingly, Aston Hill would like to utilize the skills of the Representative, and these quantitative analysis and options strategies which are currently unique to AHCM, in managing its open-end funds. AHAMI management believes that these open-end funds would benefit from employing such strategies and would be attractive to investors. It is intended that at AHAMI, the Representative will be responsible for the management of one or more funds that employ quantitative investment strategies and option strategies as permitted by National Instrument 81-102 *Investment Funds* or National Instrument 41-101 *General Prospectus Requirements*, as applicable.

10. The Filers have in place appropriate compliance and supervisory policies and procedures to monitor the conduct of the Representative and to address any conflicts of interest that may arise as a result of the Dual Registration. The Filers believe that they will be able to appropriately deal with any such conflicts. They currently have one individual, the CCO, who is dually registered as CCO with AHCM, AHAMI and one other affiliate. In addition, certain other individuals act as permitted individuals for AHCM and/or AHAMI and certain other of their affiliates. In these situations, the Filers have been able to deal with the potential of conflicts.

11. The Representative will be subject to supervision by, and subject to the applicable compliance requirements of, both Filers. Existing compliance and supervisory structures will apply depending on which regulatory entity has been engaged for advisory purposes.

12. Management of AHCM and AHAMI will ensure that the Representative will have sufficient time and resources to adequately serve both firms and their clients, and will limit the number of funds managed by each Filer that the Representative will advise as required.

13. The advising activities that will be provided to the funds managed by AHAMI by the Representative will not interfere with his responsibilities to either Filer.

14. In order to minimize any client confusion, the Filers will disclose the Dual Registration of the Representative, and the relationship between the Filers, to all applicable clients of each firm. This disclosure will be made in writing prior to the Representative providing portfolio management services to the applicable funds managed by each Filer. Specifically, in respect of any investment funds, this disclosure will typically be made in each fund's prospectus and/or annual information form.

15. The Filers do not share any clients and do not manage any of the same funds. As the Representative will be acting on behalf of specific investment funds (some managed by AHCM while others by AHAMI), each with their own objectives and strategies, client confusion will be minimized. The manager of the applicable investment funds is disclosed in each fund's prospectus and/or annual information form. In addition, the Representative will clearly understand which Filer he is acting on behalf of when he is advising each fund.

16. The Filers are affiliated entities and accordingly, the Dual Registration will not give rise to the conflicts of interest present in a similar arrangement involving unrelated, arm's length firms. The interests of the Filers are aligned, and as the Representative's role at AHCM and AHAMI would be beneficial to the business activities and interests of each of the Filers, the potential for conflicts of interests arising from the Dual Registration are remote.

17. The Filers are not in default of any requirement of securities legislation in any jurisdiction of Canada.

18. Each of the Filers are subject to the restrictions and requirements in Part 13 of NI 31-103 regarding conflict of interest matters, except as follows. Section 13.4 of NI 31-103 does not apply to either of the Filers as the investment fund manager to certain of their investment funds that are subject to the requirements of National Instrument 81-107 *Independent Review Committee for Investment Funds* (**NI 81-107**) because these funds must instead comply with the requirements in NI 81-107 relating to conflict of interest matters, inter-fund trades and transactions in securities of related issuers.

19. In the absence of the Exemption Sought, the Filers would be prohibited under paragraph 4.1(1)(b) of NI 31-103 from permitting the Representative to act as an advising representative of AHAMI while he is also registered as an advising representative of AHCM, even though the Filers are affiliates.

Decision

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

The decision of the Decision Maker under the Legislation is that the Exemption Sought is granted provided that the circumstances described above remain in place.

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

2.1.2 Bullion Management Services Inc. et al.

Headnote

National Policy 11-203 – Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief from the prescribed risk disclosure in requirements in Part I, Item 4(1) and (2)(b) of Form 81-101F3 Contents of a Fund Facts Document, subject to certain conditions.

Applicable Legislative Provisions

National Instrument 81-101 Mutual Fund Prospectus Disclosure, s. 6.1.
Form 81-101F3 Contents of a Fund Facts Document, Part I, Item 4(1), (2)(b).

September 15, 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
BULLION MANAGEMENT SERVICES INC.
(the Filer)

AND

BMG BULLIONFUND AND BMG GOLD BULLIONFUND
(the Funds)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the Funds for a decision under the securities legislation of the Jurisdiction (the **Legislation**) for an exemption from the form requirements for a fund facts document set out in Part I, Items 4(1) and (2)(b) of Form 81-101F3 – *Contents of Fund Facts Document* (the **Form**) (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 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 British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut.

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 herein.

Representations

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

1. The Filer was incorporated in Ontario on November 3, 1998 and is registered as an investment fund manager in Ontario. The Filer's head office is located in Ontario.

2. The Filer acts as manager, promoter and trustee of the Funds.

3. Each of the Funds is an open-ended mutual fund trust established under the laws of the Province of Ontario by a master trust agreement.

4. The Funds are reporting issuers under the Legislation. Units of the Funds are currently offered for sale under a simplified prospectus and annual information form dated September 5, 2014 in all the provinces and territories in Canada.

5. The BMG BullionFund invests only in unencumbered, physical gold, silver and platinum bullion.

6. The BMG Gold BullionFund invests only in unencumbered, physical gold bullion.

7. The Filer and the Funds are not in default of the Legislation.

8. The Form prescribes the disclosure required in a fund facts document for a mutual fund. Part I, Item 4(1) of the Form prescribes the disclosure describing the use of volatility as a way to gauge the investment risk level of the mutual fund under the heading "How risky is it?" in the fund facts document. Part I, Item 4(2)(b) of the Form requires the manager of a mutual fund to rate the investment risk level of the mutual fund on the risk scale in the fund facts document under the sub-heading "Risk rating" and prescribes accompanying disclosure.

9. The prescribed disclosure set out in Part I, Items 4(1) and (2)(b) of the Form is based on volatility of a mutual fund's returns.

10. Currently, the fund manager of a mutual fund must rate the investment risk level of a mutual fund based on a risk classification methodology chosen at the fund manager's discretion. There is currently no prescribed risk classification methodology under securities legislation.

11. In arriving at its rating of the investment risk level of each Fund, the Filer employs qualitative risk factors listed in paragraph 13 below.

12. The Filer holds that volatility, by itself, would not accurately reflect the risks associated with bullion-based products. For this reason, the Filer has chosen a risk classification methodology that relies on an analysis of certain qualitative factors to determine the risk classification for the Funds. The Filer holds that the use of qualitative factors is necessary because of the nature of precious metals as an investment, the relationship between precious metals and certain common investment risks, and certain special properties of precious metals.

13. The Filer gives consideration to the following types of qualitative risk factors when determining the Funds' risk classification:

    (a) *Liquidity Risk:* Liquidity risk is associated with the market on which a product trades. A financial product that can be sold quickly without price concession is considered liquid.

    (b) *Management Risk:* Most mutual funds rely on the performance of a manager to provide positive returns for the fund. The manager's skill in picking stocks or other assets, market timing, use of derivatives, hedging, leverage, security lending, and other factors play a large part in the overall performance of a fund. This adds intangible risk to most funds, as the skill of a manager can vary over time, or a manager can change.

    (c) *International Risk:* International risk can include both political risk and currency risk. Political risk includes the possibility of nationalization or confiscation of assets, capital controls, punitive tariffs, taxation or regulatory change. Many financial products, including precious metals, may be subject to these risks.

    (d) *Default Risk and Credit Rating Risk:* Default risk and credit rating risk are associated with debt obligations. When a bond or mortgage defaults, the investor will suffer losses. The investor may also suffer losses if a debt instrument's credit rating is downgraded. This results in a reduction in the market price of the bond.

    (e) *Loss of Purchasing Power Risk:* Purchasing power risk is essentially inflation risk. It impacts all asset classes. During high inflation periods, financial assets such as stocks and bonds tend to underperform, while tangible assets such as real estate, commodities and precious metals tend to outperform financial assets and inflation.

(f) *Systemic Risk:* Systemic risk can refer to the aggregation and interplay of factors such as market risk, economic risk, inflation risk, default and international risk. Systemic risk can also include terrorist attacks, war, oil supply disruptions, stock market crashes, collapse of a major financial institution or a breakdown of the banking system. Systemic risk is not diversifiable with financial assets, and will affect all asset classes.

(g) *Loss of Capital Risk:* Loss of capital risk concerns the loss of a part or all of the original value or principal amount of an investment

(h) *Underperformance Risk:* All asset classes are subject to underperformance risk, which includes the risk that a fund will underperform the market as a whole, a sector or other funds.

14. The Filer submits that the prescribed disclosure in Part I, Item 4(1) and (2)(b) of the Form is incompatible with the risk classification methodology, i.e. use of qualitative factors, that is used by the Filer to rate the investment risk level of the Funds in the fund facts documents.

15. The Filer proposes to use the following disclosure in place of the prescribed language in Part I, Item 4(1) and (2)(b) of the Form for the fund facts documents for the Funds:

Prescribed Disclosure of Part I, Item 4 (1) and (2)(b) of the Form	**The Filer's Proposed Disclosure for BMG BullionFund**	**The Filer's Proposed Disclosure for BMG Gold BullionFund**
How risky is it? The value of the fund can go down as well as up. You could lose money. One way to gauge risk is to look at how much a fund's returns change over time. This is called "volatility". In general, funds with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and they have a greater chance of higher returns. Funds with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money.	**How risky is it?** The value of the Fund can go down as well as up. You could lose money. In assessing the risk level of a fund, most fund managers use a methodology based on volatility which looks at how much a fund's returns change over time. However, for this Fund, Bullion Management Services Inc. identifies the risk level based primarily on qualitative factors (e.g., negative correlation to other asset classes, effective hedge vs inflation and value of US dollar, preservation of purchasing power and intrinsic value) and Bullion Management Services Inc.'s views on the fundamentals of gold, silver and platinum, and the role of precious metals as a wealth protection strategy. **The risk rating of this Fund may not be comparable to other mutual funds that use a methodology based on volatility of fund returns.** For a description of the risk classification methodology that Bullion Management Services Inc. uses to rate the risk level of the Fund, see the ''Fund Risk Classification'' section of the simplified prospectus.	**How risky is it?** The value of the Fund can go down as well as up. You could lose money. In assessing the risk level of a fund, most fund managers use a methodology based on volatility which looks at how much a fund's returns change over time. However, for this Fund, Bullion Management Services Inc. identifies the risk level based primarily on qualitative factors (e.g., negative correlation to other asset classes, effective hedge vs inflation and value of US dollar, preservation of purchasing power and intrinsic value) and Bullion Management Services Inc.'s views on the fundamentals of gold and the role of precious metals as a wealth protection strategy. **The risk rating of this Fund may not be comparable to other mutual funds that use a methodology based on volatility of fund returns.** For a description of the risk classification methodology that Bullion Management Services Inc. uses to rate the risk level of the Fund, see the ''Fund Risk Classification'' section of the simplified prospectus.

Prescribed Disclosure of Part I, Item 4 (1) and (2)(b) of the Form	The Filer's Proposed Disclosure for BMG BullionFund	The Filer's Proposed Disclosure for BMG Gold BullionFund
Risk rating [Insert name of manager of the mutual fund] has rated the volatility of this fund as [insert investment risk level identified in paragraph (a) in bold type]. This rating is based on how much the fund's returns have changed from year to year. It doesn't tell you how volatile the fund will be in the future. The rating can change over time. A fund with a low risk rating can still lose money.	**Risk rating** Bullion Management Services Inc. has rated the risk rating of the Fund as **medium**. This rating is based on qualitative factors and Bullion Management Services Inc.'s views on the fundamentals of gold, silver and platinum, and the role of precious metals as a wealth protection strategy. It doesn't tell you what the risk rating of the Fund will be in the future. The rating can change over time. A fund with a low risk rating can still lose money.	**Risk rating** Bullion Management Services Inc. has rated the risk rating of the Fund as **medium**. This rating is based on qualitative factors and Bullion Management Services Inc.'s views on the fundamentals of gold and the role of precious metals as a wealth protection strategy. It doesn't tell you what the risk rating of the Fund will be in the future. The rating can change over time. A fund with a low risk rating can still lose money.

16. On December 12, 2013, the Canadian Securities Administrators (**CSA**) published a standardized CSA risk classification methodology for use by mutual fund managers in the fund facts document (the **Proposed Methodology**) for comment in CSA Notice 81-324 and Request for Comment – *Proposed CSA Mutual Fund Risk Classification Methodology for Use in Funds Facts* (**CSA Notice 81-324**).

17. On January 29, 2015, the CSA published CSA Staff Notice 81-325 – *Status Report on Consultation under CSA Notice 81-324*, which indicated that the CSA will proceed with proposed rule amendments aimed at implementing the Proposed Methodology for use by mutual funds in fund facts documents.

18. Until the CSA publish final amendments to implement the Proposed Methodology, the Filer would like the Funds to provide the disclosure in their fund facts documents as set out in paragraph 15 above.

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 fund facts documents for the Funds will provide the disclosure set out in paragraph 15 above.

The decision, as it relates to a Jurisdiction, will terminate on the effective date, following any applicable transition period, for any legislation or rule dealing with the Proposed Methodology.

"Stephen Paglia"
Manager (Acting)
Investment Funds and Structured Products Branch
Ontario Securities Commission

2.1.3 Invesco Canada Ltd.

Headnote

Multilateral Instrument 11-102 – Passport System – Relief from requirement that registrant appoint its CEO as UDP to allow filer to appoint its President as UDP – President is functional equivalent of CEO – President has ultimate authority for compliance related activity throughout the firm – President is head of the filer's Executive Committee – section 11.2 of NI 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

Applicable Legislative Provisions

Multilateral Instrument 11-102 Passport System, s. 4.7.
National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 5.1, 11.2.

September 11, 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
INVESCO CANADA LTD.
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) for relief from the requirement contained in section 11.2 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) to permit the Filer to designate its president (the **President**), instead of its chief executive officer (**CEO**), as the ultimate designated person (**UDP**) of the Filer (the **Relief 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 Filer has provided notice that Subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, Québec and Saskatchewan.

Interpretation

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

Representations

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

1. The Filer is registered as an investment fund manager in each of Ontario, Québec and Newfoundland and Labrador and as a portfolio manager and an exempt market dealer in each province of Canada. The Filer is also registered as a mutual fund dealer in each of Alberta, British Columbia, Nova Scotia, Ontario, Prince Edward Island and Québec and as a commodity trading manager in Ontario.

2. The Filer is a corporation amalgamated under the laws of Ontario, with its head office located in Toronto, Ontario. The Filer is an indirect wholly-owned subsidiary of Invesco Ltd. (**Invesco**), a global investment manager.

3. The Filer is not in default of applicable securities legislation in any jurisdiction of Canada, except with respect to the matter to which the Relief Sought relates. The Filer applied for the Relief Sought on the basis that the President, rather than the CEO, is, and has been, more appropriately placed to act as UDP of the Filer. The purpose and intent of the UDP requirement in section 11.2 of NI 31-103 is to ensure that responsibility for compliance rests with the individual at the top of a firm, which, with respect to the Filer, is the President. Therefore, the Filer submits that it is, and has been, in compliance with the purpose and intent of the UDP requirement by designating the President as its UDP.

4. Invesco is a global operating company with subsidiaries in different geographic regions as required for regulatory purposes. Notwithstanding the multi-corporate subsidiary structure, Invesco operates as one global entity through Senior Managing Directors (**SMDs**), each of whom reports to Invesco's chief executive officer. SMDs are responsible for the overall business in their geographic areas.

5. The CEO is the SMD for the Americas and has the title of Head of Americas of Invesco. As a result, the CEO is responsible for oversight of Invesco's United States retail and institutional businesses and Invesco Fixed Income, the business division at Invesco responsible for fixed income investing. Given the size of Invesco's United States retail and institutional businesses, the majority of the CEO's time is devoted to United States matters. The CEO also has responsibilities throughout the Americas.

6. As is required under Invesco's internal corporate governance structure, the CEO's position as Head of Americas requires him to be the chief executive officer of the Filer. This enables the CEO to address issues at a regional, rather than national, level and apply learning from Invesco's United States (and other Americas) business to its Canadian operations.

7. The President is a director of the Filer, its Chief Operating Officer and a member of, and the head of, the Filer's Executive Committee. The President is responsible for overseeing the activities at the Filer that require registration under Canadian securities legislation.

8. The President devotes his time exclusively and solely to the Filer's business and is responsible for the day-to-day operations of the Filer. The CEO has little involvement in the Filer's day-to-day operations, leaving such operations to the oversight of the President.

9. Despite their different titles, the President and the CEO perform duties and have responsibilities in relation to the Filer that makes them functional equivalents.

10. The President is responsible for key decisions at the Filer. Even though he does not hold the title of chief executive officer, the President:

    (a) is accountable for the performance of the Filer and provides reports to Invesco's Board of Directors regarding the Filer's performance at least annually;

    (b) provides clear leadership and promotes a culture of compliance, collaboration and responsibility at the top of the Filer;

    (c) has ultimate authority over compliance related matters for the Filer. The President supervises the Filer's business activities, and monitors and resolves all compliance related issues to ensure compliance with securities legislation;

    (d) has senior management of the Filer, including members of the Filer's Executive Committee, report directly and/or indirectly to him;

    (e) is responsible for, along with other members of the Filer's Executive Committee, creating and developing the strategic plan for the Filer. The CEO is consulted with respect to the Filer's strategic plan once it has been created and developed by the President and the members of the Filer's Executive Committee;

    (f) is accountable for reporting to the Filer's Board of Directors; and

    (g) is responsible for the overall organizational structure and succession planning at the Filer. The President leads and is solely responsible for ensuring appropriate staffing and succession planning at the Filer,

    (collectively, the **President Responsibilities**).

11. The President is a member of, and the head of, the Filer's Executive Committee. The Filer's Executive Committee meets regularly to discuss the Filer's business, strategy and financial operations and is responsible for establishing and executing the strategy for the Filer. All Canadian strategic decisions are subject to review and approval by the Filer's Executive Committee. The CEO is not a member of the Filer's Executive Committee.

12. The President meets regularly with the Chief Compliance Officer (**CCO**) of the Filer to receive reports on compliance matters and discuss compliance issues. In addition, the President receives regular updates from other senior management of the Filer regarding compliance matters relating to the Filer. The President also serves on the Filer's Investment Compliance Committee and the Code of Ethics Committee and receives reports from other committees. Compliance staff of the Filer report to the CCO of the Filer, who reports directly to the President regarding compliance related matters. The President will also consult with the Head of Legal – Canada of the Filer on such matters.

13. The CEO of the Filer does not have any involvement in compliance related matters of the Filer, other than receiving the annual report of the CCO pursuant to NI 31-103 in his capacity as a member of the Board of Directors of the Filer. The Filer's CEO does not have authority over the firm as a whole or all of the individuals acting on its behalf in relation to matters of compliance. If there were a disagreement between the President and the CEO about a compliance related matter, the President has the authority to make the final decision.

14. Under section 11.2 of NI 31-103, a registered firm is required to designate an individual to be the UDP of the firm and the individual must be the chief executive officer of the registered firm or, if the firm does not have a chief executive officer, an individual acting in a capacity similar to a chief executive officer.

15. Under section 5.1 of NI 31-103, the UDP is responsible for (i) supervising the activities of the firm that are directed towards ensuring compliance with securities legislation by the firm and each individual acting on the firm's behalf; and (ii) promoting compliance by the firm, and individuals acting on its behalf, with securities legislation (the **UDP Responsibilities**).

16. The UDP of the Filer is the President of the Filer, who has been designated as UDP since the coming into force of NI 31-103. Prior to the coming into force of NI 31-103, the President undertook to act as the Ultimately Responsible Person of the Filer under OSC Rule 31-505 *Conditions of Registration*.

17. The President is responsible for the President Responsibilities, which are substantively the responsibilities of a chief executive officer and as a member of, and the head of, the Filer's Executive Committee is involved in and responsible for all key business, strategic and financial decisions of the Filer.

18. The President has ultimate authority for the Filer's compliance related activities. The President supervises the activities of the Filer's business to ensure compliance with securities legislation and promotes compliance by the Filer and its employees with securities legislation.

19. The unique global structure of Invesco means that neither the President nor the CEO has sole authority over the Filer as a whole.

20. For these reasons, the President of the Filer is more appropriately placed to fulfill the UDP Responsibilities than the CEO.

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 Relief Sought is granted provided that:

(a) The President continues to be substantively responsible for the President Responsibilities or responsibilities in the future that are substantively similar;

(b) The President continues to have ultimate authority for all compliance related matters for the Filer and all of its employees; and

(c) The UDP provides reports to the Filer's Board of Directors as necessary or advisable in view of his or her responsibilities, including notice of any concerns the UDP has raised with the senior management team that could not be effectively resolved.

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

2.1.4 IG AGF Canadian Growth Fund et al.

Headnote

NP 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – approval of mutual fund mergers – approval required because mergers do not meet the criteria for pre-approval – differences in investment objectives – securityholders of terminating funds provided with timely and adequate disclosure regarding the mergers.

Applicable Legislative Provisions

NI 81-102 Mutual Funds, ss. 5.5(1)(b), 5.6(1)(a), 5.7(1)(b).

August 27, 2015

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

AND

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

AND

IN THE MATTER OF
THE MERGERS OF
IG AGF CANADIAN GROWTH FUND, IG AGF CANADIAN GROWTH CLASS
(the "Merging Funds")

INTO

IG MACKENZIE CANADIAN EQUITY GROWTH FUND, IG MACKENZIE CANADIAN EQUITY GROWTH CLASS
(the "Continuing Funds", and collectively with the Merging Funds, referred to as the "Funds")

AND

IN THE MATTER OF
I.G. INVESTMENT MANAGEMENT, LTD.
(referred to as "Investors Group" and collectively with the Funds referred to as the "Filers")

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **"Decision Maker**") has received an application from the Filers for a decision under the securities legislation (the "**Legislation**") of the Jurisdictions for approval under paragraph 5.5(1)(b) of National Instrument 81-102 *Investment Funds* ("**NI 81-102**") of the mergers (the "**Mergers**") of the Merging Funds into the applicable Continuing Funds (the "**Exemption**").

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

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

(b) the Filers have provided notice that section 4.7(1) of Multi-Lateral Instrument 11-102 *Passport System* ("**MI 11-102**") is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Nunavut and the North West Territories; and

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

Interpretation

Defined terms contained in National Instrument 14-101 – *Definitions* and MI 11-102 have the same meaning if used in this decision, unless they are otherwise defined. The following terms have the following meanings:

- IG AGF Canadian Growth Fund and IG Mackenzie Canadian Equity Growth Fund are herein collectively referred to as the "**Unit Trust Funds**";
- IG AGF Canadian Growth Class and IG Mackenzie Canadian Equity Growth Class are herein collectively referred to as the "**Corporate Class Funds**".

Representations

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

The Filers

1. The head office of Investors Group is in Winnipeg, Manitoba and, accordingly, Manitoba is the principal regulator. Investors Group is not in default of any of the requirements of securities legislation of any of the provinces and territories in Canada.

2. Investors Group is a corporation continued under the laws of Ontario. It is the trustee and manager of the Unit Trust Funds and is the manager of the Corporate Class Funds.

3. Investors Group is registered as a portfolio manager in Manitoba, Ontario, and Quebec and as an investment fund manager in Manitoba. It is also registered as an advisor under *The Commodity Futures Act* in Manitoba.

4. Investors Group Corporate Class Inc. (the "**Corporation**") is the issuer of the Corporate Class Funds.

The Funds

5. All of the Funds are open-end mutual funds established or continued under a Master Declaration of Trust under the laws of Manitoba (in the case of the Unit Trust Funds) or governed by the *Canada Business Corporations Act* (the "**CBCA**") (in the case of the Corporate Class Funds).

6. The Funds are reporting issuers under the Legislation in each Jurisdiction and are not on the list of defaulting reporting issuers maintained under the Legislation in each Jurisdiction, and are not in default of any of the requirements of the Legislation of any of the provinces and territories of Canada.

7. The securities of the Funds offered to retail purchasers are qualified for distribution in each province and territory of Canada pursuant to separate simplified prospectuses and annual information forms, being:

   — a simplified prospectus and annual information form ("**AIF**") dated June 30, 2015 for IG AGF Canadian Growth Fund and IG Mackenzie Canadian Equity Growth Fund; and

   — a simplified prospectus and AIF dated June 30, 2015 for IG AGF Canadian Equity Growth Class and IG Mackenzie Canadian Equity Growth Class;

   (collectively referred to as the "**Prospectuses**").

8. Other than circumstances in which the securities regulatory authority has expressly exempted the Funds, the Funds follow the standard investment restrictions and practices established under the Legislation of each of the provinces and territories of Canada where the Funds are publicly offered.

9. Each Unit Trust Fund issues six series of units to retail purchasers. Each Corporate Class Fund issues five series of shares to retail purchasers. A Fund Facts document as prescribed by Form 81-101F3 (the "Fund Facts") has been filed for all of the retail series of units and shares issued by the Unit Trust Funds and the Corporate Class Funds, respectively, together with their Prospectuses.

10. The net asset values of each series of the Funds are calculated on a daily basis on each day that Investors Group is open for business.

The Mergers

11. Investors Group proposes that each Merging Fund be merged into a corresponding Continuing Fund (each a "**Merger**" and collectively the "**Mergers**") as follows:

Merging Fund		Continuing Fund
IG AGF Canadian Growth Fund	*to merge into*	IG Mackenzie Canadian Equity Growth Fund
IG AGF Canadian Growth Class	*to merge into*	IG Mackenzie Canadian Equity Growth Class

12. Approval of the Mergers is required because the Mergers do not satisfy all of the criteria for pre-approved reorganizations and transfers set out in section 5.6 of NI 81-102. More specifically, contrary to section 5.6(1)(a)(ii), a reasonable person might consider that the fundamental investment objectives of the Continuing Funds and the Merging Funds are not substantially similar. Otherwise, the Mergers will comply with all of the other criteria for pre-approved reorganizations and transfers set out in section 5.6 of NI 81-102.

13. Subject to obtaining all necessary approvals, the Merging Funds will merge into the Continuing Funds on or about the close of business on September 11, 2015 (the "**Effective Date**"), and the Continuing Funds will continue as publicly offered open-end mutual funds, whereas the Merging Funds will be wound up as soon as reasonably possible.

14. The Mergers will proceed on a tax-deferred basis so securityholders of the Merging Funds will not realize any capital gain or loss as a result of the Mergers. The tax implications of the Mergers, as well as the material differences between each Merging Fund (or its Series) and the corresponding Continuing Fund, will be described in a management information circular (see *Securityholder Disclosure*) so securityholders of the Merging Funds will be fully informed when considering whether to approve the Merger of their Fund at the meeting of securityholders of their Fund.

15. Securityholders of the Merging Funds will continue to have the right to redeem securities of the Merging Funds for cash at any time up to the close of business on the Effective Date.

16. The fee structure and fees of each of the Continuing Funds are the same as the fee structure and fees of its corresponding Merging Fund. There will be no change in fees payable by securityholders of the Merging Fund due to the Mergers.

17. Investors Group will pay for all costs associated with the Mergers, including legal, proxy solicitation, printing, and mailing expenses, as well as any brokerage transaction fees associated with any Merger related trades and regulatory fees.

18. Investors Group has determined that the Mergers will not be a material change to the Continuing Funds because they will not entail a change in the business, operations or affairs of the Continuing Funds that would be considered important by a reasonable investor in determining whether to purchase or continue to hold securities of the Continuing Funds. However, as required by corporate law, to facilitate the Merger of IG AGF Canadian Growth Class into IG Mackenzie Canadian Equity Growth Class, a meeting of securityholders of IG Mackenzie Canadian Equity Growth Class will be convened.

Merger Steps

19. Investors Group will carry out the following steps to complete the Merger of IG AGF Canadian Growth Fund into IG Mackenzie Canadian Equity Growth Fund:

    Step 1: Prior to the Merger, the Merging Fund and the Continuing Fund will determine the amount of income and net capital gains each has realized during the taxation year up to the Effective Date. These Funds will then distribute sufficient income and net capital gains to their securityholders to ensure that the Funds will not pay any taxes.

    Step 2: The Merging Fund will transfer all of its net assets (being its investment portfolio, other assets including cash, and liabilities) to the Continuing Fund in exchange for Units of the Continuing Fund. The value of the units of the Continuing Fund received by the Merging Fund will equal the value of the net assets of the units of the equivalent series of the Merging Fund that were transferred to the Continuing Fund, as determined on the Effective Date.

Step 3: Following Step 2, the Merging Fund will immediately thereafter redeem its own units at their net asset value per unit. Securityholders of the Merging Fund will receive units of the equivalent Series of the Continuing Fund in an amount equal to the net asset value of their units in the Merging Fund, as determined on the Effective Date. After this step, securityholders of the Merging Fund will become securityholders of the Continuing Fund.

Step 4: Within 60 days after the Merger, the Merging Fund will be wound-up.

20. Investors Group will carry out the following steps to complete the Merger of IG AGF Canadian Growth Class into IG Mackenzie Canadian Equity Growth Class:

Step 1: The articles of Investors Group Corporate Class Inc. with respect to the Continuing Fund will be amended to authorize the exchange of all outstanding shares of each Series of the Merging Fund for shares of the same Series of the Continuing Fund.

Step 2: On the Effective Date, the net assets attributable to the Merging Fund (being its investment portfolio, other assets including cash, and liabilities) will be included in the portfolio of assets attributable to the Continuing Fund.

Step 3: Each shareholder of the Merging Fund will surrender their shares of the Merging Fund in exchange for an equivalent value of shares of the Continuing Fund as determined on the Effective Date. After this step is complete, shareholders of the Merging Fund will become shareholders of the Continuing Fund.

Step 4: Immediately after the Merger, the shares of the Merging Fund will be cancelled by Investors Corporate Class Inc., which will effectively terminate the Merging Fund.

Securityholder Disclosure

21. Securityholder meetings for the Merging Funds and IG Mackenzie Canadian Equity Growth Class are being convened on or about August 31, 2015, to approve the Mergers (and, in the case of IG Mackenzie Canadian Equity Growth Class, to amend the Articles of incorporation to facilitate the Merger). This will give the securityholders the opportunity to approve the Mergers.

22. In order for the securityholders to make an informed decision, a notice of meeting, a management information circular (the "**Management Information Circular**") and a proxy in connection with the meetings of securityholders of the Merging Funds (collectively, the "**Meeting Materials**"), were mailed to the securityholders of the Merging Funds beginning on July 28, 2015, and were filed via the system for electronic document analysis and retrieval ("**SEDAR**").

23. The Management Information Circular fully describes the Mergers and prominently discloses that the most recent Prospectuses, audited annual and un-audited interim financial statements of the Continuing Funds can be obtained by accessing the same at the Investors Group website or the SEDAR website, or requesting the same from Investors Group by toll-free number, or by contacting their servicing advisor at Investors Group or an affiliate of Investors Group ("**Investors Group Consultant**").

24. Investors Group included with the Meeting Materials the most recent Fund Facts of the appropriate series of the Continuing Funds to securityholders of the Merging Funds as permitted under paragraph 5.6(1)(f)(ii) of NI 81-102.

25. A news release has been issued announcing the proposed Mergers and amendments to the pro-forma Prospectuses and Fund Facts of each retail series of each Merging Fund (and for IG Mackenzie Canadian Equity Class), and a material change report has been filed on SEDAR with respect to the Mergers as required by the Legislation of the Jurisdictions.

IRC Review

26. Investors Group has referred the Mergers to the Investors Group Funds Independent Review Committee (the "**IRC**") for its review. The IRC has been established as required by National Instrument 81-107 – *Independent Review Committee for Investment Funds* and consists of individuals who are not in any way related to the Investors Group or its affiliates. On June 15, 2015, the IRC concluded that the Mergers achieve a fair and reasonable result for the Funds.

Reasons for the Mergers

27. The Mergers are being proposed because it is anticipated that the larger asset size of the Continuing Funds may provide the potential for efficiencies in the management of the investment portfolios of the securityholders, which may

include lower portfolio transaction costs and that the more comprehensive investment mandates of the Continuing Funds may result in enhanced diversification and greater portfolio management opportunities.

Decision

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

The Decision of the Decision Makers under the Legislation is that the Exemption sought is granted, provided the securityholders of IG AGF Canadian Growth Fund, IG AGF Canadian Growth Class and IG Mackenzie Canadian Equity Growth Class approve the Merger.

"Christopher Besko"
Director, General Counsel
The Manitoba Securities Commission

2.1.5 Canadian Advantaged Convertibles Fund et al.

Headnote

National Policy 11-203 Process for Exemptive Relief applications in Multiple Jurisdictions – non-redeemable investment funds granted temporary relief from certain restrictions in National Instrument 81-102 Investment Funds regarding securities lending transactions, including (i) the 50% limit on lending; (ii) the requirement to use the fund's custodian or sub-custodian as lending agent; and (iii) the requirement to hold the collateral during the course of the transaction – investment funds invest their assets in a basket of Canadian equity securities that are pledged to a Counterparty for performance of the funds' obligations under forward contracts giving the funds exposure to underlying interests – investments funds wish to lend 100% of the basket of Canadian equity securities – not practical for custodian to act as securities lending agent as it does not have control over the Canadian equity securities – counterparties must release its security interest in the Canadian equity securities in order to allow the funds to lend such securities, provided the funds grant the Counterparties a securities interest in the collateral held by the fund for the loaned securities – National Instrument 81-102 Investment Funds.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 2.12(1)1, 2.12(1)2, 2.12(1)6, 2.12(1)12, 2.12(3), 2.15, 2.16, 6.8(5), 19.1.

September 3, 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
CANADIAN ADVANTAGED CONVERTIBLES FUND AND
NORTH AMERICAN ADVANTAGED CONVERTIBLES FUND

AND

IN THE MATTER OF
FIRST ASSET INVESTMENT MANAGEMENT INC.
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction (the "**Legislation**") for exemptive relief for Canadian Advantaged Convertibles Fund ("**CACF**") and North American Advantaged Convertibles Fund ("**NAACF**" and, together with CACF, the "**Funds**"), which are closed-end investment funds managed by the Filer in respect of which the representations set out below are applicable (collectively, the "**Funds**", and each a "**Fund**"), from the following provisions of National Instrument 81-102 *Investment Funds* ("**NI 81-102**"):

1. paragraph 2.12(1)1 to permit each Fund to maintain its current securities lending arrangement that will not otherwise fully comply with all the requirements of section 2.15 and 2.16 of NI 81-102;

2. paragraph 2.12(1)2 to permit each Fund to maintain its current securities lending arrangement that will not fully comply with all the requirements of section 2.12 of NI 81-102;

3. paragraph 2.12(1)6 to permit NAACF, during the term of its current securities lending arrangement, to accept, as all or part of the collateral deliverable by the securities borrowers, equity securities listed on the Toronto Stock Exchange which are included in the S&P/TSX 60 Index, subject to discounting the value of such equity securities by 7% for collateral valuation purposes;

4. paragraph 2.12(1)12 to permit each Fund to maintain its current securities lending arrangement in which the aggregate market value of securities loaned by the Fund exceeds 50% of the net asset value of the Fund;

5. subsection 2.12(3) to permit each Fund, during the term of its current securities lending arrangement, to deliver collateral received in connection with its current securities lending arrangement to its Forward Counterparty as collateral for the Fund's obligations under its Forward Contracts (as such terms are defined below);

6. section 2.15 to permit each Fund to continue lending securities through an agent (an "**Agent**") that is not the custodian or sub-custodian of the Fund;

7. section 2.16 to the extent this section contemplates that securities lending transactions be entered into through an agent appointed under section 2.15 of NI 81-102; and

8. subsection 6.8(5) in connection with its current securities lending arrangement to deliver collateral received in connection with its current securities lending arrangement to its Forward Counterparty as collateral for the Fund's obligations under its Forward Contracts (as such terms are defined below),

such relief to apply for each Fund until the earlier of (a) the currently scheduled termination date of the Forward Contract (as defined below) for the Fund and (b) the actual termination date of the Forward Contract for the Fund (for each Fund, the "**Termination Date**").

Paragraphs 1 through 8 are collectively referred to as 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 Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* ("**MI 11-102**") is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut (the "**Jurisdictions**").

Interpretation

Terms defined in NI 81-102, 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.

1. The Filer is a corporation incorporated under the laws of Ontario.

2. The registered office of the Filer is located at 95 Wellington Street West, Suite 1400, Toronto, Ontario.

3. The Filer is registered as an adviser for securities in the category of portfolio manager, as an adviser for commodities in the category of commodity trading manager, as a dealer in the category of exempt market dealer and an investment fund manager, under the *Securities Act* (Ontario).

4. The investment fund manager of each Fund is the Filer.

5. The Filer and each of the Funds is not in default of securities legislation in any of the Jurisdictions.

6. Each Fund (a) is a non-redeemable investment fund established under the laws of Ontario; (b) is a reporting issuer under the securities laws of each of the provinces and territories of Canada; (c) has issued securities qualified for distribution in all provinces and territories of Canada pursuant to a prospectus prepared and filed in accordance with the securities legislation of Ontario; (d) is a non-redeemable investment fund to which NI 81-102 applies and in particular from September 21, 2015, sections 2.12, 2.15 and 2.16 of NI 81-102 will apply to each of the Funds due to the expiry of the transition period, which currently provides that certain non-redeemable investment funds are not subject to these provisions.

7. Each Fund obtains economic exposure to the returns of a managed portfolio of securities held by an investment fund also managed by the Filer (the "**Bottom Fund**") through the use of a forward contract. In particular, to achieve the Fund's investment objectives: (a) each Fund has invested its assets in Canadian equity securities (an "**Equity Portfolio**") which is generally a static portfolio that is not actively managed and its composition varies only in limited circumstances, and (b) each Fund has also entered into one or more forward contracts (each a "**Forward Contract**") with a Canadian Schedule I bank with a designated rating (as defined in NI 81-102) (each a "**Counterparty**") to effectively replace the economic return on its Equity Portfolio with the economic return on an investment in the related Bottom Fund.

8. Each Fund has pledged and delivered its Equity Portfolio to its Counterparty or an affiliate thereof as collateral security for performance of the Fund's obligations under its Forward Contract with that Counterparty. The Equity Portfolio is held by the Counterparty or its affiliate pursuant to that applicable Forward Contract prior to the commencement of securities lending.

9. Each Fund's current securities lending arrangements involve securities loans of up to 100% of the securities owned by the Fund in order to earn additional returns for that Fund and offset costs of the Forward Contract, and each Fund proposes to continue lending up to 100% of the securities owned by that Fund after September 21, 2015. The Filer proposes to continue to permit up to 100% of the Equity Portfolio for each Fund to be lent to one or more borrowers through the existing Agent for each Fund, which Agent in each case is not the Fund's custodian or sub-custodian.

10. Under the current securities lending arrangements of each Fund, each Agent is considered acceptable to the Fund and Counterparty and is either the Canadian financial institution that is the Counterparty or an affiliate of such Canadian financial institution. It is not commercially practical for a Fund's custodian to act as Agent with respect to the Funds' securities lending transactions since the custodian will not have control over the Fund's Equity Portfolio that has been delivered by way of a pledge to the Counterparty.

11. The Filer has ensured that the Agents through which the Funds lend securities maintain appropriate internal controls, procedures, and records for securities lending transactions as prescribed in subsection 2.16(2) of NI 81-102.

12. A Counterparty must release its security interest in the securities in the Equity Portfolio of a Fund in order to allow the Fund to lend such securities, but will generally only do so provided that the Fund grants the Counterparty a security interest in, and delivers into its control, the collateral received by the Fund for the loaned securities.

13. Securities in the Equity Portfolio have been loaned only to borrowers that have been considered acceptable to the Fund and the Counterparty as contemplated by subsection 2.16(2) of NI 81-102.

14. To facilitate the Counterparty's perfection by control of its security interest in the collateral received by the Fund for the loaned securities, the Filer has ensured that the received collateral for each loan is delivered to the Counterparty which is a Canadian chartered bank or to an affiliate of the Counterparty which is a registered dealer and a member of the Investment Industry Regulatory Organization of Canada ("**IIROC**").

15. The collateral received by each Fund in respect of a securities lending transaction, and in which the Counterparty has a security interest, is in the form of cash, qualified securities and/or other collateral permitted by NI 81-102 except that pursuant to NAACF's securities loans permitted collateral includes equities listed on the Toronto Stock Exchange which are included in the S&P/TSX 60 Index which equity securities collateral is and will be valued at 93% of its market value for collateral posting purposes.

16. The collateral received by each Fund in respect of a securities lending transaction, and in which the Counterparty has a security interest, is not re-invested in any other types of investment products (but to the extent cash collateral is received it will be deposited with the Counterparty or the relevant affiliate thereof).

17. The prospectus and current annual information form of each Fund has disclosed that the Fund may enter into securities lending transactions.

18. Other than as set forth herein, any securities lending transactions on behalf of a Fund is currently being conducted in accordance with the provisions of NI 81-102.

19. For each Fund, it would not be practicable or economical to transition the securities lending arrangements given the costs and time required to negotiate and implement new securities lending arrangements and the limited remaining term of the respective Forward Contracts.

20. The Forward Contract of NAACF is set to terminate on May 20, 2016 and will not be renewed. The Forward Contact of CACF is set to terminate on December 21, 2015 and will not be renewed. Upon or prior to termination of the applicable

Forward Contract, the foregoing securities lending transactions will be terminated and each Fund will no longer rely on the Exemption Sought in respect of any securities lending transactions entered into by the Funds.

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:

(a) with respect to the exemption from paragraph 2.12(1)12 of NI 81-102, each Fund has entered into a Forward Contract with an applicable Counterparty and has granted that Counterparty a security interest in the securities subject to that Forward Contract and, in connection with a securities lending transaction relative to those securities,

(1) receives the collateral that

(A) is prescribed by paragraphs 2.12(1)3 to 6 of NI 81-102, other than collateral described in subsection 2.12(1)6(d) or in paragraph (b) of the definition of “qualified security”, except that NAACF may also accept as collateral equities listed on the Toronto Stock Exchange which are included in the S&P/TSX 60 Index; and

(B) is marked to market on each business day in accordance with paragraph 2.12(1)7 of NI 81-102;

(2) has the rights set forth in paragraphs 2.12(1)8, 2.12(1)9 and 2.12(1)11 of NI 81-102;

(3) complies with paragraph 2.12(1)10 of NI 81-102; and

(4) lends its securities only to borrowers that are acceptable to the Fund and the Counterparty;

(b) with respect to the exemption from subsection 2.12(3) of NI 81-102, each Fund has provided a security interest to the applicable Counterparty in the collateral delivered to it as collateral pursuant to a securities lending transaction as described in representation 12;

(c) with respect to the exemption from section 2.15 of NI 81-102:

(1) each Fund has entered into a written agreement with an Agent that complies with each of the requirements set forth in subsection 2.15(4) of NI 81-102, except as set out herein; and

(2) the Agent administering the securities lending transaction of each Fund:

(A) is in compliance with the standard of care prescribed in subsection 2.15(5) of NI 81-102; and

(B) shall be acceptable to the Fund and Counterparty and shall be a financial institution that is permitted to act as custodian of the Fund pursuant to section 6.2 of NI 81-102;

(d) with respect to the exemption from section 2.16 of NI 81-102, the Filer and the Funds comply with the requirements of section 2.16 of NI 81-102 as if the Agent appointed by the Filer were the agent contemplated in that section; and

(e) with respect to the exemption from subsection 6.8(5) of NI 81-102, each Fund:

(1) provides a security interest to the applicable Counterparty in the collateral delivered to it as collateral pursuant to a securities lending transaction as described in representation 12; and

(2) the collateral delivered to the Fund pursuant to the securities lending transaction is held by the Counterparty or an affiliate of the Counterparty, which will be a registered dealer and a member of IIROC, as described in representation 14.

This decision expires, in respect of each Fund, on the Fund’s Termination Date. In any event, this decision expires no later than (i) December 21, 2015 in respect of CACF, and (ii) May 20, 2016 in respect of NAACF.

"Raymond Chan"
Manager, Investment Funds and Structured Products
Ontario Securities Commission

2.1.6 DHX Media Ltd.

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Application for relief from take-over bid and early warning requirements so that the applicable thresholds be triggered on a combined basis rather than on a per class basis – Relief to address foreign investment concerns – Dual class structure implemented solely for compliance with foreign ownership requirements in the broadcasting industry – Both classes of securities are freely tradable, have identical economic attributes and are automatically and mandatorily inter-convertible based on the holder's Canadian or non-Canadian status.

September 14, 2015

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
NOVA SCOTIA AND ONTARIO
(the Jurisdictions)**

AND

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

AND

**IN THE MATTER OF
DHX MEDIA LTD.
(the Filer)**

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**) that:

(a) an offeror that makes an offer to acquire outstanding variable voting shares of the Filer (**Variable Voting Shares**) or outstanding common voting shares of the Filer (**Common Voting Shares**, and collectively with the Variable Voting Shares, the **Shares**), which would constitute a take-over bid under the Legislation as a result of the securities subject to the offer to acquire, together with the offeror's securities of that class, constituting in the aggregate 20% or more of the outstanding Variable Voting Shares or Common Voting Shares, as the case may be, at the date of the offer to acquire, be exempted from the take-over bid requirements contained in Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids* (**MI 62-104)** and Part XX of the *Securities Act* (Ontario) (collectively, the **TOB Rules**) (the **TOB Relief**);

(b) an acquiror who acquires beneficial ownership of, or control or direction over, Variable Voting Shares or Common Voting Shares, or securities convertible into such shares, that, together with the acquiror's securities of that class, would constitute 10% or more of the outstanding Variable Voting Shares or Common Voting Shares, as the case may be (or 5% in the case of acquisitions during a take-over bid), be exempted from the early warning requirements contained in the Legislation (the **Early Warning Relief**); and

(c) an eligible institutional investor subject to the early-warning requirements of the Legislation be entitled to rely on alternative eligibility criteria from those set forth in section 4.5 of National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* (**NI 62-103**) in order to benefit from the exemption contained in section 4.1 of NI 62-103 (the **Alternative Monthly Reporting Criteria** and, collectively with the TOB Relief and the Early Warning Relief, the **Requested Relief**).

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

(a) the Nova Scotia Securities Commission is the principal regulator for this Application;

(b) the Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11102 *Passport System* (**MI 11-102**) is intended to be relied upon by the Filer in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Prince Edward Island and Newfoundland and Labrador; and

(c) this 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 National Instrument 14-101 *Definitions*, NI 62-103, MI 62-104 or MI 11-102, including, without limitation, "offeror", "offeror's securities", "offer to acquire", "acquiror", "acquiror's securities", "early warning requirements", "eligible institutional investor" and "securityholding percentage", have the same meaning if used in this decision, unless otherwise defined herein. For the purpose of this decision, the following terms have the meaning ascribed to them hereinafter:

"Direction" means the Direction to the CRTC (Ineligibility of Non-Canadians), SOR-97-192, made pursuant to the *Broadcasting Act* (Canada); and

"TSX" means the Toronto Stock Exchange.

Representations

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

1. The Filer is a corporation governed by the *Canada Business Corporations Act*.

2. The Filer's head office is located in Halifax, Nova Scotia.

3. The Filer is a reporting issuer in all of the provinces of Canada and is not in default of any requirement of the securities legislation in any of these jurisdictions.

4. The Filer is a leading global children's entertainment company, headquartered in Canada and operating worldwide. The Filer owns one of the largest independent libraries of children's video content and is home to some of the most viewed children's television stations in Canada. The television stations are operated by the Filer's wholly-owned subsidiary, DHX Television Ltd., which holds the associated broadcasting licences under the *Broadcasting Act*. As such, the Filer is subject to the Direction, which requires that, as the parent company of an entity that holds several broadcasting licences under the *Broadcasting Act*, the Filer must be "Canadian" as defined in the Direction (**Canadians**), which, among other things, requires that Canadians as defined in the Direction beneficially own and control, directly or indirectly, in the aggregate and otherwise than by way of security only, not less than 66 2/3 per cent of all of the issued and outstanding voting shares of the parent corporation and not less than 66 2/3 per cent of the votes.

5. The authorized share capital of the Filer is comprised of: an unlimited number of Variable Voting Shares; an unlimited number of Common Voting Shares; an unlimited number of non-voting shares; and an unlimited number of Preferred Variable Voting Shares. As of May 31, 2015, there were 42,228,128 Variable Voting Shares, 81,199,516 Common Voting Shares and 100,000,000 Preferred Variable Voting Shares outstanding and no non-voting shares outstanding. In addition, as of May 31, 2015, the Filer had 6,978,750 options issued and outstanding, each entitling its holder to purchase one Variable Voting Share or one Common Voting Share, as applicable, based on the holder's status as a Canadian or a non-Canadian.

6. Except as otherwise provided under the *Canada Business Corporations Act* or other applicable law, the Preferred Variable Voting Shares vote on all matters with the Common Voting Shares and the Variable Voting Shares. The votes attached to the Preferred Variable Voting Shares as a class are, in aggregate, not less than 1% of the votes attached to all shares in the capital of the Filer, and the votes attached to the Preferred Variable Voting Shares as a class are automatically adjusted so that they, together with the votes attached to the outstanding Common Voting Shares and Variable Voting Shares that are owned by "Canadians" within the meaning of the Investment Canada Act (as determined based on inquiries the Filer has made of the holders of Common Shares and depositary interests), equal 55% of the votes attached to all shares in the capital of the Filer. The Preferred Variable Voting Shares were created 8 years prior to the creation of the Common Voting Shares and the Variable Voting Shares, and, while the definition of "Canadian" under the *Investment Canada Act* may differ from that under the Direction in some circumstances, it is not anticipated that the Preferred Variable Voting Shares as a class will represent more than 1% of the votes attached to all shares in the capital of the Filer under the Filer's current capital structure. The Preferred Variable Voting Shares are not listed on any stock exchange, and under the terms of the Preferred Variable Voting Shares, transfers of the shares will be restricted to resident "Canadians" within the meaning of the *Canada Business Corporations Act*. The board of directors of the Filer will not approve or compel a transfer to a person that is not a current officer of the Filer and a

resident "Canadian" within the meaning of the *Canada Business Corporations Act*, and it is the current intention of the Filer's board of directors that all of the Preferred Variable Voting Shares be held by the individual that holds the position of Chief Executive Officer of the Filer from time to time and that such person also qualify as Canadian within the meaning of the Direction. The Preferred Variable Voting Shares are not otherwise relevant to the Requested Relief.

7. The Common Voting Shares may only be held, beneficially owned and controlled, directly or indirectly, by Canadians (as defined in the Direction). An outstanding Common Voting Share is converted into one Variable Voting Share, automatically and without any further act of the Filer or the holder, if such Common Voting Share becomes held, beneficially owned or controlled, directly or indirectly, otherwise than by way of security only, by a person who is not a Canadian.

8. The Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians. An outstanding Variable Voting Share is converted into one Common Voting Share, automatically and without any further act of the Filer or the holder, if such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian.

9. Each Common Voting Share confers the right to one vote. Each Variable Voting Share also confers the right to one vote unless: (i) the number of Variable Voting Shares outstanding, as a percentage of the total number of voting shares outstanding of the Filer, exceeds 33 1/3% (or any higher percentage that the Governor in Council may specify by regulation), or (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting exceeds 33 1/3% (or any higher percentage that the Governor in Council may specify by regulation) of the total number of votes that may be cast at such meeting. If either of the above noted thresholds is surpassed at any time, the vote attached to each Variable Voting Share decreases proportionately such that: (i) the Variable Voting Shares as a class do not carry more than 33 1/3% (or any higher percentage that the Governor in Council may specify by regulation) of the aggregate votes attached to all outstanding voting shares of the Filer and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting does not exceed 33 1/3% (or any higher percentage that the Governor in Council may specify by regulation) of the votes that may be cast at such meeting.

10. Aside from the differences in voting rights stated above, the Variable Voting Shares and Common Voting Shares are similar in all other respects, including the right to receive dividends if any, and the right to receive the property and assets of the Filer in the event of dissolution, liquidation, or winding up of the Filer.

11. The articles of the Filer contain coattail provisions pursuant to which Variable Voting Shares may be converted into Common Voting Shares in the event an offer is made to purchase Common Voting Shares and the offer is one which is required to be made to all or substantially all the holders of Common Voting Shares. Similar coattail provisions are contained in the terms of the Common Voting Shares and provide for the conversion of Common Voting Shares into Variable Voting Shares in the event an offer is made to purchase Variable Voting Shares and the offer is one which is required to be made to all or substantially all the holders of Variable Voting Shares (the **Coattail Provisions**). Since these Coattail Provisions, in their existing form, do not specify the threshold at which the offer is required to be made to all the holders of a class of Shares, they do not need to be amended as a result of the decision to grant the Requested Relief.

12. The Variable Voting Shares and the Common Voting Shares are listed on the TSX and commenced trading on October 9, 2014 under separate ticker symbols ("DHX.A" for the Variable Voting Shares and "DHX.B" for the Common Voting Shares). Since that time, the Variable Voting Shares and the Common Voting Shares have traded at the same price or within a narrow price range, demonstrating that the market essentially assigns the same value to each class.

13. The Filer's dual class structure was implemented solely to ensure compliance with the requirements of the Direction.

14. An investor does not determine or choose which class of Shares it acquires and holds. There are no unique features of either class of Shares which an existing or potential investor can choose to acquire, exercise or dispose of. The class of Shares ultimately available to it is a function of the investor's Canadian or non-Canadian status only. Moreover, if after having acquired Shares, a holder's Canadian or non-Canadian status changes, the Shares will convert accordingly and automatically, without formality or regard to any other consideration.

15. The Variable Voting Shares are not "restricted voting securities" within the meaning of the Legislation.

16. The TOB Rules and early warning requirements apply to the acquisition of securities of a class. Because of the automatic conversion feature of the Variable Voting Shares and Common Voting Shares, the number of shares outstanding in each class is variable while the aggregate number of shares of both classes remains unchanged, and is subject to the relative interest and ownership in the Filer's shares among Canadians and non-Canadians. As a result, a holder of Common Voting Shares or Variable Voting Shares has little certainty from day to day as to the number of shares of that class that are outstanding, making it difficult to assess the holder's status with respect to the TOB Rules

and early warning requirements. In addition, there may be from time to time a significantly smaller public float and, in particular, as is currently the case, a significantly smaller trading volume of Variable Voting Shares (compared to the public float and trading volume of Common Voting Shares), meaning that it is more difficult for non-Canadian investors to acquire shares in the ordinary course without the apprehension of inadvertently triggering the TOB Rules and early warning requirements, thus potentially restricting the interest of non-Canadian investors in the Shares for reasons unrelated to their investment objectives. Therefore, aggregating Variable Voting Shares and Common Voting Shares for the purpose of the TOB Rules and early warning requirements would allow greater certainty for holders of either class as to their position with respect to the TOB Rules and early warning requirements and facilitate investment in Variable Voting Shares.

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 Requested Relief is granted provided that:

(a) the Filer shall publicly disclose the terms of the Requested Relief in a news release filed on SEDAR promptly following the issuance of this decision document;

(b) the Filer shall disclose the terms and conditions of the Requested Relief in all of its annual information forms and management proxy circulars filed on SEDAR following the issuance of this decision document;

(c) with respect only to the TOB Relief, the Variable Voting Shares or Common Voting Shares, as the case may be, subject to the offer to acquire of an offeror, together with the Variable Voting Shares and Common Voting Shares beneficially owned, or over which control or direction is exercised, on the date of the offer to acquire, by the offeror or by any person acting jointly or in concert with the offeror, would not constitute in the aggregate 20% or more of the outstanding Variable Voting Shares and Common Voting Shares on a combined basis at the date of the offer to acquire;

(d) with respect only to the Early Warning Relief, the Variable Voting Shares or Common Voting Shares, or securities convertible into such shares, as the case may be, over which the acquiror acquires beneficial ownership of, or the power to exercise control or direction over, together with the securities of the Filer beneficially owned, or over which control or direction is exercised, by the acquiror or by any person acting jointly or in concert with the acquiror, would not constitute 10% or more of the outstanding Variable Voting Shares and Common Voting Shares on a combined basis (or 5% in the case of acquisitions during a take-over bid);

(e) with respect only to the Alternative Monthly Reporting Criteria, the eligible institutional investor meet any of the eligibility criteria contained in section 4.5 of NI 62-103 by calculating its securityholding percentage using (i) a denominator comprised of all of the outstanding Variable Voting Shares and Common Voting Shares on a combined basis, and (ii) a numerator including all of the Variable Voting Shares and Common Voting Shares, as the case may be, beneficially owned or over which control or direction is exercised by the eligible institutional investor; and

(f) the decision granted does not require amendments to the Coattail Provisions.

For the Commission:

“Paul Radford”
Vice-chair and Acting Chair

2.1.7 First National Mortgage Investment Fund and Stone Asset Management Limited

Headnote

National Policy 11-203 Process for Exemptive Relief applications in Multiple Jurisdictions – non-redeemable investment fund granted temporary relief from certain restrictions in National Instrument 81-102 Investment Funds regarding securities lending transactions, including (i) the 50% limit on lending; (ii) the requirement to use the fund's custodian or sub-custodian as lending agent; (iii) the requirement to receive only cash or qualified securities as collateral; and (iv) the requirement to hold the collateral during the course of the transaction – investment fund invest its assets in a basket of Canadian equity securities that are pledged to a Counterparty for performance of the fund's obligations under forward contracts giving the fund exposure to underlying interests – investments fund wishes to lend 100% of the basket of Canadian equity securities – not practical for custodian to act as securities lending agent as it does not have control over the Canadian equity securities – counterparty must release its security interest in the Canadian equity securities in order to allow the fund to lend such securities, provided the fund grants the Counterparty a securities interest in the collateral held by the fund for the loaned securities – National Instrument 81-102 Investment Funds.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 2.12(1)1, 2.12(1)2, 2.12(1)6, 2.12(1)12, 2.12(3), 2.15, 2.16, 6.8(5), 19.1.

September 18, 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
FIRST NATIONAL MORTGAGE INVESTMENT FUND

AND

IN THE MATTER OF
STONE ASSET MANAGEMENT LIMITED
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction (the "**Legislation**") for exemptive relief for First National Mortgage Investment Fund (the "**Fund**") which is a non-redeemable investment fund managed by the Filer in respect of which the representations set out below are applicable, from the following provisions of National Instrument 81-102 – *Investment Funds* ("**NI 81-102**"):

1. paragraph 2.12(1)1 to permit the Fund to maintain its current securities lending arrangement that will not otherwise fully comply with all the requirements of sections 2.15 and 2.16 of NI 81-102;

2. paragraph 2.12(1)2 to permit the Fund to maintain its current securities lending arrangement that will not fully comply with all the requirements of section 2.12 of NI 81-102;

3. paragraph 2.12(1)6 to permit the Fund, during the term of its current securities lending arrangement, to accept, as all or part of the collateral deliverable by the securities borrowers, equity securities listed on the Toronto Stock Exchange which are included in the S&P/TSX 60 Index;

4. paragraph 2.12(1)12 to permit the Fund to maintain its current securities lending arrangement in which the aggregate market value of securities loaned by the Fund exceeds 50% of the net asset value of the Fund;

5. subsection 2.12(3) to permit the Fund, during the term of its current securities lending arrangement to deliver collateral received in connection with its current securities lending arrangement to its Forward Counterparty as collateral for the Fund's obligations under its Forward Contract (as such terms are defined below);

6. section 2.15 to permit the Fund to continue lending securities through an agent (an "**Agent**") that is not the custodian or sub-custodian of the Fund;

7. section 2.16 to the extent this section contemplates that securities lending transactions be entered into through an agent appointed under section 2.15 of NI 81-102; and

8. subsection 6.8(5) in connection with its current securities lending arrangement to deliver collateral received in connection with its current securities lending arrangement to its Forward Counterparty as collateral for the Fund's obligations under its Forward Contract (as such terms are defined below),

such relief to apply for the Fund until the earlier of (a) the currently scheduled termination date of the Forward Contract (as defined below) for the Fund and (b) the actual termination date of the Forward Contract for the Fund (the "**Termination Date**").

Paragraphs 1 through 8 are collectively referred to as 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 Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 – *Passport System* ("**MI 11-102**") is intended to be relied upon in each of the other provinces and territories of Canada (collectively, with Ontario, the "**Jurisdictions**").

Interpretation

Terms defined in NI 81-102, 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.

1. The Filer is a corporation incorporated under the laws of Ontario.

2. The registered office of the Filer is located at 36 Toronto Street, Suite 710, Toronto, Ontario, M5C 2C5.

3. The Filer is registered as an adviser for securities in the category of portfolio manager, as a dealer in the category of restricted dealer and an investment fund manager, under the *Securities Act* (Ontario).

4. The investment fund manager of the Fund is the Filer.

5. The Fund is a reporting issuer under the securities laws of each of the provinces and territories of Canada.

6. The Filer and the Fund are not in default of securities legislation in any of the Jurisdictions.

7. The Fund (a) is a non-redeemable investment fund established under the laws of Ontario that has adopted fundamental investment objectives to permit it to invest in mortgages and has a prospectus for which receipt was issued before September 22, 2014; (b) has issued securities qualified for distribution in all provinces and territories of Canada pursuant to a prospectus prepared and filed in accordance with the securities legislation of Ontario; (c) is a non-redeemable investment fund to which NI 81-102 applies and in particular from September 21, 2015, sections 2.12, 2.15 and 2.16 of NI 81-102 will apply to the Fund due to the expiry of the transition period which currently provides that certain non-redeemable investment funds are not subject to these provisions.

8. The Fund obtains economic exposure to the returns of a managed portfolio of securities held by an investment fund also managed by the Filer (the "**Bottom Fund**") through the use of a forward contract. In particular, to achieve the Fund's investment objectives: (a) the Fund has invested its assets in Canadian equity securities (an "**Equity Portfolio**")

which is generally a static portfolio that is not actively managed and its composition varies only in limited circumstances and (b) the Fund has also entered into a forward contract (a "**Forward Contract**") with a Canadian Schedule I bank with a designated rating (as defined in NI 81-102) (a "**Counterparty**") to effectively replace the economic return on its Equity Portfolio with the economic return on an investment in the related Bottom Fund.

9. The Fund has pledged and delivered its Equity Portfolio to its Counterparty or an affiliate thereof as collateral security for performance of the Fund's obligations under its Forward Contract with that Counterparty. The Equity Portfolio is held by the Counterparty or its affiliate pursuant to the Forward Contract prior to the commencement of securities lending.

10. The Fund's current securities lending arrangement involves securities loans of up to 100% of the securities owned by the Fund in order to earn additional returns for the Fund and offset costs of the Forward Contract, and the Fund proposes to continue lending up to 100% of the securities owned by the Fund after September 21, 2015. The Filer proposes to continue to permit up to 100% of the Equity Portfolio for the Fund to be lent to one or more borrowers through the existing Agent for the Fund, which Agent is not the Fund's custodian or sub-custodian.

11. Under the current securities lending arrangement of the Fund, the Agent is considered acceptable to the Fund and Counterparty and is either the Canadian financial institution that is the Counterparty or an affiliate of such Canadian financial institution. It is not commercially practical for a Fund's custodian to act as Agent with respect to the Fund's securities lending transactions since the custodian will not have control over the Fund's Equity Portfolio that has been delivered by way of a pledge to the Counterparty.

12. The Filer has ensured that the Agent through which the Fund lends securities maintains appropriate internal controls, procedures, and records for securities lending transactions as prescribed in subsection 2.16(2) of NI 81-102.

13. A Counterparty must release its security interest in the securities in the Equity Portfolio of a Fund in order to allow the Fund to lend such securities, but will generally only do so provided that the Fund grants the Counterparty a security interest in, and delivers into its control, the collateral received by the Fund for the loaned securities.

14. Securities in the Equity Portfolio have been loaned only to borrowers that have been considered acceptable to the Fund and the Counterparty as contemplated by subsection 2.16(2) of NI 81-102.

15. To facilitate the Counterparty's perfection by control of its security interest in the collateral received by the Fund for the loaned securities, the Filer has ensured that the received collateral for each loan is delivered to the Counterparty which is a Canadian chartered bank or to an affiliate of the Counterparty which is a registered dealer and a member of the Investment Industry Regulatory Organization of Canada ("**IIROC**").

16. The collateral received by the Fund in respect of a securities lending transaction, and in which the Counterparty has a security interest, is in the form of cash, qualified securities and/or other collateral permitted by NI 81-102.

17. The collateral received by the Fund in respect of a securities lending transaction, and in which the Counterparty has a security interest, is not re-invested in any other types of investment products (but to the extent cash collateral is received it will be deposited with the Counterparty or the relevant affiliate thereof).

18. The prospectus and current annual information form of the Fund has disclosed that the Fund may enter into securities lending transactions.

19. Other than as set forth herein, any securities lending transactions on behalf of the Fund is currently being conducted in accordance with the provisions of NI 81-102 except that pursuant to the Fund's securities loans, permitted collateral includes equities listed on the Toronto Stock Exchange which are included in the S&P/TSX 60 Index which equity securities collateral is and will be valued at 100% of its market value for collateral posting purposes.

22. It would not be practicable or economical for the Fund to transition the securities lending arrangement given the costs and time required to negotiate and implement a new securities lending arrangement and the limited remaining term of the Forward Contract.

23. The Fund's Forward Contract is set to terminate on December 19, 2017 and will not be renewed. Upon or prior to termination of the Forward Contract, the foregoing securities lending transactions will be terminated and the Fund will no longer rely on the Exemption Sought in respect of any securities lending transactions entered into by the 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 Exemption Sought is granted provided that:

(a) with respect to the exemption from paragraph 2.12(1)12 of NI 81-102, the Fund has entered into a Forward Contract with an applicable Counterparty and has granted that Counterparty a security interest in the securities subject to that Forward Contract and, in connection with a securities lending transaction relative to those securities,

(1) receives the collateral that

(A) is prescribed by paragraphs 2.12(1)3 to 6 of NI 81-102, other than collateral described in subsection 2.12(1)6(d) or in paragraph (b) of the definition of "qualified security", except that the Fund may also accept as collateral equities listed on the Toronto Stock Exchange which are included in the S&P/TSX 60 Index; and

(B) is marked to market on each business day in accordance with paragraph 2.12(1)7 of NI 81-102;

(2) has the rights set forth in paragraphs 2.12(1)8, 2.12(1)9 and 2.12(1)11 of NI 81-102;

(3) complies with paragraph 2.12(1)10 of NI 81-102; and

(4) lends its securities only to borrowers that are acceptable to the Fund and the Counterparty;

(b) with respect to the exemption from subsection 2.12(3) of NI 81-102, the Fund has provided a security interest to the applicable Counterparty in the collateral delivered to it as collateral pursuant to a securities lending transaction as described in representation 13;

(c) with respect to the exemption from section 2.15 of NI 81-102:

(1) the Fund has entered into a written agreement with an Agent that complies with each of the requirements set forth in subsection 2.15(4) of NI 81-102, except as set out herein; and

(2) the Agent administering the securities lending transaction of the Fund:

(A) is in compliance with the standard of care prescribed in subsection 2.15(5) of NI 81-102; and

(B) shall be acceptable to the Fund and Counterparty and shall be a financial institution that is permitted to act as custodian of the Fund pursuant to section 6.2 of NI 81-102;

(d) with respect to the exemption from section 2.16 of NI 81-102, the Filer and the Fund comply with the requirements of section 2.16 of NI 81-102 as if the Agent appointed by the Filer were the agent contemplated in that section; and

(e) with respect to the exemption from subsection 6.8(5) of NI 81-102, the Fund:

(1) provides a security interest to the applicable Counterparty in the collateral delivered to it as collateral pursuant to a securities lending transaction as described in representation 13; and

(2) the collateral delivered to the Fund pursuant to the securities lending transaction is held by the Counterparty or an affiliate of the Counterparty, which will be a registered dealer and a member of IIROC, as described in representation 15.

This decision expires on the Fund's Termination Date. In any event, this decision expires no later than December 19, 2017.

"Raymond Chan"
Manager
Investment Funds and Structured Products
Ontario Securities Commission

2.1.8 Brookfield New Horizons Income Fund et al.

Headnote

National Policy 11-203 Process for Exemptive Relief applications in Multiple Jurisdictions – non-redeemable investment fund granted temporary relief from certain restrictions in National Instrument 81-102 Investment Funds regarding securities lending transactions, including (i) the 50% limit on lending; (ii) the requirement to use the fund's custodian or sub-custodian as lending agent; and (iii) the requirement to hold the collateral during the course of the transaction – investment fund invest its assets in a basket of Canadian equity securities that are pledged to a Counterparty for performance of the fund's obligations under forward contracts giving the fund exposure to underlying interests – investments fund wishes to lend 100% of the basket of Canadian equity securities – not practical for custodian to act as securities lending agent as it does not have control over the Canadian equity securities – counterparty must release its security interest in the Canadian equity securities in order to allow the fund to lend such securities, provided the fund grants the Counterparty a securities interest in the collateral held by the fund for the loaned securities – National Instrument 81-102 Investment Funds.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 2.12(1)1, 2.12(1)2, 2.12(1)12, 2.12(3), 2.15, 2.16, 6.8(5), 19.1.

September 18, 2015

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

AND

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

AND

IN THE MATTER OF
BROOKFIELD NEW HORIZONS INCOME FUND AND
BROOKFIELD HIGH YIELD STRATEGIC INCOME FUND

AND

IN THE MATTER OF
BROOKFIELD INVESTMENT MANAGEMENT (CANADA) INC.
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction (the "**Legislation**") for exemptive relief for Brookfield New Horizons Income Fund ("**BIF**") and Brookfield High Yield Strategic Fund ("**BHY**" and, together with BIF, the "**Funds**") which are non-redeemable investment funds managed by the Filer in respect of which the representations set out below are applicable (collectively, the "**Funds**" and each a "**Fund**"), from the following provisions of National Instrument 81-102 – *Investment Funds* ("**NI 81-102**"):

1. paragraph 2.12(1)1 to permit each Fund to maintain its current securities lending arrangement that will not otherwise fully comply with all the requirements of sections 2.15 and 2.16 of NI 81-102;

2. paragraph 2.12(1)2 to permit each Fund to maintain its current securities lending arrangement that will not fully comply with all the requirements of section 2.12 of NI 81-102;

3. paragraph 2.12(1)12 to permit each Fund to maintain its current securities lending arrangement in which the aggregate market value of securities loaned by the Fund exceeds 50% of the net asset value of the Fund;

4. subsection 2.12(3) to permit each Fund, during the term of its current securities lending arrangement to deliver collateral received in connection with its current securities lending arrangement to its Forward Counterparty as collateral for the Fund's obligations under its Forward Contracts (as such terms are defined below);

5. section 2.15 to permit each Fund to continue lending securities through an agent (an "**Agent**") that is not the custodian or sub-custodian of the Fund;

6. section 2.16 to the extent this section contemplates that securities lending transactions be entered into through an agent appointed under section 2.15 of NI 81-102; and

7. subsection 6.8(5) in connection with its current securities lending arrangement to deliver collateral received in connection with its current securities lending arrangement to its Forward Counterparty as collateral for the Fund's obligations under its Forward Contracts (as such terms are defined below),

such relief to apply for each Fund until the earlier of (a) the currently scheduled termination date of the Forward Contract (as defined below) for the Fund and (b) the actual termination date of the Forward Contract for the Fund (for each Fund, the "**Termination Date**").

Paragraphs 1 through 7 are collectively referred to as 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 Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 – *Passport System* ("**MI 11-102**") is intended to be relied upon in each of the other provinces of Canada for BIF and each of the other provinces and territories of Canada for BHY (collectively, with Ontario, the "**Jurisdictions**").

Interpretation

Terms defined in NI 81-102, 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.

1. The Filer is a corporation incorporated under the laws of Ontario.

2. The registered office of the Filer is located at 181 Bay Street, Suite 300, P.O. Box 762, Toronto, Ontario M5J 2T3.

3. The Filer is registered as an adviser for securities in the category of portfolio manager, as a dealer in the category of exempt market dealer and an investment fund manager, under the *Securities Act* (Ontario).

4. The investment fund manager of each Fund is the Filer.

5. Brookfield Investment Management Inc. (**BIM**) acts as the portfolio manager of BHY.

6. BIM is registered as an adviser for securities in the category of portfolio manager and as an adviser for commodities in the category of commodity trading manager, under the *Securities Act* (Ontario).

7. BIF is a reporting issuer under the securities laws of each of the provinces of Canada and BHY is a reporting issuer under the securities laws of each of the provinces and territories of Canada.

8. The Filer and each of the Funds is not in default of securities legislation in any of the Jurisdictions.

9. Each Fund (a) is a non-redeemable investment fund established under the laws of Ontario; (b) has issued securities qualified for distribution in all provinces and territories of Canada pursuant to a prospectus prepared and filed in accordance with the securities legislation of Ontario; (c) is a non-redeemable investment fund to which NI 81-102 applies and in particular from September 21, 2015, sections 2.12, 2.15 and 2.16 of NI 81-102 will apply to each of the Funds due to the expiry of the transition period which currently provides that certain non-redeemable investment funds are not subject to these provisions.

10. Each Fund obtains economic exposure to the returns of a managed portfolio of securities held by an investment fund also managed by the Filer (the "**Bottom Fund**") through the use of a forward contract. In particular, to achieve the Fund's investment objectives: (a) each Fund has invested its assets in Canadian equity securities (an "**Equity Portfolio**") which is generally a static portfolio that is not actively managed and its composition varies only in limited circumstances and (b) each Fund has also entered into one or more forward contracts (each a "**Forward Contract**") with a Canadian Schedule I bank with a designated rating (as defined in NI 81-102) (each a "**Counterparty**") to effectively replace the economic return on its Equity Portfolio with the economic return on an investment in the related Bottom Fund.

11. Each Fund has pledged and delivered its Equity Portfolio to its Counterparty or an affiliate thereof as collateral security for performance of the Fund's obligations under its Forward Contract with that Counterparty. The Equity Portfolio is held by the Counterparty or its affiliate pursuant to that applicable Forward Contract prior to the commencement of securities lending.

12. Each Fund's current securities lending arrangements involve securities loans of up to 100% of the securities owned by the Fund in order to earn additional returns for that Fund and offset costs of the Forward Contract, and each Fund proposes to continue lending up to 100% of the securities owned by that Fund after September 21, 2015. The Filer proposes to continue to permit up to 100% of the Equity Portfolio for each Fund to be lent to one or more borrowers through the existing Agent for each Fund, which Agent in each case is not the Fund's custodian or sub-custodian.

13. Under the current securities lending arrangements of each Fund, each Agent is considered acceptable to the Fund and Counterparty and is either the Canadian financial institution that is the Counterparty or an affiliate of such Canadian financial institution. It is not commercially practical for a Fund's custodian to act as Agent with respect to the Funds' securities lending transactions since the custodian will not have control over the Fund's Equity Portfolio that has been delivered by way of a pledge to the Counterparty.

14. The Filer has ensured that the Agents through which the Funds lend securities maintain appropriate internal controls, procedures, and records for securities lending transactions as prescribed in subsection 2.16(2) of NI 81-102.

15. A Counterparty must release its security interest in the securities in the Equity Portfolio of a Fund in order to allow the Fund to lend such securities, but will generally only do so provided that the Fund grants the Counterparty a security interest in, and delivers into its control, the collateral received by the Fund for the loaned securities.

16. Securities in the Equity Portfolio have been loaned only to borrowers that have been considered acceptable to the Fund and the Counterparty as contemplated by subsection 2.16(2) of NI 81-102.

17. To facilitate the Counterparty's perfection by control of its security interest in the collateral received by the Fund for the loaned securities, the Filer has ensured that the received collateral for each loan is delivered to the Counterparty which is a Canadian chartered bank or to an affiliate of the Counterparty which is a registered dealer and a member of the Investment Industry Regulatory Organization of Canada ("**IIROC**").

18. The collateral received by each Fund in respect of a securities lending transaction, and in which the Counterparty has a security interest, is in the form of cash, qualified securities and/or other collateral permitted by NI 81-102.

19. The collateral received by each Fund in respect of a securities lending transaction, and in which the Counterparty has a security interest, is not re-invested in any other types of investment products (but to the extent cash collateral is received it will be deposited with the Counterparty or the relevant affiliate thereof).

20. The prospectus and current annual information form of each Fund has disclosed that the Fund may enter into securities lending transactions.

21. Other than as set forth herein, any securities lending transactions on behalf of a Fund is currently being conducted in accordance with the provisions of NI 81-102.

22. For each Fund, it would not be practicable or economical to transition the securities lending arrangements given the costs and time required to negotiate and implement new securities lending arrangements and the limited remaining term of the Forward Contracts.

23. The Forward Contract of BHY is set to terminate on April 1, 2016 and will not be renewed. The Forward Contact of BIF is set to terminate on June 19, 2017 and will not be renewed. Upon or prior to termination of the applicable Forward Contract, the foregoing securities lending transactions will be terminated and each Fund will no longer rely on the Exemption Sought in respect of any securities lending transactions entered into by the Funds.

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:

(a) with respect to the exemption from paragraph 2.12(1)12 of NI 81-102, each Fund has entered into a Forward Contract with an applicable Counterparty and has granted that Counterparty a security interest in the securities subject to that Forward Contract and, in connection with a securities lending transaction relative to those securities,

(1) receives the collateral that

(A) is prescribed by paragraphs 2.12(1)3 to 6 of NI 81-102, other than collateral described in subsection 2.12(1)6(d) or in paragraph (b) of the definition of “qualified security”; and

(B) is marked to market on each business day in accordance with paragraph 2.12(1)7 of NI 81-102;

(2) has the rights set forth in paragraphs 2.12(1)8, 2.12(1)9 and 2.12(1)11 of NI 81-102;

(3) complies with paragraph 2.12(1)10 of NI 81-102; and

(4) lends its securities only to borrowers that are acceptable to the Fund and the Counterparty;

(b) with respect to the exemption from subsection 2.12(3) of NI 81-102, each Fund has provided a security interest to the applicable Counterparty in the collateral delivered to it as collateral pursuant to a securities lending transaction as described in representation 15;

(c) with respect to the exemption from section 2.15 of NI 81-102:

(1) each Fund has entered into a written agreement with an Agent that complies with each of the requirements set forth in subsection 2.15(4) of NI 81-102, except as set out herein; and

(2) the Agent administering the securities lending transaction of each Fund:

(A) is in compliance with the standard of care prescribed in subsection 2.15(5) of NI 81-102; and

(B) shall be acceptable to the Fund and Counterparty and shall be a financial institution that is permitted to act as custodian of the Fund pursuant to section 6.2 of NI 81-102;

(d) with respect to the exemption from section 2.16 of NI 81-102, the Filer and the Funds comply with the requirements of section 2.16 of NI 81-102 as if the Agent appointed by the Filer were the agent contemplated in that section; and

(e) with respect to the exemption from subsection 6.8(5) of NI 81-102, each Fund:

(1) provides a security interest to the applicable Counterparty in the collateral delivered to it as collateral pursuant to a securities lending transaction as described in representation 15; and

(2) the collateral delivered to the Fund pursuant to the securities lending transaction is held by the Counterparty or an affiliate of the Counterparty, which will be a registered dealer and a member of IIROC, as described in representation 17.

This decision expires, in respect of each Fund, on the Fund’s Termination Date. In any event, this decision expires no later than (i) April 1, 2016 in respect of BHY, and (ii) June 19, 2017 in respect of BIF.

“Raymond Chan”
Manager
Investment Funds and Structured Products
Ontario Securities Commission

2.1.9 BMO Investments Inc.

Headnote

National Policy 11-203 – Existing and future mutual funds granted exemption to invest in specified Hong Kong ETFs only whose securities would meet the definition of index participation unit in NI 81-102 but for the fact that they are listed on the Stock Exchange of Hong Kong – relief is subject to certain conditions and requirements including Hong Kong ETFs are not synthetic ETFs and each top fund will not invest more than 10% in any Hong Kong ETF and will not invest more than 20% in Hong Kong ETFs in aggregate.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 2.5(2)(a), (a.1), (c), (c.1) and (e), and 19.1.

September 18, 2015

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO

AND

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

AND

IN THE MATTER OF
BMO INVESTMENTS INC.
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of each of the investment funds (the **Funds**) for which the Filer or an affiliate acts or may in the future act as manager that are subject to National Instrument 81-102 *Investment Funds* (**NI 81-102**), for a decision under the securities legislation of the jurisdiction of the principal regulator (the **Legislation**) providing an exemption from paragraphs 2.5(2)(a), (a.1), (c), (c.1) and (e) of NI 81-102 to permit the Funds to invest in securities of the exchange traded funds listed on Appendix "A" hereto (the **Hong Kong ETFs**) that, but for the fact that they are listed on a stock exchange in Hong Kong and not on a stock exchange in Canada or the United States, would otherwise qualify as "index participation units" (**IPU**) as defined in NI 81-102 (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 the application; and

(b) the Filer has provided notice that Subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Nunavut and Yukon (with Ontario, the **Jurisdictions**).

Interpretation

Terms defined in MI 11-102, National Instrument 14-101 *Definitions* and NI 81-102 have the same meanings if used in this decision unless otherwise defined.

Representations

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

The Filer and the Funds

1. The Filer is a corporation incorporated under the laws of Canada with its head office in Toronto, Ontario.

2. The Filer is an indirect, wholly-owned subsidiary of Bank of Montreal.

3. The Filer is registered as an investment fund manager in Ontario, Québec and Newfoundland and Labrador and as a mutual fund dealer in each of the Jurisdictions.

4. The Filer or an affiliate acts, or will act, as manager of each of the Funds.

5. Each Fund is, or will be, an investment fund under the laws of a Jurisdiction of Canada and a reporting issuer under the laws of some or all of the Jurisdictions.

6. Each Fund is, or will be, governed by NI 81-102, subject to any relief therefrom granted by the securities regulatory authorities.

7. The securities of each Fund are, or will be, qualified for distribution in some or all of the Jurisdictions under a prospectus or simplified prospectus.

8. Neither the Filer nor the Funds are in default of securities legislation in any of the Jurisdictions.

The Hong Kong ETFs

9. Each Fund proposes, from time to time, to invest up to 10% of its net asset value in securities of the Hong Kong ETFs.

10. Securities of each Hong Kong ETF are listed on The Stock Exchange of Hong Kong Limited (**SEHK**) and each Hong Kong ETF is a “mutual fund” within the meaning of applicable Canadian securities legislation.

11. Securities of each Hong Kong ETF would be IPUs within the meaning of NI 81-102, but for the fact that they are not traded on a stock exchange in Canada or the United States.

12. Each Hong Kong ETF either (a) holds securities that are included in a specified widely-quoted market index in substantially the same proportion as those securities are reflected in that index or (b) invests in a manner that causes the issuer to replicate the performance of that index.

13. BMO Global Asset Management (Asia) Limited is the manager and portfolio manager of the Hong Kong ETFs and has responsibility for the management and administration and overall oversight of all service providers and other delegates and for the investment and reinvestment of assets of the Hong Kong ETFs.

14. Affiliates of the Filer may be retained to act as investment advisors in respect of the Hong Kong ETFs, which investment advisors remain subject to the oversight of BMO Global Asset Management (Asia) Limited.

15. The following third parties are involved in the administration of the Hong Kong ETFs:

    (a) Cititrust Limited is the trustee of the trust comprising the Hong Kong ETFs and holds the property of each Hong Kong ETF;

    (b) Citibank N. A. is the administrator of the Hong Kong ETFs;

    (c) Tricor Investor Services Limited is the registrar of the Hong Kong ETFs;

    (d) HK Conversion Agency Services Limited acts as service agent for the Hong Kong ETFs and performs certain services in connection with the creation and redemption of units of the Hong Kong ETFs by participating dealers; and

    (e) KPMG is the auditor of the Hong Kong ETFs.

16. Each Hong Kong ETF is a sub-fund of a Hong Kong umbrella unit trust authorised under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

17. Each Hong Kong ETF is regulated by the Securities and Futures Commission of Hong Kong (**SFC**) and is subject to the following regulatory requirements and restrictions:

(a) Each Hong Kong ETF is subject to a robust risk management framework through prescribed rules on governance, risk, regulation of service providers and safekeeping of assets.

(b) No Hong Kong ETF is a "synthetic ETF", meaning that no Hong Kong ETF will principally rely on an investment strategy that makes use of swaps or other derivatives to gain an indirect financial exposure to the return of an index.

(c) Each Hong Kong ETF is subject to investment restrictions designed to limit its holdings of illiquid securities to 15% or less of its net asset value.

(d) Each Hong Kong ETF will hold no more than 10% of its net asset value in securities of other investment funds, unless the other investment funds are subject to certain jurisdictions which have been recognized or otherwise authorized by the SFC, in which case each Hong Kong ETF may hold no more than 30% of its net asset value in such investment funds. To the extent a Hong Kong ETF holds more than 10% of its net asset value in securities of other investment funds, a Fund will not purchase securities of such Hong Kong ETF.

(e) No Hong Kong ETF will invest in financial derivative instruments for hedging or non-hedging (i.e. investment) purposes. However, the Hong Kong ETFs may engage in currency spot foreign exchange transactions.

(f) No Hong Kong ETF will engage in securities lending activities.

(g) Each Hong Kong ETF has a prospectus that discloses material facts and that is similar to the disclosure required to be included in a prospectus or simplified prospectus of a Fund.

(h) Each Hong Kong ETF has a product key facts statement which forms part of the prospectus and contains disclosure similar to that required to be included in a fund facts document prepared under National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**).

(i) Each Hong Kong ETF is subject to continuous disclosure obligations which are similar to the disclosure obligations under National Instrument 81-106 *Investment Fund Continuous Disclosure*.

(j) Each Hong Kong ETF is required to update information of material significance in the prospectus and to prepare unaudited semi-annual reports and audited annual reports.

(k) Each Hong Kong ETF has a trustee that is required to be bound by the duty of care set out in the trust deed of the particular Hong Kong ETF, under common law and/or by the statutory duty of care as set out in the Trustee Ordinance (Cap. 29) of Hong Kong.

(l) The trustee of the Hong Kong ETFs is required to issue a report to unitholders, which is included in the annual report, on whether, in the trustee's opinion, the manager has managed the Hong Kong ETFs, in all material respects, in accordance with the provisions of their constitutive documents.

(m) Each Hong Kong ETF has an investment fund manager that is required to manage the Hong Kong ETF in the best interests of unitholders.

(n) Each Hong Kong ETF has an investment fund manager that is subject to registration with the SFC permitting it to manage and provide portfolio management advice to the Hong Kong ETFs.

18. Each index tracked by each Hong Kong ETF is transparent, in that the methodology for the selection and weighting of the index components is publicly available.

19. Details of the components of each index tracked by each Hong Kong ETF, such as issuer name, ISIN and weighting within the index are publicly available and updated from time to time.

20. Each index tracked by each Hong Kong ETF includes sufficient component securities so as to be broad-based and is or will be distributed and referenced sufficiently so as to be broadly utilized.

21. Each Hong Kong ETF makes the net asset value of its holdings available to the public on the website of its manager.

Investment by Funds in Hong Kong ETFs

22. The investment objective and strategies of each Fund will be disclosed in each Fund's prospectus or simplified prospectus.

23. The Funds will provide all disclosure mandated for investment funds investing in other investment funds.

24. There will be no duplication of management fees or incentive fees as a result of an investment in a Hong Kong ETF.

25. The amount of loss that could result from an investment by a Fund in a Hong Kong ETF will be limited to the amount invested by the Fund in such Hong Kong ETF.

26. The majority of trading in securities of the Hong Kong ETFs occurs in the secondary market rather than by subscribing or redeeming such securities directly from the Hong Kong ETF.

27. As is the case with the purchase or sale of any other equity security made on an exchange, brokers are typically paid a commission in connection with trading in securities of exchange-traded funds, such as the Hong Kong ETFs.

28. Securities of the Hong Kong ETFs are typically only directly subscribed or redeemed from a Hong Kong ETF in large blocks and it is anticipated that many of the trades conducted by the Funds in Hong Kong ETFs would not be the size necessary for a Fund to be eligible to directly subscribe for securities from the Hong Kong ETF.

29. It is proposed that the Funds will purchase and sell securities of the Hong Kong ETFs on the SEHK.

30. Where a Fund purchases or sells securities of a Hong Kong ETF in the secondary market it will pay commissions to brokers in connection with the purchase and sale of such securities.

31. There will be no duplication of fees payable by an investor in the Fund and the Filer will ensure that there are appropriate restrictions on sales fees and redemption charges for any purchase or sale of securities of a Hong Kong ETF.

Rationale for Investment in Hong Kong ETFs

32. A Fund is not permitted to invest in securities of a Hong Kong ETF unless the requirements of subsection 2.5(2) of NI 81-102 are satisfied.

33. If the securities of a Hong Kong ETF were IPUs within the meaning of NI 81-102, a Fund would be permitted by subsections 2.5(3), (4) and (5) of NI 81-102 to invest in securities of that Hong Kong ETF.

34. Securities of each Hong Kong ETF would be IPUs, but for the requirement in the definition of IPU that the securities be traded on a stock exchange in Canada or the United States.

35. The Filer considers that investments in a Hong Kong ETF provide an efficient and cost effective way for the Funds to achieve diversification and obtain exposure to the markets and asset classes in which such Hong Kong ETFs invest.

36. The investment objectives and strategies of each Fund, which contemplate or will contemplate investment in global, international or Europe, Australasia and Far East (EAFE) securities, permit or will permit the allocation of assets to Asian securities. As economic conditions change, the Funds may reallocate assets, including on the basis of industrial sector or geographic region. A Fund will invest in the Hong Kong ETFs to gain exposure to Asian market performance in circumstances where it would be in the best interests of the Fund to do so through ETFs rather than through investments in individual securities. For example, a Fund will invest in the Hong Kong ETFs in circumstances where certain investment strategies preferred by the Fund are either not available or not cost effective.

37. The Filer is not aware of any mutual fund that (i) is subject to NI 81-102, (ii) issues securities that are traded on Canadian or U.S. stock exchanges and (iii) focuses on Asian issuers at the geographic or sectoral level.

38. By investing in the Hong Kong ETFs, the Funds will obtain the benefits of diversification, which would be more expensive and difficult to replicate using individual securities. This will reduce single issuer risk.

39. Investment by each Fund in a Hong Kong ETF meets, or will meet, the investment objectives of such Fund.

40. In the absence of the Exemption Sought:

    (a) the investment restriction in paragraph 2.5(2)(a) of NI 81-102 would prohibit a Fund that is a mutual fund from purchasing or holding securities of the Hong Kong ETFs because the Hong Kong ETFs are not subject to NI 81-102 and NI 81-101 and, because IPUs are currently defined to be securities that are traded on a stock exchange in Canada or the United States only, a Fund would not be able to rely upon the IPU exemption set forth in paragraph 2.5(3)(a) of NI 81-102;

(b) the investment restriction in paragraph 2.5(2)(a.1) of NI 81-102 would prohibit a Fund that is a non-redeemable investment fund from purchasing or holding securities of the Hong Kong ETFs unless the Hong Kong ETFs are subject to NI 81-102 and, because IPUs are currently defined to be securities that are traded on a stock exchange in Canada or the United States only, a Fund would not be able to rely upon the IPU exemption set forth in paragraph 2.5(3)(a) of NI 81-102;

(c) the investment restriction in paragraph 2.5(2)(c) of NI 81-102 would prohibit a Fund that is a mutual fund from purchasing or holding securities of the Hong Kong ETFs unless the Hong Kong ETFs are reporting issuers in the local jurisdiction and, because IPUs are currently defined to be securities that are traded on a stock exchange in Canada or the United States only, a Fund would not be able to rely upon the IPU exemption in paragraph 2.5(3)(a) of NI 81-102;

(d) the investment restriction in paragraph 2.5(2)(c.1) of NI 81-102 would prohibit a Fund that is a non-redeemable investment fund from purchasing or holding securities of the Hong Kong ETFs unless the Hong Kong ETFs are reporting issuers in the local jurisdiction and, because IPUs are currently defined to be securities that are traded on a stock exchange in Canada or the United States only, a Fund would not be able to rely upon the IPU exemption in paragraph 2.5(3)(a) of NI 81-102; and

(e) the investment restriction in paragraph 2.5(2)(e) of NI 81-102 would prohibit a Fund from paying sales fees or redemption fees in relation to its purchases or redemptions of securities of the Hong Kong ETFs because they are managed by the Filer or an affiliate or associate of the Filer and, because IPUs are currently defined to be securities that are traded on a stock exchange in Canada or the United States only, a Fund would not be able to rely upon the IPU exemption in paragraph 2.5(5) of NI 81-102.

41. Each investment by a Fund in securities of a Hong Kong ETF will represent the business judgement of responsible persons uninfluenced by considerations other than the best interests of the 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 Exemption Sought is granted provided that:

(a) the investment by a Fund in securities of the Hong Kong ETFs is in accordance with the fundamental investment objectives of the Fund;

(b) none of the Hong Kong ETFs are synthetic ETFs, meaning that they will not principally rely on an investment strategy that makes use of swaps or other derivatives to gain an indirect financial exposure to the return of an index;

(c) the relief from paragraph 2.5(2)(e) of NI 81-102 only applies to brokerage fees payable in connection with the purchase or sale of securities of the Hong Kong ETFs;

(d) the prospectus of each Fund that is relying on the Exemption Sought discloses the fact that the Fund has obtained relief to invest in the Hong Kong ETFs and, in the case of a Fund that is a mutual fund, the matters required to be disclosed under NI 81-101 in respect of fund of fund investments, provided that:

    (i) any Fund that is a mutual fund and in existence as of the date of this decision makes the required disclosure no later than the next time the simplified prospectus of the Fund is renewed after the date of this decision, and

    (ii) any Fund that is a non-redeemable investment fund and in existence as of the date of this decision makes the required disclosure no later than the next time the annual information form of the Fund is filed after the date of this decision;

(e) the investment by a Fund in the Hong Kong ETFs otherwise complies with section 2.5 of NI 81-102;

(f) a Fund does not invest more than 10% of its net asset value in securities issued by a single Hong Kong ETF and does not invest more than 20% of its net asset value in securities issued by Hong Kong ETFs in aggregate; and

(g) a Fund shall not acquire any additional securities of a Hong Kong ETF, and shall dispose of any securities of a Hong Kong ETF then held, in the event the regulatory regime applicable to the Hong Kong ETF is changed in any material way.

The Exemption Sought will terminate six months after the coming into force of any amendments to paragraphs 2.5(a), (a.1), (c), (c.1) or (e) of NI 81-102 that further restrict or regulate a Fund's ability to invest in the Hong Kong ETFs.

"Vera Nunes"
Acting Director, Investment Funds and Structured Products Branch
Ontario Securities Commission

Appendix "A"

Hong Kong ETFs

BMO Asia USD Investment Grade Bond ETF

BMO Hong Kong Banks ETF

BMO Asia High Dividend ETF

2.1.10 GE Capital International Funding Company

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief from the prospectus requirements with respect to the distribution of non-convertible debt securities issued pursuant to an offer to acquire non-convertible debt securities of an affiliated entity pursuant to an exchange offer forming part of an internal reorganization of the ultimate parent company of both the issuer of the existing securities and the issuer of the securities with which the existing securities will be exchanged – the exchange offers are not "issuer bids" as the subject securities and the securities with which they will be exchanged are debt securities that are only convertible into other debt securities – had the exchange offers been "issuer bids" they would have been exempt from the formal bid requirements in reliance on the foreign issuer bid exemption and the distribution of securities as part of the exchange offer would have been exempt from the prospectus requirements – the exchange offers will be made in compliance with foreign securities law requirements – holders in Canada will be entitled to participate in the exchange offers on terms at least as favourable as the terms that apply to holders of the same class of securities outside of Canada and will be provided with the same disclosure document in respect of the offers, in the same manner, and at the same time as such document is provided to eligible holders of the class of securities outside of Canada – relief granted, subject to conditions.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 53, 74(1).

August 28, 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
GE CAPITAL INTERNATIONAL FUNDING COMPANY
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application (the **Application**) from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) exempting the distribution of various classes of non-convertible debt securities to be issued by the Filer (the **New Notes**) in connection with Exchange Offers (as defined below) made by the Filer to eligible holders of Old Notes (as defined below) in exchange for Old Notes from the prospectus requirements under the Legislation (such requirements, the **Prospectus Requirements**, and such exemption, the **Prospectus Exemption Sought**);

Furthermore, the principal regulator in the Jurisdiction has received a request from the Filer for a decision that the Application, supporting materials related to it, and this decision (the **Confidential Material**) be kept confidential and not be made public until the earlier of: (a) the date on which the Filer advises the principal regulator that there is no longer any need for the Confidential Material to remain confidential; (b) the date on which the Filer publicly announces the Exchange Offers; and (c) the date that is 90 days after the date of this decision (the **Confidentiality 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 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 British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick,

Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut (each, a **Local Jurisdiction**).

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:

1. The Filer is a public unlimited company incorporated under the *Companies Act 1963 to 2013* (Ireland).

2. The Filer's registered office is located at 3220 Aviation House, Westpark, Shannon, County Clare, Ireland.

3. The Filer is not, and will not become, a reporting issuer (or the equivalent thereof) in any of the provinces or territories of Canada, and is not in default of securities legislation in any jurisdiction.

4. The Filer is a direct wholly-owned subsidiary of General Electric Capital Corporation (**GECC**).

5. GECC is a company governed by the laws of the State of Delaware, United States of America (the **U.S.**).

6. GECC's principal executive offices are located at 901 Main Avenue, Norwalk, Connecticut, U.S.

7. GECC is not a reporting issuer (or the equivalent thereof) in any of the provinces or territories of Canada and is not in default of securities legislation in any jurisdiction.

8. GECC's common stock is wholly-owned directly by General Electric Company (**GE**).

9. GECC has non-convertible debt securities issued and outstanding, the categories of which are set out in Schedule A, that may be the subject of the Exchange Offers described below (collectively, the **Old Notes**).

10. Each class of Old Notes was distributed primarily outside of Canada. Limited distributions of Old Notes were made in Canada pursuant to exemptions from the Prospectus Requirements. There is no published market for any class of Old Notes in Canada.

11. On April 10, 2015, GE announced a plan to reduce the size of its financial services businesses through the sale of most of the assets of GECC and to focus on continued investment and growth in GE's industrial businesses (the **GE Reorganization**). On the same day, and as part of the GE Reorganization, GE and GECC entered into an amendment to their existing financial support agreement pursuant to which, *inter alia*, GE has provided a full and unconditional guarantee of the payment and principal on the tradable senior and subordinated outstanding long-term debt securities and commercial paper issued or guaranteed by GECC set out therein, including the Old Notes.

12. To effect, and as part of, the GE Reorganization, the Filer was incorporated and will be making offers to all eligible holders of Old Notes to acquire the Old Notes held by them in exchange for one or more of the applicable classes of New Notes set out in the "Exchange Offers Summary Tables" in the Disclosure Document (as defined below) (such offers, the **Exchange Offers**).

13. Pursuant to the GE Reorganization, GECC will be merged into GE. The Filer will remain an indirect, wholly-owned subsidiary of GE and will become a subsidiary of GE Capital International Holdings (**GE International Holdings**), which will have been transferred GECC's international operations.

14. The payment of principal and interest in respect of each class of Old Notes is guaranteed by GE. The payment of principal and interest in respect of each class of New Notes will be guaranteed by both GECC and GE and, upon completion of the GE Reorganization, the obligations of GECC as guarantor will be assumed by GE International Holdings.

15. Each class of New Notes into which a particular class of Old Notes is exchangeable is expected to have the same, or a more favourable, investment grade rating from Moody's Investor Services, Inc. and Standard & Poor's Ratings Services.

16. The Exchange Offers will be made: (a) in the U.S. in reliance on an exemption from the registration requirements of the *Securities Act of 1933* (United States), as amended (the **1933 U.S. Securities Act**); and (b) outside the U.S., in reliance on Regulation S under the 1933 U.S. Securities Act and the applicable securities laws of the particular jurisdiction.

17. Holders of Old Notes resident in Canada will be eligible to participate in the Exchange Offers provided they are either: (A)(i) not "U.S. persons" as defined in Regulation S under the 1933 U.S. Securities Act, (ii) not acquiring New Notes for the account or benefit of a "U.S. person", and (iii) acquiring New Notes in offshore transactions in compliance with Regulation S under the 1933 U.S. Securities Act; or (B) "qualified institutional buyers" (**QIBs**) as defined in Rule 144A under the 1933 U.S. Securities Act who are acquiring New Notes for their own account or for the account of one or more other QIBs, in private transactions in reliance upon the exemption from the registration requirements of the 1933 U.S. Securities Act provided by Section 4(a)(2) thereof.

18. The distribution of Old Notes to the Filer as part of the Exchange Offers will be exempt from the Prospectus Requirements.

19. There are three (3) types of Exchange Offers: (i) "**2016 Market Value Exchange Offers**", pursuant to which certain classes of Old Notes may be exchanged for New Notes with a maturity of six months and bearing interest at a fixed rate; (ii) "**2020/2025/2035 Market Value Exchange Offers**", pursuant to which certain classes of Old Notes may be exchanged for a tranche of New Notes with a maturity of 5, 10 or 20 years (depending on the class of Old Notes) and, in each case, bearing interest at a fixed rate; and (iii) "**Par for Par Exchange Offers**" pursuant to which certain classes of Old Notes may be exchanged for a class of New Notes (and, in some instances, additional cash consideration) with the same maturity and interest rate as the applicable class of Old Notes being exchanged.

20. Participation in the Exchange Offers by eligible holders of Old Notes is optional and at the sole discretion of such holders. An eligible holder of Old Notes who determines to participate in the Exchange Offers must elect a single type of Exchange Offer to which such Old Notes will be tendered. Eligible holders of Old Notes may apportion their holdings of Old Notes of a particular class among, and separately tender such apportionments of Old Notes in, any of the Exchange Offers available to such Old Notes, subject to applicable minimum tender amounts that will be set out in the Disclosure Document.

21. The aggregate principal amount of New Notes that may be issued pursuant to the Exchange Offers, generally, and in respect of each type of Exchange Offer, specifically, will be capped at an amount that will be disclosed in the Disclosure Document. Old Notes tendered pursuant to 2016 Market Value Exchange Offers and 2020/2025/2035 Market Value Exchange Offers (together, the **Market Value Exchange Offers**) will be accepted on a pro-rated basis, subject to the applicable caps. Old Notes tendered to Par for Par Exchange Offers will be accepted in accordance with the acceptance priority level of each class of the applicable Old Notes, as set out in the Disclosure Document, with all tendered Old Notes that are noted as having a higher acceptance priority level being accepted for exchange before those Old Notes tendered that are noted as having a lower acceptance priority level. If the remaining aggregate principal amount of New Notes issuable pursuant to Par for Par Exchange Offers is not sufficient to accept all of the Old Notes within a particular acceptance priority level, then such remaining amount will be allocated *pro rata* among the Old Notes tendered with that acceptance priority level and any Old Notes with a lower acceptance priority level will not be accepted for exchange pursuant to Par for Par Exchange Offers.

22. Eligible holders of Old Notes who elect to participate in the Exchange Offers may tender their Old Notes at any time prior to the time noted in the Disclosure Document as being the expiry time of the Exchange Offers. However, eligible holders of Old Notes who tender their Old Notes pursuant to Exchange Offers after a specified time in the Disclosure Document (the **Early Participation Date**) will only be entitled to receive consideration as part of the Exchange Offers that is $50 per $1,000 principal amount less than if such Old Notes had been tendered pursuant to the Exchange Offers prior to the Early Participation Date. The Filer may, subject to applicable law, increase the maximum aggregate principal amount of New Notes that may be issued pursuant to the Exchange Offers, increase the applicable caps in respect of each type of Exchange Offer, or otherwise amend the terms of the Exchange Offers. Any amendments to the terms of an Exchange Offer will apply equally to all eligible holders of the affected classes of Old Notes. The Filer will give all eligible holders of the applicable classes of Old Notes notice of the amendments and will extend the Early Participation Date or the expiration date of the Exchange Offers to the extent required by applicable law.

23. Eligible holders of Old Notes who elect not to participate in the Exchange Offers or whose Old Notes are not accepted for exchange under the Exchange Offers will continue to hold such Old Notes, which will mature on their respective maturity dates and continue to accrue interest in accordance with, and will otherwise be entitled to all rights and privileges under, the respective instruments governing their terms. The Old Notes are not subject to any compulsory acquisition or redemption, or defeasance provisions.

24. Eligible holders of Old Notes who elect to participate in the Exchange Offers and whose Old Notes are accepted for exchange under the Exchange Offers will receive: (a) a cash payment representing accrued and unpaid interest, if any, to, but not including, the applicable settlement date; and (b) consideration consisting of the applicable New Notes and, in the case of Par for Par Exchange Offers and as applicable, cash.

25. The terms of the Exchange Offers will be set out in an offer to exchange disclosure document (the **Disclosure Document**), the contents of which will include, among other things, a description of the Exchange Offers, a description of the New Notes and risk factors in respect of the Exchange Offers and the New Notes. The Disclosure Document will also incorporate by reference risk factors in respect of both GECC and GE.

26. The Disclosure Document will incorporate by reference the respective Annual Reports on Form 10-K for the year ended December 31, 2014 and subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K of GECC and GE.

27. The Disclosure Document will be subject to Rule 10b-5 under the *Securities Exchange Act of 1934* (U.S.), as amended, which requires that the Disclosure Document not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

28. Section 2.16 of National Instrument 45-106 *Prospectus Exemptions* provides that the Prospectus Requirements do not apply to a distribution of a security in connection with an issuer bid in a jurisdiction of Canada.

29. But for the fact that the GE Reorganization has been structured such that the Filer, and not GECC, is the entity that will be making the offers to acquire, and that the Old Notes are debt securities that are not convertible into securities other than debt securities, the Exchange Offers would constitute "issuer bids" under Part XX of the *Securities Act* (Ontario) (the **Act**) and the corresponding securities legislation in each Local Jurisdiction. The Exchange Offers are, in effect, an internal reorganization of GE pursuant to which debt securities that are fully and unconditionally guaranteed by GE issued by one indirect, wholly-owned subsidiary of GE can be exchanged for debt securities that are fully and unconditionally guaranteed by GE issued by another indirect, wholly-owned subsidiary of GE.

30. If the Exchange Offers constituted an issuer bid, the New Notes to be distributed in connection with the Exchange Offers would be exempt from the Prospectus Requirements.

31. All of the Old Notes were issued in global form and are held by either The Depository Trust Company (**DTC**) in the U.S., or Euroclear or Clearstream in Europe. To conclude that, as at the commencement of the Exchange Offers, holders of each class of Old Notes whose last address as shown on the books of GECC is in Canada represent less than 10% of such class of outstanding Old Notes, the Filer reviewed:

    (a) for those Old Notes issued primarily in the U.S., (i) the DTC participant list for both the CDS Clearing and Depository Services Inc. bridge to DTC and those participants that appeared to have a Canadian connection, and (ii) the non-objecting beneficial owner list; and

    (b) for those Old Notes issued primarily in Europe, a geographical breakdown.

32. The Filer reasonably believes that holders of Old Notes who are residents of Canada will beneficially own less than 10% of each outstanding class of Old Notes at the commencement of the Exchange Offers.

33. All eligible holders of each class of Old Notes in Canada will be entitled to participate in the Exchange Offers on terms at least as favourable as the terms that will apply to eligible holders of the same class of Old Notes outside of Canada.

34. If the Exchange Offers were "issuer bids", the Exchange Offers would be exempt from the formal bid requirements under the Legislation on the basis of the foreign issuer bid exemption set out in section 101.4 of the Act and the corresponding securities legislation in each Local Jurisdiction.

35. All eligible holders of each class of Old Notes in Canada will be provided with the Disclosure Document in the same manner and at the same time as the Disclosure Document is provided by, or on behalf of, the Filer to eligible holders of the same class of Old Notes outside of Canada.

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 Prospectus Exemption Sought is granted provided that:

(a) holders of each class of Old Notes whose last address as shown on the books of GECC is in Canada hold less than 10% of the outstanding Old Notes of such class at the commencement of the Exchange Offers;

(b) the Filer reasonably believes that holders of each class of Old Notes in Canada beneficially own less than 10% of the outstanding Old Notes of such class at the commencement of the Exchange Offers;

(c) the published market on which the greatest dollar volume of trading occurred during the 12 months immediately preceding the commencement of the Exchange Offers was, in the case of each class of Old Notes, not in Canada;

(d) Exchange Offers will be made to all eligible holders of Old Notes in Canada, who will be entitled to participate in the Exchange Offers on terms at least as favourable as the terms that apply to eligible holders of the applicable class of Old Notes outside of Canada;

(e) all eligible holders of Old Notes in Canada will be provided with the Disclosure Document in the same manner and at the same time as the Disclosure Document will be provided by, or on behalf of, the Filer to eligible holders of the applicable class of Old Notes outside of Canada; and

(f) the first trade in any New Notes issued in connection with the Exchange Offers will be deemed to be a distribution unless the conditions in section 2.6 or subsection 2.14(1) of National Instrument 45-102 *Resale of* Securities *are satisfied.*

Furthermore, the decision of the principal regulator is that the Confidentiality Sought is granted.

"Grant Vingeo"
Commissioner
Ontario Securities Commission

"Tim Moseley"
Commissioner
Ontario Securities Commission

Schedule A

Categories of Old Notes

Each series of the following debt securities subject to the Exchange Offers will be considered a class for purposes of the decision:

1. Debt securities issued by GECC pursuant to a registration statement filed under the 1933 U.S. Securities Act, including senior unsecured, subordinated and senior secured notes issued under the GECC medium term note programs and the floating rate notes issued by GECC.[1]

2. U.S. dollar, Euro and British Pound-denominated fixed to floating rate subordinated debentures issued by GECC (including those underlying Trust Preferred Securities issued by any trust[2] owning such debentures and such Trust Preferred Securities[3]).

3. Debt securities issued by GECC under the GECC European programmes (including the standalone Namensschuldverschreibung issuance) for the issuance of medium-term notes or under other foreign programs.

4. Debt securities issued by GECC that were originally co-issued with LJ VP Holdings LLC[4].

[1] This includes the GECC subordinated debt securities originally issued by General Electric Capital Services Inc., who is no longer an obligor with respect to these securities.

[2] The trusts include GE Capital Trust I, GE Capital Trust II, GE Capital Trust III, GE Capital Trust IV and GE Capital Trust V.

[3] Certain series of subordinated debentures will be identified as "Hybrids" in the Disclosure Document as they include corresponding series of trust preferred securities (the "**Trust Preferred Securities**") issued by a GE Capital Trust in which a portion of subordinated debentures are held. These Trust Preferred Securities may be tendered in the Exchange Offers on the same terms and with the same acceptance priority level as those applicable to the underlying subordinated debentures to which they relate, with references to aggregate principal amounts of subordinated debentures corresponding to the same amount of aggregate liquidation preference of the Trust Preferred Securities. The Filer will issue New Notes in exchange for any Trust Preferred Securities accepted for exchange and will not issue any new Trust Preferred Securities in the Exchange Offers.

[4] LJ VP Holdings LLC is no longer an obligor with respect to these securities.

2.1.11 Desjardins Investments Inc.

Headnote

Policy Statement 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from subsections 2.3(f) and (h) and paragraphs 2.5(2)(a) and (c) of Regulation 81-102 Investment Funds to permit mutual funds to invest in gold ETFs, silver ETFs, gold/silver ETFs and silver, the Filer does not invest in leveraged ETFs and inverse ETFs, subject to a limit of 10% exposure in gold and silver, and certain conditions.

Applicable Legislative Provisions

Regulation 81-102 respecting Investment Funds, ss. 2.3(f) and (h), 2.5(2)(a) and (c), 19.1.

September 21, 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
DESJARDINS INVESTMENTS INC.
(the Filer)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (each a **Decision Maker**) has received an application from the Filer on behalf of the Desjardins Funds (as defined below) for a decision under the securities legislation of the Jurisdictions (the **Legislation**), pursuant to section 19.1 of *Regulation 81-102 respecting Investment Funds*, CQRL, c. V-1.1, r. 39 (**Regulation 81-102**), exempting the Desjardins Funds (as defined below) from the restrictions contained in subsections 2.3(f) and 2.3(h) and paragraphs 2.5(2)(a) and 2.5(2)(c) of Regulation 81-102 (the **Requested Relief**) to permit each Desjardins Fund to purchase and hold:

(a) securities of exchange-traded funds (**ETFs**) that seek to replicate (i) the performance of gold on an unlevered basis; or (ii) the value of a specified derivative the underlying interest of which is gold on an unlevered basis (**Gold ETFs**);

(b) securities of ETFs that seek to replicate (i) the performance of silver on an unlevered basis; or (ii) the value of a specified derivative the underlying interest of which is silver on an unlevered basis (**Silver ETFs**);

(c) securities of ETFs that seek to replicate (i) the performance of gold and silver on an unlevered basis; or (ii) the value of specified derivatives the underlying interests of which are gold and silver on an unlevered basis (**Gold/Silver ETFs**); and

(d) silver and Permitted Silver Certificates (as defined below) and/or to enter into specified derivatives the underlying interest of which is silver on an unlevered basis (collectively, **Silver**).

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*, CQRL, c. V-1.1, r. 1 (**Regulation 11-102**) is intended to be relied upon in each jurisdiction of Canada other than the Jurisdictions (the **Other Jurisdictions**); and

(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 81-102, *Regulation 14-101 respecting Definitions*, CQRL, c. V-1.1, r. 3, and Regulation 11-102 have the same meaning if used in this decision, unless otherwise defined. Capitalized terms used in this decision have the following meanings:

"Desjardins Funds" means all existing mutual funds (the **Existing Desjardins Funds**) and any mutual funds subsequently established in the future other than money market funds as defined in Regulation 81-102 that may invest in Underlying ETFs (as defined below) and Silver and for which the Filer acts, or will act, as investment fund manager;

"Permitted Silver Certificates" means Silver certificates that the Desjardins Funds invest in and will be certificates that represent silver that is:

(a) available for delivery in Canada, free of charge, to or to the order of the holder of the certificate;

(b) of a minimum fineness of 999 parts per 1,000;

(c) held in Canada;

(d) in the form of either bars or wafers; and

(e) if not purchased from a bank listed in Schedule I, II or III of the *Bank Act* (Canada), fully insured against loss and bankruptcy by an insurance company licensed under the laws of Canada or a province or territory of Canada.

"Underlying ETFs" means Gold ETFs, Silver ETFs and Gold/Silver ETFs, collectively.

Representations

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

The Filer

1. The Filer is, or will be, the investment fund manager of each Desjardins Fund. The Filer is registered as an investment fund manager in the Provinces of Québec, Ontario and Newfoundland and Labrador. The head office of the Filer is in Montreal, Québec.

2. Either the Filer, an affiliate of the Filer or a third party portfolio manager is, or will be, the portfolio manager or sub-manager, of all or a portion of the investment portfolio of each Desjardins Fund.

3. The Filer is not in default of securities legislation in the Jurisdictions or any of the Other Jurisdictions.

The Desjardins Funds

4. Each Desjardins Fund is, or will be, a mutual fund created under the laws of the Province of Québec and is, or will be, subject to the provisions of Regulation 81-102.

5. The Existing Desjardins Funds are not in default of securities legislation in the Jurisdictions or any of the Other Jurisdictions.

6. The securities of each Desjardins Funds are, or will be, qualified for distribution pursuant to a simplified prospectus prepared in accordance with *Regulation 81-101 respecting Mutual Fund Prospectus Disclosure*, CQRL, c. V-1.1, r. 38 ("**Regulation 81-101**") in each jurisdiction in Canada. Accordingly, each Desjardins Fund is, or will be, a reporting issuer or the equivalent in each jurisdiction in Canada.

7. Each Desjardins Fund that relies on the Requested Relief will be permitted in accordance with its investment objectives and investment strategies to invest in Underlying ETFs and Silver.

<u>The Reasons for the Requested Relief</u>

8. The Desjardins Funds do not invest in leveraged ETFs or inverse ETFs.

9. Each Underlying ETF will be a "mutual fund" as such term is defined under the *Securities Act*, CQLR, c. V-1.1 such as, per example, the iShares Gold Trust and the SPDR Gold Trust.

10. In the absence of the Requested Relief, an investment by the Desjardins Funds in securities of the Underlying ETFs would be contrary to paragraph 2.5(2)(a) of Regulation 81-102 as the securities of some Underlying ETFs will not be subject to Regulation 81-102 and the securities of the Underlying ETFs will not be offered under a simplified prospectus in accordance Regulation 81-101.

11. In the absence of the Requested Relief, an investment by the Desjardins Funds in securities of some Underlying ETFs would be contrary to paragraph 2.5(2)(c) of Regulation 81-102 as some Underlying ETFs are not reporting issuers in the Jurisdictions.

12. To obtain exposure to gold or silver indirectly, the Filer may use specified derivatives the underlying interest of which is gold or silver and invest in the Underlying ETFs.

13. The Filer believes that the markets for gold/Silver are highly liquid, and there are no liquidity concerns that should lead to a conclusion that investments in gold or Silver need to be prohibited.

14. The Filer believes that the potential volatility or speculative nature of Silver is no greater than that of gold, some equity and debt securities.

15. The Underlying ETFs and Silver are attractive investments for the Desjardins Funds as they provide an efficient and cost effective means of achieving diversification in addition to any investment in gold.

16. An investment by a Desjardins Fund in the securities of the Underlying ETFs and/or Silver will represent the business judgment of responsible persons uninfluenced by considerations other than the best interests of the Desjardins Fund.

17. The Desjardins Funds may invest in Silver from time to time when the Filer determines that it is desirable to do so following a valuation of assets, a determination of the effect of monetary policy and economic environment on asset prices, and after assessing historic price movements on likely future returns.

18. In the absence of the Requested Relief, an investment by the Desjardins Funds in Silver would be contrary to subsections 2.3(f) and 2.3(h) of Regulation 81-102 as those sections only stipulate gold as a permissible commodity to be held directly or as an underlying interest of a specified derivative.

19. Any investment by a Desjardins Fund in Silver will be made in compliance with the custodian requirements in part 6 of Regulation 81-102.

20. If the investment in gold and/or Silver (including gold, permitted gold certificates, Silver, Permitted Silver Certificates, Underlying ETFs and specified derivatives the underlying interest of which is gold or Silver) represents a material change for any Existing Desjardins Fund, the Filer will comply with the material change reporting obligations for that Desjardins Fund.

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 Requested Relief is granted provided that:

(a) the investment by a Desjardins Fund in securities of an Underlying ETF and/or Silver is in accordance with the fundamental investment objectives and investment strategies of the Desjardins Fund;

(b) the Desjardins Fund does not short sell securities of an Underlying ETF;

(c) the securities of the Underlying ETFs are traded on a stock exchange in Canada or the United States;

(d) if the Desjardins Fund invests in Underlying ETFs which receives their exposure to gold/Silver through the use of specified derivatives, that the indirect mark-to-market value of the exposure of the Desjardins Fund to any

one counterparty, other than an acceptable clearing corporation or a clearing corporation that clears and settles transactions made on a futures exchanged listed in Appendix A of Regulation 81-102, calculated in accordance with subsection 2.7(5) of Regulation 81-102, not exceed, for a period of 30 days or more, 10 percent of the net asset value of the Desjardins Fund;

(e) a Desjardins Fund does not purchase gold, permitted gold certificates, Silver, Permitted Silver Certificates, Underlying ETFs or enter into specified derivatives the underlying interest of which is gold or Silver if, immediately after the transaction, more than 10% of the net assets of a Desjardins Fund, taken at market value at the time of the transaction, would in aggregate consist of gold, permitted gold certificates, Silver, Permitted Silver Certificates, Underlying ETFs and underlying market exposure of specified derivatives linked to gold or Silver.

(f) the simplified prospectus for each of the Desjardins Funds that rely on the Requested Relief discloses, or will disclose the next time it is renewed:

(i) in the investment strategy section of the Desjardins Fund the fact that the Desjardins Fund has obtained relief to invest in securities of Underlying ETFs and/or Silver; and

(ii) to the extent applicable, the risk associated with the Underlying ETFs and/or Silver.

"Josee Deslauriers"
Senior Director, Investment Funds and Continuous Disclosure

2.2 Orders

2.2.1 Magna International Inc. – s. 104(2)(c)

Headnote

Subsection 104(2)(c) of the Act – Issuer bid – relief from issuer bid requirements in sections 94 to 94.8 and 97 to 98.7 of the Act – Issuer proposes to purchase, at a discounted purchase price, up to 2,500,000 of its common shares from one of its shareholders – due to the discounted purchase price, proposed purchases cannot be made through the TSX trading system – but for the fact that the proposed purchases cannot be made through the TSX trading system, the Issuer could otherwise acquire the subject shares in reliance upon the issuer bid exemption available under section 101.2 of the Act and in accordance with the TSX rules governing normal course issuer bid purchases – the selling shareholder did not purchase the subject shares in anticipation or contemplation of resale to the Issuer and has not, for a minimum of 30 days prior to the date of the application seeking the requested relief, purchased common shares of the Issuer in anticipation or contemplation of a sale of common shares to the Issuer – no adverse economic impact on, or prejudice to, the Issuer or public shareholders – proposed purchases exempt from the issuer bid requirements in sections 94 to 94.8 and 97 to 98.7 of the Act, subject to conditions, including that the Issuer not purchase, in the aggregate, more than one-third of the maximum number of shares to be purchased under its normal course issuer bid by way of off-exchange block purchases, and that the Issuer not make any proposed purchase unless it has first obtained written confirmation from the selling shareholder that between the date of the order and the date on which the proposed purchase is completed, the selling shareholder has not purchased, had purchased on its behalf, or otherwise accumulated, any common shares of the Issuer to re-establish its holdings of common shares which will have been reduced as a result of the sale of the subject shares pursuant to the proposed purchases.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 94 to 94.8, 97 to 98.7, 104(2)(c).

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

AND

**IN THE MATTER OF
MAGNA INTERNATIONAL INC.**

**ORDER
(Clause 104(2)(c))**

UPON the application (the "**Application**") of Magna International Inc. (the "**Issuer**") to the Ontario Securities Commission (the "**Commission**") for an order pursuant to clause 104(2)(c) of the *Securities Act* (Ontario) (the "**Act**") exempting the Issuer from the requirements of sections 94 to 94.8, inclusive, and sections 97 to 98.7, inclusive, of the Act (the "**Issuer Bid Requirements**") in connection with the proposed purchases by the Issuer of up to 2,500,000 common shares of the Issuer (collectively, the "**Subject Shares**") in one or more tranches, from Canadian Imperial Bank of Commerce (the "**Selling Shareholder**");

AND UPON considering the Application and the recommendation of staff of the Commission;

AND UPON the Issuer (and the Selling Shareholder in respect of paragraphs 5, 6, 7, 8, 9, 10, 13, 24 and 26 as they relate to the Selling Shareholder) having represented to the Commission that:

1. The Issuer is a corporation governed by the *Business Corporations Act* (Ontario).

2. The registered and head office of the Issuer is located at 337 Magna Drive, Aurora, Ontario, L4G 7K1.

3. The Issuer is a reporting issuer in each of the provinces of Canada and its common shares (the "**Common Shares**") are listed for trading on the Toronto Stock Exchange (the "**TSX**") and the New York Stock Exchange ("**NYSE**") under the symbols "MG" and "MGA", respectively. The Issuer is not in default of any requirement of the securities legislation in the jurisdictions in which it is a reporting issuer.

4. The authorized share capital of the Issuer consists of an unlimited number of Common Shares and 99,760,000 preference shares (the "**Preference Shares**") issuable in series. As at September 1, 2015, 408,507,025 Common Shares and no Preference Shares were issued and outstanding.

5. The corporate headquarters of the Selling Shareholder are located in the Province of Ontario. Each Proposed Purchase (as defined below) under this Order will be executed and settled in the Province of Ontario.

6. The Selling Shareholder does not, directly or indirectly, own more than 5% of the issued and outstanding Common Shares.

7. The Selling Shareholder is the beneficial owner of at least 2,500,000 Common Shares. None of the Subject Shares were acquired by, or on behalf of, the Selling Shareholder in anticipation or contemplation of resale to the Issuer.

8. No Common Shares were purchased by, or on behalf of, the Selling Shareholder on or after August 5, 2015, being the date that was 30 days prior to the date of the Application, in anticipation or contemplation of a sale of Common Shares to the Issuer.

9. The Subject Shares are held by the Selling Shareholder in connection with arrangements to hedge client transactions in respect of the Common Shares. Between the date of this Order and the date on which a Proposed Purchase is to be completed, the Selling Shareholder will not purchase, have purchased on its behalf, or otherwise accumulate, any Common Shares to re-establish its holdings of Common Shares which will have been reduced as a result of the sale of Subject Shares pursuant to the Proposed Purchases.

10. The Selling Shareholder is at arm's length to the Issuer and is not an "insider" of the Issuer or an "associate" of an "insider" of the Issuer, or an "associate" or "affiliate" of the Issuer, as such terms are defined in the Act. The Selling Shareholder is an "accredited investor" within the meaning of National Instrument 45-106 *Prospectus Exemptions*.

11. Pursuant to the terms of a "Notice of Intention to Make a Normal Course Issuer Bid" (the "**Notice**") that was submitted to, and accepted by, the TSX effective November 11, 2014, the Issuer was permitted to make a normal course issuer bid (the "**Normal Course Issuer Bid**") to purchase up to 20,000,000 Common Shares, representing approximately 9.7% of the Issuer's public float of Common Shares as of the date specified in the Notice, during the 12-month period beginning on November 13, 2014 and ending on November 12, 2015. The Notice specifies that purchases under the Normal Course Issuer Bid will be conducted through the facilities of the TSX and purchases may also be made on the NYSE or through other published markets or by such other means as may be permitted by the TSX in accordance with sections 628 to 629.3 of Part VI of the TSX Company Manual (the "**TSX NCIB Rules**"), including by private agreements pursuant to issuer bid exemption orders issued by a securities regulatory authority (each, an "**Off-Exchange Block Purchase**").

12. On March 25, 2015, the Issuer completed a two-for-one stock split (the "**Stock Split**"), which was implemented by way of a stock dividend, whereby shareholders received an additional Common Share for each Common Share held. Accordingly, to reflect the issuance of additional Common Shares in connection with the Stock Split, up to 40,000,000 Common Shares may be purchased by the Issuer under the Normal Course Issuer Bid.

13. The Issuer and the Selling Shareholder intend to enter into one or more agreements of purchase and sale (each, an "**Agreement**"), pursuant to which the Issuer will, subject to market conditions, agree to acquire some or all of the Subject Shares from the Selling Shareholder in one or more tranches, such tranches occurring prior to November 12, 2015 and not more than once per calendar week (each such purchase, a "**Proposed Purchase**") for a purchase price (each such price, a "**Purchase Price**" in respect of such Proposed Purchase) that will be negotiated at arm's length between the Issuer and the Selling Shareholder. The Purchase Price, in each case, will be at a discount to the prevailing market price and below the prevailing bid-ask price for the Common Shares on the TSX at the time of the relevant Proposed Purchase.

14. The Subject Shares acquired under each Proposed Purchase will constitute a "block", as that term is defined in section 628 of the TSX NCIB Rules.

15. The purchase of any of the Subject Shares by the Issuer pursuant to an Agreement will constitute an "issuer bid" for the purposes of the Act, to which the Issuer Bid Requirements would apply.

16. Because the Purchase Price, in each case, will be at a discount to the prevailing market price and below the prevailing bid-ask price for the Common Shares on the TSX at the time of the relevant Proposed Purchase, none of the Proposed Purchases can be made through the TSX trading system and, therefore, will not occur "through the facilities" of the TSX. As a result, the Issuer will be unable to acquire Subject Shares from the Selling Shareholder in reliance upon the exemption from the Issuer Bid Requirements that is available pursuant to subsection 101.2(1) of the Act.

17. But for the fact that the Purchase Price will be at a discount to the prevailing market price and below the prevailing bid-ask price for the Common Shares on the TSX, at the time of the relevant Proposed Purchase, the Issuer could otherwise acquire the applicable Subject Shares through the facilities of the TSX as a "block purchase" (a "**Block**

Purchase") in accordance with the block purchase exception in clause 629(l)7 of the TSX NCIB Rules and the exemption from the Issuer Bid Requirements that is available pursuant to subsection 101.2(1) of the Act.

18. The sale of any of the Subject Shares to the Issuer will not be a "distribution" (as defined in the Act).

19. For each Proposed Purchase, the Issuer will be able to acquire the applicable Subject Shares from the Selling Shareholder without the Issuer being subject to the dealer registration requirements of the Act.

20. Management of the Issuer is of the view that: (a) the Issuer will be able to purchase the Subject Shares at a lower price than the price at which it would otherwise be able to purchase Common Shares under the Normal Course Issuer Bid in accordance with the TSX NCIB Rules and the exemption from the Issuer Bid Requirements available pursuant to subsection 101.2(1) of the Act; and (b) the Proposed Purchases are an appropriate use of the Issuer's funds.

21. The purchase of the Subject Shares will not adversely affect the Issuer or the rights of any of the Issuer's security holders and it will not materially affect the control of the Issuer. To the knowledge of the Issuer, the Proposed Purchases will not prejudice the ability of other security holders of the Issuer to otherwise sell Common Shares in the open market at the then prevailing market price. The Proposed Purchases will be carried out at minimal cost to the Issuer.

22. To the best of the Issuer's knowledge, as of September 1, 2015, the "public float" for the Issuer's Common Shares represented approximately 99.7% of all of the issued and outstanding Common Shares for the purposes of the TSX NCIB Rules.

23. The Common Shares are "highly-liquid securities" within the meaning of section 1.1 of OSC Rule 48-501 *Trading during Distributions, Formal Bids and Share Exchange Transactions* and section 1.1 of the Universal Market Integrity Rules.

24. Other than the Purchase Price, no fee or other consideration will be paid by the Issuer in connection with the Proposed Purchases.

25. The Issuer will not make any Proposed Purchase until it has first obtained confirmation in writing from the Selling Shareholder that between the date of this Order and the date on which a Proposed Purchase is to be completed, the Selling Shareholder has not purchased, had purchased on its behalf, or otherwise accumulated, any Common Shares to re-establish its holdings of Common Shares which will have been reduced as a result of the sale of Subject Shares pursuant to the Proposed Purchases.

26. At the time that each Agreement is entered into by the Issuer and the Selling Shareholder and at the time of each Proposed Purchase, neither the Issuer, nor any member of the equity derivatives trading group of the Selling Shareholder, nor any personnel of, the Selling Shareholder that negotiated the Agreement or made, participated in the making of, or provided advice in connection with, the decision to enter into the Agreement and sell the Subject Shares, will be aware of any "material change" or "material fact" (each as defined in the Act) in respect of the Issuer that has not been generally disclosed.

27. The Commission granted the Issuer three orders on November 25, 2014 and one order on August 25, 2015 pursuant to clause 104(2)(c) of the Act exempting the Issuer from the Issuer Bid Requirements in connection with purchases by the Issuer pursuant to private agreements of up to 430,000 Common Shares from the Bank of Montreal (the "**BMO Order**"), up to 450,000 Common Shares from The Bank of Nova Scotia (the "**BNS Order**"), up to 1,780,000 Common Shares from BMO Nesbitt Burns Inc. (the "**BMO NB Order**", and together with the BMO Order and the BNS Order, the "**November Orders**") and up to 1,360,000 Common Shares from the Royal Bank of Canada (the "**RBC Order**", and together with the November Orders, the "**Existing Orders**"). Prior to the Stock Split, the Issuer acquired 2,380,000 Common Shares (or 4,760,000 Common Shares, adjusted to reflect the Stock Split) under the November Orders. Subsequent to the Stock Split, the Issuer acquired the remaining 560,000 Common Shares available for purchase under the BMO NB Order and 700,000 Common Shares available for purchase under the RBC Order. As at September 1, 2015 (and all figures adjusted to reflect the Stock Split), the Issuer has purchased an aggregate of 8,127,309 Common Shares pursuant to the Normal Course Issuer Bid, including 6,020,000 Common Shares under the Existing Orders.

28. The Issuer will not purchase, pursuant to Off-Exchange Block Purchases, in aggregate, more than one-third of the maximum number of Common Shares that the Issuer can purchase under the Normal Course Issuer Bid, such one-third being equal to 13,333,333 Common Shares as of the date of this Order.

29. Assuming completion of the purchase of the maximum number of Subject Shares, being 2,500,000 Subject Shares, and the maximum number of Common Shares that are the subject of the Existing Orders, being 6,680,000 Common

Shares, the Issuer will have purchased under the Normal Course Issuer Bid an aggregate of 9,180,000 Common Shares pursuant to Off-Exchange Block Purchases, representing 22.95% of the maximum 40,000,000 Common Shares authorized to be purchased under the Normal Course Issuer Bid.

AND UPON the Commission being satisfied to do so would not be prejudicial to the public interest;

IT IS ORDERED pursuant to clause 104(2)(c) of the Act that the Issuer be exempt from the Issuer Bid Requirements in connection with the Proposed Purchases, provided that:

(a) the Proposed Purchases will be taken into account by the Issuer when calculating the maximum annual aggregate limit that is imposed upon the Issuer's Normal Course Issuer Bid in accordance with the TSX NCIB Rules;

(b) the Issuer will refrain from conducting either a Block Purchase in accordance with the TSX NCIB Rules or another Off-Exchange Block Purchase during the calendar week in which it completes a Proposed Purchase and will not make any further purchases under its Normal Course Issuer Bid for the remainder of the calendar day on which it completes a Proposed Purchase;

(c) the Purchase Price in respect of each Proposed Purchase will be at a discount to the last "independent trade" (as that term is used in paragraph 629(l)1 of the TSX NCIB Rules) of a board lot of Common Shares immediately prior to the execution of such Proposed Purchase;

(d) the Issuer will otherwise acquire any additional Common Shares pursuant to the Issuer's Normal Course Issuer Bid in accordance with the Notice and the TSX NCIB Rules, including by means of open market transactions and by such other means as may be permitted by the TSX, and, subject to condition (i) below, by Off-Exchange Block Purchases;

(e) immediately following each Proposed Purchase of Subject Shares from the Selling Shareholder, the Issuer will report the purchase of Subject Shares to the TSX;

(f) at the time that each Agreement is entered into by the Issuer and the Selling Shareholder and at the time of each Proposed Purchase, neither the Issuer, nor any member of the equity derivatives trading group of the Selling Shareholder, nor any personnel of the Selling Shareholder that negotiated the Agreement or made, participated in the making of, or provided advice in connection with, the decision to enter into the Agreement and sell the Subject Shares, will be aware of any "material change" or "material fact" (each as defined in the Act) in respect of the Issuer that has not been generally disclosed;

(g) in advance of the first Proposed Purchase, the Issuer will issue a press release disclosing (i) its intention to make the Proposed Purchases, and (ii) that information regarding each Proposed Purchase, including the number of Subject Shares purchased and the aggregate Purchase Price, will be available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") following the completion of each Proposed Purchase;

(h) the Issuer will report information regarding each Proposed Purchase, including the number of Subject Shares purchased and the aggregate Purchase Price, on SEDAR before 5:00 p.m. (Toronto time) on the business day following such purchase;

(i) the Issuer does not purchase, pursuant to Off-Exchange Block Purchases, in the aggregate more than one-third of the maximum number of Common Shares the Issuer can purchase under its Normal Course Issuer Bid, such one-third being equal to, as of the date of this Order, 13,333,333 Common Shares; and

(j) the Issuer will not make any Proposed Purchase unless it has first obtained confirmation in writing from the Selling Shareholder that between the date of this Order and the date on which a Proposed Purchase is to be completed, the Selling Shareholder has not purchased, had purchased on its behalf, or otherwise accumulated any Common Shares to re-establish its holdings of Common Shares which will have been reduced as a result of the sale of Subject Shares pursuant to the Proposed Purchases.

DATED at Toronto this 15th day of September, 2015.

"Christopher Portner"
Commissioner
Ontario Securities Commission

"Mary Condon"
Vice Chair
Ontario Securities Commission

2.2.2 Travis Michael Hurst et al. – ss. 127(1), 127(10)

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

AND

IN THE MATTER OF
TRAVIS MICHAEL HURST, TERRY HURST and BRYANT HURST

ORDER
(Subsections 127(1) and 127(10) of the Securities Act)

WHEREAS:

1. on July 2, 2015, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127(1) and 127(10) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") in respect of Travis Michael Hurst ("Travis"), Terry Hurst ("Terry") and Bryant Hurst ("Bryant") (collectively, the "Respondents");

2. on June 30, 2015, Staff of the Commission ("Staff") filed a Statement of Allegations in respect of the same matter;

3. on March 2, 2015, the Respondents entered into a Settlement Agreement and Undertaking with the Alberta Securities Commission (the "Settlement Agreement");

4. in the Settlement Agreement, the Respondents each agreed to certain undertakings and to be made subject to sanctions, conditions, restrictions or requirements within the province of Alberta;

5. pursuant to paragraph 5 of subsection 127(10) of the Act, an order may be made in respect of a person or company if the person or company has agreed with a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, to be made subject to sanctions, conditions, restrictions or requirements;

6. on July 22, 2015, Staff appeared before the Commission and made submissions, and filed an affidavit of service sworn by Lee Crann on July 20, 2015, indicating steps taken by Staff to serve the Respondents with the Notice of Hearing, Statement of Allegations, and Staff's disclosure materials (Exhibit 1);

7. on July 22, 2015, Bryant did not appear or make submissions, but Staff filed a consent dated July 20, 2015, by which Bryant agreed to the issuance of this order (Exhibit 2);

8. on July 22, 2015, Travis and Terry did not appear or make submissions;

9. on July 22, 2015, the Commission ordered that the hearing in this matter be adjourned to July 24, 2015 at 10:00 a.m.;

10. on July 24, 2015, the Commission considered an application by Staff to convert the matter to a written hearing, in accordance with Rule 11.5 of the Commission's *Rules of Procedure* (2014), 37 O.S.C.B. 4168, and subsection 5.1(1) of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, as amended;

11. on July 24, 2015, Staff filed (i) a Supplementary Affidavit of Service of Lee Crann sworn July 23, 2015, indicating steps taken by Staff to serve the Respondents with the Notice of Hearing, Statement of Allegations, and Staff's disclosure materials (Exhibit 3); and (ii) an Affidavit of Service of Lee Crann sworn July 24, 2015, indicating steps taken by Staff to serve the Respondents with the Commission's order of July 22, 2015 (Exhibit 4);

12. on July 24, 2015, the Respondents did not appear or make submissions;

13. on July 24, 2015, the Commission ordered that:

    (a) Staff's application to proceed by way of written hearing be granted;

    (b) Staff's materials in respect of the written hearing be served and filed no later than July 31, 2015;

    (c) the Respondents' responding materials, if any, be served and filed no later than August 28, 2015; and

    (d) Staff's reply materials, if any, be served and filed no later than September 11, 2015.

14. on July 27, 2015, Staff filed written submissions, a hearing brief (Exhibit 5) and a book of authorities;

15. on August 10, 2015, Staff filed a consent dated July 19, 2015, by which Terry agreed to the issuance of this order (Exhibit 6);

16. on August 10, 2015, Staff filed a consent dated July 27, 2015, by which Travis agreed to the issuance of this order (Exhibit 7);

17. on August 14, 2015, Staff filed the Affidavit of Service of Naila Ruba sworn on the same day, indicating steps taken by Staff to serve the Respondents with Staff's Written Submissions, Brief of Authorities and Hearing Brief (Exhibit 8); and

18. the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED:

1. against Travis that:

    (a) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Travis shall cease until March 2, 2020, except that Travis may trade in securities or derivatives through a registrant who has been given a copy of the Settlement Agreement and Undertaking between Travis and the ASC dated March 2, 2015, and a copy of this Order, using one Registered Retirement Savings Plan ("RRSP") account, one Registered Education Savings Plan ("RESP") and one Locked-in Retirement Account ("LIRA"); and

    (b) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Travis shall cease until March 2, 2020, except that:

        i. Travis may acquire securities or derivatives through a registrant who has been given a copy of the Settlement Agreement and Undertaking between Travis and the ASC dated March 2, 2015, and a copy of this Order, using one RRSP account, one RESP and one LIRA; and

        ii. Travis may acquire securities in an issuer whose securities are not distributed to the public;

2. against Terry that:

    (a) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Terry shall cease until March 2, 2018, except that Terry may trade in securities or derivatives through a registrant who has been given a copy of the Settlement Agreement and Undertaking between Terry and the ASC dated March 2, 2015, and a copy of this Order, using one RRSP account; and

    (b) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Terry shall cease until March 2, 2018, except that:

        i. Terry may acquire securities or derivatives through a registrant who has been given a copy of the Settlement Agreement and Undertaking between Terry and the ASC dated March 2, 2015, and a copy of this Order, using one RRSP account; and

        ii. Terry may acquire securities in an issuer whose securities are not distributed to the public;

3. against Bryant that:

    (a) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Bryant shall cease until March 2, 2018, except that Bryant may trade in securities or derivatives through a registrant who has been given a copy of the Settlement Agreement and Undertaking between Bryant and the ASC dated March 2, 2015, and a copy of this Order, using one RESP account for each of his children and one RRSP account; and

    (b) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Bryant shall cease until March 2, 2018, except that:

        i. Bryant may acquire securities or derivatives through a registrant who has been given a copy of the Settlement Agreement and Undertaking between Bryant and the ASC dated March 2, 2015, and a copy of this Order, using one RESP account for each of his children and one RRSP account; and

ii. Bryant may acquire securities in an issuer whose securities are not distributed to the public;

DATED at Toronto this 15th day of September, 2015.

"Timothy Moseley"

2.2.3 AMTE Services Inc. – s. 127(8)

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

AND

IN THE MATTER OF
AMTE SERVICES INC.,
OSLER ENERGY CORPORATION,
RANJIT GREWAL, PHILLIP COLBERT AND
EDWARD OZGA

TEMPORARY ORDER
(Subsection 127(8))

WHEREAS on October 15, 2012, pursuant to subsections 127(1) and 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), the Ontario Securities Commission (the "Commission") issued the following order (the "Temporary Order") against AMTE Services Inc. ("AMTE"), Osler Energy Corporation ("Osler"), Ranjit Grewal ("Grewal"), Phillip Colbert ("Colbert") and Edward Ozga ("Ozga") (collectively, the "Respondents"):

(i) pursuant to clause 2 of subsection 127(1) of the Act, all trading by and in the securities of AMTE shall cease; all trading by and in the securities of Osler shall cease; all trading by Grewal shall cease; all trading by Colbert shall cease; and all trading by Ozga shall cease.

(ii) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to any of the Respondents;

AND WHEREAS on October 15, 2012, the Commission ordered that the Temporary Order shall expire on the 15th day after its making unless extended by order of the Commission;

AND WHEREAS on October 16, 2012, the Commission issued a Notice of Hearing to consider the extension of the Temporary Order, to be held on October 25, 2012 at 2:00 p.m.;

AND WHEREAS on October 25, 2012, the Commission ordered that the Temporary Order be extended until January 29, 2013 and that the hearing be adjourned until January 28, 2013 at 10:00 a.m.;

AND WHEREAS on January 29, 2013, the Commission ordered that the Temporary Order be extended until March 12, 2013 and that the hearing be adjourned until March 11, 2013 at 10:00 a.m.;

AND WHEREAS on March 11, 2013, the Commission ordered that the Temporary Order be extended until May 28, 2013 or until further order of the Commission and that the hearing be adjourned until May 27, 2013 at 10:00 a.m.;

AND WHEREAS on March 27, 2013, a hearing was held before the Commission and counsel for Staff attended to request an extension of the Temporary Order and no one appeared on behalf of the Respondents;

AND WHEREAS Staff filed the affidavit of Peaches Barnaby sworn May 24, 2013 outlining service of the Commission order dated March 11, 2013 on the Respondents;

AND WHEREAS quasi-criminal proceedings have been commenced in the Ontario Court of Justice pursuant to section 122(1)(c) of the Act against Grewal, Ozga and Colbert (the "Section 122 Proceedings");

AND WHEREAS a judicial pre-trial in connection with the Section 122 Proceedings was scheduled for June 27, 2013;

AND WHEREAS Colbert consented to the extension of the Temporary Order;

AND WHEREAS the Commission ordered that the Temporary Order be extended until July 22, 2013 or until further order of the Commission and the hearing to consider a further extension of the Temporary Order be adjourned until July 19, 2013 at 11:00 a.m.;

AND WHEREAS on July 19, 2013, a hearing was held before the Commission and counsel for Staff attended to request an extension of the Temporary Order and no one appeared on behalf of the Respondents;

AND WHEREAS Staff filed the affidavit of Tia Faerber sworn July 18, 2013 outlining service of the Commission's order dated May 27, 2013 on the Respondents;

AND WHEREAS a further judicial pre-trial in connection with the Section 122 Proceedings was scheduled for September 16, 2013;

AND WHEREAS the Commission ordered that the Temporary Order be extended until September 25, 2013 or until further order of the Commission and the hearing to consider a further extension of the Temporary Order be adjourned until September 23, 2013 at 10:00 a.m.;

AND WHEREAS on September 23, 2013, a hearing was held before the Commission and counsel for Staff attended to request an extension of the Temporary Order and no one appeared on behalf of the Respondents;

AND WHEREAS Staff filed the affidavit of Tia Faerber sworn September 18, 2013 outlining service of the Commission's order dated July 19, 2013 on the Respondents;

AND WHEREAS a further appearance in connection with the Section 122 Proceedings is scheduled for September 25, 2013;

AND WHEREAS the Commission ordered that the Temporary Order be extended until March 31, 2014 or until further order of the Commission and the hearing to consider a further extension of the Temporary Order be adjourned until March 27, 2014 at 10:00 a.m.;

AND WHEREAS on March 27, 2014, a hearing was held before the Commission and counsel for Staff attended to request an extension of the Temporary Order and no one appeared on behalf of the Respondents;

AND WHEREAS Staff filed the affidavit of Nancy Poyhonen sworn March 26, 2014 outlining service of the Commission's order dated September 23, 2013 on the Respondents;

AND WHEREAS the trial in connection with the Section 122 Proceedings was scheduled to commence on July 6, 2015 and to continue on July 7-10 and 13-17, 2015;

AND WHEREAS the trial in connection with Colbert proceeded by way of an agreed statement of fact and an accompanying 2 volume documents brief, collectively ("The Evidence"), which was filed with the Court on July 8, 2015;

AND WHEREAS Staff and counsel for Colbert have filed written argument with the Court;

AND WHEREAS the Court has adjourned the matter in relation to Colbert until December 8, 2015 for oral submissions on the written argument;

AND WHEREAS Ozga entered pleas of guilt to all counts against him on July 6, 2015 and the Court has adjourned Ozga's matter until October 6, 2015 for submissions on sentence;

AND WHEREAS Grewal has never participated in the Section 122 Proceedings although properly served;

AND WHEREAS the Court will decide whether to issue a warrant for Grewal's arrest on December 8, 2015;

AND WHEREAS the Commission ordered that the Temporary Order be extended until September 18, 2015 without prejudice to Staff or the Respondents to seek to vary the Temporary Order on application to the Commission and that the hearing to consider a further extension of the Temporary Order was adjourned until September 16, 2015 at 10:00 a.m. or to such other date or time as provided by the Office of the Secretary and agreed to by the parties;

AND WHEREAS Staff filed the affidavit of Tia Faerber sworn September 14, 2015 outlining service of the Commission's order dated March 27, 2014 on the Respondents;

AND WHEREAS Counsel for Ozga and Colbert have consented to the extension of the Temporary Order;

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 Temporary Order is extended until March 1, 2016 without prejudice to Staff or the Respondents to seek to vary the Temporary Order on application to the Commission and that the hearing to consider a further extension of the Temporary Order is adjourned until February 26, 2016 at 10:00 a.m. or to such other date or time as provided by the Office of the Secretary and agreed to by the parties.

DATED at Toronto, this 16th day of September, 2015.

"Alan Lenczner"

2.2.4 Pro-Financial Asset Management Inc. et al. – s. 127

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

AND

IN THE MATTER OF
PRO-FINANCIAL ASSET MANAGEMENT INC.,
STUART MCKINNON and JOHN FARRELL

ORDER
(Section 127)

WHEREAS:

1. On December 9, 2014, the Ontario Securities Commission (the "Commission") issued a 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") returnable January 14, 2015 accompanied by a Statement of Allegations dated December 8, 2014 with respect to Pro-Financial Asset Management Inc. ("PFAM"), Stuart McKinnon ("McKinnon") and John Farrell ("Farrell") (collectively, the "Respondents");

2. On January 14, 2015, Staff of the Commission ("Staff"), counsel for PFAM and McKinnon and counsel for Farrell attended before the Commission;

3. On January 14, 2015, the Commission ordered that the hearing be adjourned to February 25, 2015 at 10:00 a.m. for the purpose of scheduling a date for a confidential pre-hearing conference as may be appropriate;

4. On February 25, 2015, Staff advised that the initial electronic disclosure of approximately 11,000 pages was sent to counsel for the Respondents on January 12, 2015 and the remaining electronic disclosure of approximately 7,400 pages was sent to counsel for the Respondents on February 24, 2015;

5. On February 25, 2015, Staff advised that the Commission order dated January 14, 2015 should have referred to 11,000 pages of disclosure and not 11,000 documents;

6. On February 25, 2015, a confidential pre-hearing conference was held immediately following the public hearing as requested by the parties;

7. On April 9, 2015, the confidential pre-hearing conference continued and Staff, counsel for PFAM and McKinnon, and counsel for Farrell attended before the Commission;

8. On June 15, 2015, the confidential pre-hearing conference continued and Staff and counsel for PFAM and McKinnon attended before the Commission;

9. On June 17, 2015, the Commission ordered that the Second Appearance be held on September 15, 2015 at 10:00 a.m. and that:

   (a) Staff shall make disclosure, no later than five days before the date of the Second Appearance, of their witness list and summaries and indicate any intention to call an expert witness, in which event they shall provide the name of the expert and state the issue or issues on which the expert will be giving evidence; and

   (b) Any requests by any of the Respondents for disclosure of additional documents shall be set out in a Notice of Motion which shall be filed no later than 10 days before the date of the Second Appearance;

10. On June 30, 2015, the Commission heard a motion brought by McKinnon, in which he sought registration as a dealing representative at a mutual fund dealer (the "Registration Motion");

11. On September 14, 2015, the Commission released its reasons dismissing the Registration Motion;

12. On September 15, 2015, the Second Appearance was held and Staff advised that (i) on August 31, 2015, Staff provided a third tranche of disclosure (2,960 pages) to the Respondents; (ii) on September 11, 2015, Staff provided a fourth tranche of disclosure (251 pages) to the Respondents; and (iii) on September 10, 2015, Staff provided the Respondents with its preliminary witness list and a chart setting out the location in Staff's disclosure of the transcripts and affidavits relevant to Staff's witnesses;

13. On September 15, 2015, counsel for McKinnon advised that McKinnon intends to bring a motion for a preliminary determination of certain issues in Staff's Statement of Allegations (the "Preliminary Determination Motion");

14. McKinnon consents to the terms of this Order;

15. The Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED that:

1. The Preliminary Determination Motion shall be heard on November 6, 2015 at 10:00 a.m.;

2. The Third Appearance in this matter shall be held on November 16, 2015 at 9:00 a.m.;

3. PFAM and McKinnon shall make disclosure to Staff, by no later than 30 days before the date of the Third Appearance, of their witness lists and summaries and indicate any intention to call an expert witness, in which event they shall provide Staff with the name of the expert and state the issue or issues on which the expert will be giving evidence; and

4. The dates for the hearing on the merits and for the provision of expert affidavits or reports, if any, will be set at the Third Appearance.

DATED at Toronto this 17th day of September, 2015

"Christopher Portner"

2.2.5 Oversea Chinese Fund Limited Partnership et al. – ss. 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
OVERSEA CHINESE FUND LIMITED PARTNERSHIP,
WEIZHEN TANG AND ASSOCIATES INC.,
WEIZHEN TANG CORP. AND WEIZHEN TANG

TEMPORARY ORDER
(Subsections 127(7) and (8))

WHEREAS on March 17, 2009, pursuant to subsections 127(1) and (5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), the Ontario Securities Commission (the "Commission") made the following temporary orders (the "Temporary Order") against Oversea Chinese Fund Limited Partnership ("Oversea"), Weizhen Tang and Associates Inc. ("Associates"), Weizhen Tang Corp. ("Corp.") and Weizhen Tang ("Tang"), (collectively, the "Respondents"):

1. that all trading in securities of Oversea, Associates and Corp. shall cease;

2. that all trading by the Respondents shall cease; and

3. that the exemptions contained in Ontario securities law do not apply to the Respondents;

AND WHEREAS on March 17, 2009, pursuant to subsection 127(6) of the Act, the Commission ordered that the Temporary Order shall expire on the 15th day after its making unless extended by order of the Commission;

AND WHEREAS on March 18, 2009, the Commission issued a Notice of Hearing to consider, among other things, the extension of the Temporary Order, to be held on April 1, 2009 at 2:00 p.m.;

AND WHEREAS on April 1, 2009, the Commission ordered that the Temporary Order be extended, pursuant to subsection 127(8) of the Act, to September 10, 2009 and the hearing be adjourned to September 9, 2009;

AND WHEREAS on September 8, 2009, the Commission ordered, on consent, that the Temporary Order be extended until September 26, 2009 and the hearing be adjourned until September 25, 2009 at 10:00 a.m.;

AND WHEREAS on September 24, 2009, the Commission ordered, on consent, that the Temporary Order be extended until October 23, 2009 and the hearing be adjourned until October 22, 2009 at 10:00 a.m.;

AND WHEREAS on October 22, 2009, the Commission ordered, on consent, that the Temporary Order be extended until November 16, 2009 and the hearing be adjourned until November 13, 2009 at 10:00 a.m.;

AND WHEREAS on November 13, 2009, the Respondents brought a motion before the Commission to have the Temporary Order varied to allow Tang to trade (the "Tang Motion") and Staff of the Commission ("Staff") opposed this motion;

AND WHEREAS on November 13, 2009, Staff sought an extension of the Temporary Order until after the conclusion of the charges before the Ontario Court of Justice against Oversea, Associates and Tang;

AND WHEREAS on November 13, 2009, the Commission was of the opinion that, pursuant to subsection 127(8) of the Act, satisfactory information had not been provided to the Commission by any of the Respondents; it was in the public interest to order that the Tang Motion be denied; the Temporary Order be extended until June 30, 2010; and the hearing be adjourned to June 29, 2010 at 10:00 a.m.;

AND WHEREAS on June 29, 2010, the Commission ordered that the Temporary Order be extended until March 31, 2011, and the hearing be adjourned to March 30, 2011, at 10:00 a.m.;

AND WHEREAS on March 30, 2011, the Commission ordered that the Temporary Order was extended until May 17, 2011, and the hearing was adjourned to May 16, 2011 at 10:00 a.m.;

AND WHEREAS on May 16, 2011, Staff made submissions and sought an extension of the Temporary Order and the Respondent Tang appeared on behalf of all Respondents and made submissions opposing the extension of the Temporary Order;

AND WHEREAS on May 16, 2011, the Commission concluded pursuant to subsection 127(8) of the Act that satisfactory information had not been provided to the Commission by any of the Respondents and the Commission ordered that the Temporary Order be extended until November 1, 2011 and the hearing be adjourned to October 31, 2011 at 10:00 a.m.;

AND WHEREAS on October 31, 2011, the Commission concluded pursuant to subsection 127(8) of the Act that satisfactory information was not provided by any of the Respondents, the Commission advised Tang that the Respondents could bring a motion under section 144 of the Act to vary the Temporary Order prior to the next hearing date and ordered that the Temporary Order be extended to September 24, 2012 and that the hearing be adjourned to September 21, 2012, at 10:00 a.m.;

AND WHEREAS on September 21, 2012, the Commission ordered that the Temporary Order be extended to January 21, 2013 and that the hearing be adjourned to January 18, 2013 at 10:00 a.m.;

AND WHEREAS on January 18, 2013, the Commission ordered that the Temporary Order be extended until February 4, 2013 and the hearing of this matter be adjourned to February 1, 2013 at 2:00 p.m.;

AND WHEREAS on February 1, 2013, the Commission ordered that the Temporary Order be extended until February 6, 2013 and the hearing of this matter be adjourned to February 5, 2013 at 9:30 a.m.;

AND WHEREAS on February 5, 2013, the Commission ordered that the Temporary Order be extended until August 1, 2013 and the hearing of this matter be adjourned to July 31, 2013 at 10:00 a.m. without prejudice to the Respondents to bring an application to vary the Temporary Order pursuant to section 144 of the Act;

AND WHEREAS on July 31, 2013, the Commission ordered that the Temporary Order be extended until August 23, 2013 and the hearing of this matter be adjourned to August 21, 2013 at 10:00 a.m. without prejudice to the Respondents to bring an application to vary the Temporary Order pursuant to section 144 of the Act;

AND WHEREAS on August 21, 2013, the Commission ordered that the Temporary Order be extended until October 2, 2013 and the hearing of this matter be adjourned to September 30, 2013 at 1:00 p.m. without prejudice to the Respondents to bring an application to vary the Temporary Order pursuant to section 144 of the Act;

AND WHEREAS on September 30, 2013, the Commission ordered that the Temporary Order be extended until November 25, 2013 and the hearing of this matter be adjourned to November 21, 2013 at 10:00 a.m. without prejudice to the Respondents to bring an application to vary the Temporary Order pursuant to section 144 of the Act;

AND WHEREAS on October 3, 2013, Tang was personally served with the Order of September 30, 2013;

AND WHEREAS on November 21, 2013, Staff appeared before the Commission to request an extension of the Temporary Order and Hong Xiao appeared to speak on behalf of her husband, Tang;

AND WHEREAS On November 21, 2013, the Commission ordered that the Temporary Order be extended until January 23, 2014 and the hearing of this matter be adjourned to January 21, 2014 at 10:00 a.m. without prejudice to the Respondents to bring an application to vary the Temporary Order pursuant to section 144 of the Act;

AND WHEREAS on January 21, 2014, Counsel for Staff attended the hearing and filed the Affidavit of Service of Tia Faerber, sworn January 17, 2014 as Exhibit

"1" to the proceedings, demonstrating service of the Commission's Order dated November 21, 2013 on Tang;

AND WHEREAS Tang did not attend the hearing nor was he represented by counsel;

AND WHEREAS Tang's wife, Hong Xiao, attended the hearing to speak on behalf of her husband, Tang;

AND WHEREAS on January 21, 2014, Counsel for Staff requested an extension of the Temporary Order;

AND WHEREAS on January 21, 2014, the Commission ordered that the Temporary Order be extended to February 25, 2014 and the hearing of this matter be adjourned to February 24, 2014 at 10:00 a.m., without prejudice to the Respondents to bring an application to vary the Temporary Order pursuant to section 144 of the Act;

AND WHEREAS in advance of the hearing on February 24, 2014, Staff filed the Affidavit of Service of Tia Faerber, sworn February 18, 2014 demonstrating service of the Commission's Order dated January 21, 2014 on Tang;

AND WHEREAS on February 24, 2014, Counsel for Staff attended the hearing to request an extension of the Temporary Order;

AND WHEREAS Tang did not attend the hearing nor was he represented by counsel;

AND WHEREAS Tang's wife, Hong Xiao, attended the hearing to speak on behalf of her husband, Tang;

AND WHEREAS on February 24, 2014, the Commission ordered that the Temporary Order be extended to October 30, 2014 and the hearing of this matter be adjourned to October 27, 2014 at 2:00 p.m., without prejudice to the Respondents to bring an application to vary the Temporary Order pursuant to section 144 of the Act;

AND WHEREAS on February 26, 2014, Tang was personally served with the Order of February 24, 2014;

AND WHEREAS on October 27, 2014, Counsel for Staff appeared before the Commission to request an extention of the Temporary Order;

AND WHEREAS Tang did not attend the hearing nor was he represented by counsel;

AND WHEREAS on October 27, 2014, the Commission ordered that the Temporary Order be extended to April 30, 2015 at 12:00 p.m. and the hearing of this matter be adjourned to April 27, 2015 at 9:00 a.m., without prejudice to the Respondents to bring an application to vary the Temporary Order pursuant to section 144 of the Act.

AND WHEREAS on November 10, 2014, Tang was personally served with the Order of October 28, 2014;

AND WHEREAS on April 27, 2015, Counsel for Staff appeared before the Commission to request an extension of the Temporary Order;

AND WHEREAS Tang did not attend the hearing nor was he represented by counsel;

AND WHEREAS on April 27, 2015, the Commission ordered that the Temporary Order be extended to September 18, 2015 and the hearing of this matter be adjourned to September 14, 2015 at 10:00 a.m., without prejudice to the Respondents to bring an application to vary the Temporary Order pursuant to section 144 of the Act.

AND WHEREAS on June 3, 2015, Tang was personally served with the Order of April 27, 2015.

AND WHEREAS on September 14, 2015, Counsel for Staff appeared before the Commission to request an extension of the Temporary Order;

AND WHEREAS Tang attended the hearing and made submissions;

AND WHEREAS the Commission ordered that the parties return on Friday, September 18, 2015 to make submissions regarding the extension requested by Staff of the Temporary Order;

AND WHEREAS on September 16, 2015, Tang was served by email with the Order of September 14, 2015;

AND WHEREAS on September 18, 2015, Counsel for Staff appeared before the Commission and made submissions;

AND WHEREAS Tang attended the hearing and made submissions;

AND WHEREAS having reviewed the materials filed by Tang and by counsel for Staff and heard the submissions, the Commission is of the opinion that it is in the public interest to make this Order;

IT IS ORDERED THAT the Temporary Order against Oversea Chinese Fund Limited Partnership, Weizhen Tang and Associates Inc., and Weizhen Tang Corp., is hereby lifted.

IT IS ORDERED THAT the Temporary Order against Weizhen Tang, in his personal capacity, is extended until the conclusion of the proceeding brought by Staff against Tang under sub-sections 127(1) and (10) of the *Securities Act* , without prejudice to the Respondent's right to bring an application to vary the Temporary Order pursuant to section 144 of the Act.

DATED at Toronto, this 18th day of September, 2015.

"Christopher Portner"

2.2.6 GreenStar Agricultural Corporation and Lianyun Guan

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

AND

**IN THE MATTER OF
GREENSTAR AGRICULTURAL CORPORATION
AND LIANYUN GUAN**

ORDER

WHEREAS:

1. On March 12, 2015, the Ontario Securities Commission (the "**Commission**") issued a 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 connection with a Statement of Allegations, dated March 11, 2015, filed by Staff of the Commission ("**Staff**") with respect to GreenStar Agricultural Corporation ("**GreenStar**") and Lianyun Guan ("**Guan**" and, together with GreenStar, the "**Respondents**");

2. The hearing on the merits in this proceeding was in writing;

3. On September 18, 2015, the Commission issued its Reasons and Decision on the merits in this matter, including findings against both Respondents; and

4. The Commission is of the opinion that it is in the public interest to issue this Order.

IT IS HEREBY ORDERED that:

1. The Respondents shall have until September 28, 2015 to notify the Secretary of the Commission that they, or either of them, require an oral sanctions hearing, which, if required, will then be scheduled by the Secretary;

2. Failing notification by the Respondents, Staff shall serve and file its written submissions on sanctions and costs by October 9, 2015;

3. The Respondents shall serve and file their written submissions on sanctions and costs by October 16, 2015; and

4. Staff shall serve and file reply submissions on sanctions and costs, if any, by October 23, 2015.

DATED at Toronto this 18th day of September, 2015.

"Christopher Portner"

2.2.7 Portfolio Strategies Securities Inc. and Clifford Todd Monaghan

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

AND

IN THE MATTER OF
A HEARING AND REVIEW OF THE DECISION OF THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA REGARDING PORTFOLIO STRATEGIES SECURITIES INC.

AND

IN THE MATTER OF
CLIFFORD TODD MONAGHAN

ORDER

WHEREAS:

1. on August 10, 2015, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing, pursuant to sections 8 and 21.7 of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the “Act”), in relation to an application made by Clifford Todd Monaghan (the “Applicant”) for a Hearing and Review of a Decision of the Investment Industry Regulatory Organization of Canada (“IIROC”), which approved an *Application for Investors Holding 10% or More of an IIROC Member Firm* that was filed by Portfolio Strategies Securities Inc. (“PSSI”);

2. on August 18, 2015, the Applicant, IIROC Staff, Staff of the Commission and counsel for PSSI appeared at a confidential pre-hearing conference and made submissions;

3. on August 18, 2015, the Commission ordered that:

   a. the Applicant shall serve and file an amended application, if any, by August 28, 2015;

   b. IIROC Staff, Staff of the Commission and PSSI (the “Moving Parties”) shall serve and file motions, if any, including motion records and memoranda of fact and law, by September 4, 2015;

   c. the Applicant shall serve and file a responding motion record and memoranda of fact and law, if any, by September 11, 2015;

   d. PSSI’s cross-examination on Monaghan’s affidavits, if any, shall take place on September 14, 2015; and

   e. a motion hearing, if any, shall take place on September 16, 2015 at 11:00 a.m.

4. on September 9, 2015, the parties requested that a pre-hearing conference be held on September 16, 2015 at 10:30 a.m., via conference call, to provide the Commission with a status update;

5. on September 10, 2015, the Commission ordered that a confidential pre-hearing conference be held on September 16, 2015 at 10:30 a.m. via conference call;

6. on September 16, 2015, the parties made submissions via conference call, requested that the motion hearing date of September 16, 2015 and application hearing date of October 16, 2015 be vacated and agreed to a schedule for the exchange of motion materials and a motion hearing, if any, to be heard on January 25, 2016; and

7. the Commission is of the opinion that it is in the public interest to make this order;

IT IS ORDERED that:

1. the hearing dates scheduled for the motion hearing, September 16, 2015, and the application hearing, October 16, 2015, are vacated;

2. the Moving Parties, shall serve and file a motion record and memoranda of fact and law, if any, by January 12, 2016;

3. the Applicant, shall serve and file a responding motion record and memoranda of fact and law, if any, by January 20, 2016; and

4. a motion hearing, if any, shall take place on January 25, 2016 at 10:00 a.m.

DATED at Toronto, this 16th day of September, 2015.

“Alan Lenczner”

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions

3.1.1 GreenStar Agricultural Corporation and Lianyun Guan – ss. 127, 127.1

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

AND

IN THE MATTER OF GREENSTAR AGRICULTURAL CORPORATION AND LIANYUN GUAN

REASONS AND DECISION (Sections 127 and 127.1 of the Act)

Hearing:	In Writing		
Decision:	September 18, 2015		
Panel:	Christopher Portner	–	Commissioner
Appearances:	Tamara Center	–	For Staff of the Commission

REASONS AND DECISION

[1] This was a written hearing before the Ontario Securities Commission (the "**Commission**") pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**") to determine whether it is in the public interest to make an Order against GreenStar Agricultural Corporation ("**GreenStar**") and Lianyun Guan ("**Guan**" and, together with GreenStar, the "**Respondents**").

[2] GreenStar was a holding company which conducted substantially all of its business and operations through its subsidiary, Fujian Pucheng Star of Green Foodstuff Co., Ltd. ("**Fujian Pucheng**").[1]

[3] Fujian Pucheng's management and all of its operations are located in the People's Republic of China (the "**PRC**"). The principal activities of GreenStar and its subsidiaries were agricultural farming and food processing in the PRC.[2]

[4] Guan is a resident of the PRC and has been the President, Chief Executive Officer and Chairman of the Board of Directors of GreenStar (the "**Board**") since May 2011. As at September 30, 2013, Guan beneficially owned or exercised control or direction over 24.7% of the outstanding common shares of GreenStar.[3]

[5] Guan has been acting as the sole director and general manager of Fujian Pucheng since 2004.[4]

[6] On April 28, 2014, GreenStar issued a press release which stated that its annual filings for the fiscal year ended December 31, 2013 would be delayed, and that GreenStar's auditors would not be able to render an audit opinion by the filing deadline.[5]

[7] On May 21, 2014, GreenStar issued a press release advising that a Management Cease Trade Order had been ordered by the Commission. Greenstar also advised that GreenStar's Audit Committee had identified certain corporate governance and administrative deficiencies that had contributed to the delay in the audit, and that the Audit Committee was working with Guan to attempt to resolve all outstanding issues with the audit.[6]

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[1] Affidavit of Marcel Tillie, sworn May 22, 2015 (the "**Tillie Affidavit**"), at para. 9.

[2] Tillie Affidavit, at para. 9.

[3] Tillie Affidavit, at para. 12.

[4] Tillie Affidavit, at para. 12.

[5] April 28, 2014 Press Release, Tillie Affidavit, Exhibit W.

[6] May 21, 2014 Press Release, Tillie Affidavit, Exhibit X.

[8] On June 16, 2014, the Commission ordered that all trading in the securities of Greenstar cease and that Greenstar's common shares be suspended from trading on the TSX-V. The British Columbia and Alberta Securities Commissions have also cease-traded GreenStar's shares.[7]

[9] On September 4, 2014, GreenStar issued a press release stating that it had not been able to complete the audit due to a lack of co-operation from its China-based management team. Greenstar also stated that its Audit Committee's independent investigation had been frustrated by GreenStar's China-based management team. The Board had been unable to confirm the accuracy of numerous material facts concerning the status of GreenStar's business operations due to numerous conflicting representations by Greenstar's China-based management team.[8]

[10] On September 11, 2014, GreenStar issued a press release stating that GreenStar's Canadian management team had recently discovered that the real property of Fujian Pucheng had been put up for auction by a Chinese financial institution as the result of a judgment granted by the local courts. The press release also stated that Greenstar's Canadian directors had been unable to confirm the facts and circumstances leading to the proposed sale by auction of the real property due to various inconsistencies and contradictory statements and documents provided to the Canadian management team by China-based management. GreenStar stated that its Audit Committee and Canadian directors and management had strong concerns about unauthorized activities in China and their failure to receive further information, documentation and funding from Guan notwithstanding repeated requests.[9]

[11] On September 25, 2014, GreenStar issued a further press release announcing the resignation of its Canadian directors and three Canadian management personnel and stating that the resignations were the result of a lack of cooperation, support and funding from Guan. The press release also announced the resignation of GreenStar's auditors and the intention of GreenStar's Canadian legal counsel to withdraw their services.[10]

[12] On March 12, 2015, the Commission issued a Notice of Hearing in respect of the Statement of Allegations filed by Staff of the Commission ("**Staff**") and dated March 11, 2015.

[13] The hearing on the merits in this proceeding was converted to a hearing in writing by Order of the Commission dated April 30, 2015.

[14] The Respondents have not appeared or made submissions, and have not objected to the hearing on the merits being determined on the basis of the written record.

[15] Pursuant to subsection 7(2) of the *Statutory Powers Procedure Act*, R.S.O. c. S. 22, the Commission has jurisdiction to proceed with a hearing in the absence of the Respondents when the Respondents have been given notice but have not appeared. I am satisfied that the Respondents have been given notice.

[16] The written record which I have reviewed is comprised of the Affidavit of Marcel Tillie, a Senior Forensic Accountant with Staff, sworn May 22, 2015 (the "**Tillie Affidavit**"), together with two volumes of exhibits to which the Tillie Affidavit relates.

[17] Based on my review of the written record, I find that GreenStar has not complied with Ontario securities law and has acted contrary to the public interest by failing to:

(a) File audited annual financial statements for the year ended December 31, 2013 as required by section 4.1 and paragraph 4.2(b) of National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**") and the related Management's Discussion and Analysis ("**MD&A**") required by section 5.1 of NI 51-102;

(b) File interim financial statements for the three-month periods ended March 31, 2014, June 30, 2014 and September 30, 2014 required by subsections 4.3(1), (2), (2.1) and (3) and paragraph 4.4(b) of NI 51-102, and the related MD&A required by section 5.1 of NI 51-102;

(c) File a certification of annual filings required by section 4.1 of National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**") for the year ended December 31, 2013;

(d) File certifications of interim filings required by section 5.1 of NI 52-109 for the interim periods ended March 31, 2014, June 30, 2014 and September 30, 2014;

[7] Tillie Affidavit, paras. 4 to 6; Tillie Affidavit, Exhibits D, H, and I.

[8] September 4, 2014 Press Release, Tillie Affidavit, Exhibit LL.

[9] September 11, 2014 Press Release, Tillie Affidavit, Exhibit MM.

[10] September 25, 2014 Press Release, Tillie Affidavit, Exhibit O.

(e) Maintain an audit committee in accordance with section 2.1 of National Instrument 52-110 – *Audit Committees*;[11]

(f) File a change of auditor notice in accordance with subsection 4.11(5)(b) of NI 51-102; and

(g) Pay its participation fee for the year ended December 31, 2013, in accordance with sections 2.2 and 2.3 of the Commission's Rule 13-502 *Fees*.[12]

[18] Based on my review of the written record, I find that Guan did not comply with Ontario securities law and acted contrary to the public interest by failing to:

(a) File an amended Appointment of Agent for Service of Process following the resignations of Guan's and Fujian Pucheng's agents in accordance with National Instrument 41-101 – *General Prospectus Requirements*;[13]

(b) Cooperate with the audit of GreenStar's fiscal year ended December 31, 2013 which failure included, in particular, the failure to arrange for the auditors to visit GreenStar's bank and the tax bureau to perform certain audit procedures and the failure to provide copies of official receipts, information and documents to the auditors on a timely basis; and

(c) Provide sufficient funding to the auditors to complete the 2013 audit and frustrated the efforts of three law firms in the PRC to conduct an independent investigation on behalf of the Audit Committee of GreenStar.

[19] As a director and the Chief Executive Office of GreenStar and the primary decision maker with respect to GreenStar and its subsidiaries, including Fujian Pucheng, Guan is liable pursuant to section 129.2 of the Act for GreenStar's and Fujian Pucheng's contraventions of Ontario securities law set out above.

[20] Guan's conduct, which is described above, shows a complete disregard for the integrity of Ontario's capital markets, was abusive to investors and was contrary to the public interest.

[21] The Commission has previously found that the failure to cooperate with a company's audit committee in addressing an auditor's concerns and in obstructing an independent investigation of such concerns constitute conduct that is contrary to the public interest. (*Re Zungui Haixi Corp*, (2012), 35 OSCB 2615 at para. 3(e)).

[22] Having found that the Respondents have breached the Act and acted in a manner that is contrary to the public interest as alleged, I will issue an order as of the date of these Reasons and Decision as follows:

(a) The Respondents shall have until September 28, 2015 to notify the Secretary of the Commission that they, or either of them, require an oral sanctions hearing, which, if required, will then be scheduled by the Secretary;

(b) Failing notification by the Respondents, Staff shall serve and file its written submissions on sanctions and costs by October 9, 2015;

(c) The Respondents shall serve and file their written submissions on sanctions and costs by October 16, 2015; and

(d) Staff shall serve and file reply submissions on sanctions and costs, if any, by October 23, 2015.

Dated at Toronto this 18th day of September, 2015.

"Christopher Portner"

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[11] Following GreenStar's announcement on September 25, 2014, that its audit committee members had resigned, GreenStar has not filed a press release or a material change report disclosing the appointment of members of an audit committee (September 25, 2014 Press Release, Tillie Affidavit, Exhibit O; Tillie Affidavit, para. 49; Section 139 Certificate, dated April 1, 2015, Tillie Affidavit, Exhibit PP).

[12] Tillie Affidavit, para. 49; Section 139 Certificate, dated April 1, 2015, Tillie Affidavit, Exhibit PP.

[13] Tillie Affidavit, paras. 59-62; Section 139 Certificate, dated April 1, 2015, Tillie Affidavit, Exhibit PP.

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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
2242749 Ontario Limited	8 September 2015	21 September 2015	21 September 2015	
Great Lakes Nickel Limited	9 September 2015	21 September 2015	21 September 2015	
MountainStar Gold Inc.	16 September 2015	28 September 2015		
European Ferro Metals Ltd.	16 September 2015	28 September 2015		
True Zone Resources Inc.	18 September 2015	30 September 2015		
Tyhee Gold Corp.	18 September 2015	30 September 2015		
BFS Entertainment & Multimedia Limited	18 September 2015	30 September 2015		
Fort St. James Nickel Corp.	18 September 2015	30 September 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
Razore Rock Resources Inc.	4 September 2015	16 September 2015		18 September 2015	

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
AndeanGold Ltd.	27 August 2015	9 September 2015	9 September 2015		

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Chapter 5

Rules and Policies

5.1.1 CSA Notice of Amendments Relating to Rights Offerings to NI 45-106 Prospectus Exemptions, NI 41-101 General Prospectus Requirements, NI 44-101 Short Form Prospectus Distributions and NI 45-102 Resale of Securities, and Repeal of NI 45-101 Rights Offerings

Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Notice of Amendments Relating to Rights Offerings to National Instrument 45-106 *Prospectus Exemptions,* National Instrument 41-101 *General Prospectus Requirements,* National Instrument 44-101 *Short Form Prospectus Distributions,* and National Instrument 45-102 *Resale of Securities* and Repeal of National Instrument 45-101 *Rights Offerings*

September 24, 2015

Introduction

We, the Canadian Securities Administrators (the **CSA** or **we**), are adopting the following amendments to the prospectus-exempt rights offering regime:

- amendments to:
  - National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**),
  - National Instrument 41-101 *General Prospectus Requirements* (**NI 41-101**),
  - National Instrument 44-101 *Short Form Prospectus Distributions* (**NI 44-101**),
  - National Instrument 45-102 *Resale of Securities* (**NI 45-102**),

- consequential amendments to:
  - Multilateral Instrument 11-102 *Passport System* (**MI 11-102**),
  - National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)* (**NI 13-101**),
  - Multilateral Instrument 13-102 *System Fees for SEDAR and NRD* (**MI 13-102**), and

- the repeal of National Instrument 45-101 *Rights Offerings* (**NI 45-101**) (collectively, the **Amendments**).

In addition, we are implementing changes to:

- Companion Policy 45-106CP to NI 45-106 (**45-106CP**), and
- Companion Policy 41-101CP to NI 41-101 (**41-101CP**).

We are also withdrawing Companion Policy 45-101CP to NI 45-101 (**45-101CP**).

The Amendments and policy changes have been made by each member of the CSA. Provided all necessary ministerial approvals are obtained, the Amendments and policy changes will come into force on **December 8, 2015.**

Substance and purpose

The Amendments and policy changes are intended to address CSA concerns that issuers seldom use prospectus-exempt rights offerings to raise capital because of the associated time and cost. At the same time, rights offerings can be one of the fairer ways for issuers to raise capital as they provide existing security holders with an opportunity to protect themselves from dilution. The Amendments are designed to make prospectus-exempt rights offerings more attractive to reporting issuers while maintaining investor protection.

The Amendments create a streamlined prospectus exemption (the **Rights Offering Exemption)** that is available only to reporting issuers, but not to investment funds subject to National Instrument 81-102 *Investment Funds*. The Rights Offering Exemption removes the current requirement for a regulatory review prior to use of the rights offering circular. Other key elements of the Rights Offering Exemption include:

- a new form of notice (**Form 45-106F14** or the **Rights Offering Notice**) that reporting issuers will have to file and send to security holders informing security holders how to access the rights offering circular electronically,
- a new form of simplified rights offering circular (**Form 45-106F15** or the **Rights Offering Circular**) in a question and answer format that is intended to be easier to prepare and more straightforward for investors to understand – it will have to be filed but not sent to security holders,
- a dilution limit of 100%, instead of the current 25%, and
- the addition of statutory secondary market civil liability.

The Amendments create a new prospectus exemption for stand-by guarantors and modify certain conditions of the minimal connection exemption. The Amendments also update or revise some of the requirements for rights offerings by way of prospectus.

In addition, the Amendments remove the ability of non-reporting issuers to use the Rights Offering Exemption and repeal NI 45-101.

Background

Under the current rules, an issuer wanting to conduct a prospectus-exempt rights offering in Canada would use the prospectus exemption in section 2.1 of NI 45-106 which requires compliance with NI 45-101 (the **45-101 Exemption**) and also provides that:

- the securities regulatory authority must not object to the offering, which results in a review of the rights offering circular by CSA staff, and
- reporting issuers are restricted from issuing more than 25% of their securities under the exemption in any 12 month period.

Very few reporting issuers use the 45-101 Exemption. In 2013 and 2014, CSA staff conducted research, collected data and held informal consultations with market participants to identify issues and to consider changes to the 45-101 Exemption that would facilitate prospectus-exempt rights offerings.

Through this work, the CSA found that the overall time period to conduct a prospectus-exempt rights offering, including the CSA review period, was much longer than the time period when using other prospectus exemptions. Specifically, CSA staff looked at 93 rights offerings by reporting issuers over a seven year time period and found that the average length of time to complete a prospectus-exempt rights offering was 85 days and the average length of time between filing of the draft circular and notice of acceptance by the regulator was 40 days. CSA staff heard that the length of time to complete an offering results in lack of certainty of financing and increased costs.

Market participants also reported that the dilution limit was too low and greatly restricted the ability of issuers with small market capitalization to raise sufficient funds to make a prospectus-exempt rights offering worthwhile.

Between March 2014 and February 2015, all CSA jurisdictions adopted a prospectus exemption for the distribution of securities to existing security holders. Under that exemption, reporting issuers listed on a Canadian exchange are able to raise money directly from their security holders without having to prepare an offering document. However, the CSA believes that rights offerings remain an important tool for reporting issuers because, with a rights offering:

- all security holders receive notice of the offering,
- the offering must be done on a pro-rata basis,
- securities are only subject to a seasoning period (and therefore generally freely tradeable), and
- there are no investment limits other than the limit imposed by the pro rata requirement.

On November 27, 2014, we published a Notice and Request for Comment relating to the Amendments and policy changes (the **November 2014 Publication**) in which we proposed removing the 45-101 Exemption and adopting the Rights Offering Exemption to make prospectus-exempt rights offerings more attractive to reporting issuers while maintaining investor protection.

Summary of written comments received by the CSA

The comment period for the November 2014 Publication ended on February 25, 2015. We received submissions from 13 commenters. We considered the comments received and thank all of the commenters for their input. The names of commenters are contained in Annex B of this notice and a summary of their comments, together with our responses, is contained in Annex C of this notice.

Summary of changes to the November 2014 Publication

After considering the comments received on the November 2014 Publication, we have made some revisions to the Amendments as published for comment. Those revisions are reflected in the Amendments and policy changes that we are publishing concurrently with this notice. As these changes are not material, we are not republishing the Amendments and policy changes for a further comment period.

Annex A contains a summary of notable changes to the Amendments and policy changes since the November 2014 Publication.

Repeal and withdrawal of instruments and policies

We are repealing NI 45-101 and withdrawing 45-101CP, effective December 8, 2015.

As the 45-101 Exemption will no longer be available as of December 8, 2015, issuers that plan to conduct a rights offering using the 45-101 Exemption will need to complete the distribution before December 8, 2015.

Consequential amendments

We are making consequential amendments to MI 11-102 to reflect the repeal of NI 45-101. We are also making consequential amendments to NI 13-101 and MI 13-102 to reflect necessary changes to SEDAR as a result of the Amendments. The consequential amendments to MI 13-102 will be adopted in each of the jurisdictions either as an amendment to a rule or as an amendment to a regulation.

Local matters

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

The Ontario Securities Commission and the Autorité des marchés financiers will also make a consequential amendment to Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*. The consequential amendment will replace the reference to NI 45-101 with a reference to NI 45-106. A more detailed explanation of this local amendment is available on the OSC and the AMF websites, respectively, www.osc.gov.on.ca and www.lautorite.qc.ca.

Contents of annexes

The following annexes form part of this CSA Notice:

Annex A	Summary of changes
Annex B	List of commenters
Annex C	Summary of comments and responses
Annex D1	Amendments to NI 45-106
Annex D2	Amendments to NI 41-101
Annex D3	Amendments to NI 44-101
Annex D4	Amendments to NI 45-102
Annex D5	Repeal of NI 45-101
Annex E1	Consequential amendments to MI 11-102
Annex E2	Consequential amendments to NI 13-101
Annex E3	Consequential amendments to MI 13-102
Annex F1	Changes to 45-106CP
Annex F2	Changes to 41-101CP
Annex G	Local matters

Questions

Please refer your questions to any of the following:

British Columbia Securities Commission
Larissa M. Streu
Senior Legal Counsel, Corporate Finance
604-899-6888 1-800-373-6393
lstreu@bcsc.bc.ca

Anita Cyr
Associate Chief Accountant, Corporate Finance
604-899-6579 1-800-373-6393
acyr@bcsc.bc.ca

Alberta Securities Commission
Ashlyn D'Aoust
Senior Legal Counsel, Corporate Finance
403-355-4347 1-877-355-0585
ashlyn.daoust@asc.ca

Manitoba Securities Commission
Wayne Bridgeman
Deputy Director, Corporate Finance
204-945-4905
wayne.bridgeman@gov.mb.ca

Ontario Securities Commission
Raymond Ho
Accountant, Corporate Finance
416-593-8106 1-877-785-1555
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Aba Stevens
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416-263-3867 1-877-785-1555
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Autorité des marchés financiers
Alexandra Lee
Senior Regulatory Advisor, Corporate Finance
514-395-0337 ext.4465
1-877-525-0337
alexandra.lee@lautorite.qc.ca

Nova Scotia Securities Commission
Donna M. Gouthro
Securities Analyst
902-424-7077
Donna.Gouthro@novascotia.ca

Annex A

Summary of changes

Stand-by commitment

In the November 2014 Publication, we proposed a prospectus exemption (in section 2.1.1 of NI 45-106) for securities distributed to a stand-by guarantor as part of a distribution under the Rights Offering Exemption (the **Stand-by Exemption**). We proposed that the Stand-by Exemption would have a restricted period on resale (that is, a four-month hold period). Stand -by guarantors who were already existing security holders would only be subject to a seasoning period on resale.

Upon considering the comments received, we have decided that stand-by guarantors should not be subject to different resale restrictions depending on whether or not they are existing security holders and that stand-by guarantors generally should not be subject to a four-month hold period on the securities they take up as part of the stand-by commitment. A restriction such as a hold period may limit a person's willingness to provide a stand-by commitment and increase the costs to the issuer of the stand-by commitment.

In the Amendments, the Stand-by Exemption now has a seasoning period instead of a restricted period on resale. As a result, the securities distributed under the stand-by commitment will generally have the same resale restrictions as securities distributed under the basic subscription privilege and the additional subscription privilege, except as noted below.

We added guidance to 45-106CP which clarifies that if a registered dealer acquires a security as part of a stand-by commitment, the dealer may use the Stand-by Exemption (and have a seasoning period on resale). However, we would have concerns if a dealer or other person uses the Stand-by Exemption in a situation where the dealer or other person (a) is acting as an underwriter with respect to the distribution, and (b) acquires the security with a view to distribution. In that situation, the dealer or other person should acquire the security under the exemption in section 2.33 of NI 45-106 as per the guidance in section 1.7 of 45-106CP. This approach is consistent with the approach to the use of other prospectus exemptions by dealers acting as underwriters.

Minimal connection exemption

In the November 2014 Publication, we proposed a prospectus exemption (in section 2.1.2 of NI 45-106) for issuers with a minimal connection to Canada (the **Minimal Connection Exemption**) that was consistent with Part 10 of NI 45-101. As described in the November 2014 Publication, the prospectus requirement would not apply to rights offerings in situations where the number of securities and beneficial security holders in Canada, and in the local jurisdiction, is minimal.

In the Amendments, we decided to remove the local jurisdiction aspect of this test. We did not believe issuers should be precluded from using the Minimal Connection Exemption to offer rights to security holders in a local jurisdiction solely because either 5% of the issuer's beneficial security holders reside in the local jurisdiction or 5% of the number of the issuer's securities are held by security holders that reside in the local jurisdiction. In addition, for reporting issuers that do not meet the local jurisdiction test but satisfy the Canada-wide test, we did not believe that the benefits of requiring the issuer to prepare the

documents required under the Rights Offering Exemption outweighed the costs. As a result, both reporting and non-reporting issuers will be able to use the Minimal Connection Exemption so long as neither the number of beneficial security holders of the relevant class that are resident in Canada nor the number of securities beneficially held by security holders resident in Canada exceeds 10% of all security holders or securities, as the case may be.

We have also added guidance on the timing for the procedures that an issuer may rely upon to determine the number of beneficial security holders or the number of securities for the purposes of determining whether they can use the Minimal Connection Exemption.

Material facts

Upon considering the comments received, we have decided to include a requirement that the issuer must disclose in the Circular any material facts and material changes that have not yet been disclosed and include a statement that there are no undisclosed material facts or material changes. This approach is substantially similar to the existing security holder exemption where the issuer must represent to the investor that there is no material fact or material change related to the issuer which has not been generally disclosed.

Annex B

List of commenters

	Commenter	Date
1.	Gordon Keep	February 12, 2015
2.	Investment Industry Association of Canada (Susan Copland)	February 24, 2015
3.	The Canadian Advocacy Council for Canadian CFA Institute Societies (Cecilia Wong)	February 24, 2015
4.	Scorpeo UK Ltd. (Ian Davey)	February 25, 2015
5.	Osler, Hoskin & Harcourt LLP (Rob Lando)	February 25, 2015
6.	Simon A. Romano (Stikeman Elliott)	February 25, 2015
7.	TMX Group Limited (Ungad Chadda and John McCoach)	February 25, 2015
8.	DuMoulin Black LLP (Daniel McElroy)	February 25, 2015
9.	Canadian Foundation for Advancement of Investor Rights (Neil Gross)	February 25, 2015
10.	Association for Mineral Exploration British Columbia (Gavin Dirom)	February 25, 2015
11.	Burstall Winger Zammit LLP (Jason Mullins)	February 26, 2015
12.	Don Mosher	February 25, 2015
13.	Prospectors & Developers Association of Canada (Rodney Thomas)	March 11, 2015

**[Editor's Note: Annex C follows on separately numbered pages.
Bulletin pagination resumes after Annex C.]**

Annex C

Summary of comments and responses
CSA Notice and Request for Comment
Proposed Amendments to National Instrument 45-106 *Prospectus Exemptions,* National Instrument 41-101 *General Prospectus Requirements*, National Instrument 44-101 *Short Form Prospectus Distributions* and National Instrument 45-102 *Resale of Securities* and Proposed Repeal of National Instrument 45-101 *Rights Offerings*

No.	Subject	Summarized Comment	Response
General Comments			
1	***General support for the proposals***	We received 13 comment letters. Ten commenters generally support the proposals. The other three commenters only commented on specific aspects of the proposals. One commenter noted that they support the initiative to assist issuers by making the rights offering process more efficient and accessible for companies seeking to raise capital from existing shareholders. One commenter supports efforts to improve the ease with which issuers can raise capital in Canada while balancing investor protection considerations. In addition, the commenter agrees that the proposed exemption should only be available to reporting issuers in Canada. Investors are generally familiar with the ability to access current information about issuers on SEDAR and current shareholders may also be receiving specified financial and other continuous disclosure information from the issuer directly. One commenter is extremely supportive of the introduction of changes to the current rights offering regime, and are very appreciative of the significant work among the Canadian securities regulatory authorities that went into revisions to these rules. They are generally of the view that rights offerings are inherently fair to security holders and should therefore be supported by regulatory authorities. The commenter is	We acknowledge the comments.

No.	Subject	Summarized Comment	Response
		committed to reviewing their policies in order to support the appeal of rights offerings and believes that the CSA's efforts to reduce the standard timetable and associated costs of completing a rights offering are key to increasing the viability of rights offerings as a useful way for listed issuers to access capital. One commenter indicated that they are generally very supportive of the Proposed Amendments. One commenter supports the Proposed Amendments as a method of facilitating rights offerings in Canada, and believes that they would increase the likelihood of reporting issuers raising capital via rights offerings. One commenter, on behalf of close to 5,000 corporate and individual members, expresses full support of the proposed changes to the Rights Offering Regime. As proposed, the changes should reduce costs and improve timeliness. And importantly, the changes should enable BC and Canada to compete more competitively with jurisdictions such as Australia. The commenter also supports retaining as much flexibility as possible on the use of funds raised. The commenter supports the overall goal of making the process of raising capital more streamlined and efficient. It is imperative that this goal actually be achieved. One commenter supports regulatory efforts to improve the ability of reporting issuers to raise capital in a cost efficient manner that, at the same time, provides adequate protection to investors. The commenter supports efforts to examine why some prospectus exemptions, such as rights offerings, have been rarely used in the various jurisdictions in Canada whilst they are commonly used in other jurisdictions (such as the United Kingdom, Hong Kong, and Australia) in order to make changes so such prospectus exemption are utilized more often. The	

No.	Subject	Summarized Comment	Response
		Notice indicates that CSA Staff have conducted research, collected data and held informal consultations with market participants to identify issues and consider changes. This has resulted in the Proposed Amendments. The commenter welcomes such steps. One commenter noted that overall, they are in favour of the implementation of the Proposed Amendments. They welcome the initiative to amend rights offerings so that they will become a viable and more attractive financing method for issuers. Historically, the commenter's clients have viewed rights offerings as overwhelmingly negative and a financing "method of last resort" due to the length of and difficulty in predicting the overall timeline and the capital raising limits under the current regime. The commenter believes the Proposed Amendments substantially address the issues which made rights offerings an impractical and undesirable financing method (specifically the increase of permitted dilution in a 12-month period to 100% and removal of the requirement for advanced review and clearance of rights offering circulars by securities regulators). One commenter stated that reducing costs and time for listed companies will allow more money to be spent on research, development and exploration regardless of sector. One commenter views rights offerings as an important and useful means of raising capital in Canada, particularly for junior issuers in the mining industry. By permitting all security holders to participate on a pro rata basis, rights offerings are inherently fair to investors and therefore should be viewed as positive for Canada's capital markets. However, the ability of issuers to efficiently raise meaningful amounts of capital by way of a rights offering, on a prospectus-exempt basis, can be limited by the existing 25% market capitalization limit.	

No.	Subject	Summarized Comment	Response
		For those reasons, the commenter is generally supportive of the Proposed Amendments insofar as the amendments would reduce the cost of capital raising by: o simplifying and standardizing the offering documentation used to effect a rights offering o eliminating regulatory review of the rights offering circular; and o reducing the average period of time to complete a rights offering. The commenter is also supportive of the proposal to increase the maximum dilution limit from 25% to 100% over a 12 month period, which, when combined with the other aspects of the Proposed Amendments, should enable issuers to more efficiently raise larger amounts of capital on a prospectus-exempt basis.	
2	***General comment on rights offering timeframe***	One commenter noted the length of time to complete a rights offer has been the subject of examination and regulatory reform in other jurisdictions. The UK made changes to its regime to shorten the length of time. The minimum rights issue offer period was reduced from 21 days to 10 business days (or 14 clear days when statutory pre-emption rights apply). Listed issuers are able to hold general meetings on 14 clear days' notice if certain conditions are complied with. The UK Report that preceded changes to the rights offering in that jurisdiction notes that reducing the length of time would reduce the period when a company (and its reputation) is at risk and its share price open to potential abuse (some companies experienced changes in their financial position and prospects during the process and claims were made of short selling). The Report notes that *"Efficient capital raising techniques are essential to enable companies to raise capital at least cost. Orderly capital raising not only helps reduce the cost of*	We acknowledge the comments. We note that the Canadian processes for communicating with beneficial owners of securities are unique; therefore, it is difficult to directly compare our timelines to those in other jurisdictions.

No.	Subject	Summarized Comment	Response
		raising capital but also preserves the integrity of the market and the issuer's reputation. Improvements will therefore benefit the market, companies and shareholders." The commenter notes that the UK was able to significantly reduce the length of time without having to do away with a rights offering prospectus altogether – rather it reduced disclosure requirements as compared to a full prospectus in order to lower the cost and administrative burden by omitting from a rights issue prospectus the information that is already available to the market through its ongoing disclosure obligations.	
3	***General comment on shareholder value***	One commenter notes that rights offerings are usually conducted by companies to raise cash for specific or general purposes including: to repay debt; to satisfy capital adequacy requirements (as applicable); to fund acquisitions; or to create working capital. From the perspective of the retail investor, rights offerings may generally be viewed favourably (versus a private placement, for example) to the extent that they: (a) Offer existing shareholders shares in proportion to their existing holdings (the "right of pre-emption") and (b) Allow the existing shareholders to sell the right to subscribe for shares (the "right of compensation for non-subscribing shares"). A rights offering should provide the retail investor with the following choices: - Accept the offer and subscribe for the shares at the issue price (i.e. take up the rights); - Sell the entitlement to their right of pre-emption (also known as a "nil-paid" entitlement) (i.e. sell their rights); - Do nothing, in which case alternative subscribers will be sought at the end of the rights issue and any proceeds above	We acknowledge the comments. Please also see the response to comment 2 above.

No.	Subject	Summarized Comment	Response
		the issue price, less expenses, will be passed to the shareholder (i.e. do nothing and receive the proceeds of a sale of the rights); or - Do a combination of the above three options. In theory, the value that non-accepting shareholders receive in a rights issue can be the same regardless of which course of action they choose to take – take up their rights, sell those rights or do nothing. However, in practice, there may be little or no value in the nil-paid right as the market may be illiquid and they are often underpriced. Nonetheless, shareholders prefer to have tradability of rights. The commenter notes that corporate law, listing rules and securities law requirements must be reviewed in order to derive a rights offering framework that best improves shareholder value. The CSA Notice does not discuss the applicable corporate law or listing rules of the TSX or TSX-V or other exchanges and how they assist in creating an efficient and orderly rights offering regime that is in the interests of all market participants, including retail investors. This would have been helpful to include. A recent paper entitled “Rights Offerings, Trading, and Regulation: A Global Perspective” examined the rights offering around the world using a sample of 8,238 rights offers in 69 countries and provides insight as to which rules may increase shareholder value. For example, in Hong Kong and the UK a company’s ability to decide whether rights will be tradable is structured and regulated – if the offerings are without tradable rights, they are called open offers and are subject to a separate set of regulations including a limit on the discount to the market price. In those jurisdictions, issuers do not have a free choice as to whether the rights are traded but rather it is subject to specific conditions if tradability is removed.	

No.	Subject	Summarized Comment	Response
4	***Results of CSA Research***	One commenter would have liked to see publicized in the Notice the results of the research undertaken especially any benchmarking of the key features of the rights offering regimes in those jurisdictions that commonly use it (notably Australia, Hong Kong and the UK). It would also be beneficial in the interests of transparency to provide some detail as to what categories of stakeholders were consulted – were institutional shareholders consulted in addition to issuers, for example? Finally, it would be valuable to publish in the Notice any available information on the amount of capital raised in other jurisdictions through the exemption, and the percentage of total capital raised in other jurisdictions using the exemption as compared to other prospectus exemptions, if available. Making this information public would further the understanding of all stakeholders of capital raising in other jurisdictions and improve the quality of comments received in respect of the Proposed Amendments.	We thank the commenter for their input. With respect to benchmarking, we note that, in general, our policy making is informed by looking at the requirements in other jurisdictions to the extent appropriate having regard to the uniqueness of the Canadian market.
Question 1a: the Proposed Exemption – the Exercise Period – Do you agree that the exercise period should be a minimum of 21 days and a maximum of 90 days?			
5	***Yes***	Two commenters believe that an exercise period of a minimum of 21 days is appropriate. One commenter noted that while they do not have a view on the appropriate maximum number of days for the exercise period, they believe the minimum exercise period should be at least 21 business days, to ensure that the requisite materials have been mailed to all shareholders, including foreign shareholders. Issuers and their intermediaries should be given sufficient time to identify beneficial holders to whom the materials must be sent. The commenter agrees with market commentators who have indicated that institutional investors may require additional time for internal approvals prior to making a decision with respect to participation in a rights offering. All investors would benefit from a longer period of time in which to make	We acknowledge the comments. We have maintained the requirement that the exercise period be a minimum of 21 days and a maximum of 90 days.

No.	Subject	Summarized Comment	Response
		a decision, particularly if they would be required to liquidate other investments to satisfy the exercise price. Two commenters believe that a maximum of 90 days is appropriate.	
6	***No***	Five commenters did not agree with the proposed exercise period.	We thank the commenters for their input. We have decided that a minimum exercise period of 21 days is appropriate considering the Canadian system for communicating with beneficial security holders.
Question 1b: the Proposed Exemption – the Exercise Period – If no, what are the most appropriate minimum and maximum exercise periods, and why?			
7	***10-15 days***	One commenter thought the exercise period could be reduced to 10 to 15 days and still meet all requirements for sufficient time for shareholders to act. One commenter noted that one of the primary reasons the current exemption is not widely used is due to the extended time required to complete a rights offerings. The current minimum exercise period was implemented in a time when electronic distribution and access to documents was not widely available, and issuers and investors relied on the postal service for distribution. This process, which is no longer necessary, extends the process by weeks. Given the ability of issuers to communicate to security holders in real-time, we propose that the minimum exercise period by shortened to two business weeks (14 business days). The commenter does not believe that shortening this period will prejudice shareholders, and will allow issuers to access the market in a much more timely and efficient manner.	We thank the commenters for their input. As indicated above, we have decided that a minimum exercise period of 21 days is appropriate. Please also see the response to comment 2 above.

No.	Subject	Summarized Comment	Response
		One commenter noted in other jurisdictions, the minimum exercise period is 14 days (UK); similarly maximum periods are often restricted to 70 days (10 week maximum). A two-week period should be more than sufficient for shareholders to be notified of a rights issue and act accordingly. The commenter would challenge why 3 weeks is necessary to reach beneficial security holders when in the UK 14 days is deemed sufficient and has become established without material problems. Similarly, a 10 week period seems unnecessarily long. Having the option as an issuer to close the rights offering within 14 days removes material timing uncertainty. The reduction in timing risk reduces the cost of any underwriting fees to be paid. Should of course a corporate issuer wish to extend a rights issue, or if for example a change to the terms in favour of shareholders is proposed (such as a reduction in exercise price), the commenter would also suggest that an underwriter have the right to extend the period of exercise once for an additional 2 weeks, subject to the total subscription period being within the maximum timeframe. Again this would serve to protect the corporate issuer's shareholders, both in price paid and additionally reducing the possibility of otherwise having the underwriters own a large block of shares and creating a significant stock overhang. This capacity to extend in extremis would also reduce underwriting fees. One commenter noted that it had submitted proposals to improve the efficiency of the rights offering regime in Canada in order to make rights offerings more attractive and viable financing options for issuers and their security holders, and believe the 21-day minimum period should be reduced to 10 business days. The commenter believes that issuers should be permitted to launch the rights offering by issuing a news release and electronically filing the Notice and Circular and should not be required to mail the Notice to security	

No.	Subject	Summarized Comment	Response
		holders. Allowing electronic filing of the Notice and Circular will enable the minimum period to be reduced to 10 business days. The commenter further believes that 10 business days is sufficient because recipients of the rights are existing security holders who are already familiar with the listed issuer and, as a result, do not require 21 days to make an informed investment decision. Secondary market purchasers of rights are not prejudiced by a shortened exercise period as their investment decision is made at the time they purchase the rights and is not based on receipt of a disclosure document. These purchasers will instead rely on publicly available disclosure.	
8	***Other***	One commenter agrees with the concerns in respect of contacting beneficial security holders and allowing them sufficient time to consider participating in the rights offering. The commenter notes that the regime for contacting beneficial security holders in National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* requires issuers to send meeting materials at least three business days before the 21st day before the meeting. The commenter thinks the minimum exercise period should be not less than this period, meaning that if the exercise period commenced on the date that the Notice is sent, the exercise period would be a minimum of 24 days. Another way to achieve the same end is if the exercise period is at least 21 days and commences at least three business days after the date of mailing of the Notice.	We thank the commenter for their input. We note that the exercise period for rights offerings has always been a minimum of 21 days. If an issuer believes more time is needed to contact beneficial security holders, the issuer may increase the exercise period.
9	***Related to trading***	One commenter suggested a possible metric that it needs to trade for a minimum of 10 days, so all market participants are aware and can buy and sell the rights. One commenter suggests that the trading period of rights should cease at least 3 business days prior to the end of the exercise period, to allow settlement of rights in good form for delivery to the agent.	We thank the commenters for their input. We note that the rules and policies relating to the trading of rights are set by the exchanges.

<table>
<tr><th>No.</th><th>Subject</th><th>Summarized Comment</th><th>Response</th></tr>
<tr><td>10</td><td>Reference to UK timing</td><td>One commenter noted that the UK Report indicates that a long exercise period can be problematic for issuers and can lead to behaviours that impact the integrity of the market. The CSA should consider whether it can further reduce the minimum rights issue offer period from 21 days and should benchmark to other jurisdictions (including other aspects of their rights offering regime) as part of its determination. The UK also has a process whereby issuers can choose through a shareholder meeting to disapply the statutory pre-emption rights so that they do not have to offer the rights to certain overseas shareholders but the rights otherwise attributable to those shareholders are sold for their benefit. This shortens the exercise period and should be examined as an option. The timetable for a rights offering will also have to take into account corporate law requirements for a meeting for shareholder approval, and listing requirements of the applicable exchange so they need to be reviewed to see if they are still appropriate.</td><td>We thank the commenter for their input. As indicated above, we have decided that a minimum exercise period of 21 days is appropriate.

As far as we are aware, there are no statutory pre-emption rights under corporate law in Canada. As a result, we do not believe there is a necessity for security holder approval of rights offerings.</td></tr>
<tr><td colspan="4">Question 2: the Proposed Exemption – the Notice – Do you foresee any challenges with the requirement that the Notice be filed and sent before the exercise period begins, and that the Circular be filed concurrently with the Notice?</td></tr>
<tr><td>11</td><td>No</td><td>Seven commenters do not foresee challenges.

One commenter noted issuers are free to prepare the Notice and Circular in accordance with their own internal timing requirements.

One commenter suggested that the Notice be able to be distributed to shareholders electronically.

One commenter does not foresee challenges unless the exercise period were to commence three business days (or some other period of time) after the date of mailing of the Notice. In that case the Circular could be filed not later than the first day of the exercise period. .</td><td>We acknowledge the comments.

We note that issuers may be able to send the Notice electronically. For guidance on electronic delivery, issuers should review National Policy 11-201 Electronic Delivery of Documents.

As indicated above, we are not aware of any statutory</td></tr>
</table>

No.	Subject	Summarized Comment	Response
		One commenter noted that the exercise period (or offer period) may have to occur after the Notice is filed and sent and the Circular filed, and a shareholder meeting has also been held. The record date and the offer period may start subsequent to the announcement of the offering so that shareholders can sell or buy their holdings if they prefer not to participate.	pre-emption rights in Canada. As a result, we do not believe there is a necessity for security holder approval of rights offerings.
12	***Other***	One commenter did not see an issue with requiring the Notice and Circular to be filed concurrently, before the exercise period begins. However, another timing consideration is the coordination of the record date, the ex-distribution date and the trading date. Currently, all requisite documentation must be filed with the relevant Exchange at least seven trading days prior to the record date. This seven-day period is designed to enable the Exchange to properly notify the market of the ex-distribution date and the record date and to list the rights two trading days prior to the record date. The Exchange will also issue a bulletin in respect of the rights offering that provides market participants with adequate notice of the rights offering and the key terms related to it. However, based on the review of Exchange procedures, the commenter believes that the Exchanges may (subject to regulatory approval) seek to reduce this seven-day period to five trading days without compromising the objective of providing adequate notice to market participants. These proposed measures, along with allowing electronic filing of both the Notice and Circular and a 10 business day minimum period, would reduce the time required to complete a rights offering in Canada, as illustrated in the chart below. The column entitled "CSA Proposal" outlines the approximately 30-day period required to complete a rights offering under the timeline in the Request for Comment, including a 21 day minimum period. The column entitled "TSX Proposed Timeline" demonstrates how the timeline for a rights offering may be reduced to approximately 22 days if issuers were permitted to launch the rights	We thank the commenter for their input. We appreciate the commenter's willingness to make their processes more efficient.

No.	Subject	Summarized Comment	Response
		offering by issuing a news release and filing the Circular and Notice, and if the minimum period were reduced to 10 business days. The timelines in both columns assume the Exchanges have reduced the seven trading day period referred to above to five trading days.	

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	28	30	31			

Day	CSA Proposal	TSX Proposed Timeline
1	• File and print Notice • File Circular • Notify TSX (five trading days before record date)	• Issue news release • File Circular and Notice • Notify TSX (five trading days before record date)
2	• Deliver Notice to transfer agent and intermediaries	
4	• Ex-distribution date/trading of rights begins (two trading days before record date)	• Ex-distribution date/trading of rights begins (two trading days before record date)
8	• Record date	• Record date (exercise period begins)
9	• Mail date (exercise period begins)	
22		• Expiry date (10 business days after record date)
30	• Expiry date (21 days after mail date)	

No.	Subject	Summarized Comment	Response
Question 3a: The Proposed Exemption – the Notice and Circular – Do you foresee any challenges with requiring the issuer to send a paper copy of the Notice?			
13	***Yes***	Four commenters saw some challenges with requiring the issuer to send a paper copy of the Notice. One commenter noted electronic communication is now a widely accepted business practice, and as such, issuers should be permitted to communicate with shareholders in such a manner. By permitting electronic distribution of the Notice, the time required to undertake a rights offering could be shortened, resulting in a more efficient process. One commenter believed that the requirement to send a notice of a proposed rights offering to "security holders" as a condition of availability of the exemption is unclear, if not problematic. The commenter asks if the reference to "security holders" is intended to mean registered holders, or is it intended to mean beneficial owners? If intended to mean registered holders, then the notice delivery requirement will not operate so as to ensure that all beneficial owners are made aware of the rights offering. If intended to mean beneficial owners, then a requirement to ensure delivery to all beneficial owners at a particular point in time may be difficult or impossible for the issuer to comply with, as the process for communication with beneficial owners that is contemplated by National Instrument 54-101 is currently limited to proxy-related materials, in addition to being time-consuming and costly. The commenter notes that currently, an issuer will distribute its rights offering circular or prospectus to all of its registered shareholders, together with any "rights offering certificates" or other related materials. Typically, The Canadian Depository for Securities Limited ("**CDS**") will be one of those registered shareholders, and will work with the issuer to distribute copies of those materials to beneficial owners through the network of	We thank the commenters for their input. The requirement is for the issuer to *send* the notice to its security holders. As noted above, issuers may be able to send the Notice electronically. The expectation is that beneficial security holders would receive the Notice.

No.	Subject	Summarized Comment	Response
		CDS participants holding securities on behalf of those beneficial owners. While an issuer may be expected to use reasonable efforts to help facilitate distribution of those materials to beneficial owners by CDS and its participants, ensuring that they do in fact reach all beneficial owners is outside the issuer's control. The commenter recommends that the requirement to deliver the notice to security holders should be clearly limited only to *registered* shareholders, with the possible addition of a requirement that the issuer take certain reasonable steps to bring the rights offering to the attention of beneficial owners (such as, for example, a requirement to issue a press release containing some or all of the information prescribed by the notice). One commenter noted that printing and mailing of a disclosure document to all security holders involves a significant amount of time and cost, and believed the CSA should allow issuers to file both the Notice and Circular electronically and issue a news release to provide notice of the proposed rights offering, rather than require the Notice to be mailed to security holders. This will reduce the time required to complete a rights offering. Beneficial holders are not sent a rights certificate, so the requirement to mail the Notice to all security holders will lead to additional time and expense. In one commenter's view, the proposed requirement to send a copy of the Notice to security holder would add an unnecessary expense to the rights offering process. The commenter would propose that that requirement be removed and replaced with an obligation on the issuer to issue a press release containing the information set forth in the Notice, concurrently with the filing of the Notice on SEDAR. The commenter's view is that any effort which results in a reduction in the cost to raise capital is welcomed by the commenter's members. In the commenter's view, the proposed requirement to deliver a paper	

No.	Subject	Summarized Comment	Response
		copy of the Notice to security holders should not be necessary if the issuer issues a press release containing the information in the Notice, files the Notice on SEDAR and posts the Notice on the issuer's website. In any event, issuers whose securities have been issued and are maintained on a book-entry only basis should not be required to deliver a paper copy of the Notice if the issuer satisfies these conditions.	
14	***No***	Six commenters did not see challenges with requiring the issuer to send a paper copy of the notice. One commenter does not see challenges with the Notice as it mostly goes to intermediaries. One commenter did not see a challenge as there is other continuous disclosure documentation which must be made available to security holders in paper format. One commenter noted that a reasonable attempt should be made to contact smaller shareholders. One commenter does not foresee any significant challenges. A requirement to send the Notice to all security holders and make the Circular available on SEDAR is analogous to the use of "notice-and-access" in respect of security holders' meeting materials. The commenter thinks applying the same principles to rights offerings makes sense, up to a point. In respect of the argument that the issuer would be sending rights certificates in any event and therefore should also send the Notice, the commenter noted that rights certificates would only be sent to registered holders. As such, the commenter considers this argument to be only a partial justification for a requirement to send the Notice to beneficial holders as well. Given the	We acknowledge the comments.

No.	Subject	Summarized Comment	Response
		importance of a notification of a rights offering, however, the commenter's view is that the requirement to send the Notice to all security holders is justified. One commenter noted that the issuer should be able to provide delivery of the Notice by electronic means if the shareholder has accepted such method of delivery. If they have not then the Notice should be sent by mail. One commenter views this change positively as it should greatly reduce the cost of an exempt rights offering without prejudicing investors.	
15	***Sending certificates***	One commenter noted that in a number of places in the notice of the Proposed Amendments, reference is made to the requirement to "send certificates" in the context of explaining why the requirement to send the proposed notice on Form 45-106F14 would not be additionally burdensome as certificates will be required to be sent. The commenter does not believe the assumption that is implied, that certificates would generally or broadly be required to be sent, is necessarily correct. Given the prevalence of beneficial owners holding their entitlements indirectly through brokers or other intermediaries, certificates would not broadly be sent as they would be sent only to registered holders.	We acknowledge the comments.
Question 3b: The Proposed Exemption – the Notice and Circular – Do you foresee any challenges with the Circular only being available electronically?			
16	***Yes***	One commenter strongly recommends that the Notice, if provided electronically, be required to have a specific link to the offering circular (as is required for delivery for the Fund Facts document). The commenter is concerned that retail investors will find it difficult to access the offering circular if it is simply made available on SEDAR. Many retail investors are unlikely to be familiar with SEDAR, which	We acknowledge the comments. We have included in the Notice a clear statement directing security holders to

No.	Subject	Summarized Comment	Response
		can be difficult to navigate. It is also clear that fewer retail investors will review the offering circular if it is not delivered to them but rather only made available (given what the commenter has learned from behaviour economics). If the issuer is unable to deliver to certain shareholders electronically, the Notice should be sent with clear instructions on how to access the offering circular electronically and also a telephone number should be provided for those who wish to obtain a hard copy of it (at no expense to the shareholder).	where they can access or obtain a copy of the Rights Offering Circular.
17	***No***	Five commenters did not see any challenges with the Circular only being available electronically. One commenter did not see a challenge, as many Canadian investors are familiar and proficient with SEDAR. One commenter did not see any challenges if a Notice is sent pointing shareholders to where it can be found electronically (company website or SEDAR, etc.).	We acknowledge the comments.
18	***Access to internet***	One commenter expects that a small minority of security holders may not have access to the internet, so there is the potential for prejudice to those persons. The commenter thinks it is outweighed by the benefit to issuers of being able to avoid the cost of printing and mailing hard copies of the Circular.	We acknowledge the comments.
Question 4a: The Proposed Exemption – the Circular – Have we included the right information for issuers to address in their disclosure?			
19	***Yes***	Five commenters indicated we included the right information. One commenter thought the proposed changes cover the key areas. One commenter noted that information about the business of the issuer will be readily available from other sources. Inclusion of additional	We acknowledge the comments.

No.	Subject	Summarized Comment	Response
		information would unduly lengthen the Circular. One commenter believes that the proposed prescribed information is sufficient.	
20	***No***	One commenter would add additional information that would reasonably be expected to impact the underlying share price throughout the rights offering, such as if quarterly results are due to be released during the rights offering or a dividend is due to go ex and details thereof, etc. One commenter noted that there is much required disclosure about issuers' future financial circumstances (e.g. at the top of Part 2 of the Proposed Amendment), and it strikes the commenter that it is far too definitive and needs to be softened to reflect the fact that there will be much uncertainty about future cash requirements, etc. (forward looking disclosure).	We have added a requirement for the issuer to disclose any material facts and material changes that have not yet been disclosed and to include a statement that there are no undisclosed material facts or material changes. We thank the commenter for their input on future financial circumstances. We note that the instructions to the Rights Offering Circular remind issuers disclosing forward-looking information in the Rights Offering Circular that they must comply with the disclosure requirements of Part 4A.3 of NI 51-102.
Question 4b: The Proposed Exemption – the Circular – Is there any other information that would be important to investors making an investment decision in the rights offering?			
21	***Yes***	One commenter noted it may be advisable to include a "recent developments" section to allow for disclosure regarding any issues that the board of the issuer believes may be relevant to shareholders.	We have added a requirement for the issuer to disclose any material facts and material changes that have not yet

No.	Subject	Summarized Comment	Response
		As noted above, one commenter noted the Circular should also include any additional information that would reasonably be expected to impact the underlying share price. One commenter noted question 35 in the Circular asks ”Will we issue fractional rights?” The commenter thinks the issue will more frequently be whether fractional underlying securities will be issued on the exercise of rights, and suggests the question be amended accordingly. One commenter suggests that the lead underwriters or stand-by guarantors should be identified and any fees paid in respect of the stand-by fee and any/or any underwriting fee in the aggregate should be disclosed. The circumstances in which the underwriting or stand-by guarantee can be withdrawn also should be disclosed. The interests of persons involved in the offer and any conflicts of interest should be identified and avoided, and/or appropriately managed.	been disclosed and to include a statement that there are no undisclosed material facts or material changes. We acknowledge the comments about fractional rights. We have changed the question to “Will we issue fractional underlying securities on exercise of rights?”. With respect to the comment on disclosure of underwriters and stand-by guarantors, we note that section 24 of Form 45-106F15 requires disclosure of stand-by guarantors including their fees and whether they are a related party. Sections 27 and 28 of Form 45-106F15 require disclosure of the managing dealers and soliciting dealers including disclosure of their fees and conflicts. We think the required disclosure is sufficient.

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<tr><th>No.</th><th>Subject</th><th>Summarized Comment</th><th>Response</th></tr>
<tr><td>22</td><td>No</td><td>Two commenters indicated that there is no other information that would be important to investors.</td><td>We acknowledge the comments.</td></tr>
<tr><td colspan="4">Question 5: The Proposed Exemption – the Closing News Release – Do you think that this disclosure will be unduly burdensome? If so, what disclosure would be more appropriate?</td></tr>
<tr><td>23</td><td>No</td><td>Five commenters did not think this disclosure would be burdensome.

One commenter thought the closing news release disclosure is appropriate.

One commenter thought the proposed disclosure in a closing news release is appropriate, and that such information should be readily available to the issuer, and not burdensome to provide.

One commenter noted that issuers should have ready access to the requisite information.

One commenter did not think the disclosure would be unduly burdensome but also thought disclosure should include all statistics on the result of the rights offering. Full disclosure of all details of the rights issue, including information such as what percentage of subscribing shares requested the additional subscription privilege (and not just the number subsequently distributed), are essential in establishing a true picture of demand by shareholders. Partial disclosure could allow obfuscation by management of the true pattern of shareholder demand.

One commenter does not believe that the information required to be disclosed in the closing press release will be unduly burdensome. However, the commenter notes that the issuer may not necessarily know, at the time of closing, the number of shares issued to persons that were insiders prior to the rights offering or who become insiders</td><td>We acknowledge the comments.

With respect to the comment about full disclosure of all details of the rights issue, we thank the commenter for their input. We think the disclosure requirements of the closing news release, including the requirement to separate out the securities distributed under both the basic subscription privilege and additional subscription privilege as between insiders and all other persons, as a group, are appropriate.

We acknowledge the comment about information on insiders. We have revised the disclosure requirements in subparagraphs 2.1(5) (b)(i) and 2.1(5)(c)(i) of NI 45-106 so that disclosure is only required to the knowledge of</td></tr>
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No.	Subject	Summarized Comment	Response
		as a result of the rights offering, in either case where the security holder is an insider solely as a result of holding 10% of share of the issuer's outstanding voting securities and disclosure of the holder's securities of the issuer is known only as a result of insider reports and/or early warning filings. The commenter would suggest that, in those circumstances, the issuer be entitled to rely on SEDAR filings for purposes of its closing press release disclosures or that the disclosure requirement be removed on the basis that the insider will have an obligation to make the disclosure as required by applicable securities laws.	the issuer after reasonable enquiry.
Question 6a: The Proposed Exemption – Trading of Rights – Should we continue to allow rights to be traded? If so, why?			
24	***Yes***	Six commenters said we should continue to allow rights to be traded. One commenter thought that rights should trade to ensure that shareholders who can't exercise get some value for the discounted offering. One commenter noted it is extremely important that rights should be allowed to be traded. The trading of rights improves the efficiency and effectiveness of the capital raising process, as it increases the likelihood of a fully subscribed offering, and also provides a much more fair process for all shareholders. Those shareholders that are not in a position to obtain or exercise their rights due to jurisdictional or other issues, are able to obtain the benefits of the rights offering by trading the rights. By making the process more fair and more likely to provide the issuer with a fully subscribed offering, the exemption will be more widely utilized. One commenter believes that from an investor prospective, rights should continue to be traded as such trading permits investors to monetize their rights in the event they do not have access to sufficient	We acknowledge the comments. We agree that we should continue to allow rights to be traded.

No.	Subject	Summarized Comment	Response
		liquid funds to satisfy the exercise price. Allowing rights to trade may also have the benefit of setting a tangible value to the rights in the event of a civil lawsuit for misrepresentation. Issuers can also benefit in these circumstances, because the capital raising objective of a rights offering may be defeated if the take up of the securities by existing security holders is low due to lack of funds. One commenter strongly believes that the CSA should continue to allow rights to be traded. The commenter was generally of the view that rights offerings are inherently fair in that they afford all existing security holders the opportunity to maintain their pro rata position in the issuer. Permitting trading of rights also allows security holders who do not wish to, or are ineligible to, participate in the rights offering the ability to sell their rights to investors who wish to participate in the offering. This enables the issuer to raise capital and means security holders who are ineligible to participate in the rights offering are not diluted without compensation. The commenter does not believe that the trading of rights adds complexity or cost to a rights offering. The Exchanges do not charge a listing fee to the issuer for the listing of rights. If the securities underlying the rights are of a listed class, the Exchanges will require notice of the offering at least five trading days prior to the record date, whether or not the rights will trade, in order to set the ex-distribution date and notify the market by issuing a bulletin as described in the response to question 2 above. Therefore, the commenter does not believe that permitting trading of the rights will add to the timeline for a rights offering, particularly if the minimum exercise period is reduced to 10 business days. The Exchanges are also considering amendments to their rules and policies to reduce the period of time between when the Exchange is provided with the required documentation and the record date. Under current TSX and TSX	

No.	Subject	Summarized Comment	Response
		Venture rules, rights that have received all required regulatory approvals are automatically listed if the rights entitle security holders to purchase securities of a listed class. The commenter believes that the CSA should continue to allow rights to be traded. One commenter agrees that the trading of rights can add complexity to the rights offering, but the commenter thinks the ability to make rights saleable is important. The commenter agrees with the arguments noted in the question with respect to monetization and the increased likelihood that saleable rights will be exercised. To expand on the argument in respect of foreign security holders, even if the sale generates little or no return for the foreign holders, it is still better than excluding them altogether and issuers should continue to be entitled to make that election. One commenter believes that rights should be allowed to be listed and traded in order to permit shareholders to elect to monetize the rights (particularly non-resident investors); and to encourage greater levels of participation in the rights offering and therefore the amount of proceeds raised.	
25	***No***	One commenter did not think we should allow rights to trade.	We thank the commenter for their input; however, we think that rights should be allowed to trade.
26	***Research***	One commenter encouraged the CSA to carefully examine this issue, including any empirical evidence such as the research done by Insead, and consider how the individual countries' regulations impact on what are the costs and benefits to restricting tradability and what regime most improves shareholder value. In addition, the CSA needs to examine the impact of tradability or non-tradability (and other rules)	We acknowledge the comment. We have considered the research to which the commenter refers. We think, in the Canadian

No.	Subject	Summarized Comment	Response
		on the ability of shareholders who are foreign to take up the rights; or Canadian shareholders ability to participate or be compensated in respect of a rights offering of a foreign issuer. The commenter noted that recent research has found that investors desire rights tradability and react better to rights offerings with tradable rights. There is a greater potential for shareholder abuse if rights are not tradable. The commenter suggests that the CSA should examine the existing research to determine what type of regime most enhances shareholder value. In particular, questions to be examined include: - Is shareholder value enhanced in those countries that allow for choice by issuers in tradability of rights versus mandating tradability? - Is shareholder value enhanced by setting out conditions for trading restrictions? (in the UK and Hong Kong, offerings without tradable rights are called "open offers" and are subject to a separate set of regulations including discount limits (10% in the UK)). - Do issuers perform better after offerings with tradable rights versus those with non-tradable rights? - What are the reasons issuers make rights non-tradable?	context, that the benefits of allowing rights to trade outweigh any costs.
Question 6b: The Proposed Exemption – Trading of Rights – What are the benefits of not allowing rights to be traded?			
27	***Benefits***	One commenter thought the only advantage is if the issue could be closed quicker i.e. 10 days total, however the commenter thought they should trade for everyone to benefit. One commenter noted the benefits of not allowing rights to be traded are reducing cost to the issuing corporate / sponsoring bank. The proposed changes in timeline for rights exercise will have a materially larger impact than the 'few days' additional to the timeline required	We thank the commenters for their input. We acknowledge there may be benefits of not allowing rights to be traded; however, we think that the costs of not allowing rights to be traded outweigh the benefits.

No.	Subject	Summarized Comment	Response
		for trading. Potentially the cost of trading in proportion to the size of the capital to be raised in the rights issue could be estimated to set a minimum size rights above which trading of rights should be expected. One commenter noted if the rights are not allowed to be traded the rights offering is less complex and only existing security holders are entitled to participate. One commenter noted that by not allowing the rights to trade, issuers may be less vulnerable to unsolicited attempts to effect a change of control at a discount to the market, as aggregation of rights (and the underlying securities) would be more difficult. However, the commenter believes that the benefits of permitting trading in the rights generally outweigh any benefit of prohibiting trading.	
28	***No benefits***	Two commenters did not see any benefits of not allowing rights to be traded.	We acknowledge the comments.
Question 6c: The Proposed Exemption – Trading of Rights – Should issuers have the option of not listing rights for trading?			
29	***Yes***	Four commenters thought issuers should have the option of not listing rights for trading. One commenter stated that while listing rights will provide issuers with the ability to raise capital through a broader potential group of investors, they should be provided with the opportunity to decline a listing if it becomes cost prohibitive. One commenter noted an option should be available if the cost of trading is prohibitive relative to capital to be raised. In any extent, the issuing company should ensure that the rights are transferable between entities to reduce settlement problems over ex. date.	We thank the commenters for their input. We have not seen evidence that the listing of rights for trading adds any significant cost or time to an offering. Accordingly, we think the benefits to the security holder of listing rights for trading outweigh the costs to the issuer.

No.	Subject	Summarized Comment	Response
		One commenter noted that if, for example, an issuer has a very small foreign security holder base and the benefit to those persons would not justify the cost to the issuer of listing the rights, the issuer should have the option of not listing rights for trading. One commenter believes that issuers should have the option of not listing rights for trading, as the cost of the listing may not be warranted in the circumstances.	
30	***No***	Two commenters thought issuers should not have the option of not listing rights for trading. One commenter noted in order to provide a fair process to all security holders, they do not believe that issuers should have the option of not listing rights for trading.	We acknowledge the comments.
Question 7a: The Proposed Exemption – the Review Period – Do you agree with our proposal to remove pre-offering review?			
31	***Yes***	Six commenters agreed with removing pre-offering review. One commenter indicated that removing pre-offering review for rights offerings by reporting issuers, which are already subject to continuous disclosure rules and the civil liability for secondary market disclosure regime should result in an increased use of the exemption. One commenter supported the proposal to remove the pre-offering review. The commenter believes that reducing the standard timetable and associated costs of completing a rights offering are key to increasing the viability of rights offerings as a useful way for listed issuers to access capital. In one commenter’s experience, the regulatory review process is a	We acknowledge the comments.

No.	Subject	Summarized Comment	Response
		disincentive to completing a rights offering and the benefits conferred by such process do not justify the cost to issuers and security holders of the inability to conduct rights offerings on a reasonable and predictable time frame. One commenter agrees with the proposal to eliminate the pre-offering review of the Circular. In the commenter's view, this proposal should reduce offering costs and management resources, and enable issuers to complete a rights offering more quickly and efficiently. Concerns over the elimination of a regulatory review should be adequately addressed by the introduction of statutory liability for disclosure in the Circular.	
32	***No***	Two commenters did not agree with removing pre-offering review. One commenter thought that given the number of changes to the Proposed Exemption, including the increase to the permitted dilution limit to 100%, they believe it is appropriate for the regulators to undertake a form of review of the Circular. The review should include the items articulated in question 7(c). In order to ensure that the objectives of increasing the efficiency and effectiveness of the Proposed Exemption are retained, they recommend that the review period be limited to 3 days, consistent with the review period for a short form prospectus review. It is also important that the review period of the listing exchange also be aligned with the regulatory review to ensure that the objectives of the Proposed Exemption are realized. One commenter strongly recommends that the CSA not completely abandon the regulatory review of the Offering Circular. Regulators in leading jurisdictions still require a prospectus, albeit a shorter one, that is subject to regulatory scrutiny before issuance. The commenter believes that reporting issuers will be much more likely to have	We thank the commenters for their input. However, we have decided to remove pre-offering review as we think the exemption provides sufficient safeguards for investor protection. Some jurisdictions will review rights offerings on a post-distribution basis, in most cases, for a period of two years after adoption. CSA staff will also review rights offering documents as part of our continuous disclosure program. Since the introduction of NI 51-102, the CSA has had a

No.	Subject	Summarized Comment	Response
		compliant Offering Circulars and compliant processes if there is regulatory review and oversight. CSA Staff Notice 51-341 *Continuous Review Program for the Fiscal Year ended March 31, 2014* found 76% of the reporting issuers subject to a full review or an issue-oriented review of their continuous disclosure documents were deficient and required improvements to their continuous disclosure or were referred to enforcement, cease traded or placed on the default list. In the face of this data, it makes little sense for the regulator to step away from its oversight function. Review of the Notice and Offering Circular should be carried out. In order to achieve a reduced time frame, the commenter recommends that securities regulators improve their internal processes to reduce the time it takes to conduct a regulatory review of the Offering Circular. In the alternative, the commenter suggests a process whereby issuers would have to file the Notice and Offering Circular with the relevant securities regulator and a certain percentage of those filed would be selected for regulatory review based on a risk-based selection process. Alternatively, the commenter suggests that the expedited process should be available only to listed issuers and continue to require regulatory review of the Offering Circular for unlisted issuers.	continuous disclosure review program in place. CSA jurisdictions use various tools to select reporting issuers who are most likely to have deficiencies in their disclosure record. As a result, the 76% sample of companies reviewed who required improvements in their disclosure is unlikely to be representative of the entire population.
Question 7b: The Proposed Exemption – the Review Period – Do the benefits of providing issuers with faster access to capital outweigh the costs of eliminating our review?			
33	***Yes***	Six commenters thought the benefits of providing issuers with faster access to capital outweigh the risks. One commenter noted that the benefits outweigh the costs, particularly if regulators include reviews of Notices and Circulars as part of their continuous disclosure and/or post-distribution focus reviews. One commenter believes the benefits of making rights offerings a more viable way for issuers to raise capital by reducing the timetable	We acknowledge the comments.

No.	Subject	Summarized Comment	Response
		outweigh the costs of eliminating review by the CSA. One commenter noted that the inclusion of civil liability for secondary market disclosure in the Proposed Amendments will induce issuers to exercise vigilance in preparing their continuous disclosure, including the Circular. This will partially offset the loss of the protection conferred by the regulatory review process.	
34	***No***	One commenter disagrees that the user friendly format of the Offering Circular and the addition of civil liability for secondary market disclosure mitigates the reduced level of investor protection which results from no regulatory review of the Notice and Offering Circular. It is far preferable to have a regulatory regime that ensures compliance and adequate investor protection ex ante than it is to achieve it ex poste, after harm has occurred. The commenter supports the proposal to have the statutory civil liability for secondary market disclosure provisions apply to the acquisition of securities in a rights offering including through misrepresentation in an issuer's Offering Circular. This furthers the policy objective of access to justice when investors are harmed. Given that investors will rely on the continuous disclosure record of the issuer when deciding what action to take with respect to the Offering Circular, it also makes sense to extend the statutory liability for secondary market disclosure to the Offering Circular itself. However, it does not obviate the need for regulatory review. While secondary market liability provisions will go some way to ensure compliance, it is not sufficient (including the fact that not all instances will result in an economically viable action, and the misrepresentation may not come to light until after the statutory limitation period).	We thank the commenter for their input. For the reasons set out above, we have decided to remove pre-offering review.

No.	Subject	Summarized Comment	Response
Question 7c: The Proposed Exemption – the Review Period – Are there other areas that we should focus our post-distribution review on?			
35		One commenter thought the post-distribution review should focus on adherence to the policy and not the specifics as to sufficient funds, etc. One commenter thought we should focus on whether the capital raised was used for the prescribed purpose stated in the offering, to avoid management changing the use of proceeds without shareholder consent. Three commenters believed the areas referenced in our question were sufficient.	We acknowledge the comments.
Question 8a: The Proposed Exemption – Statutory Recourse – Is civil liability for secondary market disclosure provisions the appropriate standard of liability to protect investors given that there will be no review by CSA Staff of an issuer's rights offerings?			
36	***Yes***	Five commenters thought the civil liability for secondary market disclosure provisions are appropriate. One commenter's view is that the alternative standards of statutory liability are not the right approach. Liability for disclosure in, for example, a take-over bid circular, is not appropriate in that the proposed Circular disclosure is less substantive and relies on an issuer's existing disclosure record. In light of the fact that secondary market liability is proposed, the commenter does not understand why the Circular must include a certificate signed by directors and officers. One commenter supports the proposal to have the statutory civil liability for secondary market disclosure provisions apply to the acquisition of securities in a rights offering including through misrepresentation in an issuer's Offering Circular. This furthers the policy objective of access to justice when investors are harmed. Given that investors will rely on the continuous disclosure record of the	We acknowledge the comments.

No.	Subject	Summarized Comment	Response
		issuer when deciding what action to take with respect to the Offering Circular, it also makes sense to extend the statutory liability for secondary market disclosure to the Offering Circular itself. However, it does not obviate the need for regulatory review. While secondary market liability provisions will go some way to ensure compliance, it is not sufficient (including the fact that not all instances will result in an economically viable action, and the misrepresentation may not come to light until after the statutory limitation period). One commenter believes that civil liability for secondary market disclosure would be an appropriate standard of liability for misrepresentations in a rights offering circular and related continuous disclosure record used in connection with a rights offering. That approach should assist in enhancing the integrity of Canada's capital markets and investor confidence in rights offerings as a financing method.	
37	***Other***	One commenter indicated that while civil liability was an advance on the current situation, it is still not ideal. One commenter noted in determining the type of recourse available to investors, the regulators should consider whether there is a pre-offering review of the Circular, and whether the securities available on the exercise of the rights will be available to new shareholders that are not accredited investors.	We thank the commenters for their input. We have decided that civil liability for secondary market disclosure is the appropriate standard of liability.
Question 8b: The Proposed Exemption – Statutory Recourse – Would requiring a contractual right of action for misrepresentations in the Circular be preferable? If so, what impact would this standard of liability have on the length and complexity of the Circular?			
38	***Yes***	One commenter believes a contractual right of action is preferable as it would ensure that both the corporate and sponsoring bank are liable for misrepresentation or fraud. This standard of liability should have no real impact on issuers who have 'nothing to hide'. If the circular is	We thank the commenter for their input; however, we think statutory civil liability for secondary market disclosure

No.	Subject	Summarized Comment	Response
		to be made available on SEDAR / company website, then including additional documents by reference to similar weblinks in the commenter's view does not materially add to any degree of complexity.	is the appropriate standard of liability.
39	***No***	Three commenters do not believe requiring a contractual right of action would be preferable. One commenter noted they do not believe that requiring a contractual right of action for a misrepresentation in the circular would be preferable to civil liability for secondary market disclosure. However, given the time and cost involved with respect to civil lawsuits, it will be important for the regulators to monitor the use of the exemption and the quality of the disclosure made by issuers once the amendments to the exemption are adopted and encourage best disclosure practices at a very early stage. In one commenter's view, a requirement to incorporate an issuer's disclosure record by reference would impede rights offerings if there was a corresponding requirement to obtain the consent of experts referenced therein. As such, if a contractual right of action would necessitate incorporation by reference, the commenter would not support this standard of liability. In addition, a requirement to incorporate documents into the Circular by reference combined with a requirement to translate the Circular would mean that the continuous disclosure documents would have to be translated. This would be a major impediment to conducting rights offerings pursuant to the Proposed Amendments for any issuer that does not translate its continuous disclosure documents in the ordinary course. One commenter does not believe that requiring a contractual right of action would be preferable. In their view, that approach would only serve to add time and expense to the rights offering process.	We acknowledge the comments.

No.	Subject	Summarized Comment	Response
Question 9a: The Proposed Exemption – Would security holders benefit from knowing the results of the basic subscription before making an investment decision through the additional subscription privilege?			
40	***Yes***	Two commenters thought that security holders could benefit from knowing the results of the basic subscription. One commenter noted that some investors would benefit from the receipt of additional information regarding the take up of securities under the basic subscription privilege, particularly with respect to potential dilution of those investors' positions. It is not possible to know in advance the investors for whom this information would be most useful, but the commenter is generally of the view that investors should be provided with clear disclosure and as much information as possible to help make an informed investment decision.	We acknowledge the comments.
41	***No***	Six commenters did not agree with separating out the basic and additional subscription privilege. One commenter noted that the key purpose is to get the company funded and any delay or complications will put the financing at risk. More information is always valuable but the risks outweigh the benefits. Even in possible control situations there should not be a split. The control issue would likely only be caused by insiders or guarantors taking up the additional subscription. If concern that an insider could become a control person, then the policy should make it a requirement to disclose in the circular as to their intent of exceeding 20%. One commenter noted they do not support the separation of the timing of the basic subscription and additional subscription privilege, such that an issuer would announce the results of the basic subscription before commencing the additional subscription privilege period. The additional step would significantly decrease the efficiency of the	We acknowledge the comments. We agree that the costs of separating out the basic and additional subscription privilege will outweigh the benefits.

No.	Subject	Summarized Comment	Response
		process, and will increase the time required to undertake a financing under the Proposed Exemption. Shareholders should be made aware of any potential for a change in control in the Notice and the Circular, so that they may base their decision to exercise their rights on that information. If the two-tier system is introduced, the additional subscription privilege should be outside of the 21 days, and the split timing for the basic and additional subscriptions should only be required in circumstances where there may be an impact on control. One commenter noted that if all shareholders participate in their rights pro rata to their existing stakes, there will be no net change of control. The commenter then assumes therefore that the relative participation in the basic subscription alone would have a larger impact on change of control than the (presumably) much smaller possible change as a result of any additional subscription on shares remaining post basic subscription. The decision to participate or not in the basic subscription is therefore a materially larger 'informed decision' than that in the additional subscription. The separation between basic and additional subscription results does not therefore in the commenter's view offer any material advantage to shareholders. It would however prolong the closure of the Rights issue, and therefore delay capital delivery to the issuer. Additionally, any extended period between basic and additional subscription close introduces market price risk, which increases underwriting costs to the issuer. Informing shareholders of the results of additional subscriptions post close of the offering should be required to be in a timely manner (Close of offer + 2 days?). One commenter believed that security holders should continue to exercise both the basic subscription and additional subscription privilege at the same time and that a two-step process is not necessary. The commenter did not think that concerns about the effect of the	

No.	Subject	Summarized Comment	Response
		offering on control of the issuer are significant enough to warrant the additional cost and complication of a two-step process. If the timing of these two privileges is separated, the commenter believes that the additional subscription privilege should occur within the minimum period so that the two-step process does not extend the time required to complete a rights offering. In one commenter's view, to separate the timing of the basic and additional subscription privileges would unnecessarily complicate the offering process. The commenter believes that investors are sufficiently capable of understanding the potential impact of an additional subscription privilege on control, particularly given the disclosure regarding the number of securities to be issued in the offering and insider participation set out in proposed Form 45-106F15. However, in the commenter's view issuers should have the option (but not the obligation) to separate the timing of the basic and additional subscription privileges.	
Question 9b: The Proposed Exemption – Would security holders make a different investment decision through the additional subscription if the results of the basic subscription were announced?			
42	***Yes***	Three commenters thought security holders might potentially make a different investment decision if the results of the basic subscription were announced.	We acknowledge the comments.
43	***No***	In one commenter's view, investors would likely not make a different investment decision if the results of the basic subscription were announced.	We acknowledge the comments.
44	***If yes, should the additional subscription privilege be inside or outside 21 days?***	One commenter noted that the price of the underlying shares will in all probability react to the result of the basic subscription results. (Or indeed as a result of wholly exogenous market movements.) If the market rallies, then the value of subscription rights will increase and	We acknowledge the comments.

No.	Subject	Summarized Comment	Response
		additional subscription become more attractive; or vice versa. • Additional subscription privilege should be along with, or at a very short time after the basic subscription • No split timing in the commenter's view is required. (There is no such split results release timing for example in most of the European markets.). One commenter noted that they are not in a position to say how the investment decision would differ. The commenter thinks it would have to be outside of 21 days, unless significant security holders were given a shorter time period for exercising the basic subscription privilege. However, the commenter is not in favour of a requirement for split timing.	
45	***If yes, should the split timing always be required or only required in circumstances where there may be an impact on control?***	One commenter suggested additional time should be provided to exercise the additional subscription privilege. In order for the offerings to occur as quickly as possible, the split timing should only be required in circumstances where there may be an impact on control. One commenter thinks it should not be required, but that issuers should have the option to elect split timing.	We acknowledge the comments.
Question 9c: What are the costs and benefits of having a two-tranche system for security holders?			
46		One commenter noted that the benefits are outlined in the question and that the costs are additional complexity, financial cost and time required to complete a rights offering, which would likely result in fewer rights offerings being undertaken. One commenter noted the key purpose is to get the company funded and any delay or complications will put the financing at risk. More information is always of value, but the risks outweigh the benefits.	We acknowledge the comments. We agree that the costs of a two-tranche system outweigh the benefits.

No.	Subject	Summarized Comment	Response
		One commenter indicated that the costs of delay, increased risk and underwriting costs outweigh the "benefits" – which cannot be separated from market directional movements. In one commenter's view, to separate the timing of the basic and additional subscription privileges would unnecessarily complicate the offering process. The commenter believes that investors are sufficiently capable of understanding the potential impact of an additional subscription privilege on control, particularly given the disclosure regarding the number of securities to be issued in the offering and insider participation set out in proposed Form 45-106F15. However, in the commenter's view issuers should have the option (but not the obligation) to separate the timing of the basic and additional subscription privileges.	
Question 10a(i): Repeal of the Current Exemption for use by Non-Reporting Issuers – If we repeal the rights offering prospectus exemption for non-reporting issuers, would this create an obstacle to capital formation for non-reporting issuers?			
47	***Yes***	Two commenters believe that this will create an obstacle to capital formation for non-reporting issuers. One commenter believes that the Proposed Amendments should not restrict the availability of the rights offering prospectus exemption to reporting issuers. While the commenter agrees that securityholders of non-reporting issuers will not have access to the same continuous disclosure as would the case for reporting issuers, this is true for other exemptions as well, such as the accredited investor exemption. The commenter believes that many non-reporting issuers did not use the previous exemption because of its inefficiency. In this regard, the exemption following the Proposed Amendments would be an attractive capital raising method for small and medium sized non-reporting issuers, and increase the flexibility of the same issuers to	We thank the commenter for their input. However, we think that neither the current exemption nor the new exemption are appropriate for non-reporting issuers.

No.	Subject	Summarized Comment	Response
		access capital. In one commenter's view, the repeal of the Current Exemption for use by non-reporting issuers could create an obstacle to capital formation for non-reporting issuers. For that reason, the commenter would suggest that the rights offering exemption continue to be available for non-reporting issuers so long as the issuer provides the same level of disclosure about its business as is currently required by National Instrument 45-101.	
48	***No***	Two commenters did not think the repeal would create an obstacle to capital formation for non-reporting issuers. One commenter noted given the availability of other prospectus exemptions, they do not foresee any problems relating to capital formation for non-reporting issuers if the exemption were repealed for those entities. One commenter agrees that rights offerings are not ideally suited for non-reporting issuers, and that they have the ability to use other exemptions that are well suited, such as the offering memorandum or "private company" exemptions.	We acknowledge the comments.
49	***Other***	One commenter answered that the proposed regulations would in their view adequately replace the Current Exemption for non-reporting issuers, and if contractual liability is introduced offer increased protection to the investor in the Rights. Similarly for foreign issuers, if they are by contractual liability required to have the support of a local Canadian bank (who also take final liability) the problem would be one of establishing credit worthiness between the issuer and bank.	We thank the commenter for their input. However, we have decided to proceed with statutory liability for secondary market disclosure.

No.	Subject	Summarized Comment	Response
Question 10a(ii): Repeal of the Current Exemption for use by Non-Reporting Issuers – Do you foresee any other problems?			
50	***No***	Two commenters did not foresee any other problems regarding the repeal of the Current Exemption for use by Non-Reporting Issuers. One commenter acknowledged that the use of the Current Exemption by non-reporting issuers is very rare.	We acknowledge the comments.
51	***Other***	One commenter noted that in their experience most of the non-reporting issuers making use of the current rights offering prospectus exemption in Section 2.1 of NI 45-106 are foreign issuers, who rely on that exemption in tandem with the minimal connection to Canada exemption currently appearing in Section 10.1 of NI 45-101 (the requirements of which we refer to as the "Minimal Connection Test"). Subject to the commenter's comments on proposed section 2.1.3 of NI 45-106, the commenter agrees that it will be helpful to consolidate the current exemptions in Section 2.1 of NI 45-106 and Section 10.1 of NI 45-101 into a single prospectus exemption. More generally, the commenter also agrees that it will be helpful to integrate the substantive requirements for rights offerings into the existing national instruments governing prospectus offerings and prospectus exempt offerings, rather than maintaining NI 45-101 as a separate instrument.	We acknowledge the comments. Refer to the responses below related to the Minimal Connection Exemption.
Question 10a(iii): Repeal of the Current Exemption for use by Non-Reporting Issuers – Would repealing the Current Exemption cause problems for foreign issuers that do not meet the Minimal Connection Exemption? If so, should we consider changes to the Minimal Connection Exemption? Please explain what changes would be appropriate and the basis for those changes.			
52	***Yes***	One commenter thinks the applicable figures in the Minimal Connection Exemption could be increased to 20% (in respect of the aggregate number of Canadian security holders) and 10% (in respect of security holders in any province or territory). The commenter thinks this would have limited or no impact on investor protection, and would increase the number of foreign rights offerings in which Canadians could participate.	We thank the commenter for their input. We have removed the local jurisdiction test. Issuers will be able to use the exemption so long as neither the number of beneficial holders of securities of the

No.	Subject	Summarized Comment	Response
			relevant class that are resident in Canada nor the number of securities beneficially held by security holders resident in Canada exceeds 10% of all security holders or securities, as the case may be. Issuers that exceed the 10% threshold may consider an application for exemptive relief. There may be limited circumstances where relief from this requirement may be appropriate.
53	***No***	Two commenters did not believe that repealing the Current Exemption would cause problems for foreign issuers that do not meet the Minimal Connection Exemption. One commenter noted they do not believe that changes to the Minimal Connection Exemption should be necessary. Foreign issuers should be treated the same as other non-reporting issuers in Canada, regardless of whether such issuers are public issuers in other jurisdictions. Canadian investors should be able to easily access current information about issuers relying on the rights offering exemption and it may be difficult for many investors to retrieve such information from filings made in a foreign jurisdiction, even if such information is available on-line. One commenter did not believe that repealing the Current Exemption for non-reporting issuers should cause material problems for foreign	We acknowledge the comments.

No.	Subject	Summarized Comment	Response
		issuers because the commenter believes that those issuers are generally averse to complying with the requirements of the Current Exemption for practical reasons.	
Question 10b(i): Repeal of the Current Exemption for use by Non-Reporting Issuers – Do you think we should consider changes to the Current Exemption instead of repealing it? If so, what changes should we consider? If you think we should change the disclosure requirements, please explain what disclosure would be more appropriate.			
54	***Yes***	One commenter indicated that any changes they would suggest would be similar to the changes incorporated into the Proposed Exemption.	We thank the commenter for their input. However, we think that neither the 45-101 Exemption nor the Rights Offering Exemption are appropriate for non-reporting issuers.
55	***No***	One commenter supported the removal of the Current Exemption for all non-reporting issuers, including foreign non-reporting issuers that may be public issuers in another jurisdiction.	We acknowledge the comment.
Question 10b(ii): Repeal of the Current Exemption for Use by Non-Reporting Issuers – Should non-reporting issuers be required to provide audited financial statements to their security holders with the rights offering circular if they use the exemption?			
56	***No***	In one commenter's view, the obligation to provide audited financial statements could unduly burden a non-reporting issuer.	We acknowledge the comment.
57	***Other***	One commenter's view is that non-reporting issuers should not be permitted to use the Proposed Exemption.	We acknowledge the comment.
Question 10c: Repeal of the Current Exemption for Use by Non-Reporting Issuers – Are there other circumstances in which non-reporting issuers need to rely on the Current Exemption? If so, describe.			
58	***Yes***	In one commenter's view, the Current Exemption may not *[sic]* be a more effective and efficient means of raising capital than the other prospectus exemptions cited and therefore they would recommend that	We thank the commenter for their input. However, we continue to believe that

No.	Subject	Summarized Comment	Response
		the Current Exemption continue to be available to non-reporting issuers and their security holders (all of whom would have acquired their securities of the issuer on a basis that presumes a different level of disclosure but also a different level of familiarity with the issuer and its affairs.	neither the current exemption nor the new exemption are appropriate for non-reporting issuers.
59	***No***	Two commenters did not think there were other circumstances in which non-reporting issuers need to rely on the Current Exemption.	We acknowledge the comment.
Question 11a: The Stand-by Exemption – Should stand-by guarantors be subject to different resale restrictions depending on whether or not they are security holders of the issuer on the date of the notice?			
60	***Yes***	One commenter noted that if the stand-by guarantor has a board seat due to their stake size, or is otherwise privy to internal information not available to external minority shareholders then the commenter's opinion is there should be additional caveats on their stake. This should equally apply to both existing shareholders and new shareholders if their stake would enable them to seek board representation. If there is no potential insider status then the commenter's view would be not to impose a requirement for a resale restriction.	We thank the commenter for their input. However, we have decided that stand-by guarantors should not be subject to different resale restrictions depending on whether or not they are existing security holders.
61	***No***	Five commenters did not think standby guarantors should be subject to different resale restrictions depending on whether or not they are existing security holders. One commenter did not think a four month hold is necessary for guarantors or new shareholders. The success of most financings by Rights is because you have a guarantor. Any restrictions will limit their willingness to act. If they are not needed to exercise the guarantee, all the shares are free-trading so the market is not prejudiced because they needed to exercise the stand by commitment and received free trading shares.	We acknowledge the comments. We have decided that stand-by guarantors should not be subject to different resale restrictions depending on whether or not they are existing security holders.

No.	Subject	Summarized Comment	Response
		One commenter noted that imposing a hold period on such guarantors will reduce the number of individuals or entities willing to undertake this role, which will negatively affect the ability of issuers to raise capital under the Proposed Exemption. Imposing a hold period would seriously restrict the flexibility of guarantors to deal with such securities, and would put them at a disadvantage to shareholders who purchase pursuant to the offering for which they are providing a guarantee. In the case of banks and other financial institutions, due to their internal risk policies and capital requirements, the commenter expects that imposing a hold period will effectively bar them from acting as guarantors. One commenter does not believe that any securities distributed by a reporting issuer through a rights offering should be subject to a hold period, whether or not a stand-by guarantor is an existing security holder. The commenter thinks it will be confusing to the market to have different resale restrictions on securities distributed as part of the same rights offering. Engaging a stand-by guarantor results in additional costs for the issuer, and this cost may increase if the securities the stand-by guarantor receives are subject to a hold period. As stand-by guarantors reduce uncertainty for issuers regarding whether a rights offering will be successful, the commenter believes that the use of stand-by guarantors should be encouraged. Therefore, the commenter does not believe that stand-by guarantors should be treated differently from other security holders with respect to resale restrictions. One commenter thought that stand-by guarantors should be permitted to receive free-trading securities irrespective of whether they are security holders on the date of the notice. The commenters think that imposing a hold period on securities purchased by a stand-by guarantor would impose unnecessary complexity and cause possible confusion and would be a potential cost to any would-be guarantor, without any corresponding	

No.	Subject	Summarized Comment	Response
		benefit. The commenter therefore thinks that such a rule would make issuers less inclined to undertake a rights offering. In one commenter's view, standby guarantors often play an important role in a rights offering by providing the issuer with the assurance that a minimum amount of capital will be raised in the offering. This enables the issuer to properly assess the pros and cons of pursuing the financing, including the estimated costs of the financing relative to other capital raising alternatives. For that reason, the commenter does not believe that a standby guarantor that is not an existing security holder should be subject to different re-sale restrictions than those imposed on an existing security holder. To the extent that the standby guarantor will acquire a control position in the issuer, the restrictions on control block distributions and applicable stock exchange rules should be sufficient to regulate that type of distribution. Further, the issuer is free to negotiate the terms of any standby arrangement, including appropriate standstill provisions where warranted. In the commenter's view, distributions of securities acquired under the proposed Standby Exemption should be subject to the same seasoning period applicable to a standby guarantor that is an existing security holder (subject to the existing restrictions on control block distributions). The commenter believes that drawing a distinction between existing and non-existing security holders in these circumstances could prejudice issuers' ability to attract standby guarantors and therefore to complete what would otherwise be an efficient capital raising exercise in which all affected security holders are entitled to participate on a *pro rata* basis.	

No.	Subject	Summarized Comment	Response
Question 11b: The Stand-by Exemption – What challenges would there be for issuers trying to find a stand-by guarantor that is not already a security holder?			
62		One commenter noted the success of most financings by Rights is because you have a guarantor. Any restrictions will limit their willingness to act. One commenter noted this will depend upon the time sensitivity of the need for the capital being raised and available information on the company (analyst coverage etc.) If a very tight time requirement on a poorly followed stock it could be very difficult indeed to both find and educate a potential guarantor. One commenter thinks that the restrictions on acting as a stand-by guarantor should be as few as possible, in order to encourage issuers to undertake rights offerings.	We acknowledge the comments.
Question 12a: The Stand-by Exemption – If the standby guarantor is an existing security holder, should we require a four month hold?			
63	***Yes***	One commenter believed that all stand-by guarantors, regardless of whether or not they are security holders of the issuer on the date of the notice, should be subject to a four-month hold period, in order to avoid significant shareholders taking advantage of price discrepancies on a short term basis or otherwise hedge their position such that they have no economic interest in the issuer. Some investors in the rights offering may choose to exercise their rights on the basis of the subscription by the stand-by guarantor and thus such persons, whether they are insiders, management or other significant shareholders, should be required to hold the securities for a minimum length of time.	We thank the commenter for their input. However, we have decided that standby guarantors generally should not be subject to a four-month hold.

No.	Subject	Summarized Comment	Response
64	***No***	Six commenters did not think there should be a four month hold on any standby guarantors. One commenter noted no four month hold for any guarantor including broker firms. The fact that a fee is paid is not relevant to this process. At most the fee could be subject to a hold period if paid in securities. However, no restrictions is the commenter's preference. If a four month hold is imposed, the cost of the guarantor/stand by commitment will increase significantly. One commenter thought that stand-by guarantors should be permitted to receive free-trading securities irrespective of whether they are security holders on the date of the notice. The commenters think that imposing a hold period on securities purchased by a stand-by guarantor would impose unnecessary complexity and cause possible confusion and would be a potential cost to any would-be guarantor, without any corresponding benefit. The commenter therefore thinks that such a rule would make issuers less inclined to undertake a rights offering. One commenter believes that the considered imposition of a restricted period on resale of securities of an issuer by the "stand-by guarantor" whom acquires securities under the proposed "stand-by exemption" is unnecessary. -The market participants are already exposed to the securities that are acquired through the subscription privilege, and if the full subscription privilege is met, such number of securities would enter the market with a seasoning period. -If such stand-by guarantor is typically a "strategic investor" as CSA suggests, then this investor would most likely hold the securities for a period of time, thus reducing the exposure, and subsequent liabilities, of such securities to the secondary	We acknowledge the comments.

No.	Subject	Summarized Comment	Response
		market. -The protections afforded to investors through civil liability for continuous disclosure should be balanced against the need for flexibility from the acquirer of securities under the proposed stand-by exemption.	
65	***Other***	One commenter suggested that a four month hold should only be required if the stake size confers any additional rights such as board representation or insider status.	We thank the commenter for their input. However, we have decided that standby guarantors generally should not be subject to a four-month hold.
Question 12b: The Stand-by Exemption – Should a stand-by guarantor that receives a fee and is a current security holder be subject to a restricted period on resale when other security holders are not subject to the restricted period?			
66	***No***	Two commenters did not think stand-by guarantors should be subject to a restricted period on resale. Two commenters stated that no restricted period on resale should be required for guarantors, regardless of whether they are paid a fee, when other security holders are not subject to a restricted period. One commenter noted the fact that a fee is paid is not relevant to this process. At most the fee could be subject to a hold period if paid in securities. However, no restrictions is the commenter's preference. If a four month hold is imposed, the cost of the guarantor/stand by commitment will increase significantly. One commenter indicated that the payment of a fee for being a guarantor should not influence the resale restrictions, only if there was an impact of any purchase commitment on access to internal information.	We acknowledge the comments. We have added guidance to the Companion Policy to NI 45-106 which clarifies that if a registered dealer acquires a security as part of a stand-by commitment, the dealer may use the exemption in section 2.1.1 of NI 45-106 (and have only a seasoning period on resale) unless the dealer (a) is acting as an underwriter with respect to the distribution, and (b) acquires the security with a view to distribution. In

No.	Subject	Summarized Comment	Response
		One commenter was of the view that the payment of a fee should not impact the hold period requirement.	those situations, the dealer should acquire the security under the exemption in section 2.33 of NI 45-106 as per the guidance in section 1.7 of the Companion Policy to NI 45-106.
Question 12c: The Stand-by Exemption – What challenges to do you foresee if we require a four-month hold?			
67		One commenter noted that if a four month hold is imposed, the cost of the guarantor/stand by commitment will increase significantly. One commenter noted imposing a four month hold period will increase costs and decrease the likelihood of issuers finding a guarantor for the offering. One commenter noted the challenge to both regulate and police that the guarantor does not use any other means to effect a sale prior to the expiry of the hold period – e.g. by purchasing puts or other OTC transactions. One commenter thinks it would be an impediment to attracting a stand-by guarantor, and that it would not have any corresponding benefit to issuers or existing security holders.	We acknowledge the comments.
Question 13: The Minimal Connection Exemption – Do you anticipate challenges if we require that materials for the Minimal Connection Exemption be filed on SEDAR?			
68	***No***	Seven commenters did not anticipate challenges if we require the materials for the Minimal Connection Exemption to be filed on SEDAR. One commenter noted that issuers relying on the Minimal Connection	We acknowledge the comments. We will require that issuers file materials for the Minimal Connection Exemption on SEDAR.

No.	Subject	Summarized Comment	Response
		Exemption should be able to access SEDAR themselves or through a local agent at low cost. One commenter suggested that filing on SEDAR for equal dissemination to all stakeholders should be mandatory. One commenter noted that they do not believe that requirement would be problematic, so long as the issuer (through its counsel) would be able to create the necessary SEDAR profile and obtain the necessary filing codes with only minimal incremental cost and delay relative to the current paper filing requirement. The commenter recommends that if SEDAR filing of rights offering materials is required as a condition of the Minimal Connection Exemption, that a simplified and expedited procedure be developed so that this information can be submitted electronically by the issuer or its counsel without imposing any undue administrative or financial burden on the issuer or resulting in any procedural delay. One commenter would not anticipate material challenges should the regulators require the filing of rights offering materials with the regulator through SEDAR, which the commenter expects would occur through law firms and commercial printers.	
69	***Other***	One commenter noted that in their firm's cross-border securities law practice, they often represent companies across the globe that are conducting rights offerings. Typically, these companies are seeking to allow the broadest possible participation of their beneficial shareholders on a worldwide basis. These companies want to let all of their investors have equal access to participation in the rights offering, and provide all investors with the opportunity to avoid the dilution of their interests that would occur if they do not participate. Even though Canada may be a more prominent and significant nation than most	We thank the commenter for their input. Please refer to the above response related to the Minimal Connection Exemption. We have included guidance on situations where the issuer may rely on its most recently

No.	Subject	Summarized Comment	Response
		others, it is only one of more than 190 countries around the world whose securities laws must be complied with, and the costs of compliance (both in terms of legal fees and administrative requirements) quickly become very significant. As part of the current reform of the rights offering regime in Canada, the commenter strongly urges the CSA to abandon the current Minimal Connection Test and replace it with a test that is simpler and less expensive to administer. Under the current Minimal Connection Test, an issuer must make "reasonable inquiry" to determine: (i) whether the number of beneficial holders in any single province of Canada exceeds 5% of its worldwide total, or more than 10% in all of Canada in the aggregate; and (ii) whether the number of securities held by beneficial holders in any single province of Canada exceeds 5% of the worldwide total, or the number held by beneficial holders in all of Canada in the aggregate exceeds more than 10% of the worldwide total. An officer or other representative of the issuer must provide a certificate attesting that reasonable inquiry has been made and confirming that the tests are met. Currently, the Companion Policy to NI 45-101 states that in order to make "reasonable inquiry", the issuer should follow "…procedures comparable to those fund in National Policy 41 – Shareholder Communication, or any successor instrument…" (the successor instrument now being NI 54-101). Even if the securities laws of the issuer's home country embodied procedures comparable to NI 54-101 that could be used in the context of a rights offering (rather than only for proxy-related materials as in Canada), in the commenter's experience most issuers neither have the time nor are willing to bear the significant expense of conducting a global search of their depositories and depository participants in order to confirm that the Minimal Connection Test is satisfied, and provide a certificate to	conducted beneficial ownership search procedures conducted for the purpose of distributing proxy material for a shareholders meeting or unless the issuer has reason to believe that the issuer would no longer meet the applicable test. The requirement in the Minimal Connection Exemption is that all materials sent to any other security holders for the rights offering must be concurrently filed and sent to each security holder of the issuer resident in the local jurisdiction. We think that it is appropriate for all Canadian security holders to receive the rights offering materials in the same way they would typically receive materials from the issuer rather than permit the issuer to use a new delivery method that security holders may not be familiar with or have consented to.

No.	Subject	Summarized Comment	Response
		that effect. The commenter proposes, at a minimum, that the Minimal Connection Test should allow a foreign issuer that is not a reporting issuer in Canada to presume that it meets the 5% and 10% Canadian holders and securities held tests in the absence of actual knowledge to the contrary, based on its most recently conducted beneficial ownership search procedures conducted for the purpose of distributing proxy material for a shareholders meeting (or, if it is not required to conduct such procedures under the laws of its home country, then based on the best and most current information otherwise available to it). Further, the commenter would propose that the test be simplified to eliminate the 5% prong of the test based on the percentage of shares held and shareholders in a particular province. The relevant test for the exemption should in the commenter's view be based on the issuer's overall connection to Canada, and not any one particular province (where a single large institutional investor may have a position in excess of 5% of number of shares outstanding). The commenter also noted the requirement to deliver materials "sent to any other security holder" to "each security holder" in Canada is becoming more problematic as many countries allow delivery of information about a rights offering through website postings or other electronic means, making it burdensome to ensure that all registered Canadian shareholders (or worse, beneficial shareholders if that is the intended requirement), physically receive copies of materials that may have been sent to a small handful of very significant shareholders outside of Canada (with the vast majority of other non-Canadian shareholders receiving their information through electronic access). The commenter believes it would be appropriate to eliminate this requirement as a condition of the proposed exemption in Section 2.1.3 of NI 45-106, especially if a requirement to file materials on SEDAR	

No.	Subject	Summarized Comment	Response
		is adopted. If thought necessary or desirable, the condition in proposed Section 2.1.3 of NI 45-106 might be replaced with a requirement that the issuer communicate information about the rights offering to security holders in Canada in the same or a similar manner that such information is provided to public shareholders generally in other countries.	
Other comments related to proposed NI 45-106			
70	***Minimum hold period for existing security holders before being eligible to participate in a rights offering***	One commenter noted that ideally, investors should be required to hold securities of an issuer for a minimum of one calendar quarter prior to achieving eligibility to participate in a rights offering, such that they would have the opportunity to experience the volatility of the security's price on the exchange and the issuer's track record prior to making a subsequent investment, but the commenter recognizes that such a requirement might be difficult for an issuer to administer and would lead to dilution for some shareholders.	We thank the commenter for their input; however, we think that all Canadian security holders should be able to participate in rights offerings, regardless of when they acquired the securities.
71	***Offer to all security holders***	Relating to requiring the offer to all security holders, one commenter commented that as currently drafted, section 2.1.1(3)(e) of the proposed amendments to NI 45-106 requires the issuer to make the *"…basic subscription privilege available on a pro rata basis to each security holder of the class of securities to be distributed on the exercise of the rights"*. The commenter notes that most Canadian public companies will have registered or beneficial owners of their securities who are located or resident in countries other than Canada, and the securities laws of those countries may prohibit either the distribution of rights to holders in that country, or the exercise of the rights by holders in that country, or both. Even if legally permissible, distributing or permitting the exercise of rights by holders in another country may subject the issuer to prospectus or registration requirements in that other country, or make it subject to ongoing continuous disclosure or reporting obligations in that jurisdiction, or impose onerous requirements in order to satisfy the	We have clarified that the requirement is to make the basic subscription privilege available to each security holder in Canada.

No.	Subject	Summarized Comment	Response
		conditions of exemptions from those requirements. The commenter strongly urges that the requirement to make the basic subscription privilege available to each security holder be limited only to registered and/or beneficial security holders in *a jurisdiction of Canada.* One commenter noted that despite references to making the offering or sending the notice to security holders *in the local jurisdiction* [on page 4 of the CSA Notice under section *Offer to all security holders* and in proposed section 3.10(1) of the Companion Policy to NI 45-106], there is nothing in the actual proposed rule amendments to NI 45-106 itself that clarifies that the rights offering is only required to be extended to security holders in the local jurisdiction. In fact, the use of the term "all holders" or "each holder" without any further qualification in various sections of the Proposed Amendments to NI 45-106 would imply the contrary (see sections 2.3.1(3)(e) and 2.3.1(6)(a)). Based on the commenter's experience with the existing exemption, issuers can face substantial difficulty in extending a rights offering to jurisdictions outside of Canada where the legal or regulatory environment either restricts or makes it very challenging (including where it imposes other requirements, increases costs, etc.) to extend the offering, disseminate materials or comply with other elements of the exemption. The commenter would therefore suggest that the proposed amendments should make it clear in NI 45-106 itself that the offering is required to be extended only to security holders in the local jurisdiction. If the intention is otherwise, the commenter submits that the Proposed Amendments should provide for an exemption or carve-out where the laws or regulations of the jurisdiction of a security holder prevent or restrict the issuer from extending the rights offering exemption or otherwise impose any substantial impediments to complying with any aspect of the exemption.	

No.	Subject	Summarized Comment	Response
72	***Translation***	Two commenters think there should be a de minimis exemption from the requirement to translate materials in French. With respect to the requirement in section 2.1.3(f), one commenter believes there should be a de minimis exemption from the requirement to offer rights to holders of securities in Quebec and/or to translate the notice and circular in French, as the added cost and time would not be justified absent a sufficient security holder base in Quebec. One commenter noted in proposed 2.1.1(3)(f) that an issuer that wishes to use the Proposed Exemption will need to translate the Notice and Circular if it has any security holders in Quebec. In the commenter's view, the cost and timing of such translation would be a disincentive to conducting rights offerings for smaller to mid-sized issuers that have security holders in Quebec. Further, in light of the fact that the Circular does not disclose the issuer's business, but rather relies on the continuous disclosure record (which most issuers do not translate), the commenter does not see a strong policy rationale for requiring that the Notice and Circular be translated. In other words, those Quebec resident security holders that do not read English will likely not have a full grasp of the issuer's business, and requiring that the Notice and Circular be translated would not remedy that fact. The commenter thinks that, in order to increase the frequency and success of rights offerings, there should not be any translation requirement. In the alternative, any requirement to translate should be limited to issuers that have a significant security holder base in Quebec. For example, if less than 10% of the outstanding securities are held by Quebec residents and less than 10% of the security holders are Quebec residents, then there should be no requirement to translate.	We thank the commenters for their input. In cases where an issuer has a minimal number of security holders in Québec or its Québec shareholders hold a minimal number of securities, the Autorité des marchés financiers will consider granting relief on a case by case basis.

No.	Subject	Summarized Comment	Response
73	***Accredited investor exemption used in connection with a rights offering by a foreign issuer***	One commenter asks that the CSA consider making a modification to the way in which the "accredited investor" exemption may be used in connection with a rights offering by a foreign issuer. Currently, the distribution of rights to holders in Canada constitutes a "trade" in securities that is a distribution, requiring the use of a prospectus or a prospectus exemption (as evidenced by the existing exemption in section 2.1 of NI 45-106, which would otherwise be unnecessary). The exercise of the right, however, is fully exempt from the prospectus requirement pursuant to section 2.42(1) of NI 45-106, without any conditions, restrictions or additional requirements of any kind. In other words, unlike virtually all of the more than 190 other countries around the world, Canadian securities laws impose the substantive requirements regulating rights offerings on the distribution of the right itself, rather than imposing those requirements at the time of the exercise of the right. In consequence, under the current regime, a foreign issuer seeking to use the "accredited investor" exemption must take measures to ensure that a shareholder is an accredited investor before it receives any rights, rather than only ensuring that persons exercising rights are accredited investors at the time of exercise. Further, the foreign issuer must report distributions of the *rights* under the accredited investor exemption, filing Form 45-106F1 to report distributions of rights rather than the distribution of shares which occurs on the exercise of the rights. In jurisdictions where the trade report fee is based on the value of the securities distributed, this results in the issuer's payment being based on the nil sale price of the rights, rather than exercise (purchase) price of the underlying shares. To resolve this anomaly and simplify compliance with the "accredited investor" exemption in connection with a rights offering in circumstances where the Minimal Connection Exemption is not or cannot be used, the commenter proposes that the CSA consider the following as an additional, new exemption to be added to NI 45-106:	We thank the commenter for their input; however, the amendments that the commenter proposes are outside the scope of the current project. We may consider this issue on a future policy project.

No.	Subject	Summarized Comment	Response
		Foreign issuer rights offering to accredited investors 2.x (1) The prospectus requirement does not apply to a distribution of a right granted by the issuer to purchase a security of its own issue to a security holder of the issuer, provided that all of the following conditions are satisfied: (a) the issuer is not incorporated or organized under the laws of Canada or any province or territory of Canada; (b) the issuer is not a reporting issuer in any jurisdiction of Canada; (c) no person or company in Canada who acquires a right pursuant to this section 2.x(1) is permitted to exercise that right unless that person or company is an accredited investor; and (d) any distribution of securities pursuant to the exercise of a right acquired by the holder thereof pursuant to this section 2.x(1) is made pursuant to and in accordance with the prospectus exemption afforded by Section 2.3. (2) The exemption afforded by section 2.42(1) does not apply to the distribution of a security in accordance with the terms and conditions a security previously issued in reliance upon subsection (1).	
74	***Resale restrictions relating to rights offerings by foreign issuers that are not reporting issuers in Canada***	One commenter believes that rights offerings by foreign issuers that are not reporting issuers in Canada should be treated as a special case in terms of resale restrictions, as imposing resale restrictions in connection with either the rights themselves or the underlying shares may result in significant prejudice to Canadian shareholders relative to	We thank the commenter for their input; however, the amendments that the commenter proposes are outside the scope of the

No.	Subject	Summarized Comment	Response
		the issuer's investors in other countries. If the rights are transferable (and especially if they have a liquid trading market outside of Canada, as is often the case), investors in other countries will be entitled to elect whether to sell their rights or exercise them. In either case, the right will constitute a valuable benefit to them. Canadian shareholders should be entitled to share in the receipt of this value. Imposing any hold period or seasoning period on such right effectively precludes a shareholder from realizing economic value by selling the right. Individual shareholders will not be in a position to obtain legal advice regarding whether such a resale may be made in compliance with the securities laws of their own province or territory, and will not have access to the information necessary to determine whether or not the exemption afforded by section 2.14 of NI 45-102 is available in the circumstances. In consequence, Canadian shareholders will be deprived of the ability to derive value from the rights they are entitled to, offsetting the dilution they may experience as a result of the rights offering, unless they exercise the right – that is, the resale restriction applicable to the right could effectively force Canadian shareholders to make a further investment in the issuer that they do not wish to make. The commenter also notes that any shares issued on the exercise of rights will be subject to a permanent hold period – whether the original shares to which the rights relate are also subject to a permanent hold period (having been acquired under a prospectus exemption), or whether the original shares to which the rights relate were purchased through open market purchases and not subject to any resale restrictions. The commenter believes this is an anomalous and unfortunate result, and that shares obtained in a rights offering should	current project. We may consider this issue on a future policy project.

No.	Subject	Summarized Comment	Response
		not be subject to any more onerous restrictions on resale than the shares upon which the rights were distributed. The commenter proposes the following as an additional provision of NI 45-102: *First Trades in Foreign Rights Offering Securities* 2.15 (1) The prospectus requirement does not apply to a first trade of a right granted by the issuer to purchase a security of its own issue to a security holder of the issuer, provided that all of the following conditions are satisfied: (a) the issuer is not incorporated or organized under the laws of Canada or any province or territory of Canada; (b) the issuer was not a reporting issuer in any jurisdiction of Canada at the distribution date or is not a reporting issuer in any jurisdiction of Canada at the date of the first trade; and (c) the trade is made through an exchange, or a market, outside of Canada, or to a person or company outside of Canada. (2) The prospectus requirement does not apply to a first trade of a security issued by an issuer pursuant to the exercise of a right that was granted by the issuer to purchase a security of its own issue to a security holder of the issuer, provided that all of the following conditions are satisfied: (a) the issuer is not incorporated or organized under	

No.	Subject	Summarized Comment	Response
		the laws of Canada or any province or territory of Canada; (b) the issuer was not a reporting issuer in any jurisdiction of Canada at the distribution date or is not a reporting issuer in any jurisdiction of Canada at the date of the first trade; (c) the trade is made through an exchange, or a market, outside of Canada, or to a person or company outside of Canada; and (d) if the security held by the security holder of the issuer in respect of which the right was granted was acquired by the security holder pursuant to a prospectus exemption to which section 2.5 applies, at least four months have elapsed since the date the security holder first acquired the security in respect of which the right was granted.	
75	***Drafting comments***	One commenter noted in Annex A1 to the Notice, in 2.1.1(6)(b)(ii), at the end of the definition of "x", it would add clarity to include the words *"after giving effect to the basic subscription privilege"*. The commenter acknowledges that the wording of this proposed section is the same as the applicable wording in the Current Exemption.	We have made the suggested change.
Other comments related to proposed Companion Policy CP 45-106			
76	***Drafting comments***	One commenter noted in the Proposed Changes to Companion Policy CP 45-106, in section 3.10(4) it appears that the reference to paragraph 2.1.1(16)(b) should in fact be to paragraph 2.1.1(17)(a).	We have made the suggested change.
Other comments related to proposed Form 45-106F14			
77	***Additional information to be included in the Notice***	One commenter recommends the CSA consider requiring the issuer to confirm in the Notice that it has sufficient authorized shares to fulfill the subscription rights or require that it obtain shareholder approval to	We acknowledge the comment. We have revised question 15 in the Rights

No.	Subject	Summarized Comment	Response
		amend its articles prior to commencement of the rights offering.	Offering Circular to state: "What are the significant attributes of the rights issued under the rights offering and the securities to be issued on the exercise of the rights?"
Other comments related to proposed Form 45-106F15			
78	***Consistency with other forms***	One commenter noted that in Part 4 of the proposed Form 45-106F15, it should be made clear that the obligation to provide information on insiders and 10% security holders is "if known to the issuer after reasonable enquiry", which would be consistent with Item 12 of the existing Form 45-101F1. One commenter noted it is unclear as to why the proposed Circular contains a certificate that is required to be signed by directors and officers. The commenter understands that this requirement makes sense for an offering memorandum and other offering documents such as take-over bid circulars, because the statutory liability provisions applicable to those documents (see sections 132.1 and 132 of the *Securities Act* (British Columbia), respectively) impose liability specifically on persons who signed the certificate. In this context, however, the proposed standard of liability (being secondary market liability) does not contemplate a certificate signed by particular directors and officers, and accordingly does not impose any specific liability on the signatories.	We acknowledge the comment. We have made the suggested change to Part 4 of proposed Form 45-106F15. We acknowledge the comment regarding the certificate requirement. We have removed the certificate requirement and have instead included guidance reminding issuers and their executives that they will be liable for the disclosure in the Rights Offering Circular.
Comments not related to a particular Instrument or Form			
79	***Timing of adoption***	One commenter noted that it was stated that the exemption could be in place by the end of 2015. The commenter respectfully suggests that by that time many of the junior companies will have ceased to function. The commenter urges the British Columbia Securities Commission to	We thank the commenter for their input. We have worked to adopt these amendments as quickly as possible through

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		move to adopt and implement the changes as soon as possible and also assist other Securities Commissions across Canada to do the same. The commenter also notes that the Ontario Securities Commission (OSC) adopted the capital raising prospectus exemption earlier this month. A timely adoption of the proposed changes by Ontario will assist the implementation of changes to the rights offering regime. In this regard, the commenter will work with their associates at the Prospectors & Developers Association of Canada to encourage them to indicate their support to the OSC.	the CSA processes.
80	***Compensation to shareholders***	One commenter recommends that the CSA consider following the Hong Kong and UK rights offering process which requires issuers to reimburse non-exercising shareholders from the proceeds due to purchased new shares. Shares arising from the rights are sold for the benefit of those shareholders who did not take up their entitlements, after the subscription period, so that any premium realized over and above the offer price and placing expenses is paid to those non-exercising shareholders.	We thank the commenter for their input. The change that the commenter suggests is outside the scope of the current project.
81	***Shareholder Approval***	One commenter recommends that shareholder approval should be required in the event that the amount of dilution goes beyond a certain threshold. A dilutive share issuance that materially affects the control of an issuer should require shareholder approval by a 2/3rd majority. Significant changes in an issuer should be subject to shareholder approval.	We thank the commenters for their input. The dilution limit on the exemption is 100%. If dilution exceeds 100%, the issuer will not be able to use the exemption and will have to use a prospectus to issue rights. We think this regime is appropriate to deal with the issues the commenter raises. We also note that corporate entities should also consider their obligations under corporate law.

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82	***Re-election of the Board***	One commenter also recommends that the CSA should consider requiring the full board to stand for re-election at the next annual general meeting (should they not already be required to do so) if the monetary proceeds of the rights offering exceed a certain level of the issuer's pre-issue market capitalization or if the amount of dilution exceeds a certain level (for example, 1/3). This would enhance good governance.	We thank the commenter for their input. The change the commenter suggests is outside the scope of this project.
83	***Comments on the venture market in general***	One commenter noted that these changes will not be the solution to the current situation facing the Venture Markets. The commenter states that IIROC has been very successful at eliminating the transaction business by implementing the CRM, now being followed up by the CRM2. Since November 27, 2014, 8 more members of IIROC have resigned. Vancouver was the home to over 40 independent firms with about 7 remaining. There is no viable means of reaching the retail investor in Canada with the demise of these firms. Too much liability combined with the costs have made it impossible for firms to prosper, their demise harbours the demise of the Venture Market as we know it. "Protect the public" is the battle cry of the regulators, the CSA appears to have finally realized that there is a crisis, maybe the message should be passed onto IIROC. Every investment comes with associated risk, venture investments come with higher risk but also the potential for higher returns. The returns to the Canadian economy are the creation of jobs, companies and wealth. New listings on the TSX are predominantly ETF's and proprietary products created by large institutions that protect the public through diversification by packaging corporate shares into a variety of baskets. If diversification reduces risk then the consolidation of the Canadian financial markets,	We thank the commenters for their input. The issues that the commenter raises are outside the scope of this project.

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		ultimately ending up under the control of the "Big Six " banks and a few other large institutions like Manulife is a threat to health of the Canadian Public. What is the CSA and IIROC doing to protect us? Equities age, merge and many cases ultimately die. The Venture Market acts as an imperfect incubator producing failures and successes but all producing the jobs that train future geologists, engineers, accountants, lawyers, etc. Can a resource based country of 35 million people prosper if risk capital cannot be raised? Why would a foreign institution or investor want to invest into the Canadian equities that our own citizens are restricted from buying? Our Venture Market is unique to Canada and needs to be nurtured. Our economy is resource based, that in itself is very risky, held hostage by the cyclical nature of commodity prices. This 5 year bear market that the Venture Market is experiencing has been amplified by the contribution of each regulatory body overseeing the public markets. Just opening an account with a broker has become a major exercise in paper work, justified by concerns about money laundering, suitability, risk tolerance and transparency. The Canadian Public that wants to speculate or gamble has been driven to the casinos and lotteries were you can just walk into an outlet and risk your money.	

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Annex D1

Amendments to
National Instrument 45-106 *Prospectus Exemptions*

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

2. Section 2.1 is replaced with the following:

Rights offering – reporting issuer

Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.

2.1 (1) In this section and sections 2.1.1, 2.1.2, 2.1.3 and 2.1.4,

"additional subscription privilege" means a privilege, granted to a holder of a right, to subscribe for a security not subscribed for by any holder under a basic subscription privilege;

"basic subscription privilege" means a privilege to subscribe for the number or amount of securities set out in a rights certificate held by the holder of the rights certificate;

"closing date" means the date of completion of the distribution of the securities issued upon exercise of the rights issued under this section;

"listing representation" means a representation that a security will be listed or quoted, or that an application has been or will be made to list or quote the security, either on an exchange or on a quotation and trade reporting system, in a foreign jurisdiction;

"listing representation prohibition" means the provisions of securities legislation set out in Appendix C;

"managing dealer" means a person that has entered into an agreement with an issuer under which the person has agreed to organize and participate in the solicitation of the exercise of the rights issued by the issuer;

"market price" means, for securities of a class for which there is a published market,

(a) except as provided in paragraph (b),

(i) if the published market provides a closing price, the simple average of the closing price of securities of that class on the published market for each of the trading days on which there was a closing price falling not more than 20 trading days immediately before the day as of which the market price is being determined, or

(ii) if the published market does not provide a closing price, but provides only the highest and lowest prices of securities of the class traded, the average of the simple averages of the highest and lowest prices of securities of the class on the published market for each of the trading days on which there were highest and lowest prices falling not more than 20 trading days immediately before the day as of which the market price is being determined, or

(b) if trading of securities of the class on the published market has occurred on fewer than 10 of the immediately preceding 20 trading days, the average of the following amounts established for each of the 20 trading days immediately before the day as of which the market price is being determined:

(i) the average of the closing bid and closing ask prices for each day on which there was no trading;

(ii) if the published market

(A) provides a closing price of securities of the class for each day that there was trading, the closing price, or

(B) provides only the highest and lowest prices, the average of the highest and lowest prices of securities of that class for each day that there was trading;

"published market" means, for a class of securities, a marketplace on which the securities are traded, if the prices at which they have been traded on that marketplace are regularly

(a) disseminated electronically, or

(b) published in a newspaper or business or financial publication of general and regular paid circulation;

"rights offering circular" means a completed Form 45-106F15 *Rights Offering Circular for Reporting Issuers*;

"rights offering notice" means a completed Form 45-106F14 *Rights Offering Notice for Reporting Issuers*;

"secondary market liability provisions" means the provisions of securities legislation set out in Appendix D opposite the name of the local jurisdiction;

"soliciting dealer" means a person whose interest in a distribution of rights is limited to soliciting the exercise of the rights by holders of those rights;

"stand-by commitment" means an agreement by a person to acquire the securities of an issuer not subscribed for under the basic subscription privilege or the additional subscription privilege;

"stand-by guarantor" means a person who agrees to provide the stand-by commitment.

(2) For the purpose of the definition of "market price", if there is more than one published market for a security and

(a) only one of the published markets is in Canada, the market price is determined solely by reference to that market,

(b) more than one of the published markets is in Canada, the market price is determined solely by reference to the published market in Canada on which the greatest volume of trading in the particular class of securities occurred during the 20 trading days immediately before the date as of which the market price is being determined, and

(c) none of the published markets are in Canada, the market price is determined solely by reference to the published market on which the greatest volume of trading in the particular class of securities occurred during the 20 trading days immediately before the date as of which the market price is being determined.

(3) The prospectus requirement does not apply to a distribution by an issuer, of a right to purchase a security of the issuer's own issue, to a security holder of the issuer if all of the following apply:

(a) the issuer is a reporting issuer in at least one jurisdiction of Canada;

(b) if the issuer is a reporting issuer in the local jurisdiction, the issuer has filed all periodic and timely disclosure documents that it is required to have filed in that jurisdiction as required by each of the following:

(i) applicable securities legislation;

(ii) an order issued by the regulator or, in Québec, the securities regulatory authority;

(iii) an undertaking to the regulator or, in Québec, the securities regulatory authority;

(c) before the commencement of the exercise period for the rights, the issuer files and sends the rights offering notice to all security holders, resident in Canada, of the class of securities to be issued upon exercise of the rights;

(d) concurrently with filing the rights offering notice, the issuer files a rights offering circular;

(e) the basic subscription privilege is available on a pro rata basis to the security holders, resident in Canada, of the class of securities to be distributed upon the exercise of the rights;

(f) in Québec, the documents filed under paragraphs (c) and (d) are prepared in French or in French and English;

(g) the subscription price for a security to be issued upon the exercise of a right is:

(i) if there is a published market for the security, lower than the market price of the security on the day the rights offering notice is filed, or

(ii) if there is no published market for the security, lower than the fair value of the security on the day the rights offering notice is filed unless the issuer restricts all of its insiders from increasing their proportionate interest in the issuer through the exercise of the rights distributed or through a stand-by commitment;

(h) if the distribution includes an additional subscription privilege, all of the following apply:

(i) the issuer grants the additional subscription privilege to all holders of the rights;

(ii) each holder of a right is entitled to receive, upon the exercise of the additional subscription privilege, the number or amount of securities equal to the lesser of

(A) the number or amount of securities subscribed for by the holder under the additional subscription privilege, and

(B) the number or amount calculated in accordance with the following formula:

$x(y/z)$ where

x = the aggregate number or amount of securities available through unexercised rights after giving effect to the basic subscription privilege;

y = the number of rights exercised by the holder under the basic subscription privilege;

z = the aggregate number of rights exercised under the basic subscription privilege by holders of the rights that have subscribed for securities under the additional subscription privilege;

(iii) all unexercised rights have been allocated on a pro rata basis to holders who subscribed for additional securities under the additional subscription privilege;

(iv) the subscription price for the additional subscription privilege is the same as the subscription price for the basic subscription privilege;

(i) if the issuer enters into a stand-by commitment, all of the following apply:

(i) the issuer has granted an additional subscription privilege to all holders of the rights;

(ii) the issuer has included a statement in the rights offering circular that the issuer has confirmed that the stand-by guarantor has the financial ability to carry out its stand-by commitment;

(iii) the subscription price under the stand-by commitment is the same as the subscription price under the basic subscription privilege;

(j) if the issuer has stated in its rights offering circular that no security will be issued upon the exercise of a right unless a stand-by commitment is provided, or unless proceeds of no less than the stated minimum amount are received by the issuer, all of the following apply:

(i) the issuer has appointed a depository to hold all money received upon the exercise of the rights until either the stand-by commitment is provided or the stated minimum amount is received and the depository is one of the following:

(A) a Canadian financial institution;

(B) a registrant in the jurisdiction in which the funds are proposed to be held that is acting as managing dealer for the distribution of the rights or, if there is no managing dealer for the distribution of the rights, that is acting as a soliciting dealer;

(ii) the issuer and the depository have entered into an agreement, the terms of which require the depository to return the money referred to in subparagraph (i) in full to the holders of rights that have subscribed for securities under the distribution of the rights if the stand-by commitment is not provided or if the stated minimum amount is not received by the depository during the exercise period for the rights;

(k) the rights offering circular contains the following statement:

> "There is no material fact or material change about [name of issuer] that has not been generally disclosed".

(4) An issuer must not file an amendment to a rights offering circular filed under paragraph (3)(d) unless

(a) the amendment amends and restates the rights offering circular,

(b) the issuer files the amended rights offering circular before the earlier of

(i) the listing date of the rights, if the issuer lists the rights for trading, and

(ii) the date the exercise period for the rights commences, and

(c) the issuer issues and files a news release explaining the reason for the amendment concurrently with the filing of the amended rights offering circular.

(5) On the closing date or as soon as practicable following the closing date, the issuer must issue and file a news release containing all of the following information:

(a) the aggregate gross proceeds of the distribution;

(b) the number or amount of securities distributed under the basic subscription privilege to

(i) all persons who were insiders before the distribution or became insiders as a result of the distribution, as a group, to the knowledge of the issuer after reasonable inquiry, and

(ii) all other persons, as a group;

(c) the number or amount of securities distributed under the additional subscription privilege to

(i) all persons who were insiders before the distribution or became insiders as a result of the distribution, as a group, to the knowledge of the issuer after reasonable inquiry, and

(ii) all other persons, as a group;

(d) the number or amount of securities distributed under any stand-by commitment;

(e) the number or amount of securities of the class issued and outstanding as of the closing date;

(f) the amount of any fees or commissions paid in connection with the distribution.

(6) Subsection (3) does not apply to a distribution of rights if any of the following apply:

(a) there would be an increase of more than 100% in the number, or, in the case of debt, the principal amount, of the outstanding securities of the class to be issued upon the exercise of the rights, assuming the exercise of all rights issued under a distribution of rights by the issuer during the 12 months immediately before the date of the rights offering circular;

(b) the exercise period for the rights is less than 21 days, or more than 90 days, and commences after the day the rights offering notice is sent to security holders;

(c) the issuer has entered into an agreement that provides for the payment of a fee to a person for soliciting the exercise of rights by holders of rights that were not security holders of the issuer immediately before the distribution under subsection (3) and that fee is higher than the fee payable for soliciting the exercise of rights by holders of rights that were security holders at that time.

3. The Instrument is amended by adding the following sections:

Rights offering – stand-by commitment

Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.

2.1.1 The prospectus requirement does not apply to the distribution of a security by an issuer to a stand-by guarantor as part of a distribution under section 2.1 if the stand-by guarantor acquires the security as principal.

Rights offering – issuer with a minimal connection to Canada

> **Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

2.1.2(1) The prospectus requirement does not apply to a distribution by an issuer, of a right to purchase a security of the issuer's own issue, to a security holder of the issuer if all of the following apply:

(a) to the knowledge of the issuer after reasonable inquiry,

(i) the number of beneficial holders of the class for which the rights are issued that are resident in Canada does not constitute 10% or more of all holders of that class, and

(ii) the number or amount of securities of the issuer of the class for which the rights are issued that are beneficially held by security holders that are resident in Canada does not constitute, in the aggregate, 10% or more of the outstanding securities of that class;

(b) all materials sent to any other security holders for the distribution of the rights are concurrently filed and sent to each security holder of the issuer that is resident in Canada;

(c) the issuer files a written notice that it is relying on this exemption and a certificate that states that, to the knowledge of the person signing the certificate after reasonable inquiry,

(i) the number of beneficial holders of the class for which the rights are issued that are resident in Canada does not constitute 10% or more of all holders of that class, and

(ii) the number or amount of securities of the issuer of the class for which the rights are issued that are beneficially held by security holders that are resident in Canada does not constitute, in the aggregate, 10% or more of the outstanding securities of that class.

(2) For the purposes of paragraph (1)(c), a certificate of an issuer must be signed,

(a) if the issuer is a limited partnership, by an officer or director of the general partner of the issuer,

(b) if the issuer is a trust, by a trustee or officer or director of a trustee of the issuer, or

(c) in any other case, by an officer or director of the issuer.

Rights offering – listing representation exemption

2.1.3 The listing representation prohibition does not apply to a listing representation made in a rights offering circular for a distribution of rights conducted under section 2.1.2 if the listing representation is not a misrepresentation.

Rights offering – civil liability for secondary market disclosure

2.1.4 (1) The secondary market liability provisions apply to

(a) the acquisition of an issuer's security pursuant to the exemption from the prospectus requirement set out in section 2.1, and

(b) the acquisition of an issuer's security pursuant to the exemption from the prospectus requirement set out in section 2.42 if the security previously issued by the issuer was acquired pursuant to the exemption set out in section 2.1.

(2) For greater certainty, in British Columbia, the classes of acquisitions referred to in subsection (1) are prescribed classes of acquisitions under paragraph 140.2(b) of the *Securities Act* (British Columbia)..

4. The Instrument is amended by adding the following appendices:

Appendix C
to
National Instrument 45-106 *Prospectus Exemptions*
Listing Representation Prohibitions

JURISDICTION	SECURITIES LEGISLATION REFERENCE
ALBERTA	Subsection 92(3) of the *Securities Act* (Alberta)
MANITOBA	Subsection 69(3) of *The Securities Act* (Manitoba)
NEW BRUNSWICK	Subsection 58(3) of the *Securities Act* (New Brunswick)
NEWFOUNDLAND AND LABRADOR	Subsection 39(3) of the *Securities Act* (Newfoundland and Labrador)
NORTHWEST TERRITORIES	Subsection 147(1) of the *Securities Act* (Northwest Territories)
NOVA SCOTIA	Subsection 44(3) of the *Securities Act* (Nova Scotia)
NUNAVUT	Subsection 147(1) of the *Securities Act* (Nunavut)
ONTARIO	Subsection 38(3) of the *Securities Act* (Ontario)
PRINCE EDWARD ISLAND	Subsection 147(1) of the *Securities Act* (Prince Edward Island)
QUÉBEC	Subsection 199(4) of the *Securities Act* (Québec)
SASKATCHEWAN	Subsection 44(3) of *The Securities Act, 1988* (Saskatchewan)
YUKON	Subsection 147(1) of the *Securities Act* (Yukon).

Appendix D
to
National Instrument 45-106 *Prospectus Exemptions*
Secondary Market Liability Provisions

JURISDICTION	SECURITIES LEGISLATION REFERENCE
ALBERTA	Part 17.01 of the *Securities Act* (Alberta)
BRITISH COLUMBIA	Part 16.1 of the *Securities Act* (British Columbia)
MANITOBA	Part XVIII of *The Securities Act* (Manitoba)
NEW BRUNSWICK	Part 11.1 of the *Securities Act* (New Brunswick)
NEWFOUNDLAND AND LABRADOR	Part XXII.1 of the *Securities Act (*Newfoundland and Labrador*)*
NORTHWEST TERRITORIES	Part 14 of the *Securities Act* (Northwest Territories)
NOVA SCOTIA	Sections 146A to 146N of the *Securities Act* (Nova Scotia)
NUNAVUT	Part 14 of the *Securities Act* (Nunavut)
ONTARIO	Part XXIII.1 of the *Securities Act* (Ontario)
PRINCE EDWARD ISLAND	Part 14 of the *Securities Act* (Prince Edward Island)
QUÉBEC	Division II of Chapter II of Title VIII of the *Securities Act* (Québec)
SASKATCHEWAN	Part XVIII.1 of *The Securities Act, 1988* (Saskatchewan)
YUKON	Part 14 of the *Securities Act* (Yukon) .

5. The Instrument is amended by adding the following forms:

Form 45-106F14
Rights Offering Notice for Reporting Issuers

This is the form of notice you must use for a distribution of rights under section 2.1 of National Instrument 45-106 *Prospectus Exemptions*. In this form, a distribution of rights is sometimes referred to as a "rights offering".

PART 1 GENERAL INSTRUCTIONS

Deliver this rights offering notice to each security holder eligible to receive rights under the rights offering. Using plain language, prepare the rights offering notice using a question-and-answer format.

Guidance We do not expect the rights offering notice to be longer than two pages in length.

PART 2 THE RIGHTS OFFERING NOTICE

1. Basic information
State the following with the bracketed information completed:

"[Name of issuer]
Notice to security holders – [Date]"

If you have less than 12 months of working capital and are aware of material uncertainties that may cast significant doubt upon your ability to continue as a going concern, include the following language in bold immediately below the date of the rights offering notice:

> "**We currently have sufficient working capital to last [insert the number of months of working capital as at the date of the rights offering circular] months. We require [insert the percentage of the rights offering required to be taken up]% of the offering to last 12 months.**"

2. Who can participate in the rights offering?

State the record date and identify which class of securities is subject to the offering.

3. Who is eligible to receive rights?

List the jurisdictions in which the issuer is offering rights.

Explain how a security holder in a foreign jurisdiction can acquire the rights and the securities issuable upon the exercise of the rights.

4. How many rights are we offering?

State the total number of rights offered.

5. How many rights will you receive?

State the number of rights a security holder on the record date will receive for every security held as of the record date.

6. What does one right entitle you to receive?

State the number of rights required to acquire a security upon the exercise of the rights. Also state the subscription price.

7. How will you receive your rights?

Include a rights certificate with the rights offering notice if the rights offering notice is being delivered to a registered security holder and direct the security holder's attention to this certificate.

If you are delivering the rights offering notice to a security holder in a foreign jurisdiction, provide instructions on how that security holder can receive its rights certificate.

8. When and how can you exercise your rights?

State when the exercise period ends for security holders who have their rights certificate.

Also, provide instructions on how to exercise the rights to security holders whose securities are held in a brokerage account.

9. What are the next steps?

Include the following statement, using wording substantially similar to the following:

> "**This document contains key information you should know about [insert name of issuer]. You can find more details in the issuer's rights offering circular. To obtain a copy, visit [insert name of issuer]'s profile on the SEDAR website, visit [insert the website of the issuer], ask your dealer representative for a copy or contact [insert name of contact person of the issuer] at [insert the phone number or email of the contact person of the issuer]. You should read the rights offering circular, along with [insert name of issuer]'s continuous disclosure record, to make an informed decision.**"

10. Signature

Sign the rights offering notice. State the name and title of the person signing the rights offering notice.

Form 45-106F15
Rights Offering Circular for Reporting Issuers

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PART 1 INSTRUCTIONS

1. Overview of the rights offering circular

This is the form of circular you must use for a distribution of rights under section 2.1 of National Instrument 45-106 *Prospectus Exemptions*. In this form, a distribution of rights is sometimes referred to as a "rights offering".

The objective of the rights offering circular is to provide information about the rights offering and details on how an existing security holder can exercise the rights.

Prepare the rights offering circular using a question-and-answer format.

> *Guidance*
>
> We do not expect the rights offering circular to be longer than 10 pages.

2. Incorporating information by reference

You must not incorporate information into the rights offering circular by reference.

3. Plain language

Use plain, easy to understand language in preparing the rights offering circular. Avoid technical terms but if they are necessary, explain them in a clear and concise manner.

4. Format

Except as otherwise stated, use the questions presented in this form as headings in the rights offering circular. To make the rights offering circular easier to understand, present information in tables.

5. Omitting information

Unless this form indicates otherwise, you are not required to complete an item in this form if it does not apply.

6. Date of information

Unless this form indicates otherwise, present the information in this form as of the date of the rights offering circular.

7. Forward-looking information

If you disclose forward-looking information in the rights offering circular, you must comply with Part 4A.3 of National Instrument 51-102 *Continuous Disclosure Obligations*.

PART 2 SUMMARY OF OFFERING

8. Required statement

State in italics, at the top of the cover page, the following:

"This rights offering circular is prepared by management. No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this circular. Any representation to the contrary is an offence.

This is the circular we referred to in the [insert date of the rights offering notice] *rights offering notice, which you should have already received. Your rights certificate and relevant forms were enclosed with the rights offering notice. This circular should be read in conjunction with the rights offering notice and our continuous disclosure prior to making an investment decision."*

> *Guidance*
>
> We remind issuers and their executives that they are liable under secondary market liability provisions for the disclosure in this rights offering circular.

9. Basic disclosure about the distribution

Immediately below the statement referred to in item 8, state the following with the bracketed information completed:

"Rights offering circular [Date]

[Name of Issuer]"

If you have less than 12 months of working capital and are aware of material uncertainties that may cast significant doubt upon your ability to continue as a going concern, state the following in bold immediately below the name of the issuer:

> "**We currently have sufficient working capital to last [insert the number of months of working capital as at the date of the rights offering circular] months. We require [insert the percentage of the rights offering required to be taken up]% of the offering to last 12 months."**

10. Purpose of the rights offering circular

State the following in bold:

> **"Why are you reading this circular?"**

Explain the purpose of the rights offering circular. State that the rights offering circular provides details about the rights offering and refer to the rights offering notice that you sent to security holders.

11. Securities offered

State the following in bold:

"What is being offered?"

Provide the number of rights you are offering to each security holder under the rights offering. If your outstanding share capital includes more than one class or type of security, identify which security holders are eligible to receive rights. Include the record date the issuer will use to determine which security holders are eligible to receive rights.

12. Right entitlement

State the following in bold:

"What do[es] [insert number of rights] right[s] entitle you to receive?"

Explain what the security holder will receive upon the exercise of the rights. Also include the number of rights needed to acquire the underlying security.

13. Subscription price

State the following in bold:

"What is the subscription price?"

Provide the price a security holder must pay to exercise the rights. If there is no published market for the securities, either explain how you determined the fair value of the securities or explain that no insider will be able to increase their proportionate interest through the rights offering.

Guidance

Refer to paragraph 2.1(3)(g) of NI 45-106 which provides that the subscription price must be lower than the market price if there is a published market for the securities. If there is no published market, either the subscription price must be lower than the fair value of the securities or insiders are not permitted to increase their proportionate interest in the issuer through the rights offering.

14. Expiry of offer

State the following in bold:

"When does the offer expire?"

Provide the date and time that the offer expires.

Guidance

Refer to paragraph 2.1(6)(b) of NI 45-106 which provides that the prospectus exemption is not available where the exercise period for the rights is less than 21 days or more than 90 days after the day the rights offering notice is sent to security holders.

15. Description of the securities

State the following in bold:

> **"What are the significant attributes of the rights issued under the rights offering and the securities to be issued upon the exercise of the rights?"**

Describe the significant attributes of the rights and securities to be issued upon exercise of the rights. Include in the description the number of outstanding securities of the class of securities issuable upon exercise of the rights, as of the date of the rights offering circular.

16. Securities issuable under the rights offering

State the following in bold:

> **"What are the minimum and maximum number or amount of [insert type of security issuable upon the exercise of the rights] that may be issued under the rights offering?"**

Provide the minimum, if any, and maximum number or amount of securities that may be issuable upon the exercise of the rights.

17. Listing of securities

State the following in bold:

> **"Where will the rights and the securities issuable upon the exercise of the rights be listed for trading?"**

Identify the exchange(s) and quotation system(s), if any, on which the rights and underlying securities are listed, traded or quoted. If no market exists, or is expected to exist, state the following in bold:

> **"There is no market through which these [rights and/or underlying securities] may be sold."**

PART 3 USE OF AVAILABLE FUNDS

18. Available funds

State the following in bold:

“What will our available funds be upon the closing of the rights offering?”

Using the following table, disclose the available funds after the rights offering. If you plan to combine additional sources of funding with the offering proceeds to achieve your principal capital-raising purpose, provide details about each additional source of funding.

If there is no minimum offering or stand-by commitment, or if the minimum offering or stand-by commitment represents less than 75% of the rights offering, include threshold disclosure if only 15%, 50% or 75% of the entire offering is taken up.

Disclose the amount of working capital deficiency, if any, of the issuer as of the most recent month end. If the available funds will not eliminate the working capital deficiency, state how you intend to eliminate or manage the deficiency. If there has been a significant change in the working capital since the most recently audited annual financial statements, explain those changes.

Guidance

We would consider a significant change to include a change in the working capital that results in material uncertainty regarding the issuer’s going concern assumption, or a change in the working capital balance from positive to deficiency or vice versa.

		Assuming minimum offering or stand-by commitment only	Assuming 15% of offering	Assuming 50% of offering	Assuming 75% of offering	Assuming 100% of offering
A	Amount to be raised by this offering	$	$	$	$	$
B	Selling commissions and fees	$	$	$	$	$
C	Estimated offering costs (e.g., legal, accounting, audit)	$	$	$	$	$
D	Available funds: D = A - (B+C)	$	$	$	$	$
E.	Additional sources of funding required	$	$	$	$	$
F.	Working capital deficiency	$	$	$	$	$
G.	Total: G = (D+E) - F	$	$	$	$	$

19. Use of available funds

State the following in bold:

"How will we use the available funds?"

Using the following table, provide a detailed breakdown of how you will use the available funds. Describe in reasonable detail each of the principal purposes, with approximate amounts.

Description of intended use of available funds listed in order of priority.	Assuming minimum offering or stand-by commitment only	Assuming 15% of offering	Assuming 50% of offering	Assuming 75% of offering	Assuming 100% of offering
	$	$	$	$	$
	$	$	$	$	$
Total: Equal to G in the available funds in item 18	$	$	$	$	$

If there is no minimum offering or stand-by commitment, or if the minimum offering or stand-by commitment represents less than 75% of the rights offering, include threshold disclosure if only 15%, 50% or 75% of the entire offering is taken up.

Instructions:

1. *If the issuer has significant short-term liquidity requirements, discuss, for each threshold amount (i.e., 15%, 50% and 75%), the impact, if any, of raising that amount on its liquidity, operations, capital resources and solvency. Short-term liquidity requirements include non-discretionary expenditures for general corporate purposes and overhead expenses, significant short-term capital or contractual commitments, and expenditures required to achieve stated business objectives.*

   When discussing the impact of raising each threshold amount on your liquidity, operations, capital resources and solvency, include all of the following in the discussion:

   - *which expenditures will take priority at each threshold, and what effect this allocation would have on your operations and business objectives and milestones;*
   - *the risks of defaulting on payments as they become due, and what effect the defaults would have on your operations;*
   - *an analysis of your ability to generate sufficient amounts of cash and cash equivalents from other sources, the circumstances that could affect those sources and management's assumptions in conducting this analysis.*

State the minimum amount required to meet the short-term liquidity requirements. In the event that the available funds could be less than the amount required to meet the short-term liquidity requirements, describe how management plans to discharge its liabilities as they become due. Include the assumptions management used in its plans.

If the available funds could be insufficient to cover the issuer's short-term liquidity requirements and overhead expenses for the next 12 months, include management's assessment of the issuer's ability to continue as a going concern. If there are material uncertainties that cast significant doubt upon the issuer's ability to continue as a going concern, state this fact in bold.

2. *If you will use more than 10% of available funds to reduce or retire indebtedness and the indebtedness was incurred within the two preceding years, describe the principal purposes for which the indebtedness was used. If the creditor is an insider, associate or affiliate of the issuer, identify the creditor and the nature of the relationship to the issuer and disclose the outstanding amount owed.*

3. *If you will use more than 10% of available funds to acquire assets, describe the assets. If known, disclose the particulars of the purchase price being paid for or being allocated to the assets or categories of assets, including intangible assets. If the vendor of the asset is an insider, associate or affiliate of the issuer, identify the vendor and nature of the relationship to the issuer, and disclose the method used to determine the purchase price.*

4. *If any of the available funds will be paid to an insider, associate or affiliate of the issuer, disclose in a note to the use of available funds table in item 19 the name of the insider, associate or affiliate, the relationship to the issuer, and the amount to be paid.*

5. *If you will use more than 10% of available funds for research and development of products or services,*

   a. *describe the timing and stage of research and development that management anticipates will be reached using the funds,*

   b. *describe the major components of the proposed programs you will use the available funds for, including an estimate of anticipated costs,*

   c. *state if you are conducting your own research and development, are subcontracting out the research and development or are using a combination of those methods, and*

   d. *describe the additional steps required to reach commercial production and an estimate of costs and timing.*

6. *If you may reallocate available funds, include the following statement:*

   "We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons."

20. How long will the available funds last?

State the following in bold:

"How long will the available funds last?"

Explain how long management anticipates the available funds will last. If you do not have adequate funds to cover anticipated expenses for the next 12 months, state the sources of financing that the issuer has arranged but not yet used. Also, provide an analysis of the issuer's ability to generate sufficient amounts of cash and cash equivalents in the short term and the long term to maintain capacity, and to meet planned growth or to fund development activities. You should describe sources of funding and circumstances that could affect those sources that are reasonably likely to occur. If this results in material uncertainties that cast significant doubt upon the issuer's ability to continue as a going concern, disclose this fact.

If you expect the available funds to last for more than 12 months, state this expectation.

PART 4 INSIDER PARTICIPATION

21. Intention of insiders

State the following in bold:

"Will insiders be participating?"

Provide the answer. If "yes", provide details of insiders' intentions to exercise their rights, to the extent known to the issuer after reasonable inquiry.

22. Holders of at least 10% before and after the rights offering

State the following in bold:

"Who are the holders of 10% or more of our securities before and after the rights offering?"

Provide this information in the following tabular form, to the extent known to the issuer after reasonable inquiry:

Name	Holdings before the offering	Holdings after the offering
[Name of security holder]	[State the number or amount of securities held and the percentage of security holdings this represents]	[State the number or amount of securities held and the percentage of security holdings this represents]

PART 5 DILUTION

23. Dilution

State the following in bold:

> **"If you do not exercise your rights, by how much will your security holdings be diluted?"**

Provide a percentage in the rights offering circular and state the assumptions used, as appropriate.

PART 6 STAND-BY COMMITMENT

24. Stand-by guarantor

State the following in bold:

> "**Who is the stand-by guarantor and what are the fees?"**

Explain the nature of the issuer's relationship with the stand-by guarantor including whether, and the basis on which, if applicable, the stand-by guarantor is a related party of the issuer. Describe the stand-by commitment and the material terms of the basis on which the stand-by guarantor may terminate the obligation under the stand-by commitment.

Instructions:

In determining if a stand-by guarantor is a related party, you should refer to the issuer's GAAP which has the same meaning as in National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards.

25. Financial ability of the stand-by guarantor

State the following in bold:

> **"Have we confirmed that the stand-by guarantor has the financial ability to carry out its stand-by commitment?"**

If the offering has a stand-by commitment, state that you have confirmed that the stand-by guarantor has the financial ability to carry out its stand-by commitment.

26. Security holdings of the stand-by guarantor

State the following in bold:

> **"What are the security holdings of the stand-by guarantor before and after the rights offering?"**

Provide this information in the following tabular form, to the extent known to the issuer after reasonable inquiry:

Name	Holdings before the offering	Holdings after the offering if the stand-by guarantor takes up the entire stand-by commitment
[Name of stand-by guarantor]	[State the number or amount of securities held and the percentage of security holdings this represents]	[State the number or amount of securities held and the percentage of security holdings this represents]

PART 7 MANAGING DEALER, SOLICITING DEALER AND UNDERWRITING CONFLICTS

27. The managing dealer, the soliciting dealer and their fees

State the following in bold:

"Who is the [managing dealer/soliciting dealer] and what are its fees?"

Identify the managing dealer, if any, and the soliciting dealer, if any, and describe the commissions or fees payable to them.

28. Managing dealer/soliciting dealer conflicts

State the following in bold:

"Does the [managing dealer/soliciting dealer] have a conflict of interest?"

If disclosure is required by National Instrument 33-105 *Underwriting Conflicts*, include that disclosure.

PART 8 HOW TO EXERCISE THE RIGHTS

29. Security holders who are registered holders

State the following in bold:

"How does a security holder that is a registered holder participate in the rights offering?"

Explain how a registered holder can participate in the rights offering.

30. Security holders who are not registered holders

State the following in bold:

"How does a security holder that is not a registered holder participate in the rights offering?"

Explain how a security holder who is not a registered holder can participate in the rights offering.

31. Eligibility to participate

State the following in bold:

> **"Who is eligible to receive rights?"**

List the jurisdictions in which you are making the rights offering.

Explain how a security holder in a foreign jurisdiction can acquire the rights and securities issuable upon the exercise of the rights.

32. Additional subscription privilege

State the following in bold:

> **"What is the additional subscription privilege and how can you exercise this privilege?"**

Describe the additional subscription privilege and explain how a holder of rights who has exercised the basic subscription privilege can exercise the additional subscription privilege.

33. Transfer of rights

State the following in bold:

> **"How does a rights holder sell or transfer rights?"**

Explain how a holder of rights can sell or transfer rights. If the rights will be listed on an exchange, provide further details related to the trading of the rights on the exchange.

34. Trading of underlying securities

State the following in bold:

> **"When can you trade securities issuable upon the exercise of your rights?"**

State when a security holder can trade the securities issuable upon the exercise of the rights.

35. Resale restrictions

State the following in bold:

> **"Are there restrictions on the resale of securities?"**

If the issuer is offering rights in one or more jurisdictions where there are restrictions on the resale of securities, include a statement disclosing when those rights and underlying securities will become freely tradable and that until then such securities may not be resold except pursuant to a prospectus or prospectus exemption, which may be available only in limited circumstances.

36. Fractional securities upon exercise of the rights

State the following in bold:

> **"Will we issue fractional underlying securities upon exercise of the rights?"**

Respond "yes" or "no" and explain (if necessary).

PART 9 APPOINTMENT OF DEPOSITORY

37. Depository

State the following in bold:

> **"Who is the depository?"**

If the rights offering is subject to a minimum offering amount, or if there is a stand-by commitment, state the name of the depository you appointed to hold all money received upon exercise of the rights until the minimum offering amount or stand-by commitment is received or until the money is returned.

38. Release of funds from depository

State the following in bold:

> **"What happens if we do not raise the [minimum offering amount] or if we do not receive funds from the stand-by guarantor?"**

If the offering is subject to a minimum offering amount, or if there is a stand-by commitment, state that you have entered into an agreement with the depository under which the depository will return the money held by it to holders of rights that have already subscribed for securities under the offering, if you do not raise the minimum offering amount or receive funds from the stand-by guarantor.

PART 10 FOREIGN ISSUERS

39. Foreign issuers

State the following in bold:

> **"How can you enforce a judgment against us?"**

If the issuer is incorporated, continued, or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, state the following:

"[The issuer] is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada. It may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada."

PART 11 ADDITIONAL INFORMATION

40. Additional information

State the following in bold:

"Where can you find more information about us?"

Provide the SEDAR website address and state that a security holder can access the issuer's continuous disclosure from that site. If applicable, provide the issuer's website address.

PART 12 MATERIAL FACTS AND MATERIAL CHANGES

41. Material facts and material changes

State the following in bold:

"There is no material fact or material change about the issuer that has not been generally disclosed."

If there is a material fact or material change about the issuer that has not been generally disclosed, add disclosure of that material fact or material change.

Guidance

Issuers should be aware that disclosing a material change in the rights offering circular does not relieve the issuer of the requirement to issue a news release and file a material change report as required by Part 7 of NI 51-102.

6. This Instrument comes into force on December 8, 2015.

Annex D2

Amendments to
National Instrument 41-101 *General Prospectus Requirements*

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

2. The following Part is added after section 8.3:

PART 8A: Rights Offerings

Application and definitions

8A.1(1) This Part applies to an issuer that files a preliminary or final prospectus to distribute rights.

(2) In this Part,

"additional subscription privilege" means a privilege, granted to a holder of a right, to subscribe for a security not subscribed for by any holder under a basic subscription privilege;

"basic subscription privilege" means a privilege to subscribe for the number or amount of securities set out in a rights certificate held by the holder of the rights certificate;

"managing dealer" means a person or company that has entered into an agreement with an issuer under which the person or company has agreed to organize and participate in the solicitation of the exercise of the rights issued by the issuer;

"market price" means, for securities of a class for which there is a published market,

(a) except as provided in paragraph (b),

(i) if the published market provides a closing price, the simple average of the closing price of securities of that class on the published market for each of the trading days on which there was a closing price falling not more than 20 trading days immediately before the day as of which the market price is being determined, or

(ii) if the published market does not provide a closing price, but provides only the highest and lowest prices of securities of the class traded, the average of the simple averages of the highest and lowest prices of securities of the class on the published market for each of the trading days on which there were highest and lowest prices falling not more than 20 trading days immediately before the day as of which the market price is being determined, or

(b) if trading of securities of the class on the published market has occurred on fewer than 10 of the immediately preceding 20 trading days, the average of the following

amounts established for each of the 20 trading days immediately before the day as of which the market price is being determined:

(i) the average of the closing bid and closing ask prices for each day on which there was no trading;

(ii) if the published market

(A) provides a closing price of securities of the class for each day that there was trading, the closing price, or

(B) provides only the highest and lowest prices, the average of the highest and lowest prices of securities of that class for each day that there was trading;

“published market” means, for a class of securities, a marketplace on which the securities are traded, if the prices at which they have been traded on that marketplace are regularly

(a) disseminated electronically, or

(b) published in a newspaper or business or financial publication of general and regular paid circulation;

“soliciting dealer” means a person or company whose interest in a distribution of rights is limited to soliciting the exercise of the rights by holders of those rights;

“stand-by commitment” means an agreement by a person or company to acquire the securities of an issuer not subscribed for under the basic subscription privilege or the additional subscription privilege.

(3) For the purpose of the definition of “market price”, if there is more than one published market for a security and

(a) only one of the published markets is in Canada, the market price is determined solely by reference to that market,

(b) more than one of the published markets is in Canada, the market price is determined solely by reference to the published market in Canada on which the greatest volume of trading in the particular class of securities occurred during the 20 trading days immediately before the date as of which the market price is being determined, and

(c) none of the published markets are in Canada, the market price is determined solely by reference to the published market on which the greatest volume of trading in the particular class of securities occurred during the 20 trading days immediately before the date as of which the market price is being determined.

Filing of prospectus for a rights offering

8A.2 **(1)** An issuer must not file a prospectus for a distribution of rights unless all of the following apply:

(a) in addition to qualifying the distribution of the rights, the prospectus qualifies the distribution of the securities issuable upon the exercise of the rights;

(b) if there is a managing dealer, the managing dealer complies with section 5.9 as if the dealer were an underwriter;

(c) the exercise period for the rights is at least 21 days after the date on which the prospectus is sent to security holders;

(d) the subscription price for a security to be issued upon the exercise of a right is,

(i) if there is a published market for the security, lower than the market price of the security on the date of the final prospectus, or

(ii) if there is no published market for the security, lower than the fair value of the security on the date of the final prospectus unless the issuer restricts all of its insiders from increasing their proportionate interest in the issuer through the exercise of the rights distributed under the prospectus or through a stand-by commitment.

(2) If subparagraph (1)(d)(ii) applies, the issuer must deliver to the regulator or, in Québec, the securities regulatory authority independent evidence of fair value.

Additional subscription privilege

8A.3 An issuer must not grant an additional subscription privilege to a holder of a right unless all of the following apply:

(a) the issuer grants the additional subscription privilege to all holders of a right;

(b) each holder of a right is entitled to receive, upon the exercise of the additional subscription privilege, the number or amount of securities equal to the lesser of

(i) the number or amount of securities subscribed for by the holder under the additional subscription privilege, and

(ii) the number calculated in accordance with the following formula:

$x(y/z)$ where

x = the aggregate number or amount of securities available through unexercised rights after giving effect to the basic subscription privilege;

y = the number of rights exercised by the holder under the basic subscription privilege;

z = the aggregate number of rights exercised under the basic subscription privilege by holders of the rights that have subscribed for securities under the additional subscription privilege;

(c) all unexercised rights have been allocated on a pro rata basis to holders who subscribed for additional securities under the additional subscription privilege;

(d) the subscription price for the additional subscription privilege is the same as the subscription price for the basic subscription privilege.

Stand-by commitments

8A.4 If an issuer enters into a stand-by commitment for a distribution of rights, all of the following apply:

(a) the issuer must grant an additional subscription privilege to all holders of a right;

(b) the issuer must deliver to the regulator or, in Québec, the securities regulatory authority evidence that the person or company providing the stand-by commitment has the financial ability to carry out the stand-by commitment;

(c) the subscription price under the stand-by commitment must be the same as the subscription price under the basic subscription privilege.

Appointment of depository

8A.5 If an issuer has stated in a prospectus that no security will be issued upon the exercise of a right unless a stand-by commitment is provided, or unless proceeds of no less than the stated minimum amount are received by the issuer, all of the following apply:

(a) the issuer must appoint a depository to hold all money received upon the exercise of the rights until either the stand-by commitment is provided or the stated minimum amount is received and the depository is one of the following:

(i) a Canadian financial institution;

(ii) a registrant in the jurisdiction in which the funds are proposed to be held that is acting as managing dealer for the distribution of the rights, or, if there is no managing dealer for the distribution of the rights, that is acting as a soliciting dealer;

(b) the issuer and the depository must enter into an agreement, the terms of which require the depository to return the money referred to in paragraph (a) in full to the holders of rights that have subscribed for securities under the distribution of the rights if the stand-by commitment is not provided or if the stated minimum amount is not received by the depository during the exercise period for the rights.

Amendment

8A.6 If an issuer has filed a final prospectus for a distribution of rights, the issuer must not change the terms of the distribution.**.**

3. Paragraph 9.2(b) is amended by deleting "and***" at the end of subparagraph (ii), by replacing the "." with ";" and by adding the following subparagraphs:***

(iv) **Evidence of financial ability** – the evidence of financial ability required to be delivered under section 8A.4 if it has not previously been delivered; and

(v) **Evidence of fair value –** the evidence of fair value required to be delivered under subsection 8A.2(2) if it has not previously been delivered.**.**

4. This Instrument comes into force on December 8, 2015.

Annex D3

Amendments to
National Instrument 44-101 *Short Form Prospectus Distributions*

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

2. Paragraph 4.2(b) is amended by deleting "*and*" at the end of subparagraph (ii), by replacing the "." with "," and by adding the following subparagraphs:

(iv) the evidence of financial ability required to be delivered under section 8A.4 of NI 41-101 if it has not previously been delivered, and

(v) the evidence of fair value required to be delivered under subsection 8A.2(2) of NI 41-101 if it has not previously been delivered.**.**

3. This Instrument comes into force on December 8, 2015.

Annex D4

Amendments to
National Instrument 45-102 *Resale of Securities*

1. National Instrument 45-102 Resale of Securities is amended by this Instrument.

2. Appendix E is amended by replacing "section 2.1 [*Rights offering*]***" with:***

- section 2.1 [*Rights offering – reporting issuer*]
- section 2.1.1 [*Rights offering – stand-by commitment*]
- section 2.1.2 [*Rights offering – issuer with a minimal connection to Canada*]**.**

3. This Instrument comes into force on December 8, 2015.

Annex D5

Repeal of National Instrument 45-101 *Rights Offerings*

1. National Instrument 45-101 Rights Offerings is repealed by this Instrument.

2. This Instrument comes into force on December 8, 2015.

Annex E1

Amendments to
Multilateral Instrument 11-102 *Passport System*

1. Multilateral Instrument 11-102 Passport System is amended by this Instrument.

2. Appendix D is amended by repealing the following:

Rights offering requirements	NI 45-101

3. This Instrument comes into force on December 8, 2015.

Annex E2

Amendments to
National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*

1. National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR) is amended by this Instrument.

2. Paragraph II.A.(a) of Appendix A is amended by

a. repealing items 17 and 18, and

b. adding the following items:

19. Rights Offering – Circular
20. Rights Offering – Minimal Connection**.**

3. This Instrument comes into force on December 8, 2015.

Annex E3

Amendments to
Multilateral Instrument 13-102 *System Fees for SEDAR and NRD*

1. ***Multilateral Instrument 13-102 System Fees for SEDAR and NRD is amended by this Instrument.***

2. ***Subsection 1(2) is amended by replacing***

rights offering	National Instrument 45-101 *Rights Offerings*

with

rights offering circular	Section 2.1 of National Instrument 45-106 *Prospectus Exemptions*

3. ***Column B of Item 13 of Appendix B is amended by replacing "***Rights offering material***" with "***Rights offering circular***".***

4. This Instrument comes into force on December 8, 2015.

Annex F1

Changes to
Companion Policy 45-106CP *Prospectus Exemptions*

1. Companion Policy 45-106CP Prospectus Exemptions is changed by this Instrument.

2. Part 3 is changed by adding the following sections:

3.10 Rights offering - reporting issuer

(1) Offer available to all security holders in Canada

One of the conditions of the rights offering exemption for reporting issuers in section 2.1 of NI 45-106 is that the issuer must make the basic subscription privilege available on a pro rata basis to every security holder in Canada of the class of securities to be distributed on exercise of the rights, regardless of how many security holders reside in a local jurisdiction.

(2) Market price and fair value

Paragraph 2.1(3)(g) of NI 45-106 provides that if there is no published market for the securities, the subscription price must be lower than fair value unless the issuer restricts all insiders from increasing their proportionate interest in the issuer through the rights offering or a stand-by commitment. If there is no published market for the securities and the issuer restricts all insiders from increasing their proportionate interest in the issuer, the subscription price may be set at any price. Under section 13 of Form 45-106F15, an issuer must explain in its rights offering circular how it determined the fair value of the securities. For these purposes, an issuer could consider a fairness opinion or a valuation.

For the purposes of paragraph 2.1(3)(g) of NI 45-106, insiders will not be prohibited from participating in the offering if the published market price or fair value of the securities falls below the subscription price following filing of the rights offering notice.

The rights offering exemption is not intended to be used by insiders or related parties for the purpose of increasing their proportionate interest in the issuer, although we recognize that as a potential outcome. One of the reasons for the above pricing restrictions, and the similar restrictions in paragraph 2.1(3)(g) for issuers with a published market, is to prevent insiders and other related parties from using the rights offering exemption as a means of taking control of the issuer.

(3) Stand-by commitments

To provide the confirmation in subparagraph 2.1(3)(i)(ii) of NI 45-106 that the stand-by guarantor has the financial ability to carry out its obligations under the stand-by commitment, the issuer could consider the following:

- a statement of net worth attested to by the stand-by guarantor
- a bank letter of credit
- the most recent annual audited financial statements of the stand-by guarantor.

A registered dealer that acquires a security of an issuer as part of the stand-by commitment may use the exemption in section 2.1.1 of NI 45-106. However, we would have concerns if a dealer or other person uses the exemption in section 2.1.1 in a situation where the dealer or other person

(a) is acting as an underwriter with respect to the distribution, and

(b) acquires the security with a view to distribution.

If (a) and (b) apply, the dealer or other person should acquire the security under the exemption in section 2.33 of NI 45-106. Please refer to section 1.7 of this Companion Policy.

(4) Calculation of number of securities

In calculating the number of outstanding securities for purposes of paragraph 2.1(3)(h) of NI 45-106, CSA staff generally take the view that

(a) if

$x =$ the number or amount of securities of the class of the securities that may be or have been issued upon the exercise of rights under all rights offerings made by the issuer in reliance on the exemption during the previous 12 months,

$y =$ the maximum number or amount of securities that may be issued upon exercise of rights under the proposed rights offering, and

$z =$ the number or amount of securities of the class of securities that is issuable upon the exercise of rights under the proposed rights offering that are outstanding as of the date of the rights offering circular;

then $\frac{x + y}{z}$ must be equal to or less than 1, and

(b) if the convertible securities that may be acquired under the proposed rights offering may be converted before 12 months after the date of the proposed rights offering, the potential increase in outstanding securities, and specifically, “y” in paragraph (a), should be calculated as if the conversion of those convertible securities had occurred,

(c) despite paragraph (b), if the convertible security is a warrant that forms part of a unit and the warrant has nominal or no value, the potential increase in outstanding securities, and specifically, “y” in paragraph (a), should not be calculated as if the conversion of the warrant had occurred.

One of the conditions of the exemption is that the issuer must make the basic subscription privilege available on a pro rata basis to each security holder of the class of securities to be distributed on exercise of the rights. For clarity, this means that an issuer cannot use a rights offering to distribute a new class of securities.

(5) Investment funds

As a reminder, pursuant to section 9.1.1 of National Instrument 81-102 *Investment Funds* (NI 81-102), investment funds that are subject to NI 81-102 are restricted from issuing warrants or rights.

3.11 Rights offering – issuer with a minimal connection to Canada

It may be difficult for an issuer to determine beneficial ownership of its securities as a result of the book-based system of holding securities. We are of the view that, for the purpose of determining beneficial ownership to comply with the exemption in section 2.1.2 of NI 45-106, procedures comparable to those found in National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, or any successor instrument, are appropriate.

In section 2.1.2(1)(a), the issuer must determine the number of beneficial security holders in Canada and the number of securities held by those security holders "to the issuer's knowledge after reasonable enquiry". We think an issuer could generally satisfy this requirement by relying on its most recently-conducted beneficial ownership search procedures conducted for the purpose of distributing proxy material for a shareholders meeting that occurred within the last 12 months, unless the issuer has reason to believe that it would no longer meet the test in section 2.1.2 of NI 45-106. For example, if, after the previous search procedures, the issuer conducted a financing in Canada that could affect the results, they may not be able to rely on those procedures..

3. These changes become effective on December 8, 2015.

Annex F2

Changes to
Companion Policy 41-101CP *General Prospectus Requirements*

1. Companion Policy 41-101CP General Prospectus Requirements is changed by this Instrument.

2. Part 2 is changed by adding the following section:

Rights offerings

2.11(1) The regulator or, in Québec, the securities regulatory authority may refuse to issue a receipt for a prospectus filed for a rights offering under which rights are issued if the rights are exercisable into convertible securities that require an additional payment by the holder on conversion and the securities underlying the convertible securities are not qualified under the prospectus. This will ensure that the remedies for misrepresentation in the prospectus are available to the person or company who pays value.

(2) Subparagraph 8A.2(1)(d)(ii) of the Instrument provides that if there is no published market for the securities, the subscription price must be lower than fair value unless the issuer restricts all insiders from increasing their proportionate interest in the issuer through the rights offering or a stand-by commitment. Under subsection 8A.2(2), the issuer must deliver to the regulator or, in Québec, the securities regulatory authority evidence of fair value. For this purpose, the regulator will consider such things as fairness opinions, valuations and letters from registered dealers as evidence of the fair value.

(3) Under paragraph 8A.4(b) of the Instrument, if there is a stand-by commitment for a rights offering, the issuer must deliver to the regulator or, in Québec, the securities regulatory authority evidence that the person or company providing the stand-by commitment has the financial ability to carry out the stand-by commitment. For this purpose, the regulator or, in Québec, the securities regulatory authority may consider any of the following:

- a statement of net worth attested to by the person or company making the commitment,
- a bank letter of credit,
- the most recent audited financial statements of the person or company making the commitment,
- other evidence that provides comfort to the regulator or, in Québec, the securities regulatory authority..

3. These changes become effective on December 8, 2015.

ANNEX G
Local Matters

In relation to the CSA's changes to the prospectus-exempt rights offering regime, this Annex describes the approval process in Ontario and sets out consequential amendments (the **OSC Consequential Amendments**) to the following local rules and multilateral instrument:

- OSC Rule 11-501 *Electronic Delivery of Documents to the Ontario Securities Commission* (**OSC Rule 11-501**),
- OSC Rule 13-502 *Fees* (**OSC Rule 13-502**), and
- Multilateral Instrument 61-101 *Take-Over Bids and Special Transactions* (**MI 61-101**).

1. Commission and Ministerial approval

On August 11, 2015, the OSC made the Amendments.

The Amendments and other required materials were delivered to the Ontario Minister of Finance on September 22, 2015. The Minister may approve or reject the Amendments or return them for further consideration. If the Minister approves the Amendments or does not take any further action by November 23, 2015, the Amendments come into force on December 8, 2015.

2. OSC Consequential Amendments

The purpose of the OSC Consequential Amendments is to reflect the new form number of the rights offering circular described in the Amendments, the repeal of the Non-Reporting Issuer Exemption and the movement of provisions from NI 45-101 to NI 45-106. We note that the Autorité des Marchés Financiers, which is the other jurisdiction that has adopted MI 61-101, is making corresponding changes to that instrument. The OSC Consequential Amendments are set out in Schedules 1-3.

Schedule 1

Amendments to
Ontario Securities Commission Rule 11-501
Electronic Delivery of Documents to the Ontario Securities Commission

1. Ontario Securities Commission Rule 11-501 Electronic Delivery of Documents to the Ontario Securities Commission is amended by this Instrument.

2. Appendix A is amended by

(a) deleting the following rows

45-101F	Form 45-101F *Information Required in a Rights Offering Circular*
45-101 s. 3.1(1)2	A statement of the issuer sent pursuant to paragraph 2 of subsection 3.1(1) of National Instrument 45-101 *Rights Offerings*
45-101 s. 10.1	Notice and materials sent pursuant to subsection 10.1 of National Instrument 45-101 *Rights Offerings*

(b) adding the following rows

45-106F15	Form 45-106F15 *Rights Offering Circular for Reporting Issuers*
45-106 s. 2.1.2	Notice and materials sent pursuant to section 2.1.2 of National Instrument 45-106 *Prospectus Exemptions*

after

45-106F1	Form 45-106F1 *Report of Exempt Distribution*

3. This Instrument comes into force on December 8, 2015.

Schedule 2

Amendments to
Ontario Securities Commission Rule 13-502
Fees

1. Ontario Securities Commission Rule 13-502 Fees is amended by this Instrument.

2. Appendix C is amended in item B(3), by replacing "Form 45-101F" ***with*** "Form 45-106F15"**.**

3. This Instrument comes into force on December 8, 2015.

Schedule 3

Amendments to
Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*

1. ***Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions is amended by this Instrument.***

2. ***Subparagraph 5.1(k)(ii) is amended by replacing*** "National Instrument 45-101 *Rights Offerings*" ***with*** "National Instrument 45-106 *Prospectus Exemptions*"**.**

3. This Instrument comes into force on December 8, 2015.

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.

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Ag Growth International Inc.
Principal Regulator - Manitoba
Type and Date:
Preliminary Short Form Prospectus dated September 15, 2015
NP 11-202 Receipt dated September 15, 2015
Offering Price and Description:
$75,000,000.00 - 5.00% Convertible Unsecured Subordinated Debentures
Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
TD Securities Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Scotia Capital Inc.
AltaCorp Capital Inc.
Cormark Securities Inc.
Laurentian Bank Securities Inc.
Promoter(s):
-
Project #2396955

Issuer Name:
Aurinia Pharmaceuticals Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Base Shelf Prospectus dated September 17, 2015
NP 11-202 Receipt dated September 17, 2015
Offering Price and Description:
US $250,000,000.00
Common Shares
Warrants
Subscription Receipts
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2398832

Issuer Name:
BlueBay Global Convertible Bond Class (Canada)
RBC $U.S. Short Term Income Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated September 16, 2015
NP 11-202 Receipt dated September 17, 2015
Offering Price and Description:
Series A, Advisor Series, Series D, Series F and Series O mutual fund shares
Underwriter(s) or Distributor(s):
RBC Global Asset Management Inc.
Promoter(s):
RBC Global Asset Management Inc.
Project #2398491

Issuer Name:
Canadian Imperial Bank of Commerce
Principal Regulator - Ontario
Type and Date:
Preliminary Base Shelf Prospectus dated September 16, 2015
NP 11-202 Receipt dated September 17, 2015
Offering Price and Description:
$5,000,000,000.00 - Medium Term Notes (Principal at Risk Structured Notes)
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
DesJardins Securities Inc.
Dundee Securities Ltd.
Laurentian Bank Securities Inc.
Manulife Securities Incorporated
National Bank Financial Inc.
Richardson GMP Limited
Promoter(s):
-
Project #2398580

Issuer Name:
Canadian Oil Sands Limited
Principal Regulator - Alberta
Type and Date:
Preliminary Base Shelf Prospectus dated September 16, 2015
NP 11-202 Receipt dated September 16, 2015
Offering Price and Description:
$2,500,000,000.00
Debt Securities
Common Shares
Preferred Shares
Subscription Receipts
Warrants
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2398530

Issuer Name:
Cardinal Energy Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated September 21, 2015
NP 11-202 Receipt dated September 21, 2015
Offering Price and Description:
$50,007,500.00 - 6,025,000 Subscription Receipts each representing the right to receive one Common Share
Price: $8.30 per Subscription Receipt; and
$50,000,000.00 - 5.50% Extendible Convertible Unsecured Subordinated Debentures
Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
FirstEnergy Capital Corp.
GMP Securities L.P.
National Bank Financial Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
MacQuarie Capital Markets Canada Ltd.
Peters & Co. Limited
Dundee Securities Ltd.
Promoter(s):
M. Scott Ratushny
Project #2398234

Issuer Name:
Dalradian Resources Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated September 21, 2015
NP 11-202 Receipt dated September 21, 2015
Offering Price and Description:
$35,000,000.00 - 43,750,000 Units
Price: $0.80 per Unit
Underwriter(s) or Distributor(s):
Cormark Securities Inc.
Dundee Securities Ltd.
BMO Nesbitt Burns Inc.
Canaccord Genuity Corp.
RBC Dominion Securities Inc.
Beacon Securities Limited
Clarus Securities Inc.
Euro Pacific Canada Inc.
Global Maxfin Capital Inc.
Promoter(s):
-
Project #2398408

Issuer Name:
Fidelity American Balanced Fund
Fidelity American Disciplined Equity Fund
Fidelity American Equity Fund
Fidelity American High Yield Currency Neutral Fund
Fidelity American High Yield Fund
Fidelity AsiaStar Fund
Fidelity Balanced Portfolio
Fidelity Canadian Asset Allocation Fund
Fidelity Canadian Balanced Fund
Fidelity Canadian Bond Fund
Fidelity Canadian Disciplined Equity Fund
Fidelity Canadian Growth Company Fund
Fidelity Canadian Large Cap Fund
Fidelity Canadian Money Market Fund
Fidelity Canadian Opportunities Fund
Fidelity Canadian Short Term Bond Fund
Fidelity China Fund
Fidelity ClearPath 2005 Portfolio
Fidelity ClearPath 2010 Portfolio
Fidelity ClearPath 2015 Portfolio
Fidelity ClearPath 2020 Portfolio
Fidelity ClearPath 2025 Portfolio
Fidelity ClearPath 2030 Portfolio
Fidelity ClearPath 2035 Portfolio
Fidelity ClearPath 2040 Portfolio
Fidelity ClearPath 2045 Portfolio
Fidelity ClearPath 2050 Portfolio
Fidelity ClearPath 2055 Portfolio
Fidelity ClearPath Income Portfolio
Fidelity Conservative Income Fund
Fidelity Corporate Bond Fund
Fidelity Dividend Fund
Fidelity Dividend Plus Fund
Fidelity Emerging Markets Fund
Fidelity Europe Fund
Fidelity Event Driven Opportunities Fund
Fidelity Far East Fund
Fidelity Floating Rate High Income Currency Neutral Fund
Fidelity Floating Rate High Income Fund
Fidelity Global Asset Allocation Fund
Fidelity Global Balanced Portfolio
Fidelity Global Bond Currency Neutral Fund
Fidelity Global Bond Fund
Fidelity Global Concentrated Equity Fund
Fidelity Global Consumer Industries Fund
Fidelity Global Disciplined Equity Fund
Fidelity Global Dividend Fund
Fidelity Global Financial Services Fund
Fidelity Global Fund
Fidelity Global Growth Portfolio
Fidelity Global Health Care Fund
Fidelity Global Income Portfolio
Fidelity Global Large Cap Fund
Fidelity Global Monthly Income Fund
Fidelity Global Natural Resources Fund
Fidelity Global Real Estate Fund
Fidelity Global Small Cap Fund
Fidelity Global Technology Fund
Fidelity Global Telecommunications Fund
Fidelity Greater Canada Fund
Fidelity Growth Portfolio
Fidelity Income Allocation Fund
Fidelity Income Portfolio
Fidelity International Disciplined Equity Fund
Fidelity International Growth Fund
Fidelity International Value Fund
Fidelity Japan Fund
Fidelity Latin America Fund
Fidelity Monthly Income Fund
Fidelity NorthStar Balanced Currency Neutral Fund
Fidelity NorthStar Balanced Fund
Fidelity NorthStar Fund
Fidelity Small Cap America Fund
Fidelity Special Situations Fund
Fidelity Strategic Income Fund
Fidelity Tactical Fixed Income Fund
Fidelity Tactical High Income Currency Neutral Fund
Fidelity Tactical High Income Fund
Fidelity Tactical Strategies Fund
Fidelity True North Fund
Fidelity U.S. All Cap Fund
Fidelity U.S. Dividend Currency Neutral Fund
Fidelity U.S. Dividend Fund
Fidelity U.S. Dividend Registered Fund
Fidelity U.S. Focused Stock Fund
Fidelity U.S. Monthly Income Currency Neutral Fund
Fidelity U.S. Monthly Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated September 18, 2015
NP 11-202 Receipt dated September 21, 2015
Offering Price and Description:
Series P1, Series P2, Series P3, Series P4, Series P5, Seires P1T5 and Series P2T5 Units
Underwriter(s) or Distributor(s):
Fidelity Investments Canada ULC
Fidelity Investments Canadaz ULC
Fidelity Investments Canada Limited
Fidelity Investments Canada ULC
Promoter(s):
FIDELITY INVESTMENTS CANADA ULC
Project #2399033

Issuer Name:
Fidelity Dividend Investment Trust
Fidelity Global Intrinsic Value Currency Neutral Class
Fidelity North American Equity Class
Fidelity North American Equity Investment Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated September 14, 2015
NP 11-202 Receipt dated September 15, 2015
Offering Price and Description:
Seires A, Series B, Series F, Series T5, T8, S5, S8, F5, F8 Shares and Series O Units
Underwriter(s) or Distributor(s):
Fidelity Investments Canada ULC
Promoter(s):
Fidelity Investments Canada ULC
Project #2398086

Issuer Name:
Hydro One Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form PREP Prospectus dated September 17, 2015
NP 11-202 Receipt dated September 18, 2015
Offering Price and Description:
$* - * Common Shares
Price: $* per Common Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
TD Securities Inc.
National Bank Financial Inc.
Barclays Capital Canada Inc.
Credit Suisse Securities (Canada), Inc.
Goldman Sachs Canada Inc.
Canaccord Genuity Corp.
Desjardins Securities Inc.
GMP Securities L.P.
Raymond James Ltd.
Dundee Securities Ltd.
Industrial Alliance Securities Inc.
Manulife Securities Incorporated
Promoter(s):
-
Project #2398875

Issuer Name:
Manitoba Telecom Services Inc.
Principal Regulator - Manitoba
Type and Date:
Preliminary Base Shelf Prospectus dated September 18, 2015
NP 11-202 Receipt dated September 18, 2015
Offering Price and Description:
$500,000,000.00
Medium Term Notes
(unsecured)
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
-
Project #2399027

Issuer Name:
Timbercreek Global Real Estate Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated September 15, 2015
NP 11-202 Receipt dated September 15, 2015
Offering Price and Description:
Offering: $ * - * Class A Units
Price: $ * per Class A Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Raymond James Ltd.
GMP Securities L.P.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
Canaccord Genuitiy Corp,
Manulife Securities Incorporated
Desjardins Securities Inc.
Dundee Securities Ltd.
Burgeonvest Bick Securities Ltd.
Industrial Alliance Securities Inc.
Mackie Research Capital Corporation
Promoter(s):
-
Project #2398100

Issuer Name:
Timbercreek Global Real Estate Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Short Form Prospectus dated September 16, 2015
NP 11-202 Receipt dated September 16, 2015
Offering Price and Description:
Offering: $11,818,800.00 - 840,000 Class A Units
Price: $14.07 per Class A Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Raymond James Ltd.
GMP Securities L.P.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
Canaccord Genuitiy Corp,
Manulife Securities Incorporated
Desjardins Securities Inc.
Dundee Securities Ltd.
Burgeonvest Bick Securities Ltd.
Industrial Alliance Securities Inc.
Mackie Research Capital Corporation
Promoter(s):
-
Project #2398100

Issuer Name:
BMG BullionFund
(Class A, Class B1, Class B2, Class B3, Class C1, Class C2, Class C3, Class F, Class S1 and Class S2 Units)
BMG Gold BullionFund
(Class A, Class B1, Class B2, Class B3, Class C1, Class C2, Class C3, Class F, Class S1 and Class S2 Units)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated September 14, 2015
NP 11-202 Receipt dated September 16, 2015
Offering Price and Description:
Class A, Class B1, Class B2, Class B3, Class C1, Class C2, Class C3, Class F, Class S1 and Class S2 Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Bullion Management Services Inc.
Project #2375900

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Issuer Name:
BNS Split Corp. II
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated September 15, 2015
NP 11-202 Receipt dated September 16, 2015
Offering Price and Description:
$11,217,809.00 - 569,143 Class B Preferred Shares, Series 2
Underwriter(s) or Distributor(s):
SCOTIA CAPITAL INC.
CIBC WORLD MARKETS INC.
RBC DOMINION SECURITIES INC.
Promoter(s):
SCOTIA MANAGED COMPANIES ADMINISTRATION INC.
Project #2387797

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Issuer Name:
Chou Asia Fund
Chou Associates Fund
Chou Bond Fund
Chou Europe Fund
Chou RRSP Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated September 14, 2015
NP 11-202 Receipt dated September 16, 2015
Offering Price and Description:
Series A Units and Series F Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Chou Associates Management Inc.
Project #2383876

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Issuer Name:
Emera Incorporated
Principal Regulator - Nova Scotia
Type and Date:
Final Short Form Prospectus dated September 21, 2015
NP 11-202 Receipt dated September 21, 2015
Offering Price and Description:
$1,900,000,000.00 - 4.00% Convertible Unsecured Subordinated Debentures represented by Instalment Receipts
Price: $1,000 per Debenture to yield 4.00% per annum
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
RBC Dominion Securities Inc.
J.P. Morgan Securities Canada Inc.
CIBC World Markets Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Barclays Capital Canada Inc.
Credit Suisse Securities (Canada) Inc.
Promoter(s):
-
Project #2396591

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Issuer Name:
ESSA Pharma Inc.
Principal Regulator - British Columbia
Type and Date:
Final Base Shelf Prospectus dated September 18, 2015
NP 11-202 Receipt dated September 21, 2015
Offering Price and Description:
$100,000,000.00 - Common Shares
Warrants
Units
Subscription Receipts
Debt Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2393596

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Issuer Name:
Fairfax Financial Holdings Limited
Principal Regulator - Ontario
Type and Date:
Final Base Shelf Prospectus dated September 14, 2015
NP 11-202 Receipt dated September 15, 2015
Offering Price and Description:
Cdn$5,000,000,000.00
Subordinate Voting Shares
Preferred Shares
Debt Securities
Subscription Receipts
Warrants
Share Purchase Contracts
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2396572

Issuer Name:
First Asset CanBanc Income ETF
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated September 18, 2015
NP 11-202 Receipt dated September 18, 2015
Offering Price and Description:
Exchange traded fund shares and Advisor exchange traded fund shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
First Asset Investment Management Inc.
Project #2369467

Issuer Name:
For Registered and Taxable investors
Units of the following series
A, H, F and I
of
Loomis Sayles Strategic Monthly Income Fund (formerly Loomis Sayles Strategic Income
Fund)
Gateway Low Volatility U.S. Equity Fund
For Registered or Non-Taxable Investors
Units of the following series
A, F and I
of
Oakmark Natixis Registered Fund (formerly Oakmark Registered Fund)
Oakmark International Natixis Registered Fund (formerly Oakmark International Registered
Fund)
For Non-Registered or Taxable investors
Shares of the following series
A, H, F and I
of
Return of Capital Class,
Dividend Tax Credit Class and Compound Growth Class
of
Oakmark Natixis Tax Managed Fund
Oakmark International Natixis Tax Managed Fund
of
NGAM Canada Investment Corporation

Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated September 15, 2015
NP 11-202 Receipt dated September 17, 2015
Offering Price and Description:
Units of the following series: A, H, F and I, and Shares of the following series: A, H, F and I of Return of Capital Class, Dividend Tax Credit Class and Compound Growth Class @ Net Asset Value
Underwriter(s) or Distributor(s):
NexGen Financial Limited Partnership
NGAM Canada LP
Promoter(s):
NexGen Financial Limited Partnership
Project #2373300

Issuer Name:
iShares FactorSelectTM MSCI Canada Index ETF
iShares FactorSelectTM MSCI EAFE Index ETF
iShares FactorSelectTM MSCI EAFE Index ETF (CAD-Hedged)
iShares FactorSelectTM MSCI USA Index ETF
iShares FactorSelectTM MSCI USA Index ETF (CAD-Hedged)
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated September 17, 2015
NP 11-202 Receipt dated September 21, 2015
Offering Price and Description:
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2383976

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Issuer Name:
Mackenzie Monthly Income Balanced Portfolio
Mackenzie Monthly Income Conservative Portfolio
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated September 14, 2015 to the Simplified Prospectuses dated November 24, 2014
NP 11-202 Receipt dated September 21, 2015
Offering Price and Description:
Series A, AR, D, F, F8, O, PW, PWF, PWF8, PWT8, PWX, PWX8 and T8 securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
Mackenzie Financial Corporation
Project #2269026

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Issuer Name:
Temple Hotels Inc.
Principal Regulator - Manitoba
Type and Date:
Final Short Form Prospectus dated September 16, 2015
NP 11-202 Receipt dated September 16, 2015
Offering Price and Description:
$40,000,000.00 - 41,200,108 Rights to Subscribe for up to 36,363,636 Common Shares at a Subscription Price of $1.10 per Common Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2395824

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Issuer Name:
NanoLumens, Ltd.
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Long Form Prospectus dated June 24, 2015
Amended and Restated Preliminary Long Form Prospectus dated July 17, 2015
Withdrawn on September 17, 2015
Offering Price and Description:
C$* - * Common Shares
Price: C$* per Common Share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
CIBC World Markets Inc.
National Bank Financial Inc.
Beacon Securities Limited
Euro Pacific Canada, Inc.
Promoter(s):
NanoLumens, Inc.
Project #2366770

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Consent to Suspension (Pending Surrender)	Morguard Financial Corp.	Investment Fund Manager, Portfolio Manager, Exempt Market Dealer	September 16, 2015
Consent to Suspension (Pending Surrender)	DS Alternative Strategies Inc.	Exempt Market Dealer	September 16, 2015
Voluntary Surrender	Stetler Asset Management Inc.	Portfolio Manager	September 16, 2015
New Registration	Capital Street Group Investment Services, Inc.	Exempt Market Dealer	September 17, 2015
Change in Registration Category	Gestion D'actifs Sectoriels Inc. / Sectoral Asset Management Inc.	From: Exempt Market Dealer To: Exempt Market Dealer and Portfolio Manager	September 16, 2015
New Registration	Glen Union Capital Inc.	Exempt Market Dealer, Investment Fund Manager, Portfolio Manager	September 22, 2015

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Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.1 SROs

13.1.1 IIROC – Amendments to Research Report Quiet Periods – Immediate Implementation of Amendments to Rule 3400, Requirement 14 – Notice of Commission Approval

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

AMENDMENTS TO RESEARCH REPORT QUIET PERIODS –

IMMEDIATE IMPLEMENTATION OF AMENDMENTS TO RULE 3400, REQUIREMENT 14

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved for immediate implementation IIROC's proposed amendments to Requirement 14 of Dealer Member Rule 3400. The amendments reduce the quiet periods from 40 days to 10 days following the date of the offering in respect of initial public offerings and from 10 days to 3 days following the date of the offering in respect to secondary offerings.

In addition, the Alberta Securities Commission, the Autorité des marchés financiers, the British Columbia Securities Commission, the Financial and Consumer Affairs Authority of Saskatchewan, the Financial and Consumer Services Commission of New Brunswick, the Manitoba Securities Commission, the Nova Scotia Securities Commission, the Office of the Superintendent of Securities, Service Newfoundland and Labrador, and the Prince Edward Island Office of the Superintendent of Securities have approved or not objected to the amendments.

The amendments will be effective on September 25, 2015. A copy of the IIROC Notice of Approval / Implementation can be found at http://www.osc.gov.on.ca.

As per Section 7(f) of the Joint Rule Review Protocol that governs the review and approval process of a rule that is implemented immediately, the amendments are also published for a 30 day public comment period.

13.2 Marketplaces

13.2.1 TSX Inc. – Notice of Housekeeping Rule Amendments – Housekeeping Amendments to Toronto Stock Exchange Rule Book and Policies

TSX INC.

NOTICE OF HOUSEKEEPING RULE AMENDMENTS

HOUSEKEEPING AMENDMENTS TO TORONTO STOCK EXCHANGE RULE BOOK AND POLICIES

Introduction

In accordance with the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 (the "Protocol"), TSX Inc. ("TSX") has adopted, and the Ontario Securities Commission has approved, amendments (the "Amendments") to the TSX Rule Book. The Amendments are Housekeeping Rules under the Protocol and therefore have not been published for comment. The Ontario Securities Commission ("OSC") has not disagreed with the categorization of the Amendments as Housekeeping Rules.

Reasons for the Amendments

The Amendments provide for housekeeping amendments to be consistent with amendments that the Investment Industry Regulatory Organization of Canada ("IIROC") has proposed to UMIR to accommodate trading on unprotected lit marketplaces (the "UMIR Amendments").

On June 12, 2015, IIROC published proposed amendments to UMIR to accommodate the terms and conditions under which the OSC has approved amendments to the Alpha Trading Policy Manual to include a systematic order processing delay (i.e., a speed bump) on all orders other than post-only orders. Specifically, the OSC imposed a condition that orders displayed in the TSX Alpha Exchange order book will not be considered to be protected orders under the Order Protection Rule in Part 6 of National Instrument 23-101 *Trading Rules*. The amendments proposed by IIROC also align to the amendments proposed by the Canadian Securities Administrators on June 12, 2015 to Companion Policy 23-101CP regarding the interpretation of "protected order".

In connection with the OSC's approval of the amendments to the Alpha Trading Policy Manual related to the speed bump, TSX Alpha Exchange will be the first marketplace that displays orders that will not be considered to be protected from a trade-through under the Order Protection Rule.

Summary of the Amendments

The TSX Rule Book is being amended to clarify that the Canadian Best Bid Offer only includes the highest and lowest prices on protected marketplaces.

The TSX Rule Book is being amended to reflect the following changes:

1. The definition of "protected marketplace" is being added.

2. The definition of "Canadian Best Bid Offer" is being amended to refer to (i) the highest price of orders on any protected marketplace as displayed in a consolidated market display to buy a particular security and (ii) the lowest price of orders on any protected marketplace as displayed in a consolidated market display to sell a particular security, in each case where the order is at least one board lot, but does not include the price of any basis order, call market order, closing price order, market-on-close order, opening order, special terms order or volume-weighted average price order.

3. The definitions of "Canadian Best Offer" and "Canadian Best Bid" are being deleted because they are no longer used.

Text of the Amendments

The Amendments will be finalized in the form attached as **Appendix A**.

Effective Date

The Amendments become effective on September 21, 2015.

APPENDIX A
TEXT OF FINAL AMENDMENTS TO TSX RULE BOOK

The following changes to Rule 1-101:

"Canadian Best Bid" ~~means the highest price of orders on any marketplace as displayed in a consolidated market display to buy a particular security, where each order is at least one board lot, but does not include the price of any basis order, call market order, closing price order, market-on-close order, opening order, special terms order or volume-weighted average price order.~~

~~Added~~Repealed (~~June 13, 2007~~September 21, 2015)

"Canadian Best Bid Offer (CBBO)" means ~~the Canadian Best Bid and Canadian Best Offer~~(i) the highest price of orders on any protected marketplace as displayed in a consolidated market display to buy a particular security, and (ii) the lowest price of orders on any protected marketplace as displayed in a consolidated market display to sell a particular security, in each case where the order is at least one board lot, but does not include the price of any basis order, call market order, closing price order, market-on-close order, opening order, special terms order or volume-weighted average price order.

~~Added~~Amended (~~June 13, 2007~~September 21, 2015)

"Canadian Best Offer" or "Canadian Best Ask" ~~means the lowest price of orders on any marketplace as displayed in a consolidated market display to sell a particular security, where each order is at least one board lot, but does not include the price of any basis order, call market order, closing price order, market-on-close order, opening order, special terms order or volume-weighted average price order.~~

~~Added~~Repealed (~~June 13, 2007~~September 21, 2015)

"**protected marketplace**" is as defined in UMIR.

Added (September 21, 2015)

13.2.2 Alpha Exchange Inc. – Notice of Housekeeping Rule Amendments – Housekeeping Amendments to TSX Alpha Exchange Trading Policies

ALPHA EXCHANGE INC.

NOTICE OF HOUSEKEEPING RULE AMENDMENTS

HOUSEKEEPING AMENDMENTS TO TSX ALPHA EXCHANGE TRADING POLICIES

Introduction

In accordance with the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 (the "Protocol"), Alpha Exchange Inc. ("TSX Alpha Exchange") has adopted, and the Ontario Securities Commission has approved, amendments (the "Amendments") to the Alpha Trading Policy Manual. The Amendments are Housekeeping Rules under the Protocol and therefore have not been published for comment. The Ontario Securities Commission ("OSC") has not disagreed with the categorization of the Amendments as Housekeeping Rules.

Reasons for the Amendments

The Amendments provide for housekeeping amendments to be consistent with amendments that the Investment Industry Regulatory Organization of Canada ("IIROC") has proposed to UMIR to accommodate trading on unprotected lit marketplaces (the "UMIR Amendments").

On June 12, 2015, IIROC published proposed amendments to UMIR to accommodate the terms and conditions under which the OSC has approved amendments to the Alpha Trading Policy Manual to include a systematic order processing delay (i.e., a speed bump) on all orders other than post-only orders. Specifically, the OSC imposed a condition that orders displayed in the TSX Alpha Exchange order book will not be considered to be protected orders under the Order Protection Rule in Part 6 of National Instrument 23-101 *Trading Rules*. The amendments proposed by IIROC also align to the amendments proposed by the Canadian Securities Administrators on June 12, 2015 to Companion Policy 23-101CP regarding the interpretation of "protected order".

In connection with the OSC's approval of the amendments to the Alpha Trading Policy Manual related to the speed bump, TSX Alpha Exchange will be the first marketplace that displays orders that will not be considered to be protected from a trade-through under the Order Protection Rule.

Summary of the Amendments

The Alpha Trading Policy Manual is being amended so that an order will execute at the Alpha Best Bid or Offer if the Alpha Best Bid or Offer is equal to or better than the National Best Bid and Offer (which will only refer to the best bid and best offer of a board lot on protected marketplaces).

The Alpha Trading Policies will be amended as follows:

1. The definition of National Best Bid and Offer will be amended to refer to the best bid and best offer of at least a board lot on all protected marketplaces (as defined in UMIR), not including special terms orders, and will be referred to as the "Protected National Best Bid and Offer" or "Protected NBBO".

2. Protect Cancel orders will execute to the extent possible at prices better than and equal to the Protected NBBO before cancelling any residual volume that would trade at a worse price than available on another protected marketplace, or unintentionally lock/cross the market.

3. Protect Reprice orders will execute to the extent possible at prices better than and equal to the Protected NBBO before adjusting the price of any residual volume that would trade at a worse price than available on another protected marketplace or unintentionally lock/cross the market.

4. The provisions regarding Directed Action Orders are being revised to clarify that Directed Action Orders will trade or book without any attempt to protect better priced protected orders on away protected markets.

5. Incoming Odd Lot Market Orders will auto-execute at the time of order entry, at the better of the Alpha Best Bid and Offer and the Protected NBBO.

6. Incoming Odd Lot Limit Orders with price equal to or better than the opposite-side Alpha Best Bid and Offer and Protected NBBO will auto-execute at the time of order entry, at the better of the Alpha Best Bid and Offer and the Protected NBBO.

7. Odd Lot Limit Orders booked in the central limit order book will be auto-executed in a similar manner as described in item 6 above.

8. With respect to the Opening, Odd Lot Orders with a price equal to or better than the opposite side of the Alpha Best Bid and Offer and the Protected NBBO at the start of the continuous session quote will auto-execute against the odd lot dealer at the better of that Alpha Best Bid and Offer and the Protected NBBO (sell orders at the best bid and buy orders at the best offer).

9. Other editorial amendments are being made to provide drafting clarity and to remove a definition that is no longer used.

Text of the Amendments

The Amendments will be finalized in the form attached as **Appendix A**.

Effective Date

The Amendments become effective on September 21, 2015.

APPENDIX A

TEXT OF FINAL AMENDMENTS TO ALPHA EXCHANGE TRADING POLICY

See TSX Alpha Exchange's website:

http://www.tsx.com/trading/alpha/trading-rules-and-regulations/proposed-and-recent-changes

13.2.3 Aequitas Neo Exchange Inc. – OSC Staff Notice of Request for Comment – Appeal Procedures

OSC STAFF NOTICE OF REQUEST FOR COMMENT

APPEAL PROCEDURES FOR AEQUITAS NEO EXCHANGE INC.

The Ontario Securities Commission is publishing for public comment the proposed appeal procedures of Aequitas Neo Exchange Inc. (Neo Exchange). The comment period ends on October 24, 2015.

A copy of the notice prepared by Neo Exchange is published on our website at http://www.osc.gov.on.ca.

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