The Ontario Securities Commission

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

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

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

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

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

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

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

Customer Relations
Toronto 1-416-609-3800
Elsewhere in Canada/U.S. 1-800-387-5164
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IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5

AND

IN THE MATTER OF
LIAHONA MORTGAGE INVESTMENT CORP.,
LIAHONA ADMINISTRATION INC.,
AARON RUMLEY, ROBERT RUMLEY AND
ROBERT CHAGGARES

NOTICE OF HEARING
(Sections 127 and 127.1 of the Securities Act)

TAKE NOTICE that the Ontario Securities Commission (the "**Commission**") will hold a hearing pursuant to sections 127 and 127.1 of the *Securities Act* (the "**Act**"), at the offices of the Commission at 20 Queen Street West, 17th Floor, in the City of Toronto, commencing on the 18th day of February, 2016 at 9:00 a.m. or as soon thereafter as the hearing can be held;

AND TAKE NOTICE that the purpose of the hearing is for the Commission to consider whether it is in the public interest to approve the Settlement Agreement dated February 12, 2016, between Staff of the Commission ("**Staff**") and Liahona Mortgage Investment Corp., Liahona Administration Inc., Aaron Rumley, Robert Rumley and Robert Chaggares pursuant to sections 127 and 127.1 of the Act;

BY REASON OF the allegations set out in the Statement of Allegations of Staff, dated February 16, 2016, and such additional allegations as counsel may advise and the Commission may permit;

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

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

AND TAKE FURTHER NOTICE that the Notice of Hearing is also available in French, participation may be in either French or English and participants must notify the Secretary's Office in writing as soon as possible if the participant is requesting a proceeding to be conducted wholly or partly in French;

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

DATED at Toronto, this 16th day of February, 2016.

"Josée Turcotte"
Secretary to the Commission

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

AND

IN THE MATTER OF
LIAHONA MORTGAGE INVESTMENT CORP.,
LIAHONA ADMINISTRATION INC.,
AARON RUMLEY, ROBERT RUMLEY AND
ROBERT CHAGGARES

STATEMENT OF ALLEGATIONS OF
STAFF OF THE ONTARIO SECURITIES COMMISSION

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

A. OVERVIEW

1. Between December 30, 2007 and February 23, 2015 (the "Material Time"), Liahona Mortgage Investment Corp. ("LMIC"), Liahona Administration Inc. ("LAI"), Aaron Rumley, Robert Rumley and Robert Chaggares (collectively, the "Respondents") sold approximately $20 million worth of shares in LMIC, a mortgage investment entity, to 95 investors. The Respondents did so without registering with the Commission, without filing a prospectus with the Commission, and without obtaining a prospectus receipt to qualify the sales of their securities.

2. Through these actions, the Respondents breached the registration and prospectus requirements of the *Securities Act* (the "Act"), as they engaged in the business of trading in LMIC securities when no registration exemption applied, and distributed LMIC shares to investors who did not qualify for prospectus-exempt distributions.

B. THE RESPONDENTS

3. LMIC was incorporated in Ontario on December 22, 2006 with a registered office in Barrie, Ontario. It is a mortgage investment entity, as such term is defined in the CSA Staff Notice 31-323 *Guidance Relating to the Registration Obligations of Mortgage Investment Entities*, and lends capital for first and second residential mortgages and commercial mortgages. All of these mortgages have underlying properties in Ontario.

4. LAI is a non-reporting issuer that was incorporated in Ontario on March 31, 2005 with a registered office in Barrie, Ontario. LAI conducts certain management and administration functions for LMIC, as specified below.

5. Robert Chaggares is the President of LMIC and LAI and a director of these entities. He is a Chartered Accountant, and is a partner at Chaggares & Bonhomme, Chartered Professional Accountants, an accounting practice. He is a resident of Queensville, Ontario.

6. Aaron Rumley is the Secretary of LMIC and LAI and a director of these entities. He is a Chartered Accountant, and is a partner at Rumley, Holmes LLP, an accounting practice. He is a resident of Barrie, Ontario.

7. Robert Rumley is a director of LMIC, and assists in the management of LMIC's mortgage investments and the distribution of the company's shares. He is a resident of Barrie, Ontario, and was formerly a partner at Rumley & Associates.

8. None of the Respondents has ever been registered to trade in securities in Ontario and none was registered with the Commission in any capacity during the Material Time.

C. CONDUCT AT ISSUE

9. Robert Chaggares, Aaron Rumley and Robert Rumley (collectively, the "Principals") began operating LMIC as a mortgage investment entity in December 2006. They received mortgage proposals from licensed brokers and evaluated the proposals based on the location and marketability of the underlying properties, as well as the creditworthiness of the underlying borrowers. After completing their due diligence process, the Principals selected certain mortgages for funding, using LMIC as their investment vehicle.

10. In December 2007, the Principals began offering preferred shares in LMIC to a number of friends, family and clients of their accounting practices. They offered the shares at a price of $1 per share. In order to raise interest in LMIC, they

actively solicited a number of prospective investors, discussing the benefits of LMIC during meetings with the prospects.

11. The Respondents also provided marketing materials to prospective investors that reviewed the characteristics of mortgage investment entities. These marketing materials included a pamphlet titled "An Introduction to Mortgage Investment Corporations" that disclosed the terms for purchase and redemption of LMIC shares, and the nature of the underlying assets of LMIC. Beginning in 2012, the Respondents executed formal subscription agreements with investors who purchased shares in LMIC.

12. The Principals used LAI to manage and administer LMIC. Through LAI, the Principals conducted underwriting and accounting functions for LMIC, including the due diligence review of mortgages for LMIC and the payment of dividends to LMIC's preferred shareholders. LAI also maintaining the shareholder register and maintained shareholder files. LAI received a fee of 2.25% per annum from LMIC based upon the amount of mortgages under its administration.

13. Through this conduct, the Respondents engaged in the business of trading in LMIC securities, but they failed to register with the Commission and failed to evaluate their investors' needs in the manner required of registrants. Although the Respondents were aware of certain investors' financial holdings, they did not adequately collect or consider "know-your-client" information from investors and did not examine investors' portfolios to ensure that investments in LMIC were suitable for them.

14. The Respondents never filed a preliminary prospectus or a prospectus with the Commission and did not obtain a prospectus receipt to qualify the sale of LMIC securities. The Respondents also did not file exempt distribution reports or pay any activity fees to the Commission within the periods mandated under the Act.

15. The Respondents ultimately sold preferred shares of LMIC having an aggregate value of $20,299,461 to 95 investors during the Material Time. The Respondents' sales to 12 of these investors were suitable for them and qualified for prospectus exemptions. Of the remaining sales:

    a. the Respondents sold investments to 47 investors that were unsuitable for them, as the investments comprised over 10 percent of each investor's net financial assets, and thus left the investor's portfolio over-exposed to LMIC securities;

    b. the Respondents sold investments to 18 other investors that did not qualify for any prospectus exemptions during the Material Time, and were also unsuitable because they left investors' portfolios over-exposed to LMIC securities;

    c. the Respondents sold investments to an additional 2 other investors that did not qualify for prospectus exemptions during the Material Time and do not qualify for any prospectus exemption at present; and

    d. the Respondents sold investments to 16 other investors that were redeemed during the Material Time.

16. LMIC presently has 77 investors and holds mortgage loans valued at approximately $19 million.

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

17. Through the conduct described above, the Respondents have breached Ontario securities law and engaged in conduct contrary to the public interest. In particular:

    a. The Respondents traded and engaged in, or held themselves out as engaging in, the business of trading in securities without being registered to do so, and where no registration exemption was available, contrary to subsection 25(1) of the Act;

    b. The Respondents distributed securities where no preliminary prospectus or prospectus was issued or receipted under the Act, and where no prospectus exemption was available, contrary to section 53 of the Act;

    c. The Respondents failed to file required exempt distribution reports within the period mandated by National Instrument 45-106 – *Prospectus Exemptions*;

    d. The Respondents failed to pay required activity fees within the period mandated by Rule 13-502; and

    e. The Principals, as directors and officers of the corporate Respondents, authorized, permitted or acquiesced in the breaches set out above, and, in so doing, are deemed to have not complied with Ontario securities laws, pursuant to section 129.2 of the Act.

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

DATED at Toronto, February 16, 2016.

1.5 Notices from the Office of the Secretary

1.5.1 Liahona Mortgage Investment Corp. et al.

FOR IMMEDIATE RELEASE
February 17, 2016

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

AND

IN THE MATTER OF
LIAHONA MORTGAGE INVESTMENT CORP.,
LIAHONA ADMINISTRATION INC.,
AARON RUMLEY, ROBERT RUMLEY AND
ROBERT CHAGGARES

TORONTO – The Office of the Secretary issued a Notice of Hearing for a hearing to consider whether it is in the public interest to approve a settlement agreement entered into by Staff of the Commission and Liahona Mortgage Investment Corp., Liahona Administration Inc., Aaron Rumley, Robert Rumley and Robert Chaggares.

The hearing will be held on February 18, 2016 at 9:00 a.m. on the 17th floor of the Commission's offices located at 20 Queen Street West, Toronto.

A copy of the Notice of Hearing dated February 16, 2016 and Statement of Allegations of Staff of the Ontario Securities Commission dated February 16, 2016 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

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

1.5.2 Sharon Downing

FOR IMMEDIATE RELEASE
February 18, 2016

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

AND

IN THE MATTER OF
SHARON DOWNING

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 February 17, 2016 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

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

1.5.3 Liahona Mortgage Investment Corp. et al.

FOR IMMEDIATE RELEASE
February 18, 2016

IN THE MATTER OF
THE SECURITIES ACT,
RSO 1990, c S.5

AND

IN THE MATTER OF
LIAHONA MORTGAGE INVESTMENT CORP.,
LIAHONA ADMINISTRATION INC.,
AARON RUMLEY, ROBERT RUMLEY AND
ROBERT CHAGGARES

TORONTO – Following a hearing held today, the Commission issued an Order in the above named matter approving the Settlement Agreement reached between Staff of the Commission and Liahona Mortgage Investment Corp., Liahona Administration Inc., Aaron Rumley, Robert Rumley and Robert Chaggares.

A copy of the Order dated February 18, 2016 and Settlement Agreement dated February 12, 2016 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

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

1.5.4 AMTE Services Inc. et al.

FOR IMMEDIATE RELEASE
February 19, 2016

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 hearing to consider a further extension of the Temporary Order scheduled for February 26, 2016 at 10:00 a.m. is vacated.

A copy of the Temporary Order dated February 18, 2016 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

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

1.5.5 Future Solar Developments Inc. et al.

FOR IMMEDIATE RELEASE
February 23, 2016

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

AND

IN THE MATTER OF
FUTURE SOLAR DEVELOPMENTS INC.,
CENITH ENERGY CORPORATION,
CENITH AIR INC., ANGEL IMMIGRATION INC. and
XUNDONG QIN also known as SAM QIN

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

1. the hearing date set for March 21, 2016 is vacated; and

2. the hearing on the merits shall commence on March 23, 2016 at 10:00 a.m. and continue thereafter on March 24, 28, 29, 30, 31 and April 1, 4 and 12, 2016 and on such further dates as agreed to by the parties and set by the Office of the Secretary.

A copy of the Order dated February 22, 2016 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

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

1.5.6 CI Investments Inc.

FOR IMMEDIATE RELEASE
February 23, 2016

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

AND

IN THE MATTER OF
CI INVESTMENTS INC.

TORONTO – The Commission issued its Oral Ruling and Reasons following the Settlement Hearing held in the above noted matter.

A copy of the Oral Ruling and Reasons dated February 22, 2016 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

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

1.5.7 Glenn Francis Dunbar

FOR IMMEDIATE RELEASE
February 23, 2016

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

AND

IN THE MATTER OF
GLENN FRANCIS DUNBAR

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

(a) Staff's application to continue this proceeding by way of a written hearing is granted;

(b) Staff's materials shall be served and filed no later than March 17, 2016;

(c) Dunbar's responding materials, if any, shall be served and filed no later than April 14, 2016; and

(d) Staff's reply materials, if applicable, shall be served and filed no later than April 28, 2016.

A copy of the Order dated February 22, 2016 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

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

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Perimeter Markets Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – relief from the requirement to engage a qualified party to conduct an independent systems review and prepare a report in accordance with established audit standards – relief subject to updated management reviews of systems and controls similar in scope to that which would have applied to an independent systems review – National Instrument 21-101 Marketplace Operation.

Applicable Legislative Provisions

National Instrument 21-101 Marketplace Operation, ss. 12.1, 15.1.

February 16, 2016

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, QUÉBEC, ONTARIO, NEW BRUNSWICK, NOVA SCOTIA, PRINCE EDWARD ISLAND AND NEWFOUNDLAND AND LABRADOR
(the Jurisdictions)

AND

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

AND

IN THE MATTER OF
PERIMETER MARKETS INC.
(the Filer)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) for relief from the requirements in the Legislation that the Filer annually engage a qualified party to conduct an independent systems review and prepare a report in accordance with established audit standards (collectively, an "ISR") for each year from 2015 to 2017 inclusive (the Exemptive Relief Sought).

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

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

(b) the decision is the decision of the principal regulator and evidences the decision of each other Decision Maker.

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 Filer:

1. Perimeter Markets Inc. ("Perimeter") is a corporation established under the laws of the Province of Ontario and its principal business is to operate an alternative trading system ("ATS") as defined in National Instrument 21-101 *Marketplace Operation*;

2. The head office of Perimeter is located in Toronto, Ontario;

3. Perimeter is a member of the Investment Industry Regulatory Organization of Canada, the Canadian Investor Protection Fund and the Bourse de Montréal and is registered in all provinces as a dealer in the category of investment dealer, as a derivatives dealer in Québec and as a futures commission merchant in Ontario and Manitoba;

4. Bondview and CBID are trademarks of Perimeter;

5. The Perimeter System is an ATS exclusively for trading over-the-counter fixed income securities;

6. The Perimeter System is not connected to any other fixed income marketplace, and cannot affect another fixed income marketplace or be affected by another fixed income marketplace;

7. For each of its systems that support order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing, Perimeter has developed and maintains:

- reasonable business continuity and disaster recovery plans;
- an adequate system of internal control over those systems;
- adequate information technology general controls, including without limitation, controls relating to information systems operations, information security, change management, problem management, network support and system software support;

8. In accordance with prudent business practice, on a reasonably frequent basis and, in any event, at least annually, Perimeter:
   - makes reasonable current and future capacity estimates;
   - conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;
   - tests its business continuity and disaster recovery plans; and
   - reviews the vulnerability of the Perimeter System and data centre computer operations to internal and external threats including physical hazards, and natural disasters;

9. Perimeter's current trading and order entry volumes in the Perimeter System are less than 10% of the current design and peak capacity of the Perimeter System and Perimeter has not experienced any failure of the Perimeter System;

10. The Perimeter System transaction volume is less than 300 trades per day;

11. The estimated cost to Perimeter of an annual independent systems review by a qualified third party would represent a significant portion of Perimeter's annual net income;

12. The Perimeter System is monitored 24 hours a day, 7 days a week to ensure that all components continue to operate and remain secure;

13. Perimeter shall promptly notify the Commission of any failure to comply with the representations set out herein; and

14. The cost of an ISR is prejudicial to Perimeter and represents a disproportionate impact on Perimeter's revenue.

Decision

Each of the Decision Makers 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 Makers under the Legislation is that the Exemptive Relief Sought is granted provided that:

1. Perimeter shall promptly notify the Commission of any material changes to the representations set out herein, including any material changes to Perimeter's annual net income or to the market share or daily transaction volume of the Perimeter System; and

2. Perimeter shall, in each year from 2015 to 2017 inclusive, complete updated management reviews of the Perimeter System and of its controls, similar in scope to that which would have applied had Perimeter undergone an independent systems review, for ensuring it continues to comply with the representations set out herein and shall prepare written reports of its reviews which shall be filed with staff of the Commission no later than 30 days after January 1st of each year.

DATED this 16th day of February, 2016

"Tracey Stern"
Manager
Ontario Securities Commission

2.1.2 Canamax Energy Ltd. – s. 1(10)(a)(ii)

Headnote

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

Applicable Legislative Provisions

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

Citation: Re Canamax Energy Ltd., 2016 ABASC 39

February 9, 2016

Stikeman Elliott LLP
4300 Bankers Hall West
888 - 3 Avenue SW
Calgary, AB T2P 5C5

Attention: Andrew Beamer

Dear Sir:

Re: Canamax Energy Ltd. (the Applicant) – Application for a decision under the securities legislation of Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia and Yukon (the Jurisdictions) that the Applicant is not a reporting issuer

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

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

The Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide;

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

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

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

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer.

"Denise Weeres"
Manager, Legal
Corporate Finance

2.1.3 Scotia Managed Companies Administration Inc. and Advantaged Canadian High Yield Bond Fund

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – investment fund manager obtaining relief from the requirement to obtain the approval of securityholders before changing the fundamental investment objectives of a non-redeemable investment fund – exemptive relief required as a result of changes to tax law eliminating certain tax benefits associated with character conversion transactions – manager required to send written notice at least 30 days before the effective date of the change to the investment objectives of the funds setting out the change, the reasons for such change and a statement that the fund will no longer distribute gains under forward contracts that are treated as capital gains for tax purposes – National Instrument 81-102 Investment Funds.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 5.1(1)(c), 19.1.

February 17, 2016

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
SCOTIA MANAGED COMPANIES
ADMINISTRATION INC.
(the Filer)

AND

IN THE MATTER OF
ADVANTAGED CANADIAN HIGH YIELD BOND FUND
(the Fund)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the Fund for a decision under the securities legislation of the Jurisdiction (the **Legislation**) for exemptive relief from the requirement to obtain prior securityholder approval before changing the fundamental investment objectives of the Fund under subsection 5.1(1)(c) of National Instrument 81 102 – *Investment Funds* (**NI 81-102**) (the **Requested Relief**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions:

I. the Ontario Securities Commission is the principal regulator for this Application, and

II. 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 each of the other provinces and territories of Canada (together with Ontario, the **Jurisdictions**).

Defined Terms

Terms defined in MI 11-102, National Instrument 14-101 *Definitions* and NI 81-102 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, a wholly-owned subsidiary of Scotia Capital Inc., is a corporation existing under the laws of the Province of Ontario and is registered as an Investment Fund Manager in Ontario, Quebec and Newfoundland and Labrador. The head office of the Filer is located in Toronto, Ontario.

2. The Fund is a non-redeemable investment fund established as a trust under the laws of the Province of Ontario pursuant to a declaration of trust dated March 7, 2011, as amended and restated as of March 9, 2012, March 28, 2013 and April 22, 2015, and as may be further amended and restated from time to time (the **Declaration of Trust**).

3. Class A units and Class F units of the Fund were qualified for distribution pursuant to a prospectus dated March 7, 2011 that was prepared and filed in accordance with the securities legislation in each of the Jurisdictions. Accordingly, the Fund is a reporting issuer in each of the Jurisdictions. Class F units are designed for clients of registered brokers, dealers and advisors with fee-based accounts and are not listed on a stock exchange but may be converted into Class A units on a weekly basis for liquidity purposes. The Class A units of the Fund are listed and posted for trading on the Toronto Stock Exchange (the **TSX**) under the symbol AHY.UN.

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

5. In order to achieve its current fundamental investment objectives, the Fund is a party to a forward purchase agreement (the **Forward Agreement**) with a counterparty, dated March 31, 2011. Through the Forward Agreement, the Fund obtains exposure to a diversified portfolio (the **Portfolio**) of Canadian high yield fixed income securities (the **Canadian HY Corporate Bonds**) held by its reference fund (the **CHY Fund**).

6. The current investment objectives of the Fund are to: (i) preserve and enhance the net asset value of the Fund; and (ii) provide unitholders with quarterly tax-advantaged distributions consisting of returns of capital and capital gains, through investment exposure to Canadian HY Corporate Bonds pursuant to the Forward Agreement.

7. The fundamental investment objectives of CHY Fund are to: (i) preserve and enhance the net asset value of the CHY Fund; and (ii) to provide holders of units of CHY Fund with income and capital appreciation from the Portfolio through investment in Canadian HY Corporate Bonds.

8. Pursuant to the terms of the Forward Agreement, the counterparty will deliver to the Fund, on the scheduled settlement date of the Forward Agreement, a specified portfolio of securities of Canadian public companies that are Canadian securities as defined in subsection 39(6) of the *Income Tax Act* (Canada) (the **Tax Act**) and listed on the TSX with an aggregate value equal to the net redemption proceeds that would be received by holders on the redemption of the relevant number of units of CHY Fund.

9. Through the use of the Forward Agreement, the Fund currently provides tax-advantaged distributions to its securityholders because the Fund realizes capital gains (or capital losses) on the disposition of securities acquired under the Forward Agreement, rather than ordinary income. Ordinary income is subject to tax at a higher rate in Canada than capital gains.

10. The Forward Agreement is expected to terminate on or about March 31, 2016 in accordance with its terms (the **Termination Date**).

11. The Tax Act was amended in December, 2013 to implement proposals that were first announced in the March 21, 2013 federal budget regarding the income tax treatment of character conversion transactions (the **Tax Changes**). Under the Tax Changes, the favourable tax treatment of character conversion transactions will be eliminated after prescribed dates and the distributions paid by the Fund are no longer expected to be characterized primarily as capital gains or return of capital and instead all or a portion of the distributions paid by the Fund will be characterized as ordinary income after the Termination Date.

12. As a result of the Tax Changes, the Filer has determined that it will be more efficient and less costly for the Fund to achieve its fundamental investment objectives after the Termination Date by investing its assets using the same, or substantially the same, investment strategies and restrictions as those employed by CHY Fund prior to the Termination Date. The Filer has also determined that the Fund should directly own securities of the kind that comprise the Portfolio rather than through CHY Fund and that CHY Fund should be wound up. The Filer expects that the entire amount of the Forward Agreement will be settled and the Fund will acquire the Portfolio held by CHY Fund in accordance with applicable securities laws.

13. The Filer wishes to amend the fundamental investment objectives of the Fund to delete the references to “tax-advantaged” and the use of the Forward Agreement to obtain investment exposure to the Portfolio. Other than for the loss of tax efficiency resulting from the Tax Changes, the Fund will have the same investment attributes under its amended fundamental investment objectives as exist under its current fundamental investment objectives.

14. Following such amendment, the revised fundamental investment objectives of the Fund will be to: (i) preserve and enhance the net asset value of the Fund; and (ii) provide unitholders with quarterly distributions through investment in the Portfolio of Canadian HY Corporate Bonds.

15. The Fund has complied with the material change report requirements set out in Part 11 of National Instrument 81-106 *Investment Fund Continuous Disclosure* in connection with the Filer’s decision to make the changes to the fundamental investment objectives of the Fund set out above.

16. The Filer expects the proposed changes to the fundamental investment objectives of the Fund to take effect on or about the Termination Date.

17. The Filer has determined that it would be in the best interests of the Fund and not prejudicial to the public interest to receive the Requested Relief.

Decision

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

The decision of the principal regulator under the Legislation is that the Requested Relief is granted, provided that, at least 30 days before the effective date of the change in the investment objectives of the Fund, the Filer will send to

each securityholder of the Fund a written notice that sets out the change to the investment objective, the reasons for such change and a statement that the Fund will no longer distribute gains under forward contracts that are treated as capital gains for tax purposes.

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

2.1.4 Killam Properties Inc. – s. 1(10)(a)(ii)

Headnote

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

Applicable Legislative Provisions

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

February 19, 2016

Killam Properties Inc.
Suite 100, 3700 Kempt Road.
Halifax, Nova Scotia B3K 4X8

Attention: Ronald Barron

Dear Sir:

Re: Killam Properties Inc. (the "Applicant") – "Simplified Procedure" Application for a Decision under the securities legislation of the Provinces of Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador (the "Jurisdictions") that the Applicant is not a Reporting Issuer

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

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

As the Applicant has represented to the Decision Makers that:

1. the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the jurisdictions in Canada and fewer than 51 security holders in total worldwide;

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

3. the Applicant is applying for a decision that it is not a reporting issuer in each of

the Jurisdictions in which it is currently a reporting issuer;

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

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer and that the Applicant's status as a reporting issuer is revoked.

"Paul E. Radford"
Chair
Nova Scotia Securities Commission

2.1.5 Central GoldTrust – s. 1(10)(a)(ii)

Headnote

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

Applicable Legislative Provisions

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

February 18, 2016

John (J.R.) Laffin
Stikeman Elliott LLP
5300 Commerce Court
199 Bay Street
Toronto, Ontario M5L 1B9

Dear Sirs/Mesdames:

Re: Central GoldTrust (the Applicant) – Application for a decision under the securities legislation of Ontario, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Newfoundland and Labrador, Prince Edward Island, Yukon, the Northwest Territories and Nunavut (collectively, the Jurisdictions) that the Applicant is not a reporting issuer

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

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

The Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide;

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

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

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

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

"Sonny Randhawa"
Manager
Corporate Finance

2.1.6 Petrus Resources Inc. – s. 1(10)(a)(ii)

Headnote

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

Applicable Legislative Provisions

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

February 19, 2016

Petrus Resources Inc.
2400, 240 - 4th Avenue SW
Calgary, Alberta
T2P 4114

Dear Sirs/Mesdames:

Re: Petrus Resources Inc. (formerly PhosCan Chemical Corp) (the Applicant) – Application for a decision under the securities legislation of Alberta and Ontario (the Jurisdictions) that the Applicant is not a reporting issuer

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

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

The Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide;

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

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

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

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

"Sonny Randhawa"
Manager, Corporate Finance
Ontario Securities Commission

2.1.7 Aon Hewitt Investment Management Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – relief granted from the investment fund conflict of interest investment restrictions in securities legislation to permit pooled funds to invest in underlying pooled funds, subject to conditions.

Applicable Legislative Provisions

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

February 5, 2016

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
AON HEWITT INVESTMENT MANAGEMENT INC.
(the Filer)

AND

IN THE MATTER OF
THE TOP FUNDS
(as defined below)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the mutual funds listed in Schedule "A" hereto (the **Initial Top Funds**) and any other mutual fund which is not a reporting issuer under the securities legislation of the Jurisdiction (the **Legislation**) that is advised or managed by the Filer or an affiliate of the Filer (the **Future Top Funds**, and together with the Initial Top Funds, the **Top Funds**) which invests its assets in securities of the corresponding investment fund listed in Schedule "A" hereto (the **Initial Underlying Funds**) and any other investment fund which is not a reporting issuer under the Legislation (collectively with the Initial Underlying Funds, the **Underlying Funds**), for a decision under the Legislation exempting the Filer and the Top Funds from:

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

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

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

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

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

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in Alberta.

Interpretation

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

Initial AHIC Underlying Funds means U.S. Equity Fund, Global Equity Fund and Non-U.S. Equity Fund, each a series of Aon Hewitt Institutional Funds, LLC, a limited liability corporation established under the laws of Delaware.

Initial TD Underlying Funds means the investment funds for which TD Asset Management Inc. will be the investment fund manager.

Representations

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

The Filer

1. The Filer is a corporation incorporated under the laws of Canada with its head office in Toronto, Ontario.

2. The Filer is registered as an investment fund manager in Ontario, Quebec and Newfoundland and Labrador and as a portfolio manager and exempt market dealer in each of Ontario, Alberta, British Columbia, Newfoundland and Labrador, Quebec and Saskatchewan.

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

4. The Filer is wholly owned by Aon Hewitt Inc. and indirectly wholly owned by Aon plc.

5. The Filer is the investment fund manager and portfolio manager of the Initial Top Funds.

6. The Filer or an affiliate of the Filer will be the investment fund manager and/or portfolio manager of Future Top Funds established under the laws of Ontario or another jurisdiction of Canada.

Top Funds

7. The Initial Top Funds are open-ended mutual funds established as trusts under the laws of Ontario.

8. The Future Top Funds will be open-ended mutual funds structured as limited partnerships, trusts or corporations under the laws of Ontario or another jurisdiction of Canada.

9. None of the Top Funds is or will be a reporting issuer in any jurisdiction of Canada.

10. Each of the Top Funds is or will be a “mutual fund” for the purposes of the Legislation.

11. The assets of the Initial Top Funds are held by CIBC Mellon Trust Company. The assets of the Future Top Funds will be held in the custody of a trust company incorporated, and licensed or registered, under the laws of Canada or a jurisdiction, or a bank listed in Schedule I, II or III of the *Bank Act* (Canada) or a qualified affiliate of such bank or trust.

12. Each Initial Top Fund intends to invest substantially all of its assets in securities of a particular Initial Underlying Fund, as reflected in Schedule “A”. A Future Top Fund may invest its assets in one or more Future Underlying Funds.

13. The securities of each Top Fund are or will be sold in Canada solely pursuant to available exemptions from the prospectus requirements under National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**) or the Legislation.

14. All investors in the Top Fund will be “permitted clients”, as such term is defined in National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**). Typically they will fall within paragraph (e) of the “permitted client” definition but some may instead fall within paragraphs (g), (i), (n) or (q) of the “permitted client” definition.

15. All investors in the Top Funds will enter into an agreement with the Filer for pension consulting services.

16. The Filer will not charge any management fees to the Top Fund. Investors in the Top Funds will pay fees directly to the Filer for the advice the Filer provides in relation to overall investment needs, asset allocation of the client's portfolio and selection of third party investment fund managers and/or sub-advisors. These fees are independently negotiated between the client and the Filer and are paid outside the Top Funds.

Underlying Funds

17. Each Initial AHIC Underlying Fund is a series of Aon Hewitt Institutional Funds, LLC (**AHIC**), a limited liability corporation established under the laws of Delaware, for which Aon Hewitt Investment Consulting, Inc., an affiliate of the Filer, acts as the investment fund manager. Each of the Initial AHIC Underlying Funds is an investment fund under the Legislation. The assets of the Initial AHIC Underlying Funds are held in the custody of the Bank of New York Mellon.

18. Each Initial TD Underlying Fund will be an investment fund under the Legislation which is established as a trust under the laws of Ontario for which TD Asset Management Inc., an entity unrelated to the Filer, will act as the investment fund manager.

19. The Future Underlying Funds will be investment funds which are established as limited partnerships, trusts or corporations under the laws of Ontario, another jurisdiction of Canada or a foreign jurisdiction.

20. Securities of each Underlying Fund will be sold to investors in Canada solely pursuant to available exemptions from the prospectus requirements under NI 45-106 or the Legislation.

21. The Initial Underlying Funds will not be reporting issuers in any jurisdiction of Canada and no Future Underlying Fund will be a reporting issuer in any jurisdiction of Canada.

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

23. Certain Underlying Funds may invest its assets in securities of one or more investment funds each managed by a third party investment fund manager (each a **Bottom Fund**).

24. Each Underlying Fund and Bottom Fund, in each case managed by a third party not affiliated with the Filer, must be deemed by the Filer or AHIC to meet the extensive due diligence criteria of having a well-controlled institutional operating environment, and the quality, competency and security of the custodian of each such Underlying Fund and Bottom Fund is considered in this due diligence process.

25. Securities of the Bottom Funds are considered to be liquid assets. To the extent illiquid assets (as defined in National Instrument 81-102 *Investment Funds* (**NI 81-102**)) are held by an Underlying Fund or a Bottom Fund, such illiquid assets will comprise less than 10% of the net asset value (**NAV**) of such Underlying Fund or Bottom Fund.

26. An investment by a Top Fund in an Underlying Fund will be effected based on an objective NAV of the Underlying Fund. An investment by an Underlying Fund in a Bottom Fund will be effected based on an objective NAV of the Bottom Fund.

Fund-on-Fund Structures

27. The Filer proposes to operate the Top Funds under a "manager of managers" structure whereby the Filer will either invest the Top Funds in Underlying Funds (which may be managed by an affiliate or a third party manager) and/or appoint various sub-advisors (each a **Sub-Advisor** and collectively, the **Sub-Advisors**) to assist in the management of the investment portfolios of the Top Funds. The structures that the Filer contemplates are outlined in paragraph 33 below.

28. The Filer selects Underlying Funds and Sub-Advisors from a universe of potential investments by utilizing a formal rating process, which analyzes data across several key categories (including business, investment staff, investment process, investment risk, performance, terms and conditions, and operations) and individual factors and assigns a score ranging from 0 to 100. Products scoring 50 or above are eligible for the more extensive due diligence and ratings review process that may lead to a "Buy" rating.

29. The Filer does not expect that the assets directed to any third party Underlying Fund manager, Sub-Advisor or Bottom Fund manager by the Filer and its affiliates will exceed 20% of the assets under management of such Underlying Fund manager, Sub-Advisor or Bottom Fund manager.

30. Currently, each Initial Top Fund intends to invest substantially all of its assets in securities of a particular Initial Underlying Fund, as reflected in Schedule "A". An Initial Top Fund may cease to allocate 100% of its assets to

investing in its Initial Underlying Fund and instead allocate its investments to one or more Underlying Funds or to invest directly in a portfolio of securities, depending upon the Filer's view of the best method by which to obtain the desired investment exposure from the best portfolio manager for the asset class, as identified by the Filer from time to time. A Future Top Fund may invest its assets in one or more Future Underlying Funds.

31. Similarly, where the Filer delegates its portfolio management responsibilities in respect of a Top Fund to one or more Sub-Advisors, the Filer will allocate a portion of the assets of one or more Top Funds to a Sub-Advisor to manage. The percentage allocated by the Filer to each Sub-Advisor may fluctuate from time to time based on the Filer's view of the best Sub-Advisor for the asset class, as identified by the Filer from time to time. Pursuant to the authority delegated to it by the Filer, a Sub-Advisor may, from time to time, determine that the most efficient method by which to manage the assets of a Top Fund is to invest some or all of them in securities of an Underlying Fund.

32. The Top Funds allow investors to obtain exposure to the investment portfolios of the Underlying Funds and their respective investment strategies through direct investments by the Top Funds in securities of the Underlying Funds (the **Fund-on-Fund Structure**).

33. There are three different Fund-on-Fund Structures that may be used by the Filer to invest the assets of a Top Fund:

    (a) Certain Top Funds will invest in only one Underlying Fund managed by a third party investment fund manager. This Fund-on-Fund Structure will be used where the Filer determines that the investment objective of a Top Fund is best achieved by investing in one Underlying Fund. Such Underlying Fund may be changed to another Underlying Fund from time to time depending on whether the Filer concludes that a different Underlying Fund would better achieve the investment objective of the Top Fund. The amounts invested from time to time in such Underlying Fund by a Top Fund may exceed 20% of the outstanding voting securities of the Underlying Fund.

    (b) Certain Top Funds will invest in more than one Underlying Fund, each of which is managed by a third party investment fund manager. This Fund-on-Fund Structure will be used where the Filer determines that the investment objective of the Top Fund is best achieved through exposure to different investment styles and broader diversification provided by investing in multiple Underlying Funds. One or more of such Underlying Funds may be changed to other Underlying Funds from time to time depending on whether the Filer concludes that different Underlying Funds would better achieve the investment objective of the Top Fund. The amounts invested from time to time in any Underlying Fund by one or more Top Funds may exceed 20% of the outstanding voting securities of the Underlying Fund.

    (c) Certain Top Funds function as "clone funds", as such term is defined in NI 81-102, and will invest in one AHIC Underlying Fund. Under these Fund-on-Fund Structures, the AHIC Underlying Fund may (1) delegate its portfolio management responsibilities to one or more third party sub-advisors, (2) invest in one or more Bottom Funds, or (3) delegate its portfolio management responsibilities in respect of a portion of the AHIC Underlying Fund to one or more third party sub-advisors and invest the remaining portion of the AHIC Underlying Fund in one or more Bottom Funds. A Bottom Fund will not invest in securities of other investment funds. These Fund-on-Fund Structures allow a Top Fund to gain exposure to the investment expertise of third party sub-advisors and/or managers of the Bottom Funds where the Top Fund may not otherwise be able to obtain direct exposure to these investments. The amounts invested from time to time in an AHIC Underlying Fund by a Top Fund may exceed 20% of the outstanding voting securities of the AHIC Underlying Fund.

34. The purpose of a Fund-on-Fund Structure is to provide an efficient and cost-effective manner of pursuing portfolio diversification on behalf of the Top Funds rather than through the direct purchase of securities. Managing a single pool of assets provides economies of scale and allows the Filer or a Sub-Advisor, as applicable, to meet the investment objective of each Top Fund in the most efficient manner.

35. The Fund-on-Fund Structures seek to provide access to managers the Filer views as best-in-class at superior pricing than the pricing a client would obtain on its own or, in the case of the clone funds, the pricing the Top Fund would obtain on its own.

36. An investment by a Top Fund in an Underlying Fund provides greater diversification for a Top Fund in particular asset classes on a more cost efficient basis than a Top Fund would be able to achieve on its own.

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

38. In the Fund-on-Fund Structure described in paragraph 33(c), each of such Top Funds will be a "clone fund" (as defined in NI 81-102) of its respective AHIC Underlying Fund. Where a Top Fund is a "clone fund":

    (a) the name of such Top Fund will include part of the name of its corresponding Underlying Fund;

    (b) the investment objectives of such Top Fund will name the particular Underlying Fund whose performance the Top Fund seeks to track and fact that the Top Fund seeks to achieve a return similar to the return of such Underlying Fund; and

    (c) the offering memorandum of such Top Fund will disclose:

        (i) in the investment objectives of such Top Fund, the name of the particular Underlying Fund whose performance the Top Fund seeks to track and fact that the Top Fund seeks to achieve a return similar to the return of such Underlying Fund; and

        (ii) in the description of the investment strategies of such Top Fund, the investment strategies of the applicable Underlying Fund whose performance the Top Fund seeks to track.

39. Each Fund-on-Fund Structure will be arranged to avoid the duplication of management fees and incentive fees between the Top Funds and each Underlying Fund and Bottom Fund (if applicable).

    (a) Where a Top Fund invests in one or more Underlying Funds managed by a third party manager, the Underlying Fund(s) will pay a management fee (and may pay an incentive fee) to its manager for services related to selecting the investments for the Underlying Fund and administering the Underlying Fund. As a result, investors in the Top Fund indirectly will pay the management (and incentive) fee of the third party manager. This fee is for portfolio management and administrative services related to the Underlying Fund and its investments. It is not duplicative of the fee that investors are paying to the Filer for determining the overall asset allocation of the client's portfolio.

    (b) Where a Top Fund invests in an AHIC Underlying Fund that is sub-advised (in whole or in part) by a third party sub-advisor, neither the Top Fund nor the AHIC Underlying Fund will pay a fee to AHIC for its services related to determining the asset allocation of the AHIC Underlying Fund, identifying the third party sub-advisor(s) for the Underlying Fund and administering the AHIC Underlying Fund. Each AHIC Underlying Fund will pay a sub-advisory fee to each third party sub-advisor for portfolio management services related to selecting the investments for its portion of the AHIC Underlying Fund, and therefore investors in the Top Fund will pay each third party sub-advisory fee indirectly. The fees paid to the third party sub-advisors for portfolio management services are not duplicative of the fee that investors are paying to the Filer for determining the overall asset allocation of the client's portfolio.

    (c) Where a Top Fund invests in an AHIC Underlying Fund that invests in one or more Bottom Funds, neither the Top Fund nor the AHIC Underlying Fund will pay a fee to AHIC for its services related to determining the asset allocation of the AHIC Underlying Fund, identifying the third party manager(s) for the AHIC Underlying Fund and administering the AHIC Underlying Fund. Each Bottom Fund will pay a management fee (and may pay an incentive fee) to its manager for the selection of individual portfolio assets. Therefore investors in the Top Funds indirectly will pay the management (and incentive) fee of the third party manager. The fees paid to each third party manager for portfolio management services in respect of a Bottom Fund are not duplicative of the fee that investors are paying to the Filer for determining the overall asset allocation of the client's portfolio.

40. There will be no sales fees or redemption fees payable by a Top Fund in respect of an acquisition, disposition or redemption of securities of a third party managed Underlying Fund by the Top Fund that, to a reasonable person, would duplicate a fee payable by an investor in the Top Fund. There are no sales or redemption fees payable by a Top Fund in relation to its purchases or redemptions of the securities of an AHIC Underlying Fund, other than the transaction fees charged by Bottom Funds to an AHIC Underlying Fund that are passed on to the Top Fund to be flowed to the relevant Top Fund investor, as described in paragraphs 42 and 43 below.

41. There will be no sales fees or redemption fees payable by an Underlying Fund in respect of an acquisition, disposition or redemption of securities of a Bottom Fund by the Underlying Fund that, to a reasonable person, would duplicate a fee payable by an investor in the Underlying Fund.

42. The Underlying Funds and Bottom Funds, in each case managed by third party managers that are not affiliated with the Filer, may charge a short term trading fee (a **Short Term Trading Fee**) or early redemption deduction (an **Early Redemption Deduction**) to a Top Fund or Underlying Fund if the Top Fund or Underlying Fund engages in short term trading for the purposes of investing subscription monies or funding redemptions at the Top Fund level or if a Top Fund

or an Underlying Fund redeems its investment in the Underlying Funds or Bottom Funds before the end of any "lock up" period.

43. To the extent that a Top Fund or Underlying Fund is required to pay a fee or expense to an Underlying Fund or Bottom Fund, in each case managed by a third party manager not affiliated with the Filer, as a result of an investor in that Top Fund making a large purchase or redemption of the Top Fund (a **Large Transaction Cost**) or engaging in short term trading in the Top Fund, which in turn causes the Top Fund or Underlying Fund to make a large purchase or redemption of the Underlying Fund or Bottom Fund or engage in short term trading in the Underlying Fund or Bottom Fund, any such fee or expense will be passed on by the Top Fund to the relevant investor.

44. In no event will any Large Transaction Cost, Short Term Trading Fee or Early Redemption Deduction charged by an Underlying Fund or Bottom Fund be paid to the Filer or its affiliates.

45. Where a Top Fund invests in an Underlying Fund managed by an affiliate of the Filer, the Filer will not cause the Top Fund to vote the securities of such Underlying Fund at any meeting of the securityholders of the Underlying Fund. Instead, the Filer may arrange for the securities of such Underlying Fund to be voted by the beneficial holders of securities of the Top Fund.

46. Each Top Fund will not accept subscriptions and redemptions on a valuation date where the current value of one or more Underlying Funds alone or collectively representing more than 10% of the NAV of the Top Fund cannot be obtained by the Top Fund. If a Top Fund is a clone of an Underlying Fund, the Top Fund will only accept subscriptions and redemptions on a valuation date where the Underlying Fund is both able to value the Bottom Funds and accept a redemption request.

47. Where an AHIC Underlying Fund invests in one Bottom Fund, the frequency of valuation of the AHIC Underlying Fund will mirror the frequency of valuation of the Bottom Fund. Where an AHIC Underlying Fund invests in more than one Bottom Fund, the frequency of the valuation of the AHIC Underlying Fund will mirror the frequency of the valuation of the Bottom Fund that is valued the least frequently so that, except in limited circumstances, the value of each Bottom Fund will be available on the valuation date of the AHIC Underlying Fund.

48. AHIC will not adjust the NAV of the Bottom Funds in which an AHIC Underlying Fund invests. In rare unforeseen instances where the NAV of a Bottom Fund is not available, AHIC's custodian will fair value the Bottom Funds in accordance with AHIC's fair valuation policy.

49. Each Top Fund that invests substantially all of its assets in Underlying Fund(s) will not be available for redemption on a valuation date where Underlying Fund(s) representing more than 10% of the NAV of the Top Fund are not available for redemption. In all cases, the Filer manages the liquidity of the Top Funds having regard to the redemption features of the Underlying Fund(s) to ensure that it can meet redemption requests from investors of the Top Funds.

Generally

50. Prior to purchasing securities of a Top Fund, each investor will be provided with disclosure about any relationships and potential conflicts of interest between a Top Fund and the Underlying Funds.

51. Any offering memorandum of a Top Fund will describe the Top Fund's intent, or ability, to invest some or even substantially all of its assets in securities of the Underlying Funds and that the AHIC Underlying Funds are also managed and advised by an affiliate of the Filer.

52. Securityholders of each Top Fund will receive, on written request, a copy of any offering memorandum of an Underlying Fund, or other similar document, if available, and the annual and interim financial statements of any Underlying Fund in which the Top Fund invests, if available.

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

54. Securityholders of each Top Fund will receive, on written request, a copy of such Top Fund's audited annual financial statements and interim unaudited financial statements. The financial statements of each Top Fund will disclose its holdings of securities of the applicable Underlying Fund(s).

55. Each Underlying Fund may have other investors in addition to the Top Fund. The Underlying Funds and Bottom Funds are available for investment by investors that do not have a relationship with the Filer or its affiliates.

56. As the Initial Underlying Funds are newly established funds, each Initial Top Fund may be the initial investor in its corresponding Initial Underlying Fund and thus each Initial Top Fund may own more than 20% of the outstanding voting securities of its corresponding Initial Underlying Fund. An Initial Top Fund's interest in the Initial Underlying Fund is expected to be diluted when other investors invest in the Initial Underlying Fund.

57. In the future, the amounts invested from time to time in an Underlying Fund by one or more Top Funds may exceed 20% of the outstanding voting securities of the Underlying Fund.

58. As a result, each Top Fund could, either alone or together with other Top Funds, become a substantial securityholder of an Underlying Fund. The Top Funds are, or will be, related mutual funds by virtue of the common management by the Filer or its affiliate.

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

60. The Fund-on-Fund Structure represents the business judgment of responsible persons uninfluenced by considerations other than the best interests of each Top Fund.

Decision

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

The decision of the principal regulator under the Legislation is that the Requested Relief is granted provided that:

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

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

(c) at the time of the purchase of securities of an Underlying Fund by a Top Fund, the Underlying Fund holds no more than 10% of its NAV in securities of other investment funds, unless:

  (i) the Underlying Fund is a "clone fund" (as defined by NI 81-102) or the Top Fund is a "clone fund" of that Underlying Fund,

  (ii) the Underlying Fund purchases or holds securities of a "money market fund" (as defined by NI 81-102), or

  (iii) the Underlying Fund purchases or holds securities that are "index participation units" (as defined by NI 81-102) issued by an investment fund;

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

(e) no sales or redemption fees are payable by a Top Fund in relation to its purchases or redemptions of securities of an Underlying Fund or by an Underlying Fund in relation to its purchases or redemptions of securities of a Bottom Fund, except that a fee or deduction may be payable or incurred by a Top Fund provided the subscription or redemption relates to a corresponding subscription or redemption at the Top Fund level and the fee or deduction is flowed through to the subscribing or redeeming securityholder(s) of the Top Fund only;

(f) no fees or deductions are payable by investors in a Top Fund in relation to such investor's purchase or redemption of securities of such Top Fund that would duplicate a fee payable by the Top Fund in connection with its subscription or redemption of securities of an Underlying Fund;

(g) no fees or deductions are payable by a Top Fund in relation to its investments in an Underlying Fund that would duplicate a fee payable by the Underlying Fund in connection with its subscription or redemption of securities of a Bottom Fund;

(h) the Filer will not cause the securities of an Underlying Fund managed by an affiliate of the Filer and held by a Top Fund to be voted at any meeting of the securityholders of the Underlying Fund except that the Filer may arrange for the securities of such Underlying Fund to be voted by the beneficial holders of securities of the Top Fund; and

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

(i) that the Top Fund may purchase securities of an Underlying Fund and, if applicable, that an Underlying Fund may purchase securities of one or more Bottom Funds;

(ii) that the Filer or an affiliate of the Filer is the investment fund manager and/or portfolio manager of the Top Funds and, if an affiliate of the Filer is the investment fund manager and/or portfolio manager of an Underlying Fund, the potential conflicts of interest relating to such relationship;

(iii) the approximate or maximum percentage of NAV of the Top Fund that is intended to be invested in securities of the Underlying Funds and, if applicable, the approximate or maximum percentage of NAV of the Underlying Funds that is intended to be invested in securities of one or more Bottom Funds;

(iv) the expenses and the maximum management fee payable by any Underlying Fund in which the Top Fund invests, including any incentive fees and, if applicable, the expenses and the maximum management fee payable by any Bottom Fund in which any Underlying Fund invests, including any incentive fees;

(v) that investors in each Top Fund are entitled to receive, on written request and free of charge, a copy of the offering memorandum or other similar disclosure document of the Underlying Funds and, if applicable, the Bottom Funds in which the Underlying Funds invest (if available) and the annual and semi-annual financial statements of the Underlying Funds in which the Top Fund invests its assets and, if applicable, the Bottom Funds in which the Underlying Fund invests its assets, if available.

"Janet Leiper"
Commissioner
Ontario Securities Commission

"Tim Moseley"
Commissioner
Ontario Securities Commission

SCHEDULE "A"

INITIAL TOP FUNDS AND INITIAL UNDERLYING FUNDS

Initial Top Funds	Initial Underlying Funds
Aon Hewitt U.S. Equity Fund	U.S. Equity Fund, a series of the Aon Hewitt Institutional Fund, LLC
Aon Hewitt Global Equity Fund	Global Equity Fund, a series of the Aon Hewitt Institutional Fund, LLC
Aon Hewitt International Equity Fund	Non-U.S. Equity Fund, a series of the Aon Hewitt Institutional Fund, LLC
Aon Hewitt Long Corporate Bond Fund	TD Emerald Canadian Long Corporate Bond Pooled Fund Trust
Aon Hewitt Target Short Duration Fund	TD Emerald Short Liability Driven Provincial Bond Pooled Fund Trust
Aon Hewitt Target Mid Duration Fund	TD Emerald Mid Liability Driven Provincial Bond Pooled Fund Trust
Aon Hewitt Target Long Duration Fund	TD Emerald Long Liability Driven Provincial Bond Pooled Fund Trust

2.1.8 Petroamerica Oil Corp. – s. 1(10)(a)(ii)

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – application for an order that the issuer is not a reporting issuer.

Ontario Statutes

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

Citation: Re Petroamerica Oil Corp., 2016 ABASC 44

February 18, 2016

Stikeman Elliott LLP
4300 Bankers Hall West
888 – 3rd Street SW
Calgary, AB T2P 5C5

Attention: Patrick McNally

Dear Sir:

Re: Petroamerica Oil Corp. (the Applicant) – Application for a decision under the securities legislation of Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador (the Jurisdictions) that the Applicant is not a reporting issuer

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

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

The Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide;

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

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

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

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer.

"Cheryl McGillivray"
Manager
Corporate Finance

2.1.9 Invesco Canada Ltd.

Headnote

National Policy 11-203 Process for Exemptive Relief in Multiple Jurisdictions – Relief granted from conflict of interest reporting requirement in subsection 117(1)(3) of the Securities Act (Ontario) for transactions involving related parties of an investment fund – monthly reporting not required provided that similar disclosure is made in the annual and interim management reports on fund performance for each investment fund and that certain records of related party portfolio transactions are kept by the investment funds.

Applicable Legislative Provisions

Securities Act (Ontario), ss. 117(1)3, 117(2).

February 22, 2016

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 of the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator pursuant to Section 117(2) of the *Securities Act* (Ontario) (the "**Legislation**") for an exemption from the obligation to file a report in respect of each investment fund that is a reporting issuer and which is currently managed by, or in the future is managed by, it (each a "**Fund**" and collectively, the "**Funds**"), relating to every purchase or sale effected by such Funds through any related person or company with respect to which the related person or company received a fee either from the Funds or from the other party to the transaction, or both (the "**Reporting Requirement**"), within 30 days after the end of the month in which it occurs (the "**Exemption Sought**").

Under the Process of 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, Nova Scotia, New Brunswick and Newfoundland and Labrador.

Interpretation

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

"NI 81-102" means National Instrument 81-102 *Investment Funds*;

"NI 81-106" means National Instrument 81-106 *Investment Fund Continuous Disclosure*;

"NI 81-107" means National Instrument 81-107 *Independent Review Committee for Investment Funds*;

"Related Party" means Invesco Capital Markets, Inc.

Representations

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

1. The head office of the Filer is located in Toronto, Ontario.

2. The Funds are reporting issuers in each province and territory of Canada.

3. The Filer is the investment fund manager of and investment advisor to the Funds.

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

5. The Funds follow the standard investment restrictions and practices applicable to investment funds pursuant to NI 81-102 and applicable Legislation, except to the extent that a Fund has obtained regulatory relief to deviate from such requirements.

6. The Filer and the Related Party is a "related person or company" within the meaning of the Legislation as the Filer and Related Party are wholly owned subsidiaries of Invesco Ltd.

7. As investment advisor to the Funds, the Filer either directly provides investment advice to the Funds or may appoint sub-advisors to provide advice to the Funds (the Filer in its capacity as investment advisor and the sub-advisors are collectively hereafter referred to as the "**Portfolio Advisors**").

8. In providing investment advice, the Portfolio Advisors of the Funds also have discretion to allocate the brokerage transactions of each Fund in any manner that they believe to be in the Fund's best interests, subject to such policies as may be established by the Filer from time to time. The Filer's policies require "best execution" meaning executing securities in a manner that the client's total cost or proceeds in each transaction is the most favourable under the circumstances. Total cost or proceeds includes price, commission paid, trade ticketing costs, market impact, certainty of execution, speed of execution, anonymity (if applicable) and research (if applicable).

9. As disclosed in the prospectus or annual information form of the Funds, the Portfolio Advisors have the ability to allocate brokerage transactions to the Related Party and in doing so, the same factors will apply to the selection of a broker regardless of whether the broker is affiliated or unaffiliated with the Filer.

10. The purchase or sale of securities effected through the Related Party reflects the business judgment of the Portfolio Advisors uninfluenced by considerations other than the best interests of the Funds.

11. The independent review committee of the Funds, appointed pursuant to NI 81-107, has considered the policies and procedures of the Filer and has determined that the proposed Related Party transactions achieve a fair and reasonable result for the Funds in accordance with section 5.2(2) of NI 81-107.

12. NI 81-106 requires that the Funds prepare and file annual and interim management reports of fund performance that include a discussion of transactions involving the related parties to the Funds. When discussing portfolio transactions with related parties, NI 81-106 requires the Funds to include: the identity of the related party; the relationship between the related party and the Fund; the purpose of the transaction; the measurement basis used to determine the recorded amount; any ongoing commitments to the related party; the dollar amount of commission, spread, or any other fee that the Fund paid to any related party in connection with a portfolio transaction; whether the Fund has relied on the positive recommendation or approval of the independent review committee to proceed with a related party transaction; and any details of conditions or parameters surrounding the transaction imposed by the independent review committee in its positive recommendation or approval.

13. The Legislation requires the filing of a report by the Filer with respect to each transaction between a Fund and the Related Party in respect of which the Related Party receives a fee either from the Fund or from the other party to the transaction or from both.

14. Such report is to be filed within 30 days after the end of the month in which the transaction occurs, disclosing the name of the Fund, the name of the Applicant, the date of the transaction, the category of the transaction (namely, a transaction or purchase and sale of securities resulting in a related person or company receiving a fee), the parties to the transaction, the nature of the transaction (namely, the name of the issuer of the securities purchased or sold, the class or designation of the securities, the amount or number of securities, the consideration paid, the name of the

related person or company receiving a fee on the transaction, the name of the person or company that paid the fee and the amount of the fee received).

15. It would be costly and time consuming to provide the information required by the Reporting Requirement on a monthly and segregated basis for each Fund, and similar information is already included in the annual and interim management reports of fund performance.

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 Exemption Sought is granted provided that:

(1) the annual and interim management reports of fund performance for the Funds disclose:

(i) the name of the Related Party;

(ii) the amount of fees paid to the Related Party; and

(iii) the person or company who paid the fees if they were not paid by the Fund; and

(2) the records of portfolio transactions maintained by the Funds include, separately for every portfolio transaction effected by the Funds through the Related Party:

(i) the name of the Related Party;

(ii) the amount of fees paid to the Related Party; and

(iii) the person or company who paid the fees.

"Edward Kerwin"
Commissioner
Ontario Securities Commission

"Mary G. Condon"
Commissioner
Ontario Securities Commission

2.2 Orders

2.2.1 Perimeter Markets Inc. – s. 6.1 of OSC Rule 13-502 Fees

Headnote

Section 8.1 of OSC Rule 13-502 Fees (13-502) – exemption granted from the requirement to pay fees related to an application for exemption from the requirement of section 12.2 of National Instrument 21-101 Marketplace Operation to engage a qualified party to conduct

Applicable Legislative Provisions

OSC Rule 13-502, s. 8.1 and Item O(1) of Appendix C.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
THE PROVINCE OF ONTARIO

AND

IN THE MATTER OF
PERIMETER MARKETS INC.
(the Applicant)

ORDER
(Section 6.1 of Rule 13-502 Fees)

UPON the application by the Applicant (the "Fee Exemption Application") to the Director for an order pursuant to section 8.1 of Rule 13-502 *Fees* (Rule 13-502) exempting the Applicant from the requirement to pay an activity fee of $4,800 in connection with an application for an order pursuant to section 15.1 of National Instrument 21-101 *Marketplace Operation* ("NI 21-101") exempting the Applicant from the requirement in section 12.2 of NI 21-101 that the Applicant annually engage a qualified party to conduct an independent systems review (ISR) and prepare a report in accordance with established audit standards for each year from 2015 to 2017 inclusive (the "ISR Application");

AND UPON considering the Fee Exemption Application and the recommendation of staff of the Commission;

AND UPON the Applicant having represented to the Director as follows:

1. Perimeter Markets Inc. ("Perimeter") is a corporation established under the laws of the Province of Ontario and its principal business is to operate an alternative trading system ("ATS") as defined in NI 21-101;

2. The head office of Perimeter is located in Toronto, Ontario;

3. Perimeter is a member of the Investment Industry Regulatory Organization of Canada, the Canadian Investor Protection Fund and the Bourse de Montréal and is registered in all provinces as a dealer in the category of investment dealer, as a derivative dealer in Québec and as a futures commission merchant in Ontario and Manitoba;

4. The Perimeter System is an ATS exclusively for trading over-the-counter fixed income securities;

5. Perimeter is a small marketplace and the $4,800 fee associated with the ISR Application will be unduly burdensome and will put a significant strain on Perimeter's ongoing development;

6. The Perimeter system is unique in Canada and its business model supports the goals of both the regulators and the general public through its operation of third party, open and fair fixed income marketplaces. The regulatory financial burden should not be a key barrier to the development, delivery and ongoing viability of beneficial existing or future fixed income marketplaces in Canada.

AND UPON the Director being satisfied to do so would not be prejudicial to the public interest;

IT IS ORDERED by the Director, pursuant to section 6.1 of Rule 13-502 that the Applicant is exempted from paying an activity fee of $4,800 in connection with the Application.

DATED this 7th day of January, 2016

"Tracey Stern"
Manager
Ontario Securities Commission

2.2.2 Sharon Downing – ss. 127(1), 127(10)

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

AND

**IN THE MATTER OF
SHARON DOWNING**

**ORDER
(Subsections 127(1) and 127(10) of the Securities Act)**

WHEREAS:

1. on March 30, 2015, Sharon Downing ("Downing") entered into a settlement agreement with the Executive Director of the British Columbia Securities Commission (the "Settlement Agreement") in which Downing admitted:

   a. to having traded in securities without being registered, contrary to section 34(a) of the British Columbia *Securities Act*, RSBC 1996, c 418 (the "BC Securities Act"); and

   b. to having distributed securities for which a prospectus had not been filed, contrary to section 61 of the BC Securities Act;

2. on March 30, 2015, the Executive Director of the British Columbia Securities Commission issued an order (the "BC Order") that ordered:

   a. pursuant to section 161(l)(b) of the BC Securities Act, that Downing cease trading in, and be prohibited from purchasing, any securities, except that she may trade securities through one account in her own name through a registrant if she first provided a copy of the BC Order to the registrant;

   b. pursuant to section 161(l)(d)(iii) of the BC Securities Act, that Downing be prohibited from becoming or acting as a registrant or promoter;

   c. pursuant to section 161(l)(d)(iv) of the BC Securities Act, that Downing be prohibited from acting in a management or consultative capacity in connection with activities in the securities market; and

   d. pursuant to section 161(l)(d)(v) of the BC Securities Act, that Downing be prohibited from engaging in investor relations activities;

   for a period of 3 years;

3. in the Settlement Agreement, Downing consented to a regulatory order being made by any provincial or territorial securities regulatory authority in Canada containing any or all of the orders set out in the BC Order;

4. on September 28, 2015,

   a. Staff of the Ontario Securities Commission ("Staff") filed a Statement of Allegations, in which Staff sought an order against Downing, pursuant to subsections 127(1) and 127(10) of the *Securities Act*, RSO 1990, c S.5 (the "Act"); and

   b. the Ontario Securities Commission (the "Commission") issued a Notice of Hearing in respect of the Statement of Allegations, setting October 27, 2015 as the date of the hearing;

5. at the hearing on October 27, 2015,

   a. Staff appeared before the Commission and filed an Affidavit of Service sworn by Lee Crann on October 19, 2015, indicating steps taken by Staff to serve Downing with the Notice of Hearing, Statement of Allegations and Staff's disclosure materials;

   b. Downing did not appear although properly served; and

c. the Commission ordered that:

i. the proceeding in respect of Downing continue by way of written hearing; and

ii. Downing's responding materials, if any, were to be served and filed no later than December 4, 2015;

6. on November 3, 2015, Staff filed written submissions, a brief of authorities, and a hearing brief ("Staff's Materials");

7. on November 9, 2015, Staff filed the Affidavit of Service of Lee Crann sworn November

9, 2015 indicating steps taken by Staff to serve Downing with Staff's Materials;

8. Downing did not file any responding materials;

9. pursuant to paragraph 4 of subsection 127(10) of the Act, an order, made by a securities regulatory authority in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on a person or company may form the basis for an order in the public interest made under subsection 127(1) of the Act;

10. the BC Order is an order made by a securities regulatory authority that imposes sanctions and restrictions on Downing; and

11. the Commission is of the opinion that it is in the public interest to make this order;

IT IS ORDERED:

1. pursuant to paragraph 2 of subsection 127(1) of the Act, that trading in any securities by Downing cease for 3 years from the date of this Order, except that she may trade securities through one or more accounts in her own name through a registrant if she first provides a copy of this order to the registrant;

2. pursuant to paragraph 2.1 of subsection 127(1) of the Act, that acquisition of any securities by Downing be prohibited for 3 years from the date of this Order, except that she may acquire securities through one or more accounts in her own name through a registrant if she first provides a copy of this order to the registrant; and

3. pursuant to paragraph 8.5 of subsection 127(1) of the Act, that Downing be prohibited, for 3 years from the date of this Order, from becoming or acting as a registrant or promoter.

DATED at Toronto this 17th day of February, 2016.

"Timothy Moseley"

2.2.3 CNSX Markets Inc. – s. 144

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

AND

IN THE MATTER OF
CNSX MARKETS INC.

ORDER
(Section 144 of the Act)

WHEREAS the Ontario Securities Commission (Commission) issued an order dated May 7, 2004, and varied on September 9, 2005, June 13, 2006, May 16, 2008, varied and restated on July 6, 2010, and varied on June 22, 2012, recognizing the Canadian Trading and Quotation System Inc. (CNQ), which later changed its name to CNSX Markets Inc. (CNSX), as an exchange pursuant to section 21 of the Act (Recognition Order);

AND WHEREAS an application has been made to the Commission requesting that the Commission issue an order varying the Recognition Order;

AND WHEREAS, based on the application and the representations made to the Commission by CNSX, the Commission has determined that it is not prejudicial to the public interest to vary the Recognition Order pursuant to section 144 of the Act;

IT IS ORDERED, pursuant to section 144 of the Act, that the Recognition Order is varied and restated as follows:

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

AND

IN THE MATTER OF
CNSX MARKETS INC.

RECOGNITION ORDER
(Section 21 of the Act)

WHEREAS the Commission issued an order dated May 7, 2004, and varied on September 9, 2005, June 13, 2006, May 16, 2008, varied and restated on July 6, 2010, varied on June 22, 2012, varied and restated on November 5, 2013, and varied on October 1, 2015 recognizing the Canadian Trading and Quotation System Inc. (CNQ), which later changed its name to CNSX Markets Inc. (CNSX), as an exchange pursuant to section 21 of the Act (Recognition Order);

AND WHEREAS CNSX also operates the Alternative Market facility, Pure Trading (Pure):

AND WHEREAS an application has been made to the Commission requesting that the Commission issue an order varying the Recognition Order;

AND WHEREAS the Commission has received certain representations and undertakings from CNSX in connection with the application;

AND WHEREAS the Commission considers the proper operation of an exchange as essential to investor protection and maintaining a fair and efficient capital market, and therefore requires that any conflicts of interest in the operation of the exchanges be dealt with appropriately and risks to the integrity of the market associated with the listing and continued listing of issuers are monitored and controlled;

AND WHEREAS CNSX will continue to comply with National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*;

AND WHEREAS the Commission considers it appropriate to set out in this order the terms and conditions of CNSX's continued recognition as a stock exchange, which terms and conditions are set out in Schedule A;

AND WHEREAS CNSX has agreed to the terms and conditions set out in Schedule A;

AND WHEREAS the Commission considers that the continued recognition of CNSX as an exchange, subject to the terms and conditions set out in Schedule A, is in the public interest;

THE COMMISSION HEREBY continues to recognize CNSX as an exchange pursuant to section 21 of the Act, subject to the terms and conditions set out in Schedule A.

DATED May 7, 2004, as varied on September 9, 2005, June 13, 2006, May 16, 2008, as varied and restated on July 6, 2010, as varied on June 22, 2012, as varied and restated on November 5, 2013, as varied on October 1, 2015, and as varied and restated on February 12, 2016.

"Tim Moseley"

"Judith Robertson"

SCHEDULE A

TERMS AND CONDITIONS

1. PUBLIC INTEREST RESPONSIBILITIES

1.1 CNSX shall conduct its business and operations in a manner that is consistent with the public interest.

1.2 The mandate of the Board of CNSX shall expressly include the regulatory and public interest responsibilities of CNSX.

2. SHARE OWNERSHIP RESTRICTIONS

2.1 Without the prior approval of the Commission, and subject to terms and conditions considered appropriate by the Commission, no person or company and no combination of persons or companies acting jointly or in concert shall beneficially own or exercise control or direction over more than 10%, or such other percentage as may be prescribed by the Commission, of any class or series of voting shares of CNSX.

2.2 The articles of CNSX shall contain the share ownership restrictions and provisions respecting the enforcement of such restrictions which, without limiting the foregoing, may provide for the filing of declarations, the suspension of voting rights, the forfeiture of dividends, the refusal of the issue or registration of voting shares and the sale or redemption of voting shares held contrary to the restrictions and payment of net proceeds of the sale or redemption to the person entitled thereto.

3. CORPORATE GOVERNANCE

3.1 CNSX's arrangements with respect to the appointment, removal from office and functions of the persons ultimately responsible for making or enforcing the rules, policies and other similar instruments (Rules) of CNSX, namely, the board of directors (Board), are such as to ensure a proper balance between the interests of the different entities desiring access to the facilities of CNSX (CNSX Dealers) and companies seeking to be listed on CNSX (CNSX Issuers), and a reasonable number and proportion of directors are "independent" in order to ensure diversity of representation on the Board. An independent director is a director that is not:

(a) an associate, director, officer or employee of a CNSX Dealer;

(b) an officer or employee of CNSX or its affiliates;

(c) an associate, director, officer or employee of any person or company who owns or controls, directly or indirectly, over 10% of CNSX; or

(d) a person who owns or controls, directly or indirectly, over 10% of CNSX.

In particular, CNSX will ensure that at least fifty per cent (50%) of its directors are independent. In the event that at any time CNSX fails to meet such requirement, it will promptly remedy such situation.

3.2 Without limiting the generality of the foregoing, CNSX's governance structure provides for:

(a) fair and meaningful representation on its Board, in the context of the nature and structure of CNSX, and any governance committee thereto and in the approval of Rules;

(b) appropriate representation of independent directors on any CNSX Board committees; and

(c) appropriate qualifications, remuneration, conflict of interest provisions and limitation of liability and indemnification protections for directors and officers and employees of CNSX generally.

4. FITNESS

4.1 In order to ensure that CNSX operates with integrity and in the public interest, CNSX will take reasonable steps to ensure that each person or company that owns or controls, directly or indirectly, more than 10% of CNSX and each officer or director of CNSX is a fit and proper person and the past conduct of each person or company that owns or controls, directly or indirectly, more than 10% of CNSX and each officer or director of CNSX affords reasonable grounds for belief that the business of CNSX will be conducted with integrity.

5. CONFLICTS OF INTEREST AND CONFIDENTIALITY

5.1 For the purposes of this section 4 of Schedule A, "significant shareholder" means a person or company that beneficially owns or controls, directly or indirectly, more than 5% of any class of voting shares of CNSX.

5.2 CNSX shall establish, maintain and require compliance with policies and procedures that:

(a) identify and manage any conflicts of interest or potential conflicts of interest, real or perceived, arising from the operation of the marketplace or the services it provides including, but not limited to, the following:

(i) conflicts of interest or potential conflicts of interest that arise from the involvement of any partner, director, officer or employee of a significant shareholder in the management or oversight of the exchange operations or regulation functions of CNSX and the services and products it provides,

(ii) conflicts of interest or potential conflicts of interest that arise from any interactions between CNSX and a significant shareholder where CNSX may be exercising discretion that involves or affects the significant shareholder either directly or indirectly, and

(iii) conflicts of interest or potential conflicts of interest that arise between the regulation functions and the business activities of CNSX, particularly with respect to the conflicts of interest or potential conflicts of interest that arise between the CNSX issuer regulation functions and the business activities of CNSX; and

(b) provide for the confidential treatment of information regarding exchange operations, regulation functions, a CNSX Dealer or CNSX Issuer that is obtained by a partner, director, officer or employee of a significant shareholder through that individual's involvement in the management or oversight of exchange operations or regulation functions, which will include a requirement that any such information:

(i) be kept separate and confidential from the business or other operations of the significant shareholder, except with respect to information regarding exchange operations where disclosure is necessary to carry out the individual's responsibilities for the management or oversight of exchange operations and the individual can and does exercise due care in his or her disclosure of the information, and

(ii) not be used to provide an advantage to the significant shareholder or its affiliated entities.

5.3 CNSX shall establish, maintain and require compliance with policies and procedures that identify and manage any conflicts of interest or potential conflicts of interest arising from the listing of the shares of any significant shareholder or affiliated entity on CNSX.

5.4 CNSX shall require each CNSX Dealer that is a significant shareholder or an affiliated entity of a significant shareholder to disclose the CNSX Dealer's relationship with CNSX to:

(a) clients whose orders might be, and clients whose orders have been, routed to CNSX; and

(b) entities for whom the CNSX Dealer is acting or proposing to act as underwriter in connection with the issuance of securities to be listed on CNSX.

5.5 CNSX shall regularly review compliance with the policies and procedures established in accordance with paragraphs 4.2(a) and (b) and 4.3 and shall document each review, and any deficiencies, and how those deficiencies were remedied. A report detailing review(s) conducted shall be provided to the Commission on an annual basis.

5.6 The policies established in accordance with paragraphs 4.2(a) and (b) and 4.3 shall be made publicly available on the website of CNSX.

6. FAIR AND APPROPRIATE FEES

6.1 Any and all fees imposed by CNSX will be equitably allocated. Fees will not have the effect of creating barriers to access and must be balanced with the criterion that CNSX will have sufficient revenues to satisfy its responsibilities.

6.2 CNSX's process for setting fees will be fair, appropriate and transparent.

7. ACCESS

7.1 CNSX's requirements will permit all properly registered dealers that are members of a recognized SRO and satisfy access requirements established by CNSX to access the facilities of CNSX.

7.2 Without limiting the generality of the foregoing, CNSX will:

(a) establish written standards for granting access to CNSX Dealers trading on its facilities;

(b) not unreasonably prohibit or limit access by a person or company to services offered by it; and

(c) keep records of:

(i) each grant of access including, for each CNSX Dealer, the reasons for granting such access, and

(ii) each denial or limitation of access, including the reasons for denying or limiting access to any applicant.

8. FINANCIAL VIABILITY

8.1 CNSX will maintain sufficient financial resources for the proper performance of its functions.

8.2 CNSX will deliver to Commission staff its annual financial budget, together with the underlying assumptions, that has been approved by its Board, within 30 days after the commencement of each fiscal year. Such financial budget should include monthly projected revenues, expenses and cash flows.

8.3 CNSX shall calculate monthly the following financial ratios:

(a) a current ratio, being the ratio of current assets to current liabilities;

(b) a debt to cash flow ratio, being the ratio of total debt (including any line of credit draw downs, and the current and long-term portions of any loans, but excluding accounts payable, accrued expenses and other liabilities) to EBITDA (or earnings before interest, taxes, stock based compensation, depreciation and amortization) for the most recent 12 months; and

(c) a financial leverage ratio, being the ratio of total assets to shareholders' equity,

in each case following the same accounting principles as those used for the audited financial statements of CNSX.

8.4 CNSX will report quarterly (along with the financial statements required to be delivered pursuant to section 12.1) to Commission staff the monthly calculations for the previous quarter of the financial ratios as required to be calculated under section 7.3.

8.5 Depending on the results of the calculations under section 7.3, CNSX may be required to provide additional reporting as set out below.

(a) If CNSX determines that it does not have, or anticipates that, in the next twelve months, it will not have:

(i) a current ratio of greater than or equal to 1.1/1,

(ii) a debt to cash flow ratio of less than or equal to 4.0/1, or

(iii) a financial leverage ratio of less than or equal to 4.0/1,

it will immediately notify Commission staff of the above ratio(s) that it is not maintaining, the reasons, along with an estimate of the length of time before the ratio(s) will be maintained.

(b) Upon receipt of a notification made by CNSX pursuant to paragraph (a), the Commission or its staff may, as determined appropriate, impose terms or conditions on CNSX, which may include any of the terms and conditions set out in paragraphs 7.6(b) and (c).

8.6 If CNSX's current ratio, debt to cash flow ratio or financial leverage ratio falls below the levels outlined in subparagraphs 7.5(a)(i), (ii) and (iii) above for a period of more than three months, CNSX will:

(a) immediately deliver a letter advising Commission staff of the reasons for the continued ratio deficiencies and the steps being taken to rectify the situation;

(b) deliver to Commission staff, on a monthly basis, within 30 days of the end of each month:

(i) unaudited monthly financial statements and a status update on any pending capital raising transaction(s) including the amount, terms and name(s) of individuals/entities that have committed to providing funding and their commitment,

(ii) a comparison of the monthly revenues and expenses incurred by CNSX against the projected monthly revenues and expenses included in CNSX's most recently updated budget for that fiscal year,

(iii) for each revenue item whose actual was significantly lower than its projected amount, and for each expense item whose actual was significantly higher than its projected amount, the reasons for the variance, and

(iv) a calculation of the current ratio, debt to cash flow ratio and financial leverage ratio for the month;

(c) prior to making any type of payment to any director, officer, related company or shareholder that is in excess of the amount included in the most recent annual financial budget delivered to Commission staff, demonstrate to the satisfaction of Commission staff that it will have sufficient financial resources to continue its operations after the payment; and

(d) adhere to any additional terms or conditions imposed by the Commission or its staff, as determined appropriate, on CNSX,

until such time as CNSX has maintained each of its current ratio, debt to cash flow ratio and financial leverage ratio at the levels outlined in subparagraphs 7.5(a)(i), (ii) and (iii) for a period of at least 6 consecutive months.

9. REGULATION

9.1 CNSX will maintain its ability to perform its regulation functions including setting requirements governing the conduct of CNSX Dealers and CNSX Issuers and disciplining CNSX Dealers and CNSX Issuers, whether directly or indirectly through a regulation services provider.

9.2 CNSX will continue to retain the Investment Industry Regulatory Organization of Canada (IIROC) as a regulation services provider to provide certain regulation services which have been approved by the Commission. CNSX will provide to the Commission, on an annual basis, a list outlining the regulation services performed by IIROC and the regulation services performed by CNSX. All amendments to those listed services are subject to the prior approval of the Commission.

9.3 CNSX will provide the Commission with an annual report with such information regarding its affairs as may be requested from time to time. The annual report will be in such form as may be specified by the Commission from time to time.

9.4 CNSX will perform all other regulation functions not performed by its regulation services provider.

9.5 Management of CNSX (including the President) will at least annually assess the performance by its regulation services provider of its regulation functions and report to the Board, together with any recommendations for improvements. CNSX will provide the Commission with copies of such reports and will advise the Commission of any proposed actions arising therefrom.

9.6 CNSX will provide the Commission with the information set out in Appendix B, as amended from time to time.

10. CAPACITY AND INTEGRITY OF SYSTEMS

10.1 CNSX will maintain, in accordance with prudent business practice, reasonable controls to ensure capacity, integrity requirements and security of its technology systems.

11. PURPOSE OF RULES

11.1 CNSX will establish Rules that are necessary or appropriate to govern and regulate all aspects of its business and affairs.

11.2 More specifically, CNSX will ensure that the Rules:

(a) shall not be contrary to the public interest, and

(b) are designed to

(i) ensure compliance with securities legislation,

(ii) prevent fraudulent and manipulative acts and practices,

(iii) promote just and equitable principles of trade,

(iv) address risks associated with the listing and continued listing of issuers,

(v) foster cooperation and coordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities, and

(vi) provide for appropriate discipline;

(c) do not:

(i) permit unreasonable discrimination among CNSX Issuers and CNSX Dealers, or

(ii) impose any burden on competition that is not necessary or appropriate in furtherance of securities legislation; and

(d) are designed to ensure that its business is conducted in a manner so as to afford protection to investors.

12. RULES, RULE-MAKING AND FORM 21-101F1

12.1 CNSX will comply with the process for review and approval of Rules and the information contained in Form 21-101F1 and the exhibits thereto set out in Appendix C, as amended from time to time.

13. FINANCIAL STATEMENTS

13.1 CNSX will file unaudited quarterly financial statements within 60 days of each quarter end and audited annual financial statements within 90 days of each year end.

14. DISCIPLINARY POWERS

14.1 CNSX will have general disciplinary and enforcement provisions in its Rules that will apply to any person or company subject to its regulation.

14.2 CNSX will ensure, through IIROC and otherwise, that any person or company subject to its regulation is appropriately sanctioned for violations of the Rules. In addition, CNSX will provide notice to the Commission of any violations of securities legislation of which it becomes aware in the ordinary course of its business.

15. DUE PROCESS

15.1 CNSX will ensure that its requirements relating to access to its facilities, the imposition of limitations or conditions on access and denial of access are fair and reasonable, including in respect of giving notice, giving parties an opportunity to be heard or make representations, keeping records, giving reasons and providing for appeals of its decisions.

16. ISSUER REGULATION

16.1 CNSX will ensure that only the issuers set out in Appendix D, as amended from time to time, are eligible for listing on CNSX.

16.2 CNSX will ensure that, in exercising its discretion in carrying out its listing function, it takes into consideration the public interest, the risks associated with the listing and continued listing of issuers, and the integrity of the market.

16.3 CNSX may, in accordance with the requirements for qualification for trading on Pure set out in its Rules, designate certain listed securities as eligible for trading on Pure without approving such securities for an additional listing.

16.4 CNSX has and will continue to ensure that it has sufficient authority over its CNSX listed issuers.

16.5 CNSX will carry out appropriate review procedures to monitor and enforce listed issuer compliance with the Rules and provide a report to the Commission annually, or as required by the Commission, describing the procedures carried out, and the types of deficiencies found and how they were remedied.

16.6 CNSX will amend its Policies and Forms, from time to time, at the request of the Director, Corporate Finance, to reflect changes to the disclosure requirements of Ontario securities law.

17. CLEARING AND SETTLEMENT

17.1 The Rules will impose a requirement on CNSX Dealers to have appropriate arrangements in place for clearing and settlement through a clearing agency recognized by the Commission under the Act.

18. MARKETPLACE REGULATORY REQUIREMENTS

18.1 CNSX will comply with the requirements set out in National Instrument 21-101 *Marketplace Operation* and in National Instrument 23-101 *Trading Rules*.

19. OUTSOURCING

19.1 In any material outsourcing of any of its business functions to a third party, CNSX will proceed in accordance with industry best practices. Without limiting the generality of the foregoing, CNSX will:

(a) establish and maintain policies and procedures that are approved by its Board for the evaluation and approval of such material outsourcing arrangements;

(b) in entering into any such material outsourcing arrangement:

(i) assess the risk of such arrangement, the quality of the service to be provided and the degree of control to be maintained by CNSX, and

(ii) execute a contract with the service provider addressing all significant elements of such arrangement, including service levels and performance standards;

(c) ensure that any contract implementing such material outsourcing arrangement that is likely to impact on CNSX's regulation functions provide for CNSX, its agents and the Commission to be permitted to have access to and to inspect all data and information maintained by the service provider that CNSX is required to share under section 19.2 or that is required for the assessment by the Commission of the performance of CNSX of its regulation functions and the compliance of CNSX with the terms and conditions in this Schedule A; and

(d) monitor the performance of the service provided under such material outsourcing arrangement.

20. PROVISION OF INFORMATION

20.1 CNSX shall promptly provide the Commission, on request, any and all data, information and analyses in the custody or control of CNSX or any of its affiliated entities, without limitations, redactions, restrictions or conditions, including, without limiting the generality of the foregoing:

(a) data, information and analyses relating to all of its or their businesses; and

(b) data, information and analyses of third parties in its or their custody or control.

20.2 CNSX shall share information and otherwise cooperate with other recognized or exempt exchanges, recognized self-regulatory organizations, other recognized or exempt clearing agencies, investor protection funds, and other appropriate regulatory bodies.

APPENDIX A

CRITERIA FOR RECOGNITION

PART 1 COMPLIANCE WITH NI 21-101 AND NI 23-101

1.1 Compliance with NI 21-101 and NI 23-101

The exchange complies with the requirements set out in National Instrument 21-101 *Marketplace Operation* (NI 21-101) and in National Instrument 23-101 *Trading Rules*, each as amended from time to time, which include requirements relating to:

(a) access;

(b) marketplace operations;

(c) exchange rules, policies and other similar instruments;

(d) order and trade transparency;

(e) transparency of marketplace operations;

(f) record keeping;

(g) marketplace systems and business continuity planning;

(h) confidentiality of information;

(i) outsourcing;

(j) clearing and settlement;

(k) fair and orderly markets;

(l) the management of conflicts of interest; and

(m) filing of financial statements.

PART 2 GOVERNANCE

2.1 Governance

The governance structure and governance arrangements of the exchange ensure:

(a) effective oversight of the exchange;

(b) that business and regulatory decisions are in keeping with the exchange's public interest mandate;

(c) fair, meaningful and diverse representation on the board of directors (Board) and any committees of the Board, including:

  (i) appropriate representation of independent directors, and

  (ii) a proper balance among the interests of the different persons or companies using the services and facilities of the exchange;

(d) the exchange has policies and procedures to appropriately identify and manage conflicts of interest; and

(e) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.

2.2 Fitness

The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person.

PART 3 ACCESS

3.1 Fair Access

(a) The exchange has established appropriate written standards for access to its services including requirements to ensure participants are appropriately registered under Ontario securities laws, or exempted from these requirements.

(b) The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.

PART 4 REGULATION OF PARTICIPANTS AND ISSUERS ON THE EXCHANGE

4.1 Regulation

The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of participants and issuers, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.

PART 5 RULES AND RULEMAKING

5.1 Rules and Rulemaking

(a) The exchange has rules, policies, and other similar instruments (Rules) that are designed to appropriately govern and regulate the operations and activities of participants and issuers.

(b) In addition to meeting the requirements of NI 21-101 relating to market operations and exchange rules, policies and other similar instruments as referred to in paragraphs 1.1(b) and (c) of this Schedule, respectively, the Rules are also designed to

(i) ensure a fair and orderly market; and

(ii) provide a framework for disciplinary and enforcement actions.

PART 6 DUE PROCESS

6.1 Due Process

For any decision made by the exchange that affects a participant or issuer, or an applicant to be a participant or issuer, including a decision in relation to access, listing, exemptions, or discipline, the exchange ensures that:

(a) parties are given an opportunity to be heard or make representations, and

(b) it keeps a record of, gives reasons for and provides for appeals or reviews of its decisions.

PART 7 CLEARING AND SETTLEMENT

7.1 Clearing and Settlement

The exchange has appropriate arrangements for the clearing and settlement of trades.

PART 8 SYSTEMS AND TECHNOLOGY

8.1 Information Technology Risk Management Procedures

The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and circuit breakers.

PART 9 FINANCIAL VIABILITY

9.1 Financial Viability

The exchange has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

PART 10 FEES

10.1 Fees

(a) All fees imposed by the exchange are reasonable and equitably allocated and are consistent with the requirements in Ontario securities laws, including those listed in paragraphs 1.1(a) and (e) of this Schedule.

(b) The process for setting fees is fair and appropriate, and the fee model is transparent.

PART 11 INFORMATION SHARING AND REGULATORY COOPERATION

11.1 Information Sharing and Regulatory Cooperation

The exchange has mechanisms in place to enable it to share information and otherwise co-operate with the Commission, recognized self-regulatory organizations, other recognized or exempt exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.

APPENDIX B

REPORTING OBLIGATIONS

1. Quarterly Reporting on Exemptions or Waivers Granted

On a quarterly basis, CNSX will submit to the Commission a report summarizing all exemptions or waivers granted pursuant to the rules, policies or other similar instruments (Rules) to any CNSX Dealer or CNSX Issuer during the period. This summary should include the following information:

(a) The name of the CNSX Dealer or CNSX Issuer;

(b) The type of exemption or waiver granted during the period;

(c) The date of the exemption or waiver; and

(d) A description of CNSX staff's reason for the decision to grant the exemption or waiver.

2. Quarterly Reporting on Listing Applications

On a quarterly basis, CNSX will submit to the Commission a report containing the following information:

(a) The number of listing applications filed;

(b) The number of listing applications that were accepted;

(c) The number of listing applications that were rejected and the reasons for rejection, by category;

(d) The number of listing applications that were withdrawn or abandoned and, if known, the reasons why the application was withdrawn or abandoned, by category;

(e) The number of listing applications filed by CNSX Issuers as a result of a Fundamental Change;

(f) The number of listing applications filed by CNSX Issuers as a result of a Fundamental Change that were accepted;

(g) The number of listing applications filed by CNSX Issuers as a result of a Fundamental Change that were rejected and the reasons for rejection, by category;

(h) The number of listing applications filed by CNSX Issuers as a result of a Fundamental Change that were withdrawn or abandoned and, if known, the reasons why the application was withdrawn or abandoned, by category.

In each of the foregoing cases, the numbers shall be broken down by industry category and in any other manner that a Director of the Commission requests.

3. Notification of Suspensions and Disqualifications

If a CNSX Issuer has been suspended or disqualified from qualification for listing, CNSX will immediately issue a notice setting out the reasons for the suspension and file this information with the Commission.

4. General

CNSX will continue to comply with the reporting obligations under the Automation Review Program.

APPENDIX C

PROCESS FOR THE REVIEW AND APPROVAL OF RULES AND THE INFORMATION CONTAINED IN FORM 21-101F1 AND THE EXHIBITS THERETO

1. Purpose

This Protocol sets out the procedures a recognized exchange (Exchange) must follow for any Rule or Change, both as defined in section 2 below, and describes the procedures for their review by Commission Staff (Staff) and approval by the Commission or the Director.

2. Definitions

For the purposes of this Protocol:

(a) *Change* means a Fee Change, a Housekeeping Change or a Significant Change.

(b) *Fee Change* means any new fee or fee model of the Exchange and any amendment to a fee or fee model.

(c) *Housekeeping Change* means an amendment to the information in Form 21-101F1 that

(i) does not have an impact on the Exchange's market structure, members, issuers, investors or the capital markets, or is of a housekeeping or administrative nature and is comparable to the types of housekeeping changes listed in subsection 6.1(5)(b) of Companion Policy 21-101CP.

(d) *Housekeeping Rule* means a new Rule or an amendment to a Rule that

(i) does not have an impact on the Exchange's market structure, members, issuers, investors or the capital markets, or

(ii) is of a housekeeping or administrative nature and is comparable to the types of housekeeping changes listed in subsection 6.1(5)(b) of Companion Policy 21-101CP.

(e) *Public Interest Rule* means a Rule or an amendment to a Rule that is not a Housekeeping Rule.

(f) *Rule* includes a rule, policy and other similar instrument of the Exchange.

(g) *Significant Change* means an amendment to the information in Form 21-101F1 other than

(i) a Housekeeping Change,

(ii) a Fee Change, or

(iii) a Rule,

and for greater certainty includes the matters listed in subsection 6.1(4) of Companion Policy 21-101 CP.

(h) *Significant Change subject to Public Comment* means a Significant Change that

(i) is listed in paragraphs 6.1(4)(a), (b), (c) or (d) of Companion Policy 21-101 CP, or

(ii) in Staff's view, has an impact on the Exchange's market structure or members, or on issuers, investors or the capital markets or otherwise raises public interest concerns and should be subject to public comment.

3. Scope

(a) The Exchange and Staff will follow the process for review and approval set out in this Protocol for all Changes, new Rules and Rule amendments.

4. Board Approval

(a) The Exchange's board of directors, or a duly authorized committee of the board, must approve all Rules prior to their submission under this Protocol.

5. Waiving or Varying the Protocol

(a) The Exchange may file a written request with Staff to waive or vary any part of this Protocol. The request must provide reasons why granting the waiver is appropriate in the circumstances.

(b) Staff will use their best efforts to provide to the Exchange within five business days of receipt of its request either:

(i) written notice that Staff object to granting the waiver or variation; or

(ii) written notice that the waiver or variation has been granted by Staff.

6. Materials to be Filed and Timelines

(a) Prior to the implementation of a Fee Change, Public Interest Rule or Significant Change, the Exchange will file with Staff the following materials:

(i) a cover letter that, together with the notice for publication filed under paragraph 6(a)(ii), if applicable, fully describes:

(A) the proposed Fee Change, Public Interest Rule or Significant Change;

(B) the expected date of implementation of the proposed Fee Change, Public Interest Rule or Significant Change;

(C) the rationale for the proposal and any relevant supporting analysis;

(D) the expected impact of the proposed Fee Change, Public Interest Rule or Significant Change on the market structure, members and, if applicable, on investors, issuers and the capital markets;

(E) whether a proposed Public Interest Rule or Significant Change would increase or decrease systemic risk in the Canadian financial system and how any increase would be mitigated, if applicable;

(F) a discussion of the expected impact of the Fee Change, Public Interest Rule or Significant Change on the Exchange's compliance with Ontario securities law and in particular on requirements for fair access and maintenance of fair and orderly markets;

(G) details of any consultations undertaken in formulating the Fee Change, Public Interest Rule or Significant Change, including the internal governance process followed to approve the Rule or Change;

(H) if the Public Interest Rule or Significant Change will require members and service vendors to modify their own systems after implementation of the Rule or Change, a reasonable estimate of the amount of time needed to perform the necessary work, or an explanation as to why a reasonable estimate was not provided;

(I) a discussion of any alternatives considered; and

(J) if applicable, whether the proposed Fee Change, Significant Change or Public Interest Rule would introduce a fee model, feature or Rule that currently exists in other markets or jurisdictions;

(ii) for a proposed Public Interest Rule or Significant Change subject to Public Comment, a notice for publication that includes the information required under paragraph 6(a)(i) above, except that the following may be excluded from the notice:

(A) supporting analysis required under subparagraph 6(a)(i)(C) above that, if included in the notice, would result in the public disclosure of intimate financial, commercial or technical information;

(B) the information on systemic risk required under subparagraph 6(a)(i)(E) above;

(C) the information on the internal governance processes followed required under subparagraph 6(a)(i)(G) above;

(D) the reasonable estimate of time needed for members and service vendors to modify their own systems, or the explanation as to why a reasonable estimate was not provided, required under subparagraph 6(a)(i)(H), so long as the notice for publication contains a statement that the Exchange did not or could not make a reasonable estimate; and

(E) the discussion of alternatives required under subparagraph 6(a)(i)(I) above.

(iii) for a proposed Public Interest Rule, the text of the Rule and a blacklined version of the Rule indicating changes to any existing Rules, and if supplementary material relating to the Rule is contained in Form 21-101F1, blacklined and clean copies of Form 21-101F1; and

(iv) for a proposed Fee Change or Significant Change, blacklined and clean copies of Form 21-101F1 showing the proposed Change.

(b) The Exchange will file the materials set out in subsection 6(a)

(i) at least 45 days prior to the expected implementation date of a proposed Public Interest Rule or Significant Change; and

(ii) at least seven business days prior to the expected implementation date of a proposed Fee Change.

(c) For a Housekeeping Rule, the Exchange will file with Staff the following materials:

(i) a cover letter that fully describes the Rule and indicates that it was classified as a Housekeeping Rule and provides an analysis of the rationale for the classification, and the date or proposed date of implementation of the Rule;

(ii) the text of the Rule and a blacklined version of the Rule indicating changes to any existing Rules;

(iii) if supplementary material relating to the Rule is contained in Form 21-101F1, blacklined and clean copies of Form 21-101F1; and

(iv) a notice for publication on the OSC website and in the OSC Bulletin that contains the information in paragraph (ii) above as well as the implementation date for the Rule, and indicates that the Rule has been classified as a Housekeeping Rule and was not published for comment.

(d) For a Housekeeping Change, the Exchange will file with Staff the following materials:

(i) a cover letter that indicates that the Change was classified as a Housekeeping Change and provides an analysis of the rationale for the classification and the expected or actual date of implementation of the Change; and

(ii) blacklined and clean copies of Form 21-101F1 showing the Change.

(e) The Exchange will file the materials set out in subsection 6(d) by the earlier of

(i) the Exchange's close of business on the 10th calendar day after the end of the month in which the Housekeeping Change was implemented; and

(ii) the date on which the Exchange publicly announces a Housekeeping Change, if applicable.

7. Review by Staff of notice and materials to be published for comment

(a) Within 5 business days of the receipt of the notice and materials filed by the Exchange relating to a Public Interest Rule or Significant Change subject to Public Comment in accordance with subsection 6(a), Staff will review the notice and materials to ensure that they contain an adequate level of detail, analysis and discussion to elicit meaningful public comment, and will promptly notify the Exchange of any deficiency requiring a refiling of the notice and materials.

(b) Where the notice and materials are considered by Staff to be deficient, the Exchange will amend and resubmit the notice and materials accordingly, and the date of resubmission will serve as the filing date for the purposes of this Protocol.

(c) Where the notice and materials are considered by Staff to be adequate for publication, Staff will proceed with the processes set out in section 8.

8. Publication of a Public Interest Rule or Significant Change Subject to Public Comment

(a) As soon as practicable after the receipt of the notice and materials filed by the Exchange relating to a Public Interest Rule or Significant Change subject to Public Comment in accordance with subsection 6(a), Staff will publish in the OSC Bulletin and on the OSC website the notice prepared by the Exchange, along with a notice prepared by Staff, if necessary, that provides market participants with an opportunity to provide comments to Staff and to the Exchange within 30 days from the date the notice appears in the OSC Bulletin or on the OSC website, whichever comes first.

(b) If public comments are received

(i) the Exchange will forward copies of the comments promptly to Staff; and

(ii) the Exchange will prepare a summary of the public comments and a response to those comments and provide them to Staff promptly after the end of the comment period.

9. Review and Approval Process for Proposed Fee Changes, Public Interest Rules and Significant Changes

(a) Staff will use their best efforts to complete their review of a proposed Fee Change, Public Interest Rule or Significant Change within

(i) 45 days from the date of filing of a proposed Public Interest Rule or Significant Change; and

(ii) seven business days from the date of filing of a proposed Fee Change.

(b) Staff will notify the Exchange if they anticipate that their review of the proposed Fee Change, Public Interest Rule or Significant Change will exceed the timelines in subsection 9(a).

(c) If Staff have material comments or require additional information to complete their review of a proposed Fee Change, Public Interest Rule or Significant Change, Staff will use best efforts to provide the Exchange with a comment letter promptly by the end of the public comment period for a Public Interest Rule or Significant Change subject to Public Comment, and promptly after the receipt of the materials filed under section 6 for all other Changes.

(d) The Exchange will respond to any comments received from Staff in writing.

(e) Unless Staff agree to an extension of time, if the Exchange fails to respond to Staff's comments within 120 days after the receipt of Staff's comment letter, the Exchange will be deemed to have withdrawn the proposed Fee Change, Public Interest Rule or Significant Change. If the Exchange wishes to proceed with the Fee Change, Public Interest Rule or Significant Change after it has been deemed withdrawn, the Exchange will have to be re-submit it for review and approval in accordance with this Protocol.

(f) Upon completion of Staff's review of a Fee Change, Public Interest Rule or Significant Change, Staff will submit the Change or Rule to the Director or, in the circumstances described in subsection 9(g), to the Commission, for a decision within the following timelines:

(i) for a Public Interest Rule or a Significant Change subject to Public Comment, the later of 45 days from the date that the related materials were published for comment and the date that Staff's comments and public comments, including any concerns identified, have been adequately addressed by the Exchange;

(ii) for any other Significant Change, the later of 45 days from the date of filing of the Change and the date that Staff's comments and any concerns identified have been adequately addressed by the Exchange; or

(iii) for a Fee Change, the later of seven business days from the date of filing of the change and the date that Staff's comments and any concerns identified have been adequately addressed by the Exchange.

(g) A Fee Change, Public Interest Rule or Significant Change may be submitted to the Commission for a decision, within the timelines in subsection 9(f),

(i) if the proposed Fee Change, Public Interest Rule or Significant Change is complex or introduces a novel feature to the Exchange or the capital markets;

(ii) if comments received through the public comment process raise significant public interest concerns; or

(iii) in any other situation where, in Staff's view, Commission approval is appropriate.

(h) Staff will promptly notify the Exchange of the decision.

(i) If a Public Interest Rule or Significant Change subject to Public Comment is approved, Staff will publish the following documents in the OSC Bulletin and on the OSC website promptly after the approval:

(i) a notice indicating that the proposed Rule or Change is approved;

(ii) the summary of public comments and responses prepared by the Exchange, if applicable; and

(iii) if non-material changes were made to the version published for public comment, a brief description of these changes prepared by the Exchange and a blacklined copy of the revised Rule or Change highlighting the revisions made.

10. Review Criteria for a Fee Change, Public Interest Rule and Significant Change

(a) Staff will review a proposed Fee Change, Public Interest Rule or Significant Change in order to assess whether it is in the public interest for the Director or the Commission to approve the Rule or Change. In making this determination, Staff will have regard to the mandate of the Commission as set out section 1.1 of the *Securities Act* (Ontario). The factors that Staff will consider in making their determination also include whether:

(i) the Rule or Change would impact the Exchange's compliance with Ontario securities law;

(ii) the Exchange followed its established internal governance practices in approving the proposed Rule or Change;

(iii) the Exchange followed the requirements of this Protocol and has provided sufficient analysis of the nature, purpose and effect of the Rule or Change; and

(iv) the Exchange adequately addressed any comments received.

11. Effective Date of a Fee Change, Public Interest Rule or Significant Change

(a) A Fee Change, Public Interest Rule or Significant Change will be effective on the later of:

(i) the date that the Exchange is notified that the Change or Rule is approved;

(ii) if applicable, the date of publication of the notice of approval on the OSC website; and

(iii) the date designated by the Exchange.

12. Significant Revisions and Republication

(a) If, subsequent to its publication for comment, the Exchange revises a Public Interest Rule or a Significant Change subject to Public Comment in a manner that results in a material change to the proposed substance or effect of the Rule or Change, Staff will, in consultation with the Exchange, determine whether or not the revised Rule or Change should be published for an additional 30-day comment period.

(b) If a Public Interest Rule or Significant Change subject to Public Comment is republished under subsection 12(a), the request for comments will include a blacklined version marked to the originally published version, a summary of comments and responses prepared by the Exchange, and an explanation of the revisions and the supporting rationale for the revisions.

13. Withdrawal of a Fee Change, Public Interest Rule or Significant Change

(a) If the Exchange withdraws a Fee Change, Public Interest Rule or a Significant Change that was previously submitted, it will provide a written notice of withdrawal to Staff.

(b) If the notice of withdrawal relates to a Public Interest Rule or Significant Change subject to Public Comment, Staff will publish the notice of withdrawal in the OSC Bulletin and OSC website as soon as practicable.

(c) If a Public Interest Rule or Significant Change subject to Public Comment is deemed to have been withdrawn as provided in subsection 9€, Staff will prepare and publish a notice informing market participants that the Exchange did not proceed with the Rule or Change.

14. Effective Date of a Housekeeping Rule or Housekeeping Change

(a) Subject to subsections 14(c) and 14(d), a Housekeeping Rule will be effective on the later of

(i) the date of the publication of the notice to be published on the OSC website in accordance with subsection 14(e), and

(ii) the date designated by the Exchange.

(b) Subject to subsections 14(c) and 14(d), a Housekeeping Change will be effective on the date designated by the Exchange.

(c) Staff will review the materials filed by the Exchange for a Housekeeping Change or Housekeeping Rule to assess the appropriateness of the categorization of the Rule or Change as housekeeping within five business days from the date that the Exchange filed the documents in accordance with subsections 6(c) and 6(d). The Exchange will be notified in writing if there is disagreement with respect to the categorization of the Rule or Change as housekeeping.

(d) If Staff disagree with the categorization of the Rule or Change as housekeeping, the Exchange will immediately repeal the Change, if applicable, file the proposed Rule as a Public Interest Rule or the proposed Change as a Significant Change, and follow the review and approval processes described in this Protocol as applying to a Public Interest Rule or Significant Change, including those processes applicable to a Significant Change subject to Public Comment if applicable.

(e) If Staff do not disagree with the categorization of the Rule, Staff will publish a notice to that effect in the OSC Bulletin and on the OSC website as soon as is practicable.

15. Immediate Implementation of a Public Interest Rule or Significant Change

(a) The Exchange may need to make a Public Interest Rule or Significant Change effective immediately where the Exchange determines that there is an urgent need to implement the Rule or Change to maintain fair and orderly markets, or because of a substantial and imminent risk of material harm to the Exchange, its members, other market participants, issuers or investors.

(b) When the Exchange determines that immediate implementation is necessary, it will advise Staff in writing as soon as possible but in any event at least five business days prior to the proposed implementation of the Public Interest Rule or Significant Change. The written notice will include the expected effective date of the Public Interest Rule or Significant Change and an analysis to support the need for immediate implementation. An application for an exemption from the 45-day advance filing requirements in National Instrument 21-101 must also be included as part of the written notice.

(c) If Staff do not agree that immediate implementation is necessary, Staff will promptly notify the Exchange, in writing, of the disagreement no later than the end of the third business day following filing of the notice under subsection 15(b). If the disagreement is not resolved, the Exchange will file the Public Interest Rule or Significant Change in accordance with the timelines in section 6.

16. Review of a Public Interest Rule or Significant Change Implemented Immediately

(a) A Public Interest Rule or Significant Change that has been implemented immediately in accordance with section 15 will be published, if applicable, and reviewed and approved by the Director or by the Commission in accordance with the procedures set out in section 9, with necessary modifications. If the Director or the Commission does not approve the Public Interest Rule or Significant Change, the Exchange will immediately repeal the Rule or Change and inform its members of the decision.

17. Application of Section 21 of the *Securities Act* (Ontario)

(a) The Commission's powers under subsection 21(5) of the *Securities Act* (Ontario) are not constrained in any way, notwithstanding a Rule or Change having been approved under this Protocol

APPENDIX D

ELIGIBLE ISSUERS

1. Subject to section 2 below, only an issuer that:

   (a) is a reporting issuer or the equivalent in a jurisdiction in Canada; or

   (b) is proposing to list debt securities issued or guaranteed by a government in Canada that are exempt from the prospectus requirements under clause 73(1)(a) of the Act; or

   (c) is proposing to list debt securities issued or guaranteed by a financial institution that are exempt from the prospectus requirements under clause 73(1)(b) of the Act; and

   (d) is not in default of any requirements of securities legislation in any jurisdiction in Canada,

   is eligible for listing. However, if an issuer is eligible for listing under paragraph (b) or (c) above, CNSX may only list debt securities of the issuer that are contemplated by those paragraphs unless the issuer files and obtains a receipt for a preliminary prospectus and a prospectus in a jurisdiction in Canada.

2. An issuer that is a reporting issuer in a jurisdiction in Canada but is not considered eligible under the Rules due to the process by which it became a reporting issuer, is ineligible for listing unless it:

   (a) files and obtains a receipt for a preliminary prospectus and a prospectus in a jurisdiction in Canada; and

   (b) is not in default of any requirements of securities legislation in any jurisdiction in Canada.

2.2.4 TD Split Inc. – s. 1(6) of the OBCA

Headnote

Filer deemed to have ceased to be offering its securities to the public under the OBCA.

Applicable Legislative Provisions

Business Corporations Act, R.S.O. 1990, c. B.16, as am., s. 1(6).

IN THE MATTER OF
THE BUSINESS CORPORATIONS ACT (ONTARIO),
R.S.O. 1990, c. B.16, AS AMENDED
(the OBCA)

AND

IN THE MATTER OF
TD SPLIT INC.
(THE APPLICANT)

ORDER
(Subsection 1(6) of the OBCA)

UPON the application of the Applicant to the Ontario Securities Commission (the **Commission**) for an order pursuant to subsection 1(6) of the OBCA to be deemed to have ceased to be offering its securities to the public;

AND UPON the Applicant representing to the Commission that:

1. The Applicant is an "offering corporation" as defined in the OBCA;

2. The Applicant's registered address is located at 1000 Yonge Street, Suite 500, Toronto, Ontario, M4W 2K2, Toronto, Ontario;

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

4. The Applicant's Class C Preferred Shares and Class C Capital Shares were de-listed from the TSX effective the close of trading on November 13, 2015;

5. The issued and outstanding Class C Preferred Shares and Class C Capital Shares of the Applicant were redeemed on November 13, 2015;

6. Following the redemption, the only issued and outstanding shares are now owned by Timbercreek Asset Management Inc. (100 Class E Shares), and no other shares are currently issued and outstanding;

7. The Applicant has no intention to seek public financing by way of an offering of securities;

8. The Voluntary Surrender of Reporting Issuer Status was filed with the British Columbia Securities Commission on November 17, 2015 and the Applicant ceased to be a reporting issuer in British Columbia as of November 30, 2015. The Applicant was granted an order on February 1, 2016 that it is not a reporting issuer in Ontario pursuant to subclause 1(10)(a)(ii) of the *Securities Act* (Ontario) and is not a reporting issuer or the equivalent in any other jurisdiction of Canada in accordance with the simplified procedure set out in OSC Staff Notice 12-307 *Application for Decision that an Issuer is not a Reporting Issuer*; and

9. The Applicant is not a reporting issuer or the equivalent in any jurisdiction in Canada.

AND UPON the Commission being satisfied to do so would not be prejudicial to the public interest;

IT IS HEREBY ORDERED by the Commission pursuant to subsection 1(6) of the OBCA that the Applicant be deemed to have ceased to be offering its securities to the public for the purpose of the OBCA.

DATED at Toronto on this 12th day of February, 2016.

"Judith Robertson"
Commissioner
Ontario Securities Commission

"Tim Moseley"
Commissioner
Ontario Securities Commission

2.2.5 AMTE Services Inc. et al. – 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 on September 16, 2015, the Commission ordered that the Temporary Order be 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 be 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;

AND WHEREAS Staff indicates that it will let the Temporary Order lapse;

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

IT IS HEREBY ORDERED that the hearing to consider a further extension of the Temporary Order scheduled for February 26, 2016 at 10:00 a.m. is vacated.

DATED at Toronto, this 18th day of February, 2016.

"Alan Lenczner"

2.2.6 Future Solar Developments Inc. et al. – 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
FUTURE SOLAR DEVELOPMENTS INC.,
CENITH ENERGY CORPORATION, CENITH AIR INC.,
ANGEL IMMIGRATION INC. and
XUNDONG QIN also known as SAM QIN**

**ORDER
(Sections 127 and 127.1 of the Securities Act)**

WHEREAS:

1. on March 26, 2015, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing (the "Notice of Hearing") pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), in relation to a Statement of Allegations filed by Staff of the Commission ("Staff") on March 26, 2015, to consider whether it is in the public interest to make certain orders against Future Solar Developments Inc. ("FSD"), Cenith Energy Corporation ("Cenith Energy"), Cenith Air Inc. ("Cenith Air"), Angel Immigration Inc. ("Angel Immigration") (together, the "Corporate Respondents") and Xundong Qin, also known as Sam Qin ("Qin") (together with the Corporate Respondents, the "Respondents");

2. the Notice of Hearing set April 15, 2015 as the hearing date in this matter;

3. on April 15, 2015, Staff and counsel for the Respondents appeared and made submissions;

4. the Commission ordered that the matter be adjourned to a confidential pre-hearing conference on June 8, 2015 at 3:00 p.m.;

5. on June 8, 2015, the Commission held a confidential pre-hearing conference and counsel for Staff and counsel for the Respondents attended the hearing;

6. the Commission ordered that:

    1. the Second Appearance in this matter be held on September 9, 2015 at 10:00 a.m.; and

    2. that Staff shall provide to the Respondents, no later than five (5) days before the Second Appearance, their witness lists and indicate any intent to call an expert witness, including the name of the expert witness and the issue on when the expert will be giving evidence;

7. on September 9, 2015, the Commission held a Second Appearance and counsel for Staff and Qin, personally and on behalf of Cenith Energy, Cenith Air and Angel Immigration, appeared and made submissions;

8. on September 9, 2015, no one appeared on behalf of FSD;

9. the Commission ordered that:

    1. the Third Appearance in this matter be held on November 9, 2015 at 10:00 a.m. or on such other date as provided by the Office of the Secretary and agreed to by the parties;

    2. Staff shall provide to the Respondent their witness summaries by September 18, 2015; and

    3. the Respondents shall provide to Staff by October 21, 2015 their witness lists and witness summaries and indicate any intent to call an expert witness, including the name of the expert witness and the issue on which the expert will be giving evidence.

10. a request was made to the Office of the Secretary to reschedule the Third Appearance in this matter and the parties agreed to such other date and time as provided by the Office of the Secretary;

11. on October 27, 2015, the Commission ordered that the Third Appearance in this matter scheduled for November 9, 2015 at 10:00 a.m. is vacated and that the Third Appearance in this matter be held on October 30, 2015 at 10:00 a.m.;

12. the Commission held a hearing on October 30, 2015 and counsel for Staff and counsel from the Litigation Assistance Program ("LAP") attended on behalf of the Respondents;

13. on October 30, 2015, Qin was not in attendance at the hearing;

14. on October 30, 2015, the Commission ordered that the Third Appearance in this matter is adjourned to December 2, 2015 at 9:30 a.m.;

15. the Commission held a hearing on December 2, 2015, and counsel for Staff and LAP counsel attended on behalf of the Respondents;

16. on December 2, 2015, the Commission ordered that:

1. the Respondents shall provide to Staff their witness list by December 18, 2015;

2. the Respondents shall provide to Staff their witness summaries by January 11, 2016;

3. the parties shall deliver to every other party copies of documents which they intend to produce or enter as evidence at the hearing on the merits in this matter (the "Hearing Briefs") by no later than February 8, 2016;

4. the parties shall file with the Registrar copies of indices to their Hearing Briefs by no later than February 12, 2016;

5. the final interlocutory appearance shall be held on February 22, 2016 at 10:00 a.m.; and

6. the hearing on the merits in this matter shall commence on March 21, 2016 at 10:00 a.m. and continue thereafter on March 23, 24, 28 29, 30, 31 and April 1, 4 and 12, 2016 and on such further dates as agreed to by the parties and set by the Office of the Secretary.

17. the Commission held a hearing on February 22, 2016, and counsel for Staff, counsel for Future Solar, and LAP counsel for Qin, Cenith Energy, Cenith Air and Angel Immigration attended on behalf of the Respondents;

18. the Commission considered the submissions of Staff and the submissions of counsel for the Respondents; and

19. the Commission is of the opinion that it is in the public interest to make this order.

IT IS ORDERED that:

1. the hearing date set for March 21, 2016 is vacated; and

2. the hearing on the merits shall commence on March 23, 2016 at 10:00 a.m. and continue thereafter on March 24, 28, 29, 30, 31 and April 1, 4 and 12, 2016 and on such further dates as agreed to by the parties and set by the Office of the Secretary.

DATED at Toronto this 22nd day of February, 2016.

"D. Grant Vingoe"

"Deborah Leckman"

2.2.7 Canadian National Railway Company – 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, pursuant to a repurchase program and at a discounted purchase price, up to 1,726,000 of its common shares under its normal course issuer bid from a third party purchasing as agent – third party will abide by the requirements governing normal course issuer bids as though it was the issuer, subject to certain modifications, including that the third party will not make any purchases under the program pursuant to a pre-arranged trade – common shares delivered to the issuer for cancellation will be common shares from the third party's existing inventory – due to the discounted purchase price, the common shares cannot be acquired through the TSX trading system – but for the fact that the common shares cannot be acquired through the TSX trading system, the Issuer could otherwise acquire such 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 third party will purchase common shares under the program based on instructions provided by the issuer on the relevant day prior to the opening of trading – no adverse economic impact on, or prejudice to the Issuer or public shareholders – acquisition of securities 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 agreement governing the program will prohibit the third party from selling common shares from its existing inventory to the issuer under the program unless it has purchased, or had purchased on its behalf, an equivalent number of common shares on the markets and such number of common shares so purchased must be equal to the number of common shares sold to the issuer.

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
CANADIAN NATIONAL RAILWAY COMPANY

ORDER
(Clause 104(2)(c))

UPON the application (the "**Application**") of Canadian National Railway Company (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 respect of the proposed purchases by the Issuer of up to 1,726,000 of its common shares (the "**Program Maximum**") from Royal Bank of Canada ("**RBC**") pursuant to a repurchase program (the "**Program**");

AND UPON considering the Application and the recommendation of staff of the Commission;

AND UPON the Issuer (and RBC in respect of paragraphs 5, 6, 7, 8, 21, 24, 25, 26, 27, 28, 29, 31, 37 and 38 as they relate to RBC and its agents) having represented to the Commission that:

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

2. The registered and head office of the Issuer is located at 935 de La Gauchetière Street West, Montréal, Quebec, H3B 2M9.

3. The Issuer is a reporting issuer in each of the provinces and territories of Canada (the "**Jurisdictions**") and the Common Shares are listed for trading on the Toronto Stock Exchange (the "**TSX**") and the New York Stock Exchange (the "**NYSE**") under the symbols "CNR" and "CNI", respectively. The Issuer is not in default of any requirement of the securities legislation of the Jurisdictions in which it is a reporting issuer.

4. The authorized common share capital of the Issuer consists of an unlimited number of common shares (the "**Common Shares**"), of which 787,583,541 were issued and outstanding as of January 15, 2016.

5. RBC is a full service Schedule 1 Bank under the *Bank Act* (Canada). The corporate headquarters of RBC are located in the Province of Ontario.

6. RBC does not directly or indirectly own more than 5% of the issued and outstanding Common Shares.

7. RBC is the beneficial owner of at least 1,726,000 Common Shares, none of which were acquired by, or on behalf of, RBC in anticipation or contemplation of resale to the Issuer (such Common Shares over which RBC has beneficial ownership, the "**Inventory Shares**"). No Common Shares were purchased by, or on behalf of, RBC on or after December 23, 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 by RBC to the Issuer.

8. RBC is at arm's length to the Issuer and is not an "insider" of the Issuer or "associate" of an "insider" of the Issuer, or an "associate" or "affiliate" of the Issuer, as such terms are defined in the Act. RBC is an "accredited investor" within the meaning of National Instrument 45-106 *Prospectus Exemptions*.

9. The Issuer announced on October 27, 2015 that it is engaging in a normal course issuer bid (the "**Normal Course Issuer Bid**") for up to 33,000,000 Common Shares, representing 4.9% of the Issuer's public float of Common Shares as of the date specified in the Notice of Intention to Make a Normal Course Issuer Bid (as amended on November 27, 2015 to reflect the Scotia Program (as defined below) and future share repurchase programs) (the "**Notice**") that was submitted to, and accepted by, the TSX. The Notice specifies that purchases under the Normal Course Issuer Bid will be conducted through the facilities of the TSX and the NYSE or alternative trading systems, if eligible, or by such other means as may be permitted by the TSX or a securities regulatory authority in accordance with sections 628 to 629.3 of Part VI of the TSX Company Manual (the "**TSX Rules**"), including under automatic trading plans and by private agreements or share repurchase programs under issuer bid exemption orders issued by securities regulatory authorities.

10. The Commission granted the Issuer an order on October 27, 2015 (the "**October Order**") pursuant to clause 104(2)(c) of the Act exempting the Issuer from the Issuer Bid Requirements in connection with the proposed purchases by the Issuer of up to 4,000,000 Common Shares from The Bank of Nova Scotia ("**Scotia**") pursuant to a share repurchase program (the "**Initial Scotia Program**"). On November 27, 2015, the Commission granted the Issuer an order pursuant to section 144 of the Act varying the October Order so as to increase the maximum number of Common Shares that may be purchased under the Initial Scotia Program from 4,000,000 to 5,175,000 Common Shares (such varied Initial Scotia Program, the "**Scotia Program**"). The Issuer purchased 5,175,000 Common Shares under the Scotia Program. The Scotia Program terminated on December 22, 2015.

11. The Commission granted an order on December 18, 2015 pursuant to clause 104(2)(c) of the Act exempting the Issuer from the Issuer Bid Requirements in connection with the proposed purchases by the Issuer of up to 4,356,000 Common Shares from RBC pursuant to a share repurchase program (the "**First RBC Program**"). The Issuer purchased 4,356,000 Common Shares under the First RBC Program. The First RBC Program terminated on February 11, 2016.

12. The Autorité des Marchés Financiers granted an order on February 4, 2016 pursuant to Section 263 of the *Securities Act* (Québec) from the equivalent provisions to the Issuer Bid Requirements in connection with the proposed

purchases by the Issuer of up to 1,500,000 Common Shares from National Bank of Canada (the "**NBC Program**"). As at February 12, 2016, the Issuer has purchased 96,900 Common Shares under the NBC Program. The NBC Program will terminate on the earlier of March 24, 2016 and the date on which the Issuer will have purchased 1,500,000 Common Shares from National Bank of Canada under the NBC Program.

13. The Program Maximum is less than the number of Common Shares remaining that the Issuer is entitled to acquire under the Normal Course Issuer Bid, calculated as at the date of the Program Agreement.

14. To the best of the Issuer's knowledge, the "public float" (calculated in accordance with the TSX Rules) for the Common Shares as at January 15, 2016 consisted of 668,419,714 Common Shares. The Common Shares are "highly liquid securities", as that term is defined in section 1.1 of OSC Rule 48-501 *Trading during Distributions, Formal Bids and Share Exchange Transactions* ("**OSC Rule 48-501**") and section 1.1 of the Universal Market Integrity Rules ("**UMIR**").

15. Pursuant to the TSX Rules, the Issuer has appointed Scotia Capital Inc. as its designated broker in Canada, and Merrill Lynch, Pierce, Fenner & Smith as its designated broker in the United States, in each case, in respect of the Normal Course Issuer Bid (the "**Responsible Brokers**").

16. The Issuer may, from time to time, appoint a non-independent purchasing agent (a "**Plan Trustee**") to fulfill requirements for the delivery of Common Shares under the Issuer's security-based compensation plans (the "**Plan Trustee Purchases**"). The maximum number of Common Shares that the Issuer is permitted to repurchase under the Normal Course Issuer Bid will be reduced by the number of Plan Trustee Purchases.

17. The Issuer implemented an automatic repurchase plan (the "**ARP**") to permit the Issuer to make purchases under the Normal Course Issuer Bid during internal blackout periods, including regularly scheduled quarterly blackout periods and at such times when the Issuer would not otherwise be permitted to trade in its Common Shares. The ARP was approved by the TSX and is in compliance with the TSX Rules and applicable securities law.

18. The Normal Course Issuer Bid is being conducted in reliance upon the exemption from the Issuer Bid Requirements set out in subsection 101.2(1) of the Act in Ontario, and its equivalent provision in the securities legislation of the other Jurisdictions. Subsection 101.2(1) provides that an issuer bid that is made in the normal course through the facilities of a designated exchange is exempt from the formal bid requirements if the bid is made in accordance with the by-laws, rules, regulations and policies of that exchange. The Commission has recognized the TSX as a designated exchange for the purposes of subsection 101.2(1) of the Act.

19. The Normal Course Issuer Bid is also being conducted in the normal course on the NYSE and other permitted published markets (collectively with the NYSE, the "**Other Published Markets**") in reliance upon the exemption from the Issuer Bid Requirements set out in subsection 101.2(2) of the Act in Ontario, and its equivalent provision in the securities legislation of the other Jurisdictions (the "**Other Published Markets Exemption**", and together with the TSX Rules, the "**NCIB Rules**"). The Other Published Markets Exemption provides that an issuer bid that is made in the normal course on a published market, other than a designated exchange, is exempt from the formal bid requirements if the bid is, among other things, for not more than 5% of the outstanding securities of a class of securities of the issuer and the aggregate number of securities acquired in reliance upon the Other Published Markets Exemption by the issuer and any person or company acting jointly or in concert with the issuer within any period of 12 months does not exceed 5% of the outstanding securities of that class at the beginning of the 12-month period.

20. The Issuer proposes to participate in the Program during, and as a part of, the Normal Course Issuer Bid. The Program will be governed by, and conducted in accordance with, the terms and conditions of a Repurchase Program Agreement (the "**Program Agreement**") that will be entered into between the Issuer and RBC prior to the commencement of the Program and a copy of which will be delivered by the Issuer to the Commission.

21. The Program will commence following the expiration of the NBC Program and will terminate on the earlier of March 24, 2016 and the date on which the Issuer will have purchased the Program Maximum from RBC (the "**Program Term**"). Neither the Issuer nor RBC may unilaterally terminate the Program Agreement during the Program Term except in the case of an event of default by a party thereunder. The Issuer will not be in any internal blackout periods during the Program Term. The Issuer expects that the commencement date of the Program will be on or about March 2, 2016 based on the current market price of the Common Shares.

22. The Issuer is of the view that (a) it will be able to purchase Common Shares from RBC at a lower price than the price at which it would be able to

purchase an equivalent quantity of Common Shares under the Normal Course Issuer Bid through the facilities of the TSX and/or on Other Published Markets, and (b) the purchase of Common Shares pursuant to the Program is in the best interests of the Issuer and constitutes a desirable use of the Issuer's funds.

23. At least two clear trading days prior to the commencement of the Program, the Issuer will issue a press release that will have been pre-cleared with the TSX that describes the material features of the Program and discloses the Issuer's intention to participate in the Program during the Normal Course Issuer Bid (the "Press Release"). The TSX has confirmed that it has no objections to the Program and its terms as set out in a draft Program Agreement which will be the same as the executed Program Agreement.

24. RBC will retain the services of RBC Dominion Securities Inc. ("**RBC DS**") to acquire Common Shares on its behalf through the facilities of the TSX and on Other Published Markets in Canada (each, a "**Canadian Other Published Market**" and collectively with the TSX, the "**Canadian Markets**") under the Program. No Common Shares will be acquired under the Program by, or on behalf of, RBC on any Other Published Markets other than Other Canadian Published Markets.

25. RBC DS is registered as an investment dealer under the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia and New Brunswick. It is also registered as a futures commission merchant under the *Commodity Futures Act* (Ontario), a derivatives dealer under the *Derivatives Act* (Québec), and as dealer (futures commission merchant) under *The Commodity Futures Act* (Manitoba). RBC DS is a member of the Investment Industry Regulatory Organization of Canada ("**IIROC**") and the Canadian Investor Protection Fund, a participating organization or member of the TSX, TSX Venture Exchange and Canadian Securities Exchange, and an approved participant of the Bourse de Montréal. The head office of RBC DS is located in Toronto, Ontario.

26. The Program Agreement will provide that all Common Shares acquired by, or on behalf of, RBC on a day (each, a "**Trading Day**") during the Program Term on which the Canadian Markets are open for trading must be acquired on Canadian Markets in accordance with the NCIB Rules that would be applicable to the Issuer in connection with the Normal Course Issuer Bid, provided that:

    (i) RBC will purchase, or have purchased on its behalf, Common Shares on the applicable day in accordance with the instructions received from the Issuer prior to the opening of trading on such date, provided that the instructions given by the Issuer to RBC under the Program will be the same instructions that the Issuer would execute if it were conducting the Normal Course Issuer Bid itself;

    (ii) the aggregate number of Common Shares to be acquired on Canadian Markets by, or on behalf of, RBC on each Trading Day will not exceed the maximum daily limit that is imposed upon the Normal Course Issuer Bid pursuant to the TSX Rules determined with reference to an average daily trading volume that is based on the trading volume on all Canadian Markets rather than being limited to the trading volume on the TSX only (the "**Modified Maximum Daily Limit**"), being understood that the aggregate number of Common Shares to be acquired on the TSX by, or on behalf of, RBC on each Trading Day will not exceed the maximum daily limit that is imposed on the Normal Course Issuer Bid pursuant to the TSX Rules;

    (iii) the aggregate number of Common Shares acquired by, or on behalf of, RBC pursuant to the Program Agreement may not exceed the Program Maximum;

    (iv) the aggregate number of Common Shares acquired by, or on behalf of, RBC pursuant to the Program Agreement on Canadian Other Published Markets may not exceed that number of Common Shares remaining eligible for purchase pursuant to the Other Published Markets Exemption, calculated as at the date of the Program Agreement;

    (v) upon the occurrence of a cessation of trading on the TSX or other event that would impair RBC's ability to acquire Common Shares on Canadian Markets (a "**Market Disruption Event**"), RBC will cease acquiring Common Shares and the number of Common Shares acquired by RBC to such time will be the "**Acquired Shares**" for the purposes of the Program; and

    (vi) notwithstanding the block purchase exception provided for in the TSX Rules, no purchases will be made by, or on behalf of, RBC on any Canadian Markets pursuant to a pre-arranged trade.

27. Pursuant to the Program Agreement, on every Trading Day, RBC will purchase, or have purchased on its behalf, the Number of Common

Shares. The "**Number of Common Shares**" will be no greater than the least of: (a) the quotient of an agreed upon daily Canadian dollar amount divided by the Discounted Price; (b) the Program Maximum less the aggregate number of Common Shares previously purchased by, or on behalf of, RBC under the Program; (c) on a Trading Day on which a Market Disruption Event occurred, the Acquired Shares; and (d) the Modified Maximum Daily Limit. The "**Discounted Price**" per Common Share will be equal to (i) the volume weighted average price of the Common Shares on the Trading Day on which purchases were made less an agreed upon discount, or (ii) upon the occurrence of a Market Disruption Event, the volume weighted average price of the Common Shares at the time of the Market Disruption Event less an agreed upon discount.

28. RBC will deliver to the Issuer a number of Common Shares equal to the number of Common Shares purchased by, or on behalf of, RBC under the Program on an applicable Trading Day on the second Trading Day thereafter, and the Issuer will pay RBC the Discounted Price for each such Common Share. Each Common Share purchased by the Issuer under the Program will be cancelled upon delivery to the Issuer. The Common Shares delivered by RBC to the Issuer will be from the Inventory Shares.

29. RBC will not sell Inventory Shares to the Issuer under the Program unless it has purchased, or had purchased on its behalf, an equivalent number of Common Shares on the Canadian Markets, and the number of Common Shares that are purchased by, or on behalf of, RBC on the Canadian Markets on a Trading Day will be equal to the Number of Common Shares for such Trading Day.

30. The Program Agreement will (a) prohibit the Issuer from purchasing any Common Shares (other than Common Shares purchased under the Program), (b) require the Issuer to prohibit the Responsible Brokers from acquiring any Common Shares on behalf of the Issuer, (c) require the Issuer to prohibit the Plan Trustee from undertaking any Plan Trustee Purchases, and (d) require the Issuer to prohibit the designated broker under the ARP from acquiring any Common Shares on behalf of the Issuer, in each case, during the conduct of the Program by RBC and RBC DS.

31. The Program Agreement will provide that all purchases of Common Shares under the Program by, or on behalf of, RBC will be done as if RBC were an agent of the Issuer and neither RBC nor RBC DS will engage in any hedging activity in connection with the conduct of the Program.

32. The Issuer will report its purchases of Common Shares under the Program to the TSX in accordance with the TSX Rules. In addition, immediately following the completion of the Program, the Issuer will: (a) report the total number of Common Shares acquired under the Program to the TSX and the Commission; and (b) file a notice on the System for Electronic Document Analysis and Retrieval (SEDAR) disclosing the number of Common Shares acquired under the Program and the aggregate dollar amount paid for such Common Shares.

33. But for the fact that the Discount 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 that the Issuer purchases the Common Shares from RBC, the Issuer could otherwise acquire such Common Shares through the facilities of the TSX as a "block purchase" in accordance with the block purchase exception in paragraph 629(1)7 of the TSX Rules and the exemption from the Issuer Bid Requirements that is available pursuant to subsection 101.2(1) of the Act.

34. The entering into of the Program Agreement, the purchase of Common Shares by, or on behalf of, RBC and the sale of Common Shares by RBC to the Issuer will not adversely affect the Issuer or the rights of any of the Issuer's security holders and it will not materially affect control of the Issuer.

35. The sale of Common Shares to the Issuer by RBC will not be a "distribution" (as defined in the Act).

36. The Issuer will be able to acquire the Common Shares from RBC without the Issuer being subject to the dealer registration requirements of the Act.

37. At the time that the Issuer and RBC enter into the Program Agreement, neither the Issuer, nor any member of the Equity Finance Canada group of RBC, nor any personnel of RBC that negotiated the Program Agreement or made, participated in the making of, or provided advice in connection with, the decision to enter into the Program Agreement and sell the Common Shares, will be aware of any "material change" or "material fact" (each as defined in the Act) with respect to the Issuer or the Common Shares that has not been generally disclosed (the "**Undisclosed Information**").

38. Each of RBC and RBC DS has policies and procedures that are designed to ensure conduct of the Program in accordance with, among other things, the Program Agreement and to preclude those persons responsible for administering the Program from acquiring any Undisclosed Information during the conduct of the Program.

AND UPON the Commission being satisfied that 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 respect of the entering into of the Program Agreement and the delivery of the Inventory Shares by RBC to the Issuer pursuant to the Program, provided that:

(a) at least two clear trading days prior to the commencement of the Program, the Issuer will issue the Press Release, which will describe, among other things, the material features of the Program and disclose the Issuer's intention to participate in the Program during the Normal Course Issuer Bid;

(b) the Program Agreement will require RBC and its agents to abide by the NCIB Rules applicable to the Normal Course Issuer Bid, subject to clauses 26(ii) and (vi) hereof;

(c) the Program Agreement will require that RBC and its agents maintain records of all purchases of Common Shares that are made by, or on behalf of, RBC pursuant to the Program, which will be available to the Commission and IIROC upon request;

(d) the Program Agreement will prohibit RBC from selling Inventory Shares to the Issuer under the Program unless RBC has purchased, or had purchased on its behalf, an equivalent number of Common Shares on Canadian Markets, and the Program Agreement will provide that the number of Common Shares that are purchased by, or on behalf of, RBC on Canadian Markets on a Trading Day will be equal to the Number of Common Shares for that Trading Day;

(e) the Common Shares acquired by RBC under the Program will be taken into account by the Issuer when calculating the maximum annual aggregate limits that are imposed upon the Normal Course Issuer Bid in accordance with the TSX Rules and those Common Shares that were purchased by or on behalf of RBC on Canadian Other Published Markets will be taken into account by the Issuer when calculating the maximum aggregate limits that are imposed upon the Issuer in accordance with the Other Published Markets Exemption;

(f) the Program Agreement will (i) prohibit the Issuer from purchasing any Common Shares (other than Common Shares purchased under the Program), (ii) require the Issuer to prohibit the Responsible Brokers from acquiring any Common Shares on behalf of the Issuer, (iii) require the Issuer to prohibit the Plan Trustee from undertaking any Plan Trustee Purchases, and (iv) require the Issuer to prohibit the designated broker under the ARP from acquiring any Common Shares on behalf of the Issuer, in each case, during the conduct of the Program by RBC and RBC DS;

(g) each purchase made by or on behalf of RBC through the facilities of Canadian Markets pursuant to the Program shall be marked with such designation as would be required by the applicable marketplace and UMIR for a trade made by an agent on behalf the Issuer;

(h) at the time that the Program Agreement is entered into by the Issuer and RBC, the Common Shares must be "highly liquid securities", as that term is defined in section 1.1 of OSC Rule 48-501 and section 1.1 of UMIR;

(i) at the time that the Issuer and RBC enter into the Program Agreement, neither the Issuer, nor any member of the Equity Finance Canada group of RBC, nor any personnel of RBC that negotiated the Program Agreement or made, participated in the making of, or provided advice in connection with, the decision to enter into the Program Agreement and deliver the Common Shares, will be aware of any "material change" or "material fact" (each as defined in the Act) with respect to the Issuer or the Common Shares that has not been generally disclosed; and

(j) in addition to reporting its purchases of Common Shares under the Program to the TSX in accordance with the TSX Rules, immediately following the completion of the Program, the Issuer will: (i) report the total number of Common Shares acquired under the Program to the TSX and the Commission; and (ii) file a notice on SEDAR disclosing the number of Common Shares acquired under the Program and the aggregate dollar amount paid for such Common Shares.

DATED at Toronto, Ontario, this 16th day of February, 2016.

"Deborah Leckman"
Commissioner
Ontario Securities Commission

"Christopher Portner"
Commissioner
Ontario Securities Commission

2.2.8 Glenn Francis Dunbar

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

AND

**IN THE MATTER OF
GLENN FRANCIS DUNBAR**

ORDER

WHEREAS:

1. On January 25, 2016, Staff ("Staff") of the Ontario Securities Commission (the "Commission") filed a Statement of Allegations, in which Staff seeks an order against Glenn Francis Dunbar ("Dunbar"), pursuant to subsections 127(1) and 127(10) of the *Securities Act*;

2. On January 25, 2016, the Commission issued a Notice of Hearing in respect of that Statement of Allegations, setting February 22, 2016, as the date of the hearing;

3. On February 19, 2016, Staff filed an affidavit of service sworn by Lee Crann on February 19, 2016, describing steps taken by Staff to serve Dunbar with the Notice of Hearing, Statement of Allegations and Staff's disclosure materials;

4. At the hearing on February 22, 2016:

   a. Staff appeared before the Commission and made submissions;

   b. Dunbar did not appear or make submissions, although properly served; and

   c. Staff applied to continue this proceeding by way of a written hearing, in accordance with Rule 11.5 of the Commission's *Rules of Procedure* (2014), 37 OSCB 4168, and subsection 5.1(1) of the *Statutory Powers Procedure Act*, RSO 1990, c S.22; and

5. The Commission is of the opinion that it is in the public interest to make this order.

IT IS ORDERED THAT:

1. Staff's application to continue this proceeding by way of a written hearing is granted;

2. Staff's materials shall be served and filed no later than March 17, 2016;

3. Dunbar's responding materials, if any, shall be served and filed no later than April 14, 2016; and

4. Staff's reply materials, if applicable, shall be served and filed no later than April 28, 2016.

DATED at Toronto this 22nd day of February, 2016.

"Timothy Moseley"

2.3 Orders with Related Settlement Agreements

2.3.1 Liahona Mortgage Investment Corp. et al. – ss. 127, 127.1

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

AND

IN THE MATTER OF
LIAHONA MORTGAGE INVESTMENT CORP.,
LIAHONA ADMINISTRATION INC.,
AARON RUMLEY, ROBERT RUMLEY AND
ROBERT CHAGGARES

ORDER
(Sections 127 and 127.1 of the Securities Act)

WHEREAS:

1. on February 16, 2016, the Ontario Securities Commission (the "**Commission**") issued a Notice of Hearing (the "**Notice of Hearing**") in relation to a Statement of Allegations filed by Staff of the Commission ("**Staff**") (the "**Statement of Allegations**") on February 16, 2016, in respect of Liahona Mortgage Investment Corp., Liahona Administration Inc., Aaron Rumley, Robert Rumley and Robert Chaggares (collectively, the "**Respondents**");

2. the Notice of Hearing gave notice that on February 18, 2016, the Commission would hold a hearing to consider whether it is in the public interest to approve a settlement agreement between Staff and the Respondents dated February 12, 2016 (the "**Settlement Agreement**");

3. the Commission reviewed the Settlement Agreement, the Notice of Hearing and the Statement of Allegations, and heard submissions from counsel for the Respondents and counsel for Staff; and

4. the Commission is of the opinion that it is in the public interest to make this order;

IT IS ORDERED THAT:

1. the Settlement Agreement be approved;

2. pursuant to paragraph 6 of subsection 127(1) of the *Securities Act* (the "**Act**"), each of the Respondents be reprimanded;

3. pursuant to paragraph 9 of subsection 127(1) of the Act, the Respondents shall, jointly and severally, pay to the Commission an administrative penalty of $50,000, which is designated for allocation or for use by the Commission in accordance with subparagraphs (b)(i) or (ii) of subsection 3.4(2) of the Act; and

4. pursuant to section 127.1 of the Act, the Respondents shall, jointly and severally, pay costs in the amount of $45,000 to the Commission.

DATED at Toronto this 18th day of February, 2016.

"Timothy Moseley"

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

AND

IN THE MATTER OF
LIAHONA MORTGAGE INVESTMENT CORP.,
LIAHONA ADMINISTRATION INC.,
AARON RUMLEY, ROBERT RUMLEY AND
ROBERT CHAGGARES

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Ontario Securities Commission (the "**Commission**") will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act* (the "**Act**"), it is in the public interest for the Commission to approve this Settlement Agreement and to make certain orders in respect of Liahona Mortgage Investment Corp. ("**LMIC**"), Liahona Administration Inc. ("**LAI**"), Aaron Rumley, Robert Rumley and Robert Chaggares (collectively, the "**Respondents**").

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("**Staff**") agree to recommend settlement of the proceeding commenced against the Respondents by Notice of Hearing (the "**Proceeding**") according to the terms and conditions set out in Part V of this Settlement Agreement (this "**Settlement Agreement**"). The Respondents agree to the making of an order in the form attached as Schedule "A" to this Settlement Agreement, based on the facts set out below.

3. For the purposes of the Proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Respondents agree with the facts as set out in Part III and the conclusion in Part IV of this Settlement Agreement.

PART III – AGREED FACTS

A. OVERVIEW

4. Between December 30, 2007 and February 23, 2015 (the "**Material Time**"), the Respondents sold approximately $20 million worth of shares in LMIC, a mortgage investment entity, to 95 investors. The Respondents did so without registering with the Commission, without filing a prospectus with the Commission, and without obtaining a prospectus receipt to qualify the sales of their securities.

5. Through these actions, the Respondents breached the registration and prospectus requirements of the Act, as they engaged in the business of trading in LMIC securities when no registration exemption applied, and distributed LMIC shares to investors who did not qualify for prospectus-exempt distributions.

B. THE RESPONDENTS

6. LMIC was incorporated in Ontario on December 22, 2006 with a registered office in Barrie, Ontario. It is a mortgage investment entity, as such term is defined in the CSA Staff Notice 31-323 *Guidance Relating to the Registration Obligations of Mortgage Investment Entities*, and lends capital for first and second residential mortgages and commercial mortgages. All of these mortgages have underlying properties in Ontario.

7. LAI is a non-reporting issuer that was incorporated in Ontario on March 31, 2005 with a registered office in Barrie, Ontario. LAI conducts certain management and administration functions for LMIC, as specified below.

8. Robert Chaggares is the President of LMIC and LAI and a director of these entities. He is a Chartered Accountant, and is a partner at Chaggares & Bonhomme, Chartered Professional Accountants, an accounting practice. He is a resident of Queensville, Ontario.

9. Aaron Rumley is the Secretary of LMIC and LAI and a director of these entities. He is a Chartered Accountant, and is a partner at Rumley, Holmes LLP, an accounting practice. He is a resident of Barrie, Ontario.

10. Robert Rumley is a director of LMIC, and assists in the management of LMIC's mortgage investments and the distribution of the company's shares. He is a resident of Barrie, Ontario, and was formerly a partner at Rumley & Associates.

C. CONDUCT AT ISSUE

11. Robert Chaggares, Aaron Rumley and Robert Rumley (collectively, the "**Principals**") began operating LMIC as a mortgage investment entity in December 2006. They received mortgage proposals from licensed brokers and evaluated the proposals based on the location and marketability of the underlying properties, as well as the creditworthiness of the underlying borrowers. After completing their due diligence process, the Principals selected certain mortgages for funding, using LMIC as their investment vehicle.

12. In December 2007, the Principals began offering preferred shares in LMIC to a number of friends, family and clients of their accounting practices. They offered the shares at a price of $1 per share. In order to raise interest in LMIC, they actively solicited a number of prospective investors, discussing the benefits of LMIC during meetings with the prospects.

13. The Respondents also provided marketing materials to prospective investors that reviewed the characteristics of mortgage investment entities. These marketing materials included a pamphlet titled "An Introduction to Mortgage Investment Corporations" that disclosed the terms for purchase and redemption of LMIC shares, and the nature of the underlying assets of LMIC. Beginning in 2012, the Respondents executed formal subscription agreements with investors who purchased shares in LMIC.

14. The Principals used LAI to manage and administer LMIC. Through LAI, the Principals conducted underwriting and accounting functions for LMIC, including the due diligence review of mortgages for LMIC and the payment of dividends to LMIC's preferred shareholders. LAI also maintained the shareholder register and shareholder files. LMIC paid LAI an annual fee of 2.25% of the dollar value of the mortgages under its administration.

15. Through this conduct, the Respondents engaged in the business of trading in LMIC securities, but they failed to register with the Commission and failed to evaluate their investors' needs in the manner required of registrants. Although the Respondents were aware of certain investors' financial holdings, they did not adequately collect or consider "know-your-client" information from investors and did not examine investors' portfolios to ensure that investments in LMIC were suitable for them.

16. The Respondents never filed a preliminary prospectus or a prospectus with the Commission and did not obtain a prospectus receipt to qualify the sale of LMIC securities. The Respondents also did not file exempt distribution reports or pay any activity fees to the Commission within the periods mandated under the Act.

17. The Respondents ultimately sold preferred shares of LMIC having an aggregate value of $20,299,461 to 95 investors during the Material Time. The Respondents' sales to 12 of these investors were suitable and qualified for prospectus exemptions. Of the remaining sales:

    a. the Respondents sold investments to 47 investors that were unsuitable for them, as the investments comprised over 10 percent of each investor's net financial assets, and thus left the investor's portfolio over-concentrated in LMIC securities;

    b. the Respondents sold investments to 18 investors that were also unsuitable for the reason specified in subparagraph 17(a) and, in addition, did not qualify for any prospectus exemptions during the Material Time;

    c. the Respondents sold investments to 2 investors that did not qualify for prospectus exemptions during the Material Time and do not qualify for any prospectus exemption at present; and

    d. the Respondents sold investments to 16 investors that were redeemed during the Material Time.

18. LMIC presently has 77 investors and holds mortgage loans valued at approximately $19 million. These loans are secured by 84 first and second residential and commercial mortgages, with an average loan-to-value ratio of 72 percent. During the Material Period, the Respondents redeemed a total of $4,326,564 of investors' shares and paid dividends totalling $3,673,565 to investors.

D. COOPERATION WITH STAFF AND OTHER MITIGATING FACTORS

19. The Respondents have never been registered in any capacity with the Commission, and had no experience with securities registration requirements until the present matter. They were unaware that the distribution of mortgage

investment entity shares was regulated by the Act until November 2013, when they reviewed literature outlining registration requirements under the Act.

20. After the Respondents learned of their registration requirements, they engaged a compliance consulting firm to review their activities and determine the steps necessary to apply for registration as an exempt market dealer. The Respondents subsequently applied to register Liahona Capital Inc. with the Commission as an exempt market dealer, and voluntarily reported the conduct described in paragraphs 11 through 17 above to Staff.

21. In consultation with Staff, the Respondents took the following steps to mitigate the effects of their conduct:

    a. The Respondents voluntarily ceased trading shares in LMIC pending the resolution of this matter.

    b. The Respondents provided comprehensive information to Staff to help identify LMIC investors whose investments posed suitability concerns and prospectus exemption concerns.

    c. The Respondents agreed to redeem the shares of 2 investors identified by Staff who did not qualify for any prospectus exemptions (the "**Non-Exempt Investors**"), and agreed to assess 65 other investors in LMIC whose investments posed suitability and prospectus exemption concerns for Staff (the "**Identified Investors**").

    d. The Respondents engaged an exempt market dealer (the "**EMD**") to conduct the assessment of the Identified Investors, and offered to redeem all LMIC shares from the Identified Investors who did not qualify for a prospectus exemption or for whom the LMIC investment was unsuitable. As part of their engagement, the EMD undertook the following process:

        i. The EMD conducted "know-your-client" and suitability analyses of the Identified Investors in accordance with sections 13.2 and 13.3 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("**NI 31-103**").

        ii. The EMD concluded that the purchase of LMIC shares was unsuitable for all 65 of the Identified Investors. In all cases, the EMD determined this was due to the investors' concentration of more than 10 percent of their net financial assets in their LMIC investments.

        iii. The EMD met with all of the Identified Investors and advised each of them of the reasons for its conclusion that their LMIC investments were unsuitable. The EMD also advised each investor that the Respondents were prepared to redeem their investments. In all cases, the Identified Investors acknowledged the unsuitability of their LMIC investments, but declined to redeem their preferred shares. All of the investors signed acknowledgements indicating that:

            1. they had a meaningful discussion with the EMD about the unsuitability of their LMIC investments;

            2. they had been specifically advised of the reasons for the EMD's conclusions regarding the unsuitability of their LMIC investments; and

            3. they instructed the EMD that they wished to retain their LMIC investments, in accordance with subsection 13.3(2) of NI 31-103.

        iv. The EMD also concluded that 18 of the Identified Investors did not qualify for prospectus exemptions during the Material Time. However, the EMD found that these investors currently qualified for exemptions due to the family, friends, and business associate exemption in National Instrument 45-106 *Prospectus Exemptions* (the "**FFBA Exemption**") that became effective in Ontario on May 5, 2015.

        v. After consultations with Staff, the Respondents qualified these 18 investors to retain their LMIC investments by having them complete the Risk Acknowledgement Form for Family, Friends and Business Associate Investors pursuant to the requirements of the FFBA Exemption.

    e. The Respondents filed reports on exempt distributions for trades made during the Material Time, and paid the required Commission activity and late fees of $30,200 for their exempt distributions.

    f. The Respondents redeemed the shares of the two Non-Exempt Investors.

22. At all times, the Respondents cooperated fully with Staff and provided requested information about LMIC's shareholders and distributions.

23. Staff have found no evidence of any dishonest or deceptive conduct by the Respondents.

PART IV – CONTRAVENTIONS OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

24. By engaging in the conduct described in paragraphs 11 through 17 above, the Respondents admit and acknowledge that they have breached Ontario securities law and engaged in conduct contrary to the public interest. In particular:

    a. The Respondents traded and engaged in, or held themselves out as engaging in, the business of trading in securities without being registered to do so, and where no registration exemption was available, contrary to subsection 25(1) of the Act;

    b. The Respondents distributed securities where no preliminary prospectus or prospectus was issued or receipted under the Act, and where no prospectus exemption was available, contrary to section 53 of the Act;

    c. The Respondents failed to file required exempt distribution reports within the period mandated by National Instrument 45-106 – *Prospectus Exemptions*;

    d. The Respondents failed to pay required activity fees within the period mandated by Rule 13-502; and

    e. The Principals, as directors and officers of the corporate Respondents, authorized, permitted or acquiesced in the breaches set out above, and, in so doing, are deemed to have not complied with Ontario securities laws, pursuant to section 129.2 of the Act.

PART V – TERMS OF SETTLEMENT

25. The Respondents agree to the order in the form attached as Schedule "A" to this Settlement Agreement, to be made by the Commission pursuant to subsection 127(1) and section 127.1 of the Act, the terms of which include that:

    a. the Settlement Agreement be approved;

    b. pursuant to paragraph 6 of subsection 127(1) of the Act, each of the Respondents be reprimanded;

    c. pursuant to paragraph 9 of subsection 127(1) of the Act, the Respondents shall, jointly and severally, pay to the Commission an administrative penalty of $50,000, which is designated for allocation or for use by the Commission in accordance with subparagraphs (b)(i) or (ii) of subsection 3.4(2) of the Act; and

    d. pursuant to section 127.1 of the Act, the Respondents shall, jointly and severally, pay costs in the amount of $45,000 to the Commission.

26. The Respondents agree to attend in person or by phone at the hearing before the Commission to consider this Settlement Agreement.

27. The Respondents agree to make the payments specified in subparagraphs 25 (c) and (d) by certified cheque prior to the issuance of any Commission order approving this Settlement Agreement.

28. The voluntary cease trade in respect of LMIC securities shall terminate on the date of the Commission's order approving this Settlement Agreement, and any subsequent trades of securities of LMIC will be made through or to a dealer registered under the Act in a category that permits such trade, or by the Respondents directly only if and when registered to conduct such trades.

29. The Respondents acknowledge that failure to pay in full any monetary sanctions and/or costs ordered will result in the Respondents' names being added to the list of "Respondents Delinquent in Payment of Commission Orders" published on the Commission website.

30. The Respondents acknowledge that this Settlement Agreement and proposed Order may form the basis for parallel orders in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions may allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to the Respondents. The Respondents agree to contact the securities regulator of any other jurisdiction in which they may intend to engage in any securities-related activities, prior to undertaking such activities.

PART VI – STAFF COMMITMENT

31. If the Commission approves this Settlement Agreement, Staff will not commence or continue any proceeding against the Respondents under Ontario securities law in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 32 below.

32. If the Commission approves this Settlement Agreement and the Respondents fail to comply with any of the terms of this Settlement Agreement, Staff may bring proceedings under Ontario securities law against the Respondents. These proceedings may be based on, but will not be limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of this Settlement Agreement. The Respondents agree that they will waive any defences to proceedings referenced in this paragraph that are based on the limitations period available under the Act.

PART VII – PROCEDURE FOR APPROVAL OF SETTLEMENT

33. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission to be conducted according to the procedures set out in this Settlement Agreement and the Commission's Rules of Procedure.

34. This Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on the Respondents' conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.

35. If the Commission approves this Settlement Agreement, the Respondents irrevocably waive all right to a full hearing, judicial review or appeal of this matter under the Act.

36. If the Commission approves this Settlement Agreement, neither Staff nor the Respondents will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.

37. Whether or not the Commission approves this Settlement Agreement, the Respondents will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

38. If the Commission does not approve this Settlement Agreement or does not make an order in the form attached as Schedule "A" to this Settlement Agreement:

    a. This Settlement Agreement and all discussions and negotiations between Staff and the Respondents before the settlement hearing takes place will be without prejudice to Staff and the Respondents; and

    b. Staff and the Respondents will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations contained in the Statement of Allegations of Staff in this matter. Any such proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.

39. Both Staff and the Respondents will keep the terms of this Settlement Agreement confidential until the Commission approves this Settlement Agreement. Any obligations of confidentiality shall terminate upon the commencement of the public settlement hearing. If, for whatever reason, the Commission does not approve this Settlement Agreement, the terms of this Settlement Agreement shall remain confidential indefinitely, unless Staff and the Respondents otherwise agree or except as may be required by law.

PART IX – EXECUTION OF SETTLEMENT AGREEMENT

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

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

Dated as of this 12th day of February, 2016.

"Robert Chaggares"
Robert Chaggares

"Jill McKee"
[Name]
Witness

Dated as of this 12th day of February, 2016.

"Aaron Rumley"
Aaron Rumley

"Patricia Shank"
[Name]
Witness

Dated as of this 12th day of February, 2016.

"Robert Rumley"
Robert Rumley

"Patricia Shank"
[Name]
Witness

Dated as of this 12th day of February, 2016.

"Aaron Rumley"
[Name]
For Liahona Mortgage Investment Corp.
and Liahona Administration Inc.

"Patricia Shank"
[Name]
Witness

Dated as of this 12th day of February, 2016.

"Tom Atkinson"
Tom Atkinson
Director, Enforcement Branch

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

AND

IN THE MATTER OF
LIAHONA MORTGAGE INVESTMENT CORP.,
LIAHONA ADMINISTRATION INC.,
AARON RUMLEY, ROBERT RUMLEY AND
ROBERT CHAGGARES

ORDER
(Sections 127 and 127.1 of the Securities Act)

WHEREAS:

1 on February __, 2016, the Ontario Securities Commission (the "**Commission**") issued a Notice of Hearing (the "**Notice of Hearing**") in relation to a Statement of Allegations filed by Staff of the Commission ("**Staff**") (the "**Statement of Allegations**") on February __, 2016, in respect of Liahona Mortgage Investment Corp., Liahona Administration Inc., Aaron Rumley, Robert Rumley and Robert Chaggares (collectively, the "**Respondents**");

2. the Notice of Hearing gave notice that on February ___, 2016, the Commission would hold a hearing to consider whether it is in the public interest to approve a settlement agreement between Staff and the Respondents dated February ___, 2016 (the "**Settlement Agreement**");

3. the Commission reviewed the Settlement Agreement, the Notice of Hearing and the Statement of Allegations, and heard submissions from counsel for the Respondents and counsel for Staff; and

4. the Commission is of the opinion that it is in the public interest to make this order;

IT IS ORDERED THAT:

1. the Settlement Agreement be approved;

2. pursuant to paragraph 6 of subsection 127(1) of the Securities Act (the "Act"), each of the Respondents be reprimanded;

3. pursuant to paragraph 9 of subsection 127(1) of the Act, the Respondents shall, jointly and severally, pay to the Commission an administrative penalty of $50,000, which is designated for allocation or for use by the Commission in accordance with subparagraphs (b)(i) or (ii) of subsection 3.4(2) of the Act; and

4. pursuant to section 127.1 of the Act, the Respondents shall, jointly and severally, pay costs in the amount of $45,000 to the Commission.

DATED at Toronto this ____ day of February, 2016.

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions

3.1.1 CI Investments Inc.

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

AND

IN THE MATTER OF
CI INVESTMENTS INC.

ORAL RULING AND REASONS

Hearing:	February 10, 2016		
Oral Ruling:	February 10, 2016		
Panel:	Christopher Portner	–	Commissioner and Chair of the Panel
	D. Grant Vingoe	–	Vice-Chair
	AnneMarie Ryan	–	Commissioner
Appearances:	Pamela Foy	–	For Staff of the Commission
	Sheila A. Murray Jessica Kimmel Matthew Scott	–	For CI Investments Inc.

ORAL RULING AND REASONS

The following ruling and reasons have been prepared for the purpose of publication in the Ontario Securities Commission Bulletin and are based on portions of the transcript of the hearing. The excerpts from the transcript have been edited and supplemented and the text has been approved by the Chair of the Panel for the purpose of providing a public record of the oral ruling and reasons.

Chair of the Panel:

[1] CI Investments Inc. ("**CII**") is registered with the Ontario Securities Commission (the "**Commission**") in a number of categories, including as an Investment Fund Manager and Portfolio Manager. In June 2015, CII self-reported to Staff of the Commission ("**Staff**") the alleged understatement of the net asset value ("**NAV**") of certain of its mutual funds for a period of over five years. The alleged understatement arose from unrecorded interest in the approximate aggregate amount of $156.1 million (the "**Interest**") that had accumulated between December 2009 and June 2015 in bank accounts set up by seven of CII's mutual funds (the "**Forward Funds**"). Although the Interest was accrued, it was not recorded as an asset in the accounts of the respective Forward Funds and not included in the calculation of their respective NAVs. As a result, the NAV of each Forward Fund, and any fund that invested in the Forward Funds (the "**Affected Funds**"), was understated for several years and unitholders bought and redeemed units at an understated value.

[2] In its Statement of Allegations dated February 5, 2016, Staff has alleged, among other things, that CII's failure to ensure that the Interest was recorded and included in the NAV calculation of the Forward Funds resulted from inadequacies in CII's system of controls and supervision (the "**Forward Fund Control and Supervision Inadequacy**") and that such failure constituted a breach of section 11.1 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

[3] Staff and CII have agreed to enter into the settlement agreement dated February 5, 2016 (the "**Settlement Agreement**") which is before us today pursuant to which CII neither admits nor denies the accuracy of the facts or conclusions of Staff which Staff has summarized in the Settlement Agreement.

[4] The Panel must determine whether it would be in the public interest to approve the Settlement Agreement which is intended to resolve and dispose of the current proceeding. In doing so, the Panel must take into account the mandate of the Commission set out in section 1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**"), which is to protect investors from unfair, improper or fraudulent practices and foster fair and efficient capital markets and confidence in those markets.

[5] In determining whether it would be in the public interest to approve the Settlement Agreement, the Panel held a confidential settlement conference with Staff and CII for the purpose of better understanding CII's system of controls and supervision in the context of Staff's allegations and Staff's assertion in the Settlement Agreement that CII has implemented changes to its systems of internal controls and supervision to address the Forward Fund Control and Supervision Inadequacy. The Panel also considered the four settlement agreements in which the respondents did not make any admissions respecting facts or that they contravened Ontario securities law or acted contrary to the public interest which Staff has previously recommended to the Commission for approval pursuant to OSC Staff Notice 15-702 – *Revised Credit for Cooperation Program*, (2014) 37 O.S.C.B. 2583.

[6] Having considered the terms of the Settlement Agreement and the submissions of the parties, the Panel takes note, in particular, of the following:

(a) CII provided prompt, detailed and candid co-operation to Staff during Staff's investigation of the alleged Forward Fund Control and Supervision Inadequacy, and to the Panel during the confidential settlement conference with Staff and CII;

(b) Although Staff has alleged that there had been previous opportunities for the identification of the Forward Fund Control and Supervision Inadequacy and the existence of the Interest, once appropriately elevated within the organization, CII promptly self-reported the matter to Staff;

(c) The Interest has, at all times, remained in bank accounts established for the Forward Funds and has never been co-mingled with assets of CII;

(d) When self-reporting to Staff, CII indicated its intention, to the extent possible, to put former and current investors in the Affected Funds who purchased units prior to May 31, 2015 back into the economic position they would have been in if the matter had not occurred;

(e) Pursuant to the Settlement Agreement, CII will pay an amount equal to the Interest without the deduction of any management and administrative fees, and other compensation, to the Affected Investors, in accordance with a plan submitted by CII to Staff and reviewed by the Panel (the "**Compensation Plan**");

(f) CII has also agreed to make a voluntary payment to the Commission in the amount of $8,000,000 to advance the Commission's mandate of protecting investors and fostering fair and efficient capital markets and has also agreed to pay Staff's costs in the amount of $50,000;

(g) The Affected Investors who redeemed their units prior to February 29, 2016 will receive an amount in respect of the time value of money that they will be receiving calculated at a simple rate of interest of 3% per annum;

(h) The Compensation Plan sets out the details of the steps that CII will undertake to locate Affected Investors and address Affected Investor inquiries through an escalation process;

(i) Staff is not aware of any other instance of a Forward Fund Control and Supervision Inadequacy and CII has developed and, on its own initiative, is implementing procedures and controls as well as supervisory and monitoring systems designed to enhance CII's control and supervision procedures; and

(j) Staff does not allege and has found no evidence of dishonest or intentional misconduct by CII.

[7] Although the Compensation Plan has not been filed by the parties with the Settlement Agreement, the Panel is satisfied that the Settlement Agreement, which governs in the event of any conflict with the Compensation Plan, sets out the relevant terms of the settlement. There may be circumstances in the future that would warrant the inclusion of any compensation plan with the settlement agreement submitted to the Commission for approval, however, we do not consider it essential in this matter.

[8] For the foregoing reasons, we have concluded that it would be in the public interest for us to approve the Settlement Agreement which we will do by issuing the order in the form attached to the Settlement Agreement filed by the parties.

Approved by the Chair of the Panel on the 22nd day of February, 2016.

"Christopher Portner"

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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

THERE IS NOTHING TO REPORT THIS WEEK.

Failure to File Cease Trade Orders

Company Name	Date of Order	Date of Revocation
Danier Leather Inc.	17 February 2016	

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
Cerro Grande Mining Corporation	4 February 2016	17 February 2016	17 February 2016		
West Red Lake Gold Mines Ltd.	24 December 2015	6 January 2016	6 January 2016	19 February 2016	

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
Boomerang Oil, Inc.	29 January 2016	10 February 2016	10 February 2016		
Cerro Grande Mining Corporation	4 February 2016	17 February 2016	17 February 2016		
Enerdynamic Hybrid Technologies Corp.	4 November 2015	16 November 2015	16 November 2015		
Enerdynamic Hybrid Technologies Corp.	22 October 2015	4 November 2015	4 November 2015		
Enerdynamic Hybrid Technologies Corp.	15 October 2015	28 October 2015	28 October 2015		
Starrex International Ltd.	30 December 2015	11 January 2016	11 January 2016		
Tango Mining Limited	7 January 2016	20 January 2016	20 January 2016		
West Red Lake Gold Mines Inc.	24 December 2015	6 January 2016	6 January 2016	19 February 2016	

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5.1.1 CSA Notice of Amendments to Early Warning System – Amendments to MI 62-104 Take-Over Bids and Issuer Bids, NI 62-103 The Early Warning System and Related Take-Over Bid and Insider Reporting Issues, and Changes to NP 62-203 Take-Over Bids and Issuer Bids

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Notice of Amendments to Early Warning System

Amendments to Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids* and National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* and Changes to National Policy 62-203 *Take-Over Bids and Issuer Bids*

February 25, 2016

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are adopting amendments and making changes, as applicable, to certain provisions forming part of the early warning system in the following:

- Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids* (**MI 62-104**),
- National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* (**NI 62-103**), and
- National Policy 62-203 *Take-Over Bids and Issuer Bids* (**NP 62-203**) (collectively, the **Amendments**).

We are publishing the text of the Amendments concurrently with this notice.

Currently, the regime governing early warning reporting is contained within MI 62-104, NI 62-103 and NP 62-203 in all jurisdictions of Canada, except Ontario. In Ontario, substantively harmonized requirements for early warning reporting are set out in Part XX of the *Securities Act* (Ontario) (the **Ontario Act**), Ontario Securities Commission Rule 62-504 *Take-Over Bids and Issuer Bids* (the **Ontario Rule**), as well as NI 62-103.

In Ontario, legislative amendments were made to the Ontario Act to accommodate the adoption of MI 62-104 in Ontario, as amended by the Amendments and the Bid Amendments (as defined below), such amended instrument, **NI 62-104**. These legislative amendments will come into effect upon proclamation by the Lieutenant Governor of Ontario. The repeal of the Ontario Rule and the related consequential amendments and changes necessary to facilitate the adoption of NI 62-104 in Ontario are referred to as the **Harmonization**.

In addition, we are also concurrently adopting amendments and changes to the regime governing the conduct of take-over bids (collectively, the **Bid Amendments**), which amendments and changes are set out in the CSA Notice of Amendments to Take-Over Bid Regime dated February 25, 2016 (the **Bid Amendments Notice**).

In some jurisdictions, Ministerial approval is required for these amendments and changes. Except in Ontario, provided all necessary approvals are obtained, the Amendments and Bid Amendments will come into force on May 9, 2016. In Ontario, NI 62-104, and amendments and changes related to the Harmonization will come into force on the later of (a) May 9, 2016, and (b)

the day on which certain sections of Schedule 18 of the *Budget Measures Act, 2015* (Ontario) are proclaimed into force. Please refer to Annex N to the version of the Bid Amendments Notice published in Ontario for more information.

Substance and Purpose

The Amendments will provide greater transparency about significant holdings of reporting issuers' securities under the early warning system. They are intended to enhance the quality and integrity of the early warning system in a manner that is suitable for the Canadian public capital markets.

The Amendments will:

- require disclosure of decreases in ownership, control or direction of 2% or more;
- require disclosure when a securityholder's ownership, control or direction falls below the early warning reporting threshold;
- exempt lenders from including securities lent or transferred for the purposes of determining the early warning reporting threshold trigger if they lend securities pursuant to a specified securities lending arrangement;
- exempt borrowers under securities lending arrangements from including securities borrowed for the purposes of determining the early warning reporting threshold trigger in certain circumstances;
- make the alternative monthly reporting (**AMR**) system unavailable to eligible institutional investors (**EII**s) who solicit proxies from securityholders in certain circumstances;
- require disclosure in the early warning report of an interest in a related financial instrument, a securities lending arrangement and other agreement, arrangement or understanding in respect of a security of the class of securities for which disclosure is required;
- enhance the disclosure in the early warning report by requiring more detailed information regarding the intentions of the acquiror and the purpose of the transaction;
- require the early warning report to be certified and signed;
- clarify the timeframe to issue and file a news release and an early warning report; and
- further streamline the information required in a news release filed in connection with the early warning reporting requirements.

The Amendments will also clarify the current application of early warning reporting requirements to certain derivative arrangements and to securities lending arrangements.

Background

On March 13, 2013, the CSA published for comment proposed changes to the early warning system in Canada by publishing proposed amendments and changes to MI 62-104, NI 62-103 and NP 62-203 (the **Proposed Amendments**).

The purpose of the Proposed Amendments was to address concerns raised by a number of market participants regarding the level of transparency of significant holdings of reporting issuers' securities. In particular, the Proposed Amendments responded to concerns that the reporting threshold of 10% was too high and that disclosure in early warning reports filed in Canada was inadequate.

The Proposed Amendments contemplated a lower early warning reporting threshold of 5%, disclosure of decreases in ownership of 2% or more, disclosure if a securityholder's ownership percentage fell below the reporting threshold and enhanced disclosure in early warning news releases and reports. We also proposed changes in relation to the disclosure of certain hidden ownership[1] and empty voting[2] arrangements. Furthermore, we proposed that EIIs that solicit proxies on matters relating to the election of directors or certain corporate actions involving an issuer's securities be disqualified from the AMR system.

[1] This refers to the strategy by which an investor can accumulate a substantial economic position in an issuer without public disclosure and then potentially convert such position into voting securities in time to exercise a vote.

[2] This refers to the situation by which an investor, through derivatives or securities lending arrangements, holds voting rights in an issuer and can possibly influence the outcome of a shareholder vote, although the investor may not have an equivalent economic stake in the issuer.

Summary of Written Comments Received by the CSA

During the comment period, the CSA received 71 comment letters from various market participants. We have considered the comments received and thank all of the commenters for their input.

The names of commenters are contained in Annex A of this notice and a summary of their comments, together with our responses, are contained in Annex B of this notice.

Summary of Changes since Publication for Comment

On October 10, 2014, we published an update on the Proposed Amendments in CSA Notice 62-307 *Update on Proposed Amendments to Multilateral Instrument 62-104 Take-Over Bids and Issuer Bids, National Instrument 62-103 The Early Warning System and Related Take-Over Bid and Insider Reporting Issues and National Policy 62-203 Take-Over Bids and Issuer Bids*. As indicated in that notice, after considering the comments received and following further reflection and analysis, the CSA have determined not to proceed with certain of the Proposed Amendments. We have also made revisions to certain of the Proposed Amendments.

As these changes are not material, we are not republishing the Amendments for a further comment period.

The following is a summary of the key changes that were made to the Proposed Amendments.

(a) Reporting Threshold

We originally proposed to reduce the early warning reporting threshold from 10% to 5%. We considered this lower reporting threshold to be appropriate because information regarding the accumulation of significant blocks of securities can be relevant for a number of reasons in addition to signaling a potential take-over bid for the issuer.

However, a majority of commenters raised various concerns about potential unintended consequences of reducing the early warning reporting threshold from 10% to 5% in light of the unique features of the Canadian public capital markets, including the large number of smaller issuers as well as limited liquidity. These commenters noted the potential risks of reducing access to capital for smaller issuers, hindering investors' ability to rapidly accumulate or reduce large ownership positions in the normal course of their investment activities, decreased market liquidity, and increased compliance costs. Taking into account these concerns, we have concluded that it is not appropriate at this time to proceed with this proposal. We are of the view that the intended benefits of the enhanced transparency are outweighed by the potential negative impacts of implementing the lower reporting threshold.

A number of commenters also suggested that the lower reporting threshold should not apply to certain issuers or certain investors. As a result, the CSA explored alternatives for creating a reduced early warning reporting threshold for only a sub-group of issuers or investors. In considering the policy rationale for the early warning system, the complexity of applying a lower threshold to only certain issuers or investors and the associated compliance burden, we concluded that the reporting threshold should remain at 10% for all issuers and investors.

(b) AMR Regime

We originally proposed to make the AMR regime unavailable for an EII who solicits, or intends to solicit, proxies from securityholders of a reporting issuer on matters relating to the election of directors or a reorganization, amalgamation, merger, arrangement or similar corporate action involving the securities of the reporting issuer. We considered that an EII actively engaging with the securityholders of a reporting issuer on such matters should not be eligible to use the AMR regime.

A number of commenters requested that we clarify the scope of the new disqualification criteria. In response, we have specified in the Amendments that the term "solicit" has the same meaning as defined in National Instrument 51-102 *Continuous Disclosure Obligations*. That definition identifies certain activities as constituting "solicitation" activities but also specifically excludes other activities from the scope of the definition, including, subject to conditions, a public announcement of how a securityholder intends to vote and communications to other securityholders concerning the business and affairs of the issuer where no form of proxy is sent. We have also removed the concept of "intends to solicit" to avoid uncertainty as to the application of the disqualification criteria.

We have further revised the Proposed Amendments to more specifically state that the AMR regime is unavailable for an EII who solicits proxies from securityholders so as to contest director elections or a reorganization, amalgamation, merger, arrangement or similar corporate actions involving the securities of the reporting issuer. The disqualification criteria in the original proposal more generally encompassed solicitations "in relation to" director elections and those types of corporate actions. As a result of the Amendments, in a board-related contest, if the EII solicits proxies in support of a director nominee other than the persons proposed by management, then the AMR regime is unavailable for that EII. Similarly, in a transaction-related contest, if the EII is

soliciting proxies in support of a corporate action not supported by management or in opposition to a corporate action recommended by management, the AMR regime will be unavailable for that EII.

(c) Derivatives

We originally proposed to include "equity equivalent derivatives" for the purposes of determining whether an early warning reporting obligation is triggered. The "equity equivalent derivative" concept would have captured derivatives that substantially replicate the economic consequences of ownership. We believed that it was appropriate to change the scope of the early warning system in this way to ensure proper transparency of securities ownership interests in light of the increased use of derivatives by investors.

However, a number of commenters submitted that there is no clear evidence to suggest that derivatives are used in Canada as a means to accumulate substantial economic positions in issuers without public disclosure to exert influence over the issuers or voting outcomes. Instead, these commenters contended that investors use derivatives for risk management purposes or as part of a trading strategy. Some commenters also expressed concern that the inclusion of "equity equivalent derivatives" within the early warning threshold calculation would create a significant compliance burden. The commenters cautioned that this change may render the early warning threshold calculation unduly complex and onerous for investors and, moreover, would not provide relevant information to the market.

In light of the CSA's consideration of these concerns, we have concluded that it is not appropriate at this time to proceed with this proposal. Instead, we have provided new guidance regarding certain derivative arrangements that may be captured under the early warning system.

Specifically, we have added guidance in NP 62-203 regarding the circumstances under which an investor may have to include in the early warning threshold calculation an equity swap or similar derivative arrangement. This could occur when the investor has the ability, formally or informally, to obtain the voting or equity securities or to direct the voting of voting securities held by any counterparties to the transaction.

(d) Securities Lending

The Amendments provide an exemption for lenders from the early warning reporting trigger for securities transferred or lent pursuant to a "specified securities lending arrangement".

We did not, however, originally propose an exemption for persons that borrow securities under a securities lending arrangement. We believed that securities borrowing could give rise to "empty voting" situations and that it was appropriate to include such positions within the early warning calculation when determining if the disclosure requirements are triggered.

A number of commenters suggested that an exemption from including borrowed securities for the purposes of determining the early warning reporting threshold trigger should be available for borrowers in the context of short selling. We acknowledge that generally persons borrowing securities in the ordinary course of short selling activities are doing so for commercial or investment purposes and not with a view of influencing voting or intending to vote the borrowed securities and, as such, these short selling activities ought to not give rise to empty voting concerns. Therefore, we have introduced a new exemption for borrowers from the early warning reporting threshold trigger. The exemption is subject to certain conditions, including that the borrowed securities are disposed of by the borrower within 3 business days and that the borrower does not intend to vote and does not vote the securities. We have also provided guidance to clarify the application of this new exemption.

We have not changed the Proposed Amendments to remove the carve-out from disclosure of lending arrangements in early warning reports. As a result, securities lending arrangements in effect at the time of a reportable transaction must be disclosed in the report even if the triggering transaction did not involve a securities lending arrangement.

(e) Enhanced Disclosure

The Amendments require detailed disclosure in the early warning report in relation to the class of securities in respect of which the report is required to be filed. The Amendments also require disclosure about the material terms of related financial instruments, any securities lending arrangement and other agreements, arrangements or understandings involving the securities. We have clarified that disclosure of the material terms of such agreements, arrangements or understandings are not intended to capture proprietary or commercially-sensitive information as such information is not relevant to the ownership of, control or direction over, voting or equity securities. We believe that the enhanced scope of the disclosure requirements will result in more comprehensive disclosure about the acquiror's economic and voting interests in the class of securities of the reporting issuer for which the report is filed and address the transparency concerns associated with these types of agreements, arrangements and understandings.

(f) Other Changes

The Amendments clarify that an early warning news release must be issued and filed no later than the opening of trading on the next business day (rather than simply "promptly"). In addition, the Amendments provide for further streamlining of the news release content by permitting the news release to make reference to the early warning report for specified further details. This change is intended to reduce the compliance burden for investors.

We originally proposed to repeal the accelerated early warning reporting provisions during a take-over bid which require disclosure of acquisitions by a party other than the offeror at the 5% level. Since we are not reducing the early warning reporting threshold from 10% to 5%, we are retaining this requirement.

Local Matters

Annex F 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.

Contents of Annexes

The following annexes form part of this notice:

Annex A – Names of Commenters

Annex B – Summary of Comments and CSA Responses

Annex C – Amendments to MI 62-104

Annex D – Changes to NP 62-203

Annex E – Amendments to NI 62-103

Annex F – Local Matters

Questions

Please refer your questions to any of the following:

Ontario Securities Commission

Naizam Kanji
Director
Office of Mergers & Acquisitions
Ontario Securities Commission
(416) 593-8060
nkanji@osc.gov.on.ca

Jason Koskela
Senior Legal Counsel
Office of Mergers & Acquisitions
Ontario Securities Commission
(416) 595-8922
jkoskela@osc.gov.on.ca

Adeline Lee
Legal Counsel
Office of Mergers & Acquisitions
Ontario Securities Commission
(416) 595-8945
alee@osc.gov.on.ca

Autorité des marchés financiers

Michel Bourque
Senior Policy Adviser
Autorité des marchés financiers
(514) 395-0337, ext. 4466
Toll free: 1 (877) 525-0037
michel.bourque@lautorite.qc.ca

Diana D'Amata
Senior Policy Adviser
Autorité des marchés financiers
(514) 395-0337, ext. 4386
Toll free: 1 (877) 525-0037
diana.damata@lautorite.qc.ca

Livia Alionte
Analyst, Continuous Disclosure
Autorité des marchés financiers
(514) 395-0337, ext. 4336
Toll free: 1 (877) 525-0037
livia.alionte@lautorite.qc.ca

British Columbia Securities Commission

Gordon Smith
Acting Manager, Legal Services
British Columbia Securities Commission
(604) 899-6656
Toll free across Canada: 1 (800) 373-6393
gsmith@bcsc.bc.ca

Alberta Securities Commission

Lanion Beck
Senior Legal Counsel
Corporate Finance
Alberta Securities Commission
(403) 355-3884
lanion.beck@asc.ca

Tracy Clark
Senior Legal Counsel
Corporate Finance
Alberta Securities Commission
(403) 355-4424
tracy.clark@asc.ca

Financial and Consumer Affairs Authority of Saskatchewan

Sonne Udemgba
Deputy Director, Legal, Securities Division
Financial and Consumer Affairs Authority of Saskatchewan
(306) 787-5879
sonne.udemgba@gov.sk.ca

Manitoba Securities Commission

Chris Besko
Director, General Counsel
Manitoba Securities Commission
(204) 945-2561
chris.besko@gov.mb.ca

ANNEX A

NAMES OF COMMENTERS

Addenda Capital Inc.
AGF Investments Inc.
Agrium Inc.
Aimia Inc.
Alberta Investment Management Corporation (AIMCo)
Baytex Energy Corp.
BC Investment Management Corporation (bcIMC)
BluMont Capital Corporation
Bombardier Inc.
Borden Ladner Gervais LLP
Boughton Law
Bridgehouse Asset Managers
Cadman Resources Inc.
Caisse de dépôt et placement du Québec
Cameco Corporation
Canadian Bankers Association
Canadian Coalition for Good Governance (CCGG)
Canadian Investor Relations Institute (CIRI)
Canadian Oil Sands Limited
Canadian Securities Lending Association (CASLA)
Carlisle Goldfields Limited
CI Investments
CIBC
CNSX Markets Inc.
Colossus Minerals Inc.
Council of Institutional Investors (CII)
Crescent Point Energy Corp
Dentons Canada LLP
Fasken Martineau DuMoulin LLP
Fiore Management & Advisory Corp.
Fonds de solidarité FTQ
Grand Peak Capital Corp.
Grenville Gold Corp.
Independent Accountants' Investment Counsel Inc. (IAIC)
Investment Funds Institute of Canada (IFIC)
Investment Industry Association of Canada (IIAC)
Innovative Properties Inc.
Institute of Corporate Directors
International Swaps and Derivatives Association, Inc. (ISDA)
Invesco Canada Ltd.
Lucky Minerals Inc.
Mackie Research Capital Corporation
Managed Funds Association (MFA) and Alternative Investment Management Association Limited (AIMA)
McCarthy Tétrault LLP
Mercator Minerals Ltd.
Metro Inc.
Noranda Income Fund
Nordion Inc.
Norton Rose Fulbright Canada LLP
Ontario Teachers' Pension Plan (Teachers')
Osler, Hoskin & Harcourt LLP
Pension Investment Association of Canada (PIAC)
Periscope Capital Inc.
Phoenix Strategies
Portfolio Management Association of Canada (PMAC)
Prospectors & Developers Association of Canada (PDAC)
PSP Investments
RBC Global Asset Management
Rainy River Resources Ltd.

Rene Sorell
Scavo Resource Corp.
Smoothwater Capital Corporation
SNC Lavalin Group Inc.
Stikeman Elliott LLP
Telus Corporation
The Canadian Advocacy Council for Canadian CFA Institute Societies
The Churchill Corporation
The Descartes Systems Group Inc.
TMX Group Limited
Veresen Inc.

ANNEX B

SUMMARY OF COMMENTS AND CSA RESPONSES

The CSA received 71 comment letters in response to the Proposed Amendments to the early warning system that were published for comment on March 13, 2013 (the "**2013 CSA Notice**"). This Summary of Comments and CSA Responses (the "**Summary**") is structured to reflect the fact that commenters provided general comments on the Proposed Amendments and/or responses to the specific questions in the 2013 CSA Notice. General comments on the Proposed Amendments are summarized in "Part A – General Comments". Comments in response to the specific questions in the 2013 CSA Notice are summarized in "Part B – Specific Questions". In some cases, the substance of the comments in "Part A – General Comments" and "Part B – Specific Questions" overlap with each other. In those instances, we have provided a cross-reference to the related group of comments.

Subject	Summarized Comments	CSA Responses
Part A – General Comments		
(1) General Comments on Proposed Amendments		
Support for the Proposed Amendments	Thirty-three commenters generally supported the Proposed Amendments to enhance market transparency.	We acknowledge these comments of general support for the Proposed Amendments. The CSA have revised certain elements of the proposals and, while the Amendments are not as extensive as the Proposed Amendments, we consider that the Amendments will enhance the quality and integrity of the early warning reporting regime in a manner that is appropriate for the Canadian public capital markets.
Opposition to the Proposed Amendments	Seventeen commenters raised various concerns about potential unintended consequences of certain Proposed Amendments. Their concerns included the following: • material reduction of the capital available to smaller issuers; • negative impact on capital markets in general, passive investors and other market participants; • substantial change in reporting practices; • benefits from greater transparency would be outweighed by the costs associated with the Proposed Amendments.	We acknowledge these comments of opposition. Although we anticipated that the Proposed Amendments would result in increased compliance costs and other impacts, the comment process has raised significant concerns as to whether the benefits to be gained by increased transparency would indeed outweigh the potential costs. As a result, and also considering various concerns raised by commenters about potential unintended consequences of certain of the Proposed Amendments, the CSA have determined not to proceed with certain of the Proposed Amendments.
(2) Reduction of Early Warning Reporting Threshold from 10% to 5%		
Support for the reduced reporting threshold	Twenty commenters indicated their general support for a lower beneficial ownership reporting threshold of 5%. Three commenters noted, in particular, that their support for the 5% reporting threshold was based on a need for modernization of the regime and the	We thank the commenters for their input. The purpose of the proposal to reduce the reporting threshold from 10% to 5% was to provide greater transparency about significant

Subject	Summarized Comments	CSA Responses
	ability of issuers to have more visibility into the shareholder base. One commenter expressed support for the 5% threshold only if the eligibility criteria to be an EII and use the AMR are amended as proposed. Two commenters supported the proposed 5% threshold specifically because it would appear to be consistent with the reporting thresholds prescribed by major foreign jurisdictions.	holdings of reporting issuers' securities under the early warning system. However, the lack of overall support for the proposal and the various concerns raised by a majority of commenters about potential unintended consequences of the lower reporting threshold has led the CSA to re-consider this proposal. Some factors that we considered were the: • unique features of the Canadian market, including the large number of smaller issuers and the limited liquidity; • risk of reducing access to capital for smaller issuers; • potential of hindering an investor's ability to rapidly accumulate or reduce a large position; • possibility of signalling investment strategies to the market; and • potential benefits of the greater transparency being outweighed by the potential negative impacts of implementing the lower reporting threshold. In light of the CSA's consideration of these factors, we have concluded that it is not appropriate at this time to reduce the reporting threshold. We consider that the enhanced disclosure requirements provided in the Amendments, combined with the standards of the current early warning regime, will improve the quality and integrity of the regime in a manner that is suitable for the Canadian market.
Opposition to the reduced reporting threshold	Twenty four commenters were opposed to the proposed reduced reporting threshold of 5%. These commenters expressed various concerns, including: • negative impact on cost and access to capital for smaller issuers; • reduced market and trading liquidity; • increased compliance costs; • inhibition of investment in smaller companies because low levels of investment would trigger disclosure obligations;	We acknowledge these comments of opposition. As noted above, the CSA have concluded that it is not appropriate at this time to reduce the reporting threshold.

Subject	Summarized Comments	CSA Responses
	• that the potential benefits of the reduced reporting threshold would be outweighed by the potential costs; • questionable relevance of the disclosure regarding 5% holders for the market; • potentially negative impact on the efficiency of the Canadian market. Three commenters submitted that a 5% reporting threshold would force them to divulge proprietary investment information to the market, making it more difficult and costly to meet their investment objectives. Seven commenters were concerned that the proposal does not take into account the unique characteristics of the Canadian market. Two commenters submitted that the lower reporting threshold should not apply to annual redemption funds and preferred shares.	
Alternatives proposed	Twelve commenters suggested that the reduced reporting threshold should not apply to smaller issuers and rather apply based on a market capitalization threshold or depending on the listing of the issuer. Ten commenters suggested that the reduced reporting threshold should not apply to EIIs or passive investors since those investors have no intention of influencing control of a reporting issuer. Three commenters suggested that the CSA adopt a disclosure regime similar to the one available in the U.S. Five commenters believed that mutual funds should continue to be subject to a 10% threshold which is aligned with their 10% control restriction. Two commenters recommended that mutual funds be exempted from the early warning reporting and that all of their reporting be conducted in aggregate fashion through their managers under the AMR applying a 10% threshold.	We thank the commenters for their input. In light of the comments received from market participants, we explored various alternatives for creating a reduced early warning reporting threshold for only a sub-group of issuers or investors. The factors considered by the CSA included the following: • the complexity and difficulty of applying a lower reporting threshold only to certain issuers or to certain investors; and • the potential administrative and compliance burden associated with implementing different reporting thresholds within the early warning system. In light of the CSA's consideration of these factors, we have concluded that the reporting threshold should remain at 10% for all issuers and investors. The purpose of the early warning regime is to advise the market that a particular investor, or a person acting jointly or in concert with such investor, holds a significant block of securities in a reporting issuer. Mutual funds that are reporting issuers are prevented by securities

Subject	Summarized Comments	CSA Responses
		legislation from taking positions in excess of 10% of the outstanding voting or equity securities of an issuer, and so should not generally be subject to the early warning requirements. We are not proposing a reform to the AMR framework. We may consider more comprehensive changes to the AMR regime as part of a future review.
(3) Timing of filing of News Release and Early Warning Report		
Support for proposed clarification that filing be made promptly but not later than opening of trading on next business day	Sixteen commenters expressed their support for an explicit requirement that disclosure be made, not only promptly, before trading hours commence on the business day following the applicable acquisition.	We acknowledge these comments of support.
Opposition to proposed clarification that filing be made promptly but not later than opening of trading on next business day	While noting the existence of the moratorium, two commenters mentioned that a specific requirement to issue the press release by the opening of business the following trading day is unnecessary and may not be practical since it also requires disclosure of joint actors' holdings. One commenter submitted that the early warning requirements to promptly issue and file a news release and to file on SEDAR an additional report containing substantially the same information are redundant and suggested easing the formal reporting requirements.	We consider that this is important to ensure that the market is promptly advised of accumulations of significant blocks of securities that may influence control of a reporting issuer and that the disclosure should be made in accordance with an objective timing standard. We acknowledge that the stricter timing requirement for issuing and filing a news release with comprehensive information may present challenges for filers in certain circumstances. As a result, we have revised the requirements for the news release so that an acquiror may issue and file a streamlined news release containing more limited information and which refers to the early warning report for further details.
Alternatives proposed	One commenter suggested that the disclosure in the news release be streamlined to require a statement that an early warning report has been filed. One commenter submitted that a longer filing period should be adopted to minimize the chilling effect on engaged investing.	As noted above, the Amendments allow an acquiror to issue and file a streamlined news release no later than the opening of trading on the next business day. We do not believe that the filing requirements of the early warning reporting regime unduly discourage engaged investing.
(4) Disclosure of Decreases in Ownership of at least 2%		
Support for requirement to disclose 2% decreases in ownership	Two commenters specifically supported disclosure of decreases in ownership at the 2% level, while the other supporting commenter suggested disclosure at the 1% level.	We thank the commenters for their input.

Subject	Summarized Comments	CSA Responses
	See also comments under Part B (1) of this Summary.	
Opposition to requirement to disclose 2% decreases in ownership	One commenter disagreed with the proposed requirement to report a reduction of 2% ownership in any circumstances. One commenter disagreed with the proposed requirement to report a reduction of 2% ownership in respect of smaller issuers. One commenter believed that the requirement to disclose a 2% decrease in ownership should not apply to passive investors. While noting that a decrease in ownership may be relevant, one commenter submitted that the current 'material fact' test is a better standard to apply. See also comments under Part B (1) of this Summary.	We believe that, in all cases, significant decreases in ownership of securities in an issuer are as relevant to the market as significant increases in ownership and therefore should be disclosed. We think that a "bright line" disclosure requirement for 2% decreases in ownership is appropriate and will ensure there is timely disclosure to the market as to significant downward changes to an acquiror's ownership position. The existing requirement to provide an updated report if there is a change in a material fact contained in an earlier report will continue to apply.
Alternatives proposed	Seventeen commenters indicated that they support subsequent disclosure of both incremental increases and decreases of 1%. While supporting decrease reports at the 2% level, one commenter suggested that the CSA consider adopting fixed 2.5% thresholds similar to the AMR. See also comments under Part B (1) of this Summary.	We acknowledge these comments. However, in light of the CSA's decision to maintain the reporting threshold at 10%, we consider it appropriate to require disclosure of increases and decreases of 2% or more once the initial threshold has been reached.
(5) Disclosure when Ownership falls below the Reporting Threshold		
Support for requirement to disclose decreases in ownership to below reporting threshold	Seventeen commenters supported the requirement to issue and file a news release and file a report if an acquiror's ownership percentage falls below the early warning reporting threshold.	We agree that disclosure of share ownership when the ownership falls below the threshold is valuable information to the market.
Opposition to the requirement to disclose decreases in ownership to below reporting threshold	One commenter disagreed with the requirement to report when holdings decrease below early warning reporting threshold.	We acknowledge this comment of opposition.
(6) Enhanced disclosure		
Support for more detailed disclosure in the early warning report	One commenter who supported more detailed disclosure considered that it will provide useful information to the market. This commenter also considered that the related proposed officer certification requirement would facilitate such enhanced disclosure. One commenter expressed support for full and complete disclosure in early warning reports. The commenter further stated that such improved investor disclosure also serves to reduce the emphasis on short-term market perspectives in favour of actions to create value over a longer-term investment horizon.	We thank the commenters for their input. We consider that investors must be given sufficient information to properly assess the nature and circumstances of an acquiror's investment. We agree with the commenters who support more detailed disclosure of the intentions of the person acquiring securities and of the purpose of the acquisition as this will enhance the substance and quality of the early warning system.

Subject	Summarized Comments	CSA Responses
Opposition to more detailed disclosure in the early warning report	Seven commenters noted that the greater disclosure scope would likely result in early warning reports being prepared with the assistance of professional advisors. These commenters suggested that this will increase the costs of reporting and may discourage investment in small and mid-cap companies. Four commenters submitted that enhanced disclosure concerning an investor's purpose and intentions is burdensome for investors and with little or no utility to the market. Some of these commenters were also concerned that the prescriptive nature of the disclosure would result in investors being required to disclose their investment thesis to the market.	We thank the commenters for their input. However, the CSA are of the view that the enhanced disclosure is appropriate and necessary for the reasons mentioned above.
(7) Derivatives		
Support for the amended early warning reporting trigger to include "equity equivalent derivatives"	Nineteen commenters supported including "equity equivalent derivatives" in the early warning system threshold calculation. One of these commenters expressed that this issue is not isolated to Canada and that other countries have introduced regulatory reforms that require the inclusion of synthetic financial instruments that effectively replicate the economic consequences of share ownership. Two commenters believed it is justified to include such derivatives in the calculation of the threshold if their inclusion would inform the market effectively of the total financial interest that an investor has in an issuer. But the commenters indicated that the proposal is ambiguous and that its application should be clarified. See also comments under Part B (6) and (7) of this Summary.	We thank the commenters for their input. The purpose of the proposal to include "equity equivalent derivatives" in the early warning reporting trigger was to ensure proper transparency of securities ownership in light of the increased use of derivatives by investors. However, the concerns raised by a number of commenters about the complexity and difficulty of applying this new trigger have led the CSA to re-consider this proposal. The factors considered by the CSA included the following: • a number of market participants indicated that the use of derivatives in Canada is not generally to facilitate hidden ownership or to influence voting outcomes; • the inclusion of "equity equivalent derivatives" could unduly complicate reporting and compliance obligations; • the application of the proposal could allow the market to deduce investment strategies and this could be detrimental to investors with certain derivative positions. In light of the CSA's consideration of these factors, we have concluded that it is not appropriate at this time to include "equity equivalent derivatives" in the early warning reporting trigger.

Subject	Summarized Comments	CSA Responses
		The CSA acknowledge that guidance clarifying the current application of early warning reporting requirements to certain derivative arrangements may be useful. Therefore, the Amendments now include such guidance.
Opposition to the amended early warning reporting trigger to include "equity equivalent derivatives"	Three commenters indicated that there is a lack of clarity around the inclusion of derivatives in the early warning calculation. Two commenters believed that only in exceptional cases are derivatives used for the purpose of engaging in behaviour that the early warning system is intended to address (i.e. alerting the market to a possible change of control transaction). These commenters suggested that, given the complexity of modern derivative instruments, it would be appropriate for the CSA to engage in a dialogue with investors before imposing significant reporting requirements to fully understand such products. One commenter questioned whether reporting of equity equivalent derivatives in the AMR system is necessary. The commenter also suggested that the test for defining an "equity equivalent derivative" should be based on whether the party has the right to vote the referenced securities. One commenter noted that within the current regime there is considerable duplication in reporting requirements under the insider and early warning reporting requirements, and that the proposed amendments will increase the extent of duplication. See also comments under Part B (6) and (7) of this Summary.	We acknowledge these comments of opposition. As noted above, the CSA have concluded that it is not appropriate at this time to include "equity equivalent derivatives" in the early warning reporting trigger.
Opposition to the broader scope of disclosure of derivatives in the early warning report	One commenter submitted that the proposed requirement to disclose the general nature and all material terms for all equity derivatives arrangements may impose a significant administrative burden. One commenter was concerned about the requirement to disclose transaction terms in derivative contracts (as this information may be of proprietary nature) and about the requirement to disclose any contracts or arrangements in relation to any security of the issuer (rather than in relation to the securities underlying the transaction subject to the reporting requirement).	We acknowledge these comments of opposition. The CSA have concluded that it is appropriate to enhance the disclosure requirements in the early warning report to encompass interests of an acquiror in related financial instruments as well as in any agreement, arrangement, commitments or understanding with respect to the securities of the issuer in order to ensure that the report provides complete disclosure about the acquiror's interest in the reporting issuer. However, we have clarified that the scope of the enhanced disclosure in an early warning report is in relation

Subject	Summarized Comments	CSA Responses
		to the class of securities in respect of which the report is required to be filed and not in respect of any security of the issuer. The Amendments also include new instructions to the early warning report that clarify that the concept of "material terms" is not intended to capture the identity of the counterparty or proprietary or commercially sensitive information.
Alternatives proposed	Four commenters believed that the test for requiring disclosure of an equity equivalent derivative should be primarily based on whether a party has a beneficial ownership interest (i.e. the right to vote any shares or the obligation to acquire the underlying securities). One commenter submitted that an exemption from reporting should be required when parties can objectively demonstrate a non-control intent in entering into equity equivalent derivative transactions. One commenter suggested amendments to the definition of "equity equivalent derivative" by adding the following words to the end of the proposed definition: "where (i) the counterparty to the derivative has, directly or indirectly, hedged its position by acquiring voting securities of the issuer and (ii) the holder exerts or intends to exert influence on how the counterparty votes those securities". One commenter submitted that the proposed amendments respecting "equity equivalent derivatives" should not apply to derivatives referencing securities of annual redemption funds.	We thank the commenters for their input. The CSA have removed the concept of "equity equivalent derivatives" in the Amendments. As noted above, the CSA are providing guidance clarifying the current application of early warning reporting requirements to certain derivative arrangements.
(8) Securities lending		
Support for broader scope of disclosure and proposed exemption for specified securities lending arrangements	Five commenters supported the broader scope of disclosure and proposed exemption for specified securities lending arrangements. See also comments under Part B (12) of this Summary.	We thank the commenters for their input.
Opposition to broader scope of disclosure of securities lending arrangements in the early warning report	One commenter believed that the obligation to report securities lending arrangements in effect at the time of the reportable transaction may prove to be a constraint for investors. One commenter submitted that the proposed requirement to disclose the general nature and all material terms for all securities lending transactions may impose a significant administrative burden. One commenter submitted that requiring lenders to provide additional and onerous disclosure about the terms of the securities lending	We acknowledge these comments of opposition. The CSA have concluded that it is appropriate to enhance the disclosure requirements in the early warning report to provide greater transparency about securities lending arrangements so that the report provides complete disclosure about the acquiror's interest in the class of securities of the issuer for which the report was filed.

Subject	Summarized Comments	CSA Responses
	arrangements does not provide valuable information to the market. One commenter considered that the requirement to disclose the 'material terms' of any reportable securities lending arrangement is too broad and subjective. The commenter added that the requirement should be limited to information that is relevant to the control of the issuer. See also comments under Part B (12) of this Summary.	However, in light of comments received, we have made changes in the Amendments to clarify that the concept of "material terms" is not intended to capture the identity of the counterparty or proprietary or commercially sensitive information.
Opposition to proposed exemption for specified securities lending arrangements	One commenter indicated that there is a lack of clarity around the securities lending arrangements that would be caught under the early warning system. See also comments under Part B (12) of this Summary.	We acknowledge this comment of opposition. However, the CSA have provided definitions for "specified securities lending arrangements" and for "securities lending arrangements" in the Amendments. We are of the view that these definitions provide the parameters of which arrangements are captured by the early warning system.
Alternatives proposed	Two commenters suggested that borrowing in the context of short selling should be exempted from the reporting obligations. Three commenters suggested that an exemption similar to the one available for lenders should be provided for borrowers. One commenter invited the CSA to consider recent studies on empty voting abuses. Two commenters believed that the rule should focus on the concept of beneficial ownership and in particular on who has voting rights over the borrowed securities. The commenters further stated that the proposal should be clarified to indicate that borrowings and loans should be offset against one another in any calculation of total holdings to avoid over-reporting. One commenter urged the CSA to consider which party (lender or borrower) is the most appropriate person to do the reporting. This commenter expressed that the reporting obligation should rest on the ultimate end-user or 'holder' of the securities. One commenter suggested that borrowers should be explicitly required to disclose if the securities they have borrowed may be recalled by the lender. One commenter submitted that it would be more effective to implement controls around borrowing securities before the record date simply for voting	We thank the commenters for their input. We acknowledge the comments that persons borrowing securities in the ordinary course of short selling activities in Canada are doing so for commercial/investment purposes and not with a view of influencing voting or intending to vote the borrowed securities and, as such, these activities ought not to give rise to empty voting concerns. In light of the comments received, the CSA have included in the Amendments an additional reporting exemption for borrowers under securities lending arrangements, subject to certain conditions. The Amendments clarify that lenders and borrowers should consider securities lent (disposed) and borrowed (acquired) under securities lending arrangements in determining whether an early warning reporting obligation has been triggered. The parties to the securities lending arrangement may cross different early warning reporting thresholds: the lender will be subject to obligations to report decreases in ownership while the borrower will be subject to obligations to report

Subject	Summarized Comments	CSA Responses
	purposes and to require fulsome disclosure on borrowers' holdings. While noting that borrowing securities to hold and vote them is regarded as inappropriate, one commenter noted that there is no reason to subject them to EWR requirements. See also comments under Part B (11) and (12) of this Summary.	increases in ownership, unless an exemption is available. The Amendments require the borrower to disclose in the early warning report the material terms of the securities lending arrangement, which could include the right by the lender to recall the securities.
(9) Changes to Alternative Monthly Reporting Regime		
Support for the change to the criteria for disqualification from alternative monthly reporting regime	Three commenters supported the proposal to make the AMR regime unavailable to persons who solicit proxies. Two commenters mentioned that it made sense that investors that exhibit 'active' behaviour should be required to adhere to the rules under early warning reporting rather than AMR. See also comments under Part B (8) of this Summary.	We thank the commenters for their input. The CSA are of the view that allowing an EII access to the AMR regime in circumstances where the EII solicits proxies from security holders on specific matters is not consistent with the policy intent of the AMR regime.
Opposition to the change to the criteria for disqualification from alternative monthly reporting regime	One commenter indicated that EIIs soliciting or intending to solicit proxies should not be disqualified from the AMR system. One commenter indicated that the proposal would increase the compliance burden for passive investors and require reporting that is not practicable. One commenter expressed concern that the change in disqualifying criteria may be problematic for investors who tend not to take advantage of the AMR regime when investing in smaller issuers. Given the nature of investment in small cap companies, the commenter noted that it is not unusual for the investor to engage with these companies on governance or other corporate issues. See also comments under Part B (8) of this Summary.	We acknowledge these comments of opposition. However, the CSA are of the view that the change to the disqualification criteria is appropriate for the reasons mentioned above.
Alternatives proposed	Nine commenters submitted that other types of investors (e.g. mutual funds that are reporting issuers, broker-dealers) should be included in the definition of EII and therefore able to follow the AMR regime. Two commenters believed that the proposed amendments should subject passive investors to reduced disclosure obligations and relax the formal requirements surrounding such obligations, as does the similar U.S. system. One commenter recommended that hedge funds and similar entities be excluded from the definition of EII as they are by and large activist	We thank the commenters for their input. Upon further consideration and in light of comments received, the CSA have revised certain elements of the proposal to clarify the scope of the new disqualification criteria. As noted above, we are not proposing at this time a reform to the AMR framework. We may consider more comprehensive changes to the AMR regime as part of a future review.

Subject	Summarized Comments	CSA Responses
	shareholders intending to influence the company. Four commenters indicated that the term “solicit” should be defined or clarified to preserve shareholder engagement. One commenter suggested that the disqualifying criteria be the following: “directly solicits from securityholders of a reporting issuer in reliance on an information circular, its own proxies in opposition to management as to the election of directors of the reporting issuer or to a reorganization, amalgamation, merger, arrangement or similar corporate action involving the securities of the reporting issuer”. One commenter submitted that the definition of EIIs should be expanded to include wholly-owned subsidiaries of EIIs. The commenter also suggested that the CSA clarify the qualification criteria under the AMR system and to specify that it is not available to hedge funds and other active funds. See also comments under Part B (8) of this Summary.	We emphasize that mutual funds that are reporting issuers are not included in the definition of EII. The manager of a mutual fund that is a reporting issuer may be an EII, but not the mutual fund itself. Mutual funds are prevented by securities legislation from taking positions in excess of 10% of the outstanding voting or equity securities of an issuer, and so should not generally be subject to the early warning requirements.
(10) Other comments		
	Sixteen commenters noted that they support a future review of the AMR. Three commenters suggested that the moratorium period should be eliminated. Another commenter suggested that the moratorium should not apply in the case of passive investors. Two commenters believed that the CSA should harmonize the dual calculation methodologies under the early warning system and the insider reporting regime. Another commenter suggested that the CSA link early warning reports with SEDI reports. One commenter submitted that annual redemption funds should be exempted from the early warning reporting requirements. Four commenters noted that a transition period or transitional guidance is needed if the CSA decides to proceed with the changes.	We thank the commenters for their input. As noted above, we are not proposing at this time a reform to the AMR framework. We may consider more comprehensive changes to the AMR regime as part of a future review. We are of the view that the moratorium is appropriate because the market should be alerted of the acquisition and provided sufficient time to assess the significance of the information before the acquiror is permitted to make additional purchases. While there are similarities between the insider reporting regime and the early warning regime, the policy objectives of the regimes are distinct. The calculation methodologies reflect this distinction and therefore are not harmonized. Investment funds that are reporting issuers are prevented by securities legislation from taking positions in excess of 10% of the outstanding voting or equity securities of an

Subject	Summarized Comments	CSA Responses
		issuer, and so should not generally be subject to the early warning requirements. Given the more limited extent of the Amendments, the CSA have determined that a transition period is not necessary.
Part B – Specific Questions		
(1) Do you agree with our proposal to maintain the requirement for further reporting at 2% or should we require further reporting at 1%? Please explain why or why not. (Disclosure of Decreases in Ownership of at least 2%)		
Yes	Nine commenters agreed with maintaining the requirement for further reporting at 2% in order to avoid further increasing the compliance burden or costs. Some of these commenters noted that this information would be largely irrelevant to the capital markets. While noting that there are strong arguments in favour of establishing a 1% further reporting threshold, three commenters were in favour of maintaining the 2% in order to avoid increasing the compliance burden even more. One commenter agreed with maintaining the requirement for further reporting at 2% because there does not appear to be empirical evidence supporting the lowering of the threshold.	We agree with the commenters that the requirement for further reporting at 2% is appropriate.
No	One commenter mentioned that once the reporting threshold of 5% was reached subsequent disclosure would be required for increases and decreases of 1% or more (i.e. one-fifth of the threshold). See also comments under Part A (4) of this Summary.	We acknowledge this comment. As noted above, the CSA have concluded that it is not appropriate at this time to reduce the reporting threshold.
(2) A person cannot acquire further securities for a period beginning at the date of acquisition until one business day after the filing of the report. This trading moratorium is not applicable to acquisitions that result in the person acquiring beneficial ownership of, or control or direction over, 20% or more of the voting or equity securities on the basis that the take-over bid provisions are applicable at the 20% level. **The proposed decrease to the early warning reporting threshold would result in the moratorium applying at the 5% ownership threshold. We believe that the purpose of the moratorium is still valid at the 5% level because the market should be alerted of the acquisition before the acquiror is permitted to make additional purchases.** **(a) Do you agree with our proposal to apply the moratorium provisions at the 5% level or do you believe that the moratorium should not be applicable between the 5% and 10% ownership levels? Please explain your views.** **(b) The moratorium provisions apply to acquisitions of "equity equivalent derivatives". Do you agree with this approach? Please explain why or why not.** **(c) Do you think that a moratorium is effective? Is the exception at the 20% threshold justified? Please explain why or why not.**		
(a)	Nine commenters supported that the moratorium provisions should apply at the 5% level. One commenter suggested that the final rule should take into account the intent of the investor.	We thank the commenters for their input.

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	Another commenter was concerned about compliance costs for passive investors. While noting that an initial reporting threshold at the 5% level may be controversial for some investors, one commenter suggested that the impact of that may be softened by suspending the moratorium up to 10%. One commenter submitted that regardless of the threshold determination, rather than imposing a moratorium on an early warning system filer, greater fairness and efficiency in the capital markets can be achieved from requiring the disclosure of the information immediately following the close of the market. One commenter submitted that an EII does not have any intention to affect the control of the issuer and should not be subject to the one business day moratorium on trading securities until the 10% threshold has been reached. Three commenters disagreed with reducing the moratorium trigger threshold to 5%. One of these commenters considered that the market would not benefit from reducing the moratorium trigger to 5% in the case of passive investors.	However, in light of the CSA's decision to maintain the reporting threshold at 10%, we consider it appropriate that the moratorium provision remain at the same level as the disclosure threshold. The CSA are not proceeding with its proposal to apply the moratorium provisions at the 5% level.
(b)	Nine commenters agreed with applying moratorium provisions to "equity equivalent derivatives". One commenter submitted that to the extent "equity equivalent derivatives" are narrowly defined, the moratorium should apply to those as well. One commenter submitted that the moratorium provisions should not apply as the proposed definition is overly broad and would capture a number of transactions irrelevant to the objective of informing the capital markets of intended further activity. Only with respect to circumstances where the derivative actually entitles the holder to the voting rights attaching to the securities, should such securities be included in the early warning calculation. One commenter believed that the moratorium provisions should not apply to acquisitions of "equity equivalent derivatives". Two commenters considered that the moratorium should not apply to investors with only a synthetic position in a security.	We thank the commenters for their input. However, as noted above, the CSA has decided not to include "equity equivalent derivatives" in the early warning reporting trigger, and therefore this issue is moot.
(c)	Five commenters indicated that the moratorium is effective to make sure that the market has time to react.	We agree with the commenters who indicated that the moratorium is effective as it provides market participants time to react to changes

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	One commenter submitted that it would be sufficient if the moratorium extended only for a period of 24 hours following the filing of the report. One commenter considered that the application of the moratorium should take into account the intent of the purchaser. One commenter noted that the moratorium is an incentive to report so that an accumulation program can resume. However, in their view, the question of whether the 'stop and report' approach yields benefits is much less clear. One commenter submitted that regardless of the threshold determination, rather than imposing a moratorium on an early warning system filer, greater fairness and efficiency in the capital markets can be achieved from requiring disclosure of the information immediately following the close of the market. Two commenters indicated that the moratorium is not effective.	in significant holdings of issuers' securities.
(3) We currently recognize that accelerated reporting is necessary if securities are acquired during a take-over bid by requiring a news release at the 5% threshold to be filed before the opening of trading on the next business day. **With the Proposed Amendments to the early warning reporting threshold, we do not propose to further accelerate early warning reporting during a take-over bid.** **(a) Do you agree? Please explain why or why not.** **(b) If you disagree, how should we accelerate reporting of transactions during a take-over bid? Should we decrease the threshold for reporting changes from 2% to 1%? Or do you think that requiring early warning reporting at the 3% level is a more appropriate manner to accelerate disclosure? Please explain your views.**		
(a)	Twelve commenters agreed with maintaining a 5% reporting threshold in the context of a take-over bid.	In light the CSA's decision not to reduce the early warning reporting threshold to 5%, we are maintaining the particular provisions for reporting during a take-over bid.
(4) The Proposed Amendments would apply to all acquirors including EIIs. **(a) Should the proposed early warning threshold of 5% apply to EIIs reporting under the AMR system provided in Part 4 of NI 62-103? Please explain why or why not.** **(b) Please describe any significant burden for these investors or potential benefits for our capital markets if we require EIIs to report at the 5% level. (Reduction of Early Warning Reporting Threshold from 10% to 5%)**		
(a)	Nine commenters considered that the 5% threshold should apply to all acquirors, including EIIs. Three commenters submitted that reducing the threshold for EIIs reporting under AMR is unnecessary as the nature of the investments is passive. Also, reporting such investments will not provide any additional meaningful information to the capital markets.	We thank the commenters for their input. As noted above, the CSA have concluded at this time that the reporting threshold should remain at 10% for all issuers and investors.

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	Three commenters were of the view that this requirement may incur an onerous compliance burden on institutional investors. Two commenters considered that reducing the reporting threshold for EIIs who qualify to use the AMR regime is not appropriate. One commenter stated that the 5% threshold will reduce the available capital for junior issuers.	
(b)	Three commenters expressed that imposing such reporting duty on EIIs would not impose an unreasonable burden on them. Two commenters indicated that potential benefits for our capital markets if we require EIIs to report at the 5% level include greater transparency which could lead to more informed investors and hence a more efficient market. One commenter suggested that the co-ordination of internal reporting to include derivatives and securities lending combined with stock ownership to compute overall ownership levels may ultimately prove to be a net benefit. One commenter considered that 5% threshold may discourage EIIs from coming to Canada in the first place. Two commenters indicated that the proposed reduction in the threshold will require significantly increased reporting and involve increased compliance costs. One commenter, while not agreeing with the 5% threshold applying to EIIs, suggested another approach to require EIIs to report at a 5% ownership threshold, but be permitted to maintain anonymity until the 10% threshold is reached.	We thank the commenters for their input. As noted above, the CSA have concluded at this time that the reporting threshold should remain at 10% for all issuers and investors.
(5) Mutual funds that are reporting issuers are not EIIs as defined in NI 62-103 and are therefore subject to the general early warning requirements in MI 62-104. Are there any significant benefits to our capital markets in requiring mutual funds to comply with early warning requirements at the proposed threshold of 5% or does the burden of reporting at 5% outweigh the potential benefits? Please explain why or why not. (**Reduction of Early Warning Reporting Threshold from 10% to 5%)**		
Yes	Four commenters considered that mutual funds should comply with the 5% threshold. Two commenters noted that it may be more appropriate that mutual funds fall under the AMR regime rather than the general early warning requirements in MI 62-104.	We thank the commenters for their input. As noted above, the CSA have concluded at this time that the reporting threshold should remain at 10% for all issuers and investors.
No	Five commenters considered that there do not appear to be any significant benefits to our capital markets in obtaining this information. Some of these commenters considered that EIIs that manage the mutual funds are already subject to the early warning disclosure requirements.	We thank the commenters for their input. As noted above, the CSA have concluded at this time that the reporting threshold should remain at

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	Two commenters submitted that a passive mutual fund should be permitted to use the AMR system.	10% for all issuers and investors.
(6) As explained above, we propose to amend the calculation of the threshold for filing early warning reports so that an investor would need to include within the early warning calculation certain equity derivative positions that are substantially equivalent in economic terms to conventional equity holdings. These provisions would only capture derivatives that *substantially replicate* the economic consequences of ownership and would not capture partial-exposure instruments (e.g., options and collars that provide the investor with only limited exposure to the reference securities). Do you agree with this approach? If not, how should we deal with partial-exposure instruments? (Derivatives)		
Yes	Seven commenters agreed with this approach. See also comments under Part A (7) of this Summary.	We thank the commenters for their input. As noted above, the CSA are not proceeding with the proposal to include “equity equivalent derivatives” in the early warning reporting trigger.
No	One commenter disagreed with the exclusion of partial-exposure instruments from the calculation with regard to disclosure requirements because sophisticated investors may be able to use derivatives to accumulate substantial economic positions in public companies without public disclosure. One commenter submitted that the efficacy of the early warning system should rest in the view that the intention of the investor holding the position is what is most relevant to the capital markets. One commenter suggested that derivatives that immediately confer voting rights on an investor should be reported above the threshold. Also, the requisite disclosure should apply to actual ownership of securities, at or above a given threshold, in addition to any derivative holdings, rather than on a net exposure basis. One commenter considered that only derivatives that immediately confer voting rights on an investor should be reported. This commenter also suggested that the CSA consider the discussion papers on the regulation of over-the-counter derivatives. One commenter believed that certain types of derivatives are often used by investors as part of an investment strategy and should not be captured as so doing would unnecessarily complicate the compliance burden and would lead to over-reporting without meaningful benefit to the market. One commenter submitted that the purpose of informing the market about shareholder control does not apply to derivatives. One commenter submitted that further consideration should be given to the practical realities of how “equity equivalent derivatives” are	We thank the commenters for their input. As noted above, the CSA are not proceeding with the proposal to include “equity equivalent derivatives” in the early warning reporting trigger.

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	structured and how relationships among the parties to such transactions are structured. See also comments under Part A (7) of this Summary.	
(7) We propose changes to NP 62-203 in relation to the definition of "equity equivalent derivative" to explain when we would consider a derivative to substantially replicate the economic consequences of ownership of the reference securities. Do you agree with the approach we propose? (Derivatives)		
Yes	Six commenters agreed with the approach. Two commenters suggested that examples of "equity equivalent derivatives" should be provided for the sake of clarity and ease of compliance. See also comments under Part A (7) of this Summary.	We thank the commenters for their input. The CSA have removed the concept of "equity equivalent derivatives" in the Amendments.
No	One commenter disagreed with the exclusion of partial-exposure instruments from the calculation with regard to disclosure requirements because sophisticated investors may be able to use derivatives to accumulate substantial economic positions in public companies without public disclosure. Three commenters disagreed with the inclusion of certain derivatives in the early warning calculation where the voting rights attaching to the securities are not available to the holder. One commenter submitted that the purpose of informing the market about shareholder control does not apply to derivatives. One commenter considered that the delta 90 test in itself is not adequate to address the complexities of how "equity equivalent derivatives" are structured. See also comments under Part A (7) of this Summary.	We thank the commenters for their input. The CSA have removed the concept of "equity equivalent derivatives" in the Amendments.
(8) Do you agree with the proposed disqualification from the AMR system for an EII who solicits or intends to solicit proxies from security holders on matters relating to the election of directors of the reporting issuer or to a reorganization or similar corporate action involving the securities of the reporting issuer? Are these the appropriate circumstances to disqualify an EII? Please explain, or if you disagree, please suggest alternative circumstances. (Changes to Alternative Monthly Reporting Regime)		
Yes	Nine commenters agreed with the proposed disqualification of EIIs from the AMR. While agreeing with the proposed disqualification from the AMR system for EIIs involved in proxy solicitation, three commenters considered that the term "solicit" should be further specified. One commenter agreed with excluding the ability of an EII to use the AMR regime if they solicit proxies for a reorganization or similar corporate action involving the securities of an issuer.	We thank the commenters for their input. The CSA are of the view that allowing an EII access to the AMR regime in circumstances where the EII solicits proxies from securityholders in opposition to management on specific matters is not consistent with the policy intent of the AMR regime. The CSA have clarified in the

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	One commenter noted that if the disqualification criterion is retained, it should only apply at the moment when exemptions from the proxy solicitation rules are no longer applicable. See also comments under Part A (9) of this Summary.	Amendments that the term 'solicit' has the same meaning as defined in NI 51-102 *Continuous Disclosure Obligations*. We consider that EIIs who solicit proxies in certain circumstances should not be eligible to use the AMR regime regardless of whether or not they are relying on an exemption from sending information circulars.
No	One commenter questioned the ability of a regulator to distinguish investor mal-intent and the definition of "intends to solicit proxies" which may manifest itself when engaging with the issuer. One commenter disagreed with excluding the use of the AMR regime if an EII solicits proxies for less than a majority of the board of directors. Also, the commenter asked the CSA to remove the inability to use the AMR regime at such time an investor "intends" to solicit proxies and to clarify the meaning of the term "solicit". See also comments under Part A (9) of this Summary.	We acknowledge these comments. As noted above, we have clarified in the Amendments that the term 'solicit' has the same meaning as defined in NI 51-102 *Continuous Disclosure Obligations*. We have removed the concept of "intends to solicit" to avoid uncertainty as to the application of the disqualification criteria.
(9) We propose to exempt from early warning requirements acquirors that are lenders in securities lending arrangements and that meet certain conditions. Do you agree with this proposal? Please explain why or why not. (Securities lending)		
Yes	Nine commenters agreed that the conditions required to meet the exemption were sensible. One commenter generally agreed with the exemption only in cases where the lending arrangement specifies that the lender has an unrestricted right to recall by the lender from the borrower in a timely manner. One commenter agreed with the reasoning for the need to consider certain conditions occurring under securities lending arrangements when determining the reporting obligation under the early warning system. However, there are many circumstances where the reporting requirement should not be triggered and the proposal should focus on the intent of the holder of the position.	We thank the commenters for their input. We agree with the commenters who supported the scope of the exemption for lenders. We do not believe that a requirement to recall securities on loan in a timely manner is necessary since the right to recall is governed by the securities lending arrangement and typically the lender recalling securities provides the borrower with standard settlement period notice.
No	One commenter disagreed with this proposal because lenders would appear to be able to accumulate a total position in a security greater than 5% by buying the security and lending it while still retaining the right to recall the securities before a meeting of securityholders.	We acknowledge this comment of opposition.

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(10) Do you agree with the proposed definition of "specified securities lending arrangement"? If not, what changes would you suggest? (Securities lending)		
Yes	Nine commenters supported the proposed definition of "specified securities lending arrangement". One commenter would prefer to see the definition address recall by the lender in 'a timely manner'. The commenter considered that if voting is to be effective the timing of the recall should allow the lender to assess and properly consider the implications of any issues that are to be voted on.	We thank the commenters for their input. We agree with the commenters who supported the definition of "specified securities lending arrangement".
No	One commenter suggested that the requirement to report any "material terms" of securities lending arrangements is overly broad, which terms may be commercially sensitive.	The CSA have clarified that the concept of 'material terms' excludes commercially-sensitive information that is irrelevant for early warning disclosure purposes.
(11) We are not proposing at this time an exemption for persons that borrow securities under securities lending arrangements as we believe securities borrowing may give rise to empty voting situations for which disclosure should be prescribed under our early warning disclosure regime. Do you agree with this view? If not, why not? (Securities lending)		
Yes	Seven commenters considered that it was appropriate not to propose an exemption for borrowers as they are concerned with empty voting situations. One commenter noted that not all securities lending arrangements are the same and that each arrangement needs to be considered as to whether voting rights flow to the manager. See also comments under Part A (8) of this Summary.	We thank the commenters for their input.
No	One commenter noted that borrowing of securities is not customarily done to vote the borrowed securities but rather to effect delivery in connection with short sales. One commenter suggested that borrowing in the context of short selling should be exempted from the reporting obligations. See also comments under Part A (8) of this Summary.	We thank the commenters for their input. The CSA have decided to introduce in the Amendments an additional reporting exemption for borrowers under securities lending arrangements, subject to certain conditions.
(12) Do the proposed changes to the early warning framework adequately address transparency concerns over securities lending transactions? If not, what other amendments should be made to address these concerns? (Securities lending)		
Yes	Two commenters noted that the Proposed Amendments adequately address concerns over securities lending transactions. Their main concern is knowing the identity and the position of securities borrowers who hold voting rights without any corresponding economic interest. Two commenters considered that the proposed changes generally address transparency	We thank the commenters for their input. We agree with the commenters who supported the proposed changes to address the transparency concerns over securities lending transactions.

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	concerns over securities lending transactions. Concerned by the little visibility of the shares lent, one commenter suggested that the entire process of share lending and its implications for empty voting and hidden voting may need to be the subject of a separate review by securities regulators. One commenter suggested that the framework regarding securities lending must respect the unique attributes of each lending arrangement. See also comments under Part A (8) of this Summary.	
No	Two commenters suggested that borrowers should be explicitly required to disclose if the securities they have borrowed may be recalled by the lender. See also comments under Part A (8) of this Summary.	We thank the commenters for their input. The Amendments require disclosure of the material terms of a securities lending arrangement in effect at the time of the early warning reporting, including details of the recall provisions.
(13) Do you agree with our proposal to apply the Proposed Amendments to all reporting issuers including venture issuers? Please explain why or why not. Do you think that only some and not all of the Proposed Amendments should apply to venture issuers? If so, which ones and why? (Reduction of Early Warning Reporting Threshold from 10% to 5%)		
Yes	Four commenters agreed that the Proposed Amendments should be applied to all reporting issuers, including venture issuers. Although these commenters would not be opposed to certain exemptions being applied with regard to small or mid-cap issuers, two commenters viewed that in principle the Proposed Amendments should apply to all reporting issuers.	We thank the commenters for their input. As noted above, the CSA have concluded at this time that the reporting threshold should remain at 10% for all issuers and investors.
No	Four commenters disagreed with applying the proposal to venture issuers. One commenter suggested additional study before making the Proposed Amendments applicable to venture issuers.	We thank the commenters for their input. As noted above, the CSA have concluded at this time that the reporting threshold should remain at 10% for all issuers and investors.
(14) Some parties to "equity equivalent derivatives" may have acquired such derivatives for reasons other than acquiring the referenced securities at a future date. For example, some parties to these derivatives may wish to maintain solely an economic equivalency to the securities without acquiring the referenced securities for tax purposes or other reasons. Would the proposed requirement lead to over-reporting of total return swaps and other "equity equivalent derivatives"? Or would the possible over-reporting be mitigated by the fact that it is likely that parties to "equity equivalent derivatives" would qualify under the AMR regime? (Derivatives)		
Yes	Three commenters submitted that over-reporting will occur and contribute to confusion in the marketplace. One commenter expressed that if an investor seeks to maintain solely an economic equivalence	We thank the commenters for their input. The CSA have removed the concept of "equity equivalent derivatives" in the Amendments.

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	and does not intend to acquire the referenced securities, then they could be deemed as being passive and report under the AMR. One commenter submitted that where there is no transfer of the rights of the shareholder to the derivative holder, reporting the position would not be relevant or insightful disclosure to the capital markets. One commenter noted that if an investor does not intend to acquire the referenced security then they should not be required to report.	
No	One commenter agreed that it seems likely that possible over-reporting would be mitigated by the fact that parties to "equity equivalent derivatives" would qualify under the AMR regime.	We thank the commenters for their input. The CSA have removed the concept of "equity equivalent derivatives" in the Amendments.
(15) If the proposed new requirement does lead to an over-reporting of these derivatives, is this rectified by the requirement in the early warning report for acquirors to explain the purpose of their acquisition and thereby clarify that they do not intend to acquire the referenced securities upon termination of the swap? (Derivatives)		
Yes	One commenter agreed that it seems likely that if there is over-reporting of derivatives, it will be rectified by the requirement in the early warning report for acquirors to explain the purpose of their acquisition.	We thank the commenters for their input. The CSA have removed the concept of "equity equivalent derivatives" in the Amendments.
No	One commenter suggested that clarification of which parties retain voting control versus those that merely have an economic interest would benefit the market. One commenter submitted that the requirement puts too much extraneous information into the system and that, in turn, creates inappropriate investor reaction. One commenter noted that the explanation in the report will not solve the potentially confusing over-reporting.	We thank the commenters for their input. The CSA have removed the concept of "equity equivalent derivatives" in the Amendments.

ANNEX C

AMENDMENTS TO
MULTILATERAL INSTRUMENT 62-104 *TAKE-OVER BIDS AND ISSUER BIDS*

1. Multilateral Instrument 62-104 Take-Over Bids and Issuer Bids is amended by this Instrument.

2. Subsection 1.8(1) is replaced with the following:

1.8 (1) In this Instrument, in determining the beneficial ownership of securities of an offeror, of an acquiror or of any person acting jointly or in concert with the offeror or the acquiror, at any given date, the offeror, the acquiror or the person is deemed to have acquired and to be the beneficial owner of a security, including an unissued security, if the offeror, the acquiror or the person

(a) is the beneficial owner of a security convertible into the security within 60 days following that date, or

(b) has a right or obligation permitting or requiring the offeror, the acquiror or the person, whether or not on conditions, to acquire beneficial ownership of the security within 60 days by a single transaction or a series of linked transactions..

3. Subsection 1.9(1) is replaced with the following:

1.9 (1) In this Instrument, it is a question of fact as to whether a person is acting jointly or in concert with an offeror or an acquiror and, without limiting the generality of the foregoing,

(a) the following are deemed to be acting jointly or in concert with an offeror or an acquiror:

(i) a person that, as a result of any agreement, commitment or understanding with the offeror, the acquiror or with any other person acting jointly or in concert with the offeror or the acquiror, acquires or offers to acquire securities of the same class as those subject to the offer to acquire;

(ii) an affiliate of the offeror or the acquiror;

(b) the following are presumed to be acting jointly or in concert with an offeror or an acquiror:

(i) a person that, as a result of any agreement, commitment or understanding with the offeror, the acquiror or with any other person acting jointly or in concert with the offeror or the acquiror, intends to exercise jointly or in concert with the offeror, the acquiror or with any person acting jointly or in concert with the offeror or the acquiror any voting rights attaching to any securities of the offeree issuer;

(ii) an associate of the offeror or the acquiror..

4. Part 5 is replaced with the following:

PART 5: REPORTS AND ANNOUNCEMENTS OF ACQUISITIONS

Definitions and Interpretation

5.1 (1) In this Part,

"acquiror" means a person who acquires a security, other than by way of a take-over bid or an issuer bid made in compliance with Part 2;

"acquiror's securities" means securities of an issuer beneficially owned, or over which control or direction is exercised, on the date of the acquisition or disposition, by an acquiror or any person acting jointly or in concert with the acquiror;

"specified securities lending arrangement" means a securities lending arrangement if all of the following apply:

(a) the material terms of the securities lending arrangement are set out in a written agreement;

(b) the securities lending arrangement requires the borrower to pay to the lender amounts equal to all dividends or interest payments, if any, paid on the security that would have been received by the lender if the lender had held the security throughout the period beginning at the date of the transfer or loan and ending at the time the security or an identical security is transferred or returned to the lender;

(c) the lender has established policies and procedures that require the lender to maintain a record of all securities that it has transferred or lent under securities lending arrangements;

(d) the written agreement referred to in paragraph (a) provides for any of the following:

(i) the lender has an unrestricted right to recall all securities that it has transferred or lent under the securities lending arrangement, or an equal number of identical securities, before the record date for voting at any meeting of securityholders at which the securities may be voted;

(ii) the lender requires the borrower to vote the securities transferred or lent in accordance with the lender's instructions;

"securities lending arrangement" means an arrangement between a lender and a borrower with respect to which both of the following apply:

(a) the lender transfers or lends a security to the borrower;

(b) at the time that the security is lent or transferred, the lender and the borrower reasonably expect that the borrower will, at a later date, transfer or return to the lender the security or an identical security.

(2) For the purposes of this Part, if an acquiror and one or more persons acting jointly or in concert with the acquiror acquire or dispose of securities, the securities are deemed to be acquired or disposed of, as applicable, by the acquiror.

Early warning

5.2 (1) An acquiror who acquires beneficial ownership of, or control or direction over, voting or equity securities of any class of a reporting issuer, or securities convertible into voting or equity securities of any class of a reporting issuer, that, together with the acquiror's securities of that class, constitute 10% or more of the outstanding securities of that class, must

(a) promptly, and, in any event, no later than the opening of trading on the business day following the acquisition, issue and file a news release containing the information required by section 3.1 of National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*, and

(b) promptly, and, in any event, no later than 2 business days from the date of the acquisition, file a report containing the information required by section 3.1 of National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*.

(2) An acquiror who is required to make disclosure under subsection (1) must make further disclosure, in accordance with subsection (1), each time any of the following events occur:

(a) the acquiror or any person acting jointly or in concert with the acquiror, acquires or disposes beneficial ownership of, or acquires or ceases to have control or direction over, either of the following:

(i) securities in an amount equal to 2% or more of the outstanding securities of the class of securities that was the subject of the most recent report required to be filed by the acquiror under subsection (1) or under this subsection;

(ii) securities convertible into 2% or more of the outstanding securities referred to in subparagraph (i);

(b) there is a change in a material fact contained in the most recent report required to be filed under paragraph (1)(b) or under paragraph (a) of this subsection.

(3) An acquiror must issue and file a news release and file a report in accordance with subsection (1) if beneficial ownership of, or control or direction over, the outstanding securities of the class of securities that was the subject of the most recent report required to be filed by the acquiror under this section decreases to less than 10%.

(4) If an acquiror issues and files a news release and files a report under subsection (3), the requirements under subsection (2) do not apply unless subsection (1) applies in respect of a subsequent acquisition of beneficial ownership of, or control or direction over, voting or equity securities of any class of a reporting issuer, or securities convertible into voting or equity securities of any class of a reporting issuer, that, together with the acquiror's securities of that class, constitute 10% or more of the outstanding securities of that class.

Moratorium provisions

5.3 (1) During the period beginning on the occurrence of an event in respect of which a report is required to be filed under section 5.2 and ending on the expiry of the first business day following the date that the report is filed, an acquiror, or any person acting jointly or in concert with the acquiror, must not acquire or offer to acquire beneficial ownership of, or control or direction over, any securities of the class in respect of which the report is required to be filed or any securities convertible into securities of that class.

(2) Subsection (1) does not apply to an acquiror that has beneficial ownership of, or control or direction over, securities that, together with the acquiror's securities of that class, constitute 20% or more of the outstanding securities of that class.

Acquisitions during bid

5.4 (1) If, after a take-over bid or an issuer bid has been made under Part 2 for voting or equity securities of a reporting issuer and before the expiry of the bid, an acquiror acquires beneficial ownership of, or control or direction over, securities of the class subject to the bid which, when added to the acquiror's securities of that class, constitute 5% or more of the outstanding securities of that class, the acquiror must, before the opening of trading on the next business day, issue and file a news release containing the information required by subsection (3).

(2) An acquiror must issue and file an additional news release in accordance with subsection (3) before the opening of trading on the next business day each time the acquiror, or any person acting jointly or in concert with the acquiror, acquires beneficial ownership of, or control or direction over, in aggregate, an additional 2% or more of the outstanding securities of the class of securities that was the subject of the most recent news release required to be filed by the acquiror under this section.

(3) A news release or further news release required under subsection (1) or (2) must set out

(a) the name of the acquiror,

(b) the number of securities of the offeree issuer that were beneficially acquired, or over which control or direction was acquired, in the transaction that gave rise to the requirement under subsection (1) or (2) to issue the news release,

(c) the number of securities and the percentage of outstanding securities of the offeree issuer that the acquiror and all persons acting jointly or in concert with the acquiror, have beneficial ownership of, or control or direction over, immediately after the acquisition described in paragraph (b),

(d) the number of securities of the offeree issuer that were beneficially acquired, or over which control or direction was acquired, by the acquiror and all persons acting jointly or in concert with the acquiror, since the commencement of the bid,

(e) the name of the market in which the acquisition described in paragraph (b) took place, and

(f) the purpose of the acquiror and all persons acting jointly or in concert with the acquiror in making the acquisition described in paragraph (b), including any intention of the acquiror and all persons acting jointly or in concert with the acquiror to increase the beneficial ownership of, or control or direction over, any of the securities of the offeree issuer.

Duplicate news release not required

5.5 If the facts in respect of which a news release is required to be filed under sections 5.2 and 5.4 are identical, a news release is required only under the provision requiring the earlier news release.

Copies of news release and report

5.6 An acquiror that files a news release or report under section 5.2 or 5.4 must promptly send a copy of each filing to the reporting issuer.

Exception

5.7 Sections 5.2, 5.3 and 5.4 do not apply to either of the following:

(a) an acquiror that is a lender in respect of securities transferred or lent pursuant to a specified securities lending arrangement;

(b) an acquiror that is a borrower in respect of securities or identical securities borrowed, disposed of or acquired in connection with a securities lending arrangement if all of the following apply:

(i) the borrowed securities are disposed of by the borrower no later than 3 business days from the date of the transfer or loan;

(ii) the borrower will at a later date acquire the securities or identical securities and transfer or return those securities to the lender;

(iii) the borrower does not intend to vote and does not vote the securities or identical securities during the period beginning on the date of the transfer or loan and ending at the time the securities or identical securities are transferred or returned to the lender..

5. Except in Ontario, this Instrument comes into force on May 9, 2016. In Ontario, this Instrument comes into force on the later of the following:

(a) May 9, 2016;

(b) the day on which sections 1, 2 and 3, subsections 4 (2) and (3), and sections 5, 7, 8 and 10 of Schedule 18 of the *Budget Measures Act, 2015* (Ontario) are proclaimed into force.

ANNEX D

CHANGES TO
NATIONAL POLICY 62-203 *TAKE-OVER BIDS AND ISSUER BIDS*

1. National Policy 62-203 Take-Over Bids and Issuer Bids is changed by this document.

2. National Policy 62-203 Take-Over Bids and Issuer Bids is changed by adding the following Part after Part 2:

PART 3 TAKE-OVER BID AND EARLY WARNING REQUIREMENTS

3.1 **Equity swap or similar derivative arrangement** – An investor that is a party to an equity swap or similar derivative arrangement may under certain circumstances have deemed beneficial ownership, or control or direction, over the referenced voting or equity securities. This could occur where the investor has the ability, formally or informally, to obtain the voting or equity securities or to direct the voting of voting securities held by any counterparties to the transaction. This determination would be relevant for compliance with the early warning and take-over bid requirements under the Instrument.

3.2 **Securities lending arrangements** – Securities lending describes the market practice whereby securities are temporarily transferred from one party (the lender) to another party (the borrower) in return for a fee. As part of the lending arrangement, the borrower is obliged to redeliver to the lender the securities or identical securities to those that were transferred or lent, either on demand or at the end of the loan term.

Securities lending arrangements transfer title of securities from the lender to the borrower for the duration of the loan. During this period, the borrower has full ownership rights and may re-sell the securities as well as vote them. Securities lending arrangements between the lender and the borrower generally provide for payment to the lender of any economic benefits (for example, dividends) accruing to the securities while "on loan". Therefore, securities lending separates the economic interest in the securities which remains with the lender from the ownership and voting rights which are transferred to the borrower. If the lender wants to vote the loaned securities it must, in accordance with the terms of the securities lending arrangement, either recall the securities or identical securities from the borrower or otherwise direct the voting of the loaned securities.

Since securities lending arrangements involve a disposition and acquisition of securities, lenders and borrowers should consider securities lent (disposed) and borrowed (acquired) under securities lending arrangements in determining whether an early warning reporting obligation has been triggered.

Paragraph 5.7(a) of the Instrument provides an exception for the lender of securities under a securities lending arrangement from the early warning requirements if the securities are transferred or lent pursuant to a securities lending arrangement that meets the criteria of a specified securities lending arrangement. If the securities lending arrangement is not a specified securities lending arrangement, then the early warning reporting requirements for dispositions of securities will apply to the disposition of securities by the lender under the securities lending arrangement.

Paragraph 5.7(b) of the Instrument provides an exception for the borrower of securities under a securities lending arrangement from the early warning requirements if the securities or identical securities are borrowed, disposed of or acquired in connection with a borrower's short sale if certain conditions are met. Short selling is a trading strategy where the borrower uses securities borrowed under a securities lending arrangement to settle a sale (disposition) of the securities to another party with the objective of later repurchasing (acquiring) identical securities at a lower price on the market to return the securities to the lender. If all the conditions of paragraph 5.7(b) are not satisfied, then the early warning reporting requirements will apply to the borrower in respect of securities borrowed under the securities lending arrangement and the disposition of and acquisition of the securities or identical securities in the market in connection with the securities lending arrangement..

3. Except in Ontario, these changes become effective on May 9, 2016. In Ontario, these changes become effective on the later of the following:

(a) May 9, 2016;

(b) the day on which sections 1, 2 and 3, subsections 4 (2) and (3), and sections 5, 7, 8 and 10 of Schedule 18 of the *Budget Measures Act, 2015* (Ontario) are proclaimed into force.

ANNEX E

AMENDMENTS TO
NATIONAL INSTRUMENT 62-103 *THE EARLY WARNING SYSTEM AND RELATED TAKE-OVER BID AND INSIDER REPORTING ISSUES*

1. National Instrument 62-103 The Early Warning System and Related Take-Over Bid and Insider Reporting Issues is amended by this Instrument.

2. Section 1.1 is amended by

(a) adding the following definitions:

"acquiror" has the meaning ascribed to that term in Part 5 of NI 62-104;

"acquiror's securities" has the meaning ascribed to that term in Part 5 of NI 62-104;

"economic exposure" has the meaning ascribed to that term in NI 55-104;

"securities lending arrangement" has the meaning ascribed to that term in Part 5 of NI 62-104;***,***

(b) replacing "offeror***" with "***acquiror***" in the definition of "***acquisition announcement provisions***",***

(c) replacing the definition of "early warning requirements***" with the following:***

"early warning requirements" means the requirements set out in section 5.2 of NI 62-104;***,***

(d) replacing the definition of "moratorium provisions***" with the following:***

"moratorium provisions" means the provisions set out in subsection 5.3(1) of NI 62-104;***, and***

(e) deleting the definitions of "offeror***" and "***offeror's securities***".***

3. Section 3.1 is replaced with the following:

3.1 **Contents of News Releases and Reports**

(1) A news release and report required under the early warning requirements shall contain the information required by Form 62-103F1 *Required Disclosure under the Early Warning Requirements*.

(2) Despite subsection (1), a news release required under the early warning requirements may omit the information otherwise required by Items 2.3, 3.3, 3.5 through 3.8, 4.2, 4.3, 6 and 9, and Item 7 to the extent that the information relates to those sections and items, of Form 62-103F1 *Required Disclosure under the Early Warning Requirements*, if

(a) the omitted information is included in the corresponding report required by the early warning requirements, and

(b) the news release indicates the name and telephone number of an individual to contact to obtain a copy of the report.

(3) The acquiror shall send a copy of the report referred to in paragraph (2)(a) promptly to any entity requesting it.***.***

4. Section 3.2 is amended by replacing "offeror***" with "***acquiror***" wherever it occurs.***

5. Section 4.2 is amended by adding "(1)***" before "***An***", by deleting "***or***" at the end of paragraph (a), by replacing "." with "***; or***" at the end of paragraph (b) and by adding the following paragraph and subsection:***

(c) solicits proxies from securityholders of the reporting issuer in any of the following circumstances:

(i) in support of the election of one or more persons as directors of the reporting issuer other than the persons proposed to be nominated by management of the reporting issuer;

(ii) in support for a reorganization, amalgamation, merger, arrangement or other similar corporate action involving the securities of the reporting issuer if that action is not supported by management of the reporting issuer;

(iii) in opposition to a reorganization, amalgamation, merger, arrangement or other similar corporate action involving the securities of the reporting issuer if that action is proposed by management of the reporting issuer.

(2) For the purposes of this section, "solicit" has the meaning ascribed to that term in National Instrument 51-102 *Continuous Disclosure Obligations*.**.**

6. Subsection 4.3(2) is amended by replacing "Appendix F***" with "***Form 62-103F2 *Required Disclosure by an Eligible Institutional Investor under Section 4.3****".***

7. Subsection 4.7(1) is amended by replacing "Appendix G***" with "***Form 62-103F3 *Required Disclosure by an Eligible Institutional Investor under Part 4****".***

8. Section 5.1 is amended by replacing "offeror***" with "***acquiror***" in paragraph (b).***

9. Section 8.2 is amended by deleting "(1)***".***

10. Part 9 and Section 9.1 is amended by deleting "; Early Warning Decrease Reports***" in the titles of the Part and of the Section.***

11. Section 9.1 is amended by deleting "(3),***" in subsection (1) and by repealing subsection (3).***

12. Appendix E is replaced with the following:

Form 62-103F1
REQUIRED DISCLOSURE UNDER THE EARLY WARNING REQUIREMENTS

State if the report is filed to amend information disclosed in an earlier report. Indicate the date of the report that is being amended.

Item 1 – Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

Item 2 – Identity of the Acquiror

2.1 State the name and address of the acquiror.

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

2.3 State the names of any joint actors.

INSTRUCTION

If the acquiror is a corporation, general partnership, limited partnership, syndicate or other group of persons, provide its name, the address of its head office, its jurisdiction of incorporation or organization, and its principal business.

Item 3 – Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror's securityholding percentage in the class of securities.

3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.

3.3 If the transaction involved a securities lending arrangement, state that fact.

3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which

(a) the acquiror, either alone or together with any joint actors, has ownership and control,

(b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and

(c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.

3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.

INSTRUCTIONS

(i) "Related financial instrument" has the meaning ascribed to that term in NI 55-104. Item 3.6 encompasses disclosure of agreements, arrangements or understandings where the economic interest related to a security beneficially owned or controlled has been altered.

(ii) For the purposes of Items 3.6, 3.7 and 3.8, a material term of an agreement, arrangement or understanding does not include the identity of the counterparty or proprietary or commercially sensitive information.

(iii) For the purposes of Item 3.8, any agreements, arrangements or understandings that have been disclosed under other items in this Form do not have to be disclosed under this item.

Item 4 – Consideration Paid

4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.

4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.

4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

(a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;

(b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;

(c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;

(d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;

(e) a material change in the present capitalization or dividend policy of the reporting issuer;

(f) a material change in the reporting issuer's business or corporate structure;

(g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;

(h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;

(i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;

(j) a solicitation of proxies from securityholders;

(k) an action similar to any of those enumerated above.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

INSTRUCTIONS

(i) Agreements, arrangements or understandings that are described under Item 3 do not have to be disclosed under this item.

(ii) For the purposes of Item 6, the description of any agreements, arrangements, commitments or understandings does not include naming the persons with whom those agreements, arrangements, commitments or understandings have been entered into, or proprietary or commercially sensitive information.

Item 7 – Change in material fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Item 9 – Certification

The acquiror must certify that the information is true and complete in every respect. In the case of an agent, the certification is based on the agent's best knowledge, information and belief but the acquiror is still responsible for ensuring that the information filed by the agent is true and complete.

This report must be signed by each person on whose behalf the report is filed or his authorized representative.

It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Certificate

The certificate must state the following:

I, as the acquiror, certify, or I, as the agent filing the report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

_____
Date

_____
Signature

_____
Name/Title.

13. Appendix F is replaced with the following:

Form 62-103F2
REQUIRED DISCLOSURE BY AN ELIGIBLE INSTITUTIONAL INVESTOR UNDER SECTION 4.3

State if the report is filed to amend information disclosed in an earlier report. Indicate the date of the report that is being amended.

Item 1 – Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

Item 2 – Identity of the Eligible Institutional Investor

2.1 State the name and address of the eligible institutional investor.

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

2.3 State that the eligible institutional investor is ceasing to file reports under Part 4 for the reporting issuer.

2.4 Disclose the reasons for doing so.

2.5 State the names of any joint actors.

Item 3 – Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities and the eligible institutional investor's securityholding percentage in the class of securities immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.

3.3 If the transaction involved a securities lending arrangement, state that fact.

3.4 State the designation and number or principal amount of securities and the eligible institutional investor's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report and over which

(a) the eligible institutional investor, either alone or together with any joint actors, has ownership and control,

(b) the eligible institutional investor, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the eligible institutional investor or any joint actor, and

(c) the eligible institutional investor, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

3.5 If the eligible institutional investor or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the eligible institutional investor's securityholdings.

3.6 If the eligible institutional investor or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

3.7 If the eligible institutional investor or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the eligible institutional investor's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.

INSTRUCTIONS

(i) "Related financial instrument" has the meaning ascribed to that term in NI 55-104. Item 3.5 encompasses disclosure of agreements, arrangements or understandings where the economic interest related to a security beneficially owned or controlled has been altered.

(ii) For the purposes of Items 3.5, 3.6 and 3.7, a material term of an agreement, arrangement or understanding does not include the identity of the counterparty or proprietary or commercially sensitive information.

(iii) For the purposes of Item 3.7, any agreements, arrangements or understandings that have been disclosed under other items in this Form do not have to be disclosed under this item.

Item 4 – Consideration Paid

4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.

4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the eligible institutional investor.

4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the eligible institutional investor and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the eligible institutional investor and any joint actors may have which relate to or would result in any of the following:

(a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;

(b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;

(c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;

(d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;

(e) a material change in the present capitalization or dividend policy of the reporting issuer;

(f) a material change in the reporting issuer's business or corporate structure;

(g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person;

(h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;

(i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;

(j) a solicitation of proxies from securityholders;

(k) an action similar to any of those enumerated above.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the eligible institutional investor and a joint actor and among those persons and any person with respect to any securities of the reporting issuer, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

INSTRUCTIONS

(i) Agreements, arrangements or understandings that are described under Item 3 do not have to be disclosed under this item.

(ii) For the purposes of Item 6, the description of any agreements, arrangements, commitments or understandings does not include naming the persons with whom those agreements, arrangements, commitments or understandings have been entered into, or proprietary or commercially sensitive information.

Item 7 – Change in material fact

If applicable, describe any change in a material fact set out in a previous report filed by the eligible institutional investor under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Item 8 – Exemption

If the eligible institutional investor relies on an exemption from the requirement in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Item 9 – Certification

The eligible institutional investor must certify that the information is true and complete in every respect. In the case of an agent, the certification is based on the agent's best knowledge, information and belief but the eligible institutional investor is still responsible for ensuring that the information filed by the agent is true and complete.

This report must be signed by each person on whose behalf the report is filed or his authorized representative.

It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Certificate

The certificate must state the following:

I, as the eligible institutional investor, certify, or I, as the agent filing the report on behalf of the eligible institutional investor, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

_____
Date

_____
Signature

_____
Name/Title.

14. Appendix G is replaced with the following:

Form 62-103F3
REQUIRED DISCLOSURE BY AN ELIGIBLE INSTITUTIONAL INVESTOR UNDER PART 4

State if the report is filed to amend information disclosed in an earlier report. Indicate the date of the report that is being amended.

Item 1 – Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

Item 2 – Identity of the Eligible Institutional Investor

2.1 State the name and address of the eligible institutional investor.

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

2.3 State the name of any joint actors.

2.4 State that the eligible institutional investor is eligible to file reports under Part 4 in respect of the reporting issuer.

Item 3 – Interest in Securities of the Reporting Issuer

3.1 State the designation and the net increase or decrease in the number or principal amount of securities, and in the eligible institutional investor's securityholding percentage in the class of securities, since the last report filed by the eligible institutional investor under Part 4 or the early warning requirements.

3.2 State the designation and number or principal amount of securities and the eligible institutional investor's securityholding percentage in the class of securities at the end of the month for which the report is made.

3.3 If the transaction involved a securities lending arrangement, state that fact.

3.4 State the designation and number or principal amount of securities and the percentage of outstanding securities of the class of securities to which this report relates and over which

(a) the eligible institutional investor, either alone or together with any joint actors, has ownership and control,

(b) the eligible institutional investor, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the eligible institutional investor or any joint actor, and

(c) the eligible institutional investor, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

3.5 If the eligible institutional investor or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the eligible institutional investor's securityholdings.

3.6 If the eligible institutional investor or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

3.7 If the eligible institutional investor or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the eligible institutional investor's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.

INSTRUCTIONS

(i) "Related financial instrument" has the meaning ascribed to that term in NI 55-104. Item 3.5 encompasses disclosure of agreements, arrangements or understandings where the economic interest related to a security beneficially owned or controlled has been altered.

(ii) An eligible institutional investor may omit the securityholding percentage from a report if the change in percentage is less than 1% of the class.

(iii) For the purposes of Item 3.5, 3.6 and 3.7, a material term of an agreement, arrangement or understanding does not include the identity of the counterparty or proprietary or commercially sensitive information.

(iv) For the purposes of Item 3.7, any agreements, arrangements or understandings that have been disclosed under other items in this Form do not have to be disclosed under this item.

Item 4 – Purpose of the Transaction

State the purpose or purposes of the eligible institutional investor and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the eligible institutional investor and any joint actors may have which relate to or would result in any of the following:

(a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the issuer;

(b) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;

(c) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;

(d) a material change in the present capitalization or dividend policy of the reporting issuer;

(e) a material change in the reporting issuer's business or corporate structure;

(f) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person;

(g) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;

(h) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;

(i) a solicitation of proxies from securityholders;

(j) an action similar to any of those enumerated above.

Item 5 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the eligible institutional investor and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

INSTRUCTIONS

(i) Agreements, arrangements or understandings that are described under Item 3 do not have to be disclosed under this item.

(ii) For the purposes of Item 5, the description of any agreements, arrangements, commitments or understandings does not include naming the persons with whom those agreements, arrangements, commitments or understandings have been entered into, or proprietary or commercially sensitive information.

Item 6 – Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the eligible institutional investor under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Item 7 – Certification

The eligible institutional investor must certify that the information is true and complete in every respect. In the case of an agent, the certification is based on the agent's best knowledge, information and belief but the eligible institutional investor is still responsible for ensuring that the information filed by the agent is true and complete.

This report must be signed by each person on whose behalf the report is filed or his authorized representative.

It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Certificate

The certificate must state the following:

I, as the eligible institutional investor, certify, or I, as the agent filing the report on behalf of the eligible institutional investor, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

_____
Date

_____
Signature

_____
Name/Title.

15. Except in Ontario, this Instrument comes into force on May 9, 2016. In Ontario, this Instrument comes into force on the later of the following:

(a) May 9, 2016;

(b) the day on which sections 1, 2 and 3, subsections 4 (2) and (3), and sections 5, 7, 8 and 10 of Schedule 18 of the *Budget Measures Act, 2015* (Ontario) are proclaimed into force.

ANNEX F

LOCAL MATTERS

Please refer to Annex N of the version of the CSA Notice of Amendments to Take-Over Bid Regime dated February 25, 2016 published in Ontario.

5.1.2 CSA Notice of Changes to Companion Policy 43-101CP Standards of Disclosure for Mineral Projects

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Notice of Changes to Companion Policy 43-101CP
Standards of Disclosure for Mineral Projects

February 25, 2016

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are making changes to Companion Policy 43-101 *Standards of Disclosure for Mineral Projects* (the **Companion Policy**) (the **Changes**). The Changes are not material and are not being published for comment.

List of Foreign Associations and Membership Designations

NI 43-101 *Standards of Disclosure for Mineral Projects* (**NI 43-101**) requires that all disclosure of scientific or technical information made by an issuer must be based upon information prepared by or under the supervision of a qualified person or approved by a qualified person. A "qualified person", as defined in NI 43-101, is required to meet several conditions including holding a specified membership designation in a professional association. In turn, a "professional association", as defined, includes a test for what is considered an acceptable foreign association.

Appendix A to the Companion Policy provides a list of the foreign associations that in our view meet all the tests in the definition of a "professional association" and the membership designations listed meet the criteria in paragraph (e) of the definition of a "qualified person" (the **Tests**). The Companion Policy notes that periodic updates to Appendix A will be made to reflect other professional associations and membership designations that, in our view, meet the Tests.

In August 2012 and February 2013, members of Engineers Australia and Engineers New Zealand holding the designation of Chartered Professional Engineer (CPEng) were noted as having met the Tests in CSA Staff Notice 43-308 (Revised) *Professional Associations under NI 43-101 Standards of Disclosure for Mineral Projects* (**Staff Notice 43-308**). Appendix A was not updated at the time to reflect the change.

At this time, we are of the view that the Russian Society of Subsoil Use Experts (OERN) with members holding the designation of Expert meet the Tests and Appendix A to the Companion Policy is being updated to reflect this. At the same time, Appendix A is being updated to add Engineers Australia and Engineers New Zealand. Changes to Appendix A are provided by way of blackline in Annex A to this notice. The Staff Notice 43-308 is being withdrawn as a result of these changes to Appendix A of the Companion Policy.

List of Acceptable Foreign Codes

NI 43-101 requires that disclosure of mineral resources or mineral reserves use either the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards or an "acceptable foreign code", as defined, which includes five specific foreign codes and criteria for recognizing other acceptable foreign codes.

We are of the view that the Russian Code for the Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves (NAEN Code) meets the criteria for an acceptable foreign code and the Companion Policy will be changed to include Appendix A.1 listing additional acceptable foreign codes. We have also changed the guidance in paragraph 1.1(1)(b) of the Companion Policy to refer to periodic updates to the list in Appendix A.1 rather than through CSA Staff Notices. Annex B to this notice provides changes by way of blackline.

The Changes come into effect on February 25, 2016.

Contents of Annexes

Annex A – Changes to Appendix A of the Companion Policy
Annex B – Addition of Appendix A.1 of the Companion Policy

Questions

Please refer your questions to any of the following people:

Chris Collins
Chief Mining Advisor, Corporate Finance
British Columbia Securities Commission
604-899-6616
Toll-free 800-373-6393
ccollins@bcsc.bc.ca

Ian McCartney
Senior Geologist, Corporate Finance
British Columbia Securities Commission
604-899-6519
Toll-free 800-373-6393
imccartney@bcsc.bc.ca

Darin Wasylik
Senior Geologist, Corporate Finance
British Columbia Securities Commission
604 899-6517
Toll-free 800-373-6393
dwasylik@bcsc.bc.ca

Craig Waldie
Senior Geologist, Corporate Finance
Ontario Securities Commission
416-593-8308
Toll-free 877-785-1555
cwaldie@osc.gov.on.ca

James Whyte
Senior Geologist, Corporate Finance
Ontario Securities Commission
416-593-2168
Toll-free 877-785-1555
jwhyte@osc.gov.on.ca

Luc Arsenault
Géologue
Autorité des marchés financiers
514-395-0337, ext. 4373
Toll-free 877-525-0337, ext. 4373
luc.arsenault@lautorite.qc.ca

André Laferrière
Géologue
Autorité des marchés financiers
514-395-0337, ext. 4374
Toll-free 877-525-0337 ext. 4374
andre.laferriere@lautorite.qc.ca

ANNEX A

CHANGES TO APPENDIX A OF THE COMPANION POLICY

Annex A shows, by way of blackline, changes approved to Appendix A of the Companion Policy. These changes become effective February 25, 2016.

Appendix A
Acceptable Foreign Associations and Membership Designations

Foreign Association	Membership Designation
American Institute of Professional Geologists (AIPG)	Certified Professional Geologist (CPG)
The Society for Mining, Metallurgy and Exploration, Inc. (SME)	Registered Member
Mining and Metallurgical Society of America (MMSA)	Qualified Professional (QP)
Any state in the United States of America	Licensed or certified as a professional engineer
European Federation of Geologists (EFG)	European Geologist (EurGeol)
Institute of Geologists of Ireland (IGI)	Professional Member (PGeo)
Institute of Materials, Minerals and Mining (IMMM)	Professional Member (MIMMM), Fellow (FIMMM), Chartered Scientist (CSci MIMMM), or Chartered Engineer (CEng MIMMM)
Geological Society of London (GSL)	Chartered Geologist (CGeol)
Australasian Institute of Mining and Metallurgy (AusIMM)	Fellow (FAusIMM) or Chartered Professional Member or Fellow [MAusIMM (CP), FAusIMM (CP)]
Australian Institute of Geoscientists (AIG)	Member (MAIG), Fellow (FAIG) or Registered Professional Geoscientist Member or Fellow (MAIG RPGeo, FAIG RPGeo)
The Institution of Engineers Australia[1] (Engineers Australia)	Chartered Professional Engineer (CPEng)
The Institution of Professional Engineers New Zealand[2] (Engineers New Zealand, IPENZ)	Chartered Professional Engineer (CPEng)
Southern African Institute of Mining and Metallurgy (SAIMM)	Fellow (FSAIMM)
South African Council for Natural Scientific Professions (SACNASP)	Professional Natural Scientist (Pr.Sci.Nat.)
Engineering Council of South Africa (ECSA)	Professional Engineer (Pr.Eng.) or Professional Certificated Engineer (Pr.Cert.Eng.)
Comisión Calificadora de Competencias en Recursos y Reservas Mineras (Chilean Mining Commission)	Registered Member
Russian Society of Subsoil Use Experts[3] (OERN)	Expert

1 As of August 16, 2012.
2 As of February 21, 2013.
3 As of February 25, 2016.

ANNEX B

CHANGES TO THE COMPANION POLICY AND ADDITION OF APPENDIX A.1

Annex B shows, by way of blackline, changes approved to the Companion Policy including the addition of Appendix A.1. These changes become effective February 25, 2016.

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

(1) **"acceptable foreign code" –** The definition of "acceptable foreign code" in the Instrument lists five internationally recognized foreign codes that govern the estimation and disclosure of mineral resources and mineral reserves. The JORC Code, PERC Code, SAMREC Code, and Certification Code use mineral resource and mineral reserve definitions and categories that are substantially the same as the CIM definitions mandated in the Instrument. These codes also use mineral resource and mineral reserve categories that are based on or consistent with the International Reporting Template, published by the Committee for Mineral Reserves International Reporting Standards ("the CRIRSCO Template"), as amended.

We think other foreign codes will generally meet the test in the definition if they

(a) have been adopted or recognized by appropriate government authorities or professional organizations in the foreign jurisdiction; and

(b) use mineral resource and mineral reserve categories that are based on the CRIRSCO Template, and are substantially the same as the CIM definitions mandated in the Instrument, the JORC Code, the PERC Code, the SAMREC Code, and the Certification Code, as amended and supplemented.

~~We will publish CSA Staff Notices periodically listing the~~ Appendix A.1 to the Policy provides a list of additional codes that we ~~CSA members' staff~~ think satisfy the definition of "acceptable foreign code". We will publish updates to the list periodically. We will also consider submissions from market participants regarding the proposed addition of foreign codes to the list. Submissions should explain the basis for concluding that the proposed foreign code meets the test in the definition and include appropriate supporting documentation.

Appendix A.1

Additional Acceptable Foreign Codes

Russian Code for the Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves[4] (NAEN Code)

[4] As of February 25, 2016.

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Chapter 6

Request for Comments

6.1.1 Proposed NI 94-101 Mandatory Central Counterparty Clearing of Derivatives and Proposed Companion Policy 94-101CP Mandatory Central Counterparty Clearing of Derivatives

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Notice and Request for Comment

Proposed National Instrument 94-101
***Mandatory Central Counterparty Clearing Of Derivatives* (2nd Publication)**

Proposed Companion Policy 94-101CP
***Mandatory Central Counterparty Clearing Of Derivatives* (2nd Publication)**

February 24, 2016

Introduction

We, the Canadian Securities Administrators (**CSA**), are republishing for a 90-day comment period expiring on May 24, 2016:

- Proposed National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives* (the **Clearing Rule**), and
- Proposed Companion Policy 94-101CP *Mandatory Central Counterparty Clearing of Derivatives* (the **Clearing CP**).

Collectively, the Clearing Rule and the Clearing CP will be referred to as the "Proposed National Instrument".

We are issuing this notice to provide interim guidance and solicit comments on the Proposed National Instrument and the determination of classes of interest rate derivatives (**IRD**) denominated in certain currencies as mandatory clearable derivatives. This process is part of the ongoing implementation of Canada's commitments in relation to global over-the-counter (**OTC**) derivatives markets reforms stemming from the G20 commitments.

The CSA Derivatives Committee (the **Committee**) has consulted and collaborated with the Bank of Canada, the Office of the Superintendent of Financial Institutions (Canada), the Department of Finance Canada, and market participants on the determination of certain classes of OTC derivatives as mandatory clearable derivatives. The Committee also continues to contribute to and follow international regulatory developments. In particular, members of the Committee work with international regulators and bodies such as the International Organization of Securities Commissions and the OTC Derivatives Regulators' Group in the development of international standards and regulatory practices.

Although a significant market in Canada, the Canadian OTC derivatives market comprises a relatively small share of the global market, and a substantial portion of transactions entered into by Canadian market participants involve foreign counterparties. The Committee endeavours to develop rules for the Canadian market that are aligned with international practices to ensure that Canadian market participants have access to the international market and are regulated in accordance with international principles.

We would like to draw your attention to another publication, Proposed National Instrument 94-102 *Derivatives Customer Clearing and Protection of Customer Positions and Collateral*, and to the recent publication of National Instrument 24-102 *Clearing Agency Requirements.* These publications, and the Proposed National Instrument, each relate to central counterparty clearing and we therefore invite the public to consider these publications comprehensively.

We note that once the Proposed National Instrument is in force, the Committee intends that Ontario Securities Commission Rule 91-506 *Derivatives: Product Determination*, Manitoba Securities Commission Rule 91-506 *Derivatives: Product Determination*, Québec Regulation 91-506 respecting Derivatives Determination and the Multilateral Instrument 91-101 *Derivatives: Product Determination* (collectively, the **Scope Rules**) will apply to the Proposed National Instrument. Accordingly, in Québec, Regulation to amend Regulation 91-506 respecting Derivative Determination is published for consultation concurrently with the Proposed National Instrument.

Background

The members of the CSA published Draft National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives* on February 12, 2015 (the **Draft National Instrument**), inviting public comment on all aspects of the Draft National Instrument. Twenty-five comment letters were received. A list of those who submitted comments as well as a chart summarizing the comments received and the Committee's responses are attached as Annex A to this Notice. Copies of the comment letters can be found on the websites of the Alberta Securities Commission, Ontario Securities Commission and Autorité des marchés financiers.

Summary of Changes to the Proposed National Instrument

The Committee has reviewed the comments received and made changes to the Proposed National Instrument in response. In particular, the Clearing Rule now applies only to participants that subscribe to the services of a regulated clearing agency for a mandatory clearable derivative, and their affiliated entities, as well as to local counterparties with a month-end gross notional amount of outstanding OTC derivatives above $500 000 000 000.

The revised scope of application addresses concerns of market participants regarding indirect clearing. The Committee intends to reassess this scope when more market participants reasonably have access to clearing services for OTC derivatives.

In addition, the non-application provision was broadened by adding the International Monetary Fund and by including entities that are guaranteed by one or more governments. Also, the interpretation of an affiliated entity was broadened by adding partnerships, and an exemption for multilateral portfolio compression exercise was added.

Finally, our intent to keep Form 94-101F1 confidential has been clarified in the Clearing CP.

Substance and Purpose of the Proposed National Instrument

The purpose of the Clearing Rule is to propose mandatory central counterparty clearing of certain standardized OTC derivatives transactions in order to reduce systemic risk in the derivatives market and increase financial stability.

The Clearing Rule is divided into two areas: (i) mandatory central counterparty clearing for certain derivatives (including proposed exemptions), and (ii) the determination of derivatives subject to mandatory central counterparty clearing (each a mandatory clearable derivative).

Summary of the Clearing Rule

a) Mandatory central counterparty clearing and exemptions

The Clearing Rule provides that a local counterparty to a transaction in a mandatory clearable derivative must submit that transaction for clearing to a regulated clearing agency when itself and the other counterparty are one or more of the following:

(i) a participant subscribing to the services of a regulated clearing agency for a mandatory clearable derivative;

(ii) an affiliated entity of a participant described in (i);

(iii) a local counterparty that, together with its local affiliated entities, has an aggregate gross notional amount of more than $500 000 000 000 in outstanding derivatives as specified under the Scope Rules, excluding intragroup transactions.

In addition to the non-application section, two exemptions are provided in the Clearing Rule. The proposed intragroup exemption applies, subject to conditions provided in the Clearing Rule, where affiliated entities or counterparties prudentially supervised on a consolidated basis enter into a transaction in a mandatory clearable derivative. A counterparty relying on the intragroup exemption must deliver Form 94-101F1 to the regulator identifying the other counterparty and the basis for relying on the exemption.

The proposed multilateral portfolio compression exercise exemption applies, subject to the conditions listed in the Clearing Rule, when several counterparties are changing, terminating and replacing prior uncleared transactions in derivatives that were not mandatory clearable derivatives at the time the prior transactions were entered into.

A counterparty relying on either exemption must document and maintain records to demonstrate its eligibility to rely on the exemption.

b) Determination of mandatory clearable derivatives

The Committee seeks comment on the determination as mandatory clearable derivatives of certain classes of IRD denominated in US dollars (**USD**), Euro (**EUR**), British pounds (**GBP**) and Canadian dollars (**CAD**) (collectively, the **Proposed Determination**). In making this Proposed Determination, the Committee has considered factors including

- information on OTC derivatives cleared by regulated clearing agencies,
- markets of importance to Canadian financial stability, and
- foreign central clearing mandates.

Regulated clearing agencies have notified the Committee of all the OTC derivatives or classes of OTC derivatives for which they provide clearing services. For each of these derivatives or classes of derivatives, the Committee has assessed whether it is suitable for mandatory central clearing by examining the following criteria set out in the Clearing CP:

- standardization of legal documentation and of the operational processes at the regulated clearing agency, as measured by the use of electronic affirmation and confirmation platforms and the use of industry standard documentation and definitions;
- sufficient transaction activity and participation to absorb the risk resulting from the default of two large participants of a regulated clearing agency, as measured by the number of participants subscribing to OTC derivative services at the regulated clearing agencies;
- fair, reliable and generally accepted pricing information made available in the relevant class of derivatives by market entities providing pre- and post- trade transparency;
- sufficient liquidity in the market to allow for close out or hedging of outstanding derivatives in a default scenario of at least two participants of a regulated clearing agency, as measured by the average number of transactions and average notional transactions size daily.

We have also considered publicly available data, derivatives transaction data reported pursuant to local derivatives data reporting rules[1] and foreign regulators' proposals, including their analysis of the standardization and risk profile of the proposed mandatory clearable derivatives as well as the liquidity and characteristics of their market.

International harmonization is also an important factor used by the Committee when making a determination on whether a type or class of derivative should be a mandatory clearable derivative. In the absence of broadly harmonized requirements, there may be potential for regulatory arbitrage or other distortions in market participants' choices as to where to conduct business or book trades.

The list of proposed mandatory clearable derivatives for all jurisdictions of Canada, other than Québec, is included in the Clearing Rule as Appendix A. In Québec, a list of mandatory clearable derivatives will be published in a decision from the Autorité des marchés financiers. Following the review of OTC derivatives against the criteria presented above, the Committee is proposing that the following classes of IRD be mandatory clearable derivatives:

[1] Regulation 91-507 respecting Trade Repositories and Derivatives Data Reporting (Québec); Ontario Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting*; Manitoba Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting*; and, once implemented, Multilateral Instrument 96-101 *Trade Repositories and Derivatives Data Reporting*.

Interest Rate Swaps

Type	Floating index	Settlement currency	Maturity	Settlement Currency Type	Optionality	Notional type
Fixed-to-float	CDOR	CAD	28 days to 30 years	Single currency	No	Constant or variable
Fixed-to-float	LIBOR	USD	28 days to 50 years	Single currency	No	Constant or variable
Fixed-to-float	EURIBOR	EUR	28 days to 50 years	Single currency	No	Constant or variable
Fixed-to-float	LIBOR	GBP	28 days to 50 years	Single currency	No	Constant or variable
Basis	LIBOR	USD	28 days to 50 years	Single currency	No	Constant or variable
Basis	EURIBOR	EUR	28 days to 50 years	Single currency	No	Constant or variable
Basis	LIBOR	GBP	28 days to 50 years	Single currency	No	Constant or variable
Overnight index swap	CORRA	CAD	7 days to 2 years	Single currency	No	Constant or variable
Overnight index swap	FedFunds	USD	7 days to 30 years	Single currency	No	Constant or variable
Overnight index swap	EONIA	EUR	7 days to 30 years	Single currency	No	Constant or variable
Overnight index swap	SONIA	GBP	7 days to 30 years	Single currency	No	Constant or variable

Forward Rate Agreements

Forward rate agreement	LIBOR	USD	3 days to 3 years	Single currency	No	Constant or variable
Forward rate agreement	EURIBOR	EUR	3 days to 3 years	Single currency	No	Constant or variable
Forward rate agreement	LIBOR	GBP	3 days to 3 years	Single currency	No	Constant or variable

In particular, IRD represent more than 80% of the gross notional amount of outstanding derivatives of local counterparties. Within IRD traded, single currency interest rate swaps (**IRS**) dominate. IRD are also highly standardised, thus posing minimal operational concerns for clearing unlike more complex and exotic products. There is also sufficient liquidity for clearing in IRD. IRD are not only traded by local participants, but also by local branches or affiliates of foreign participants. Furthermore, the majority of local counterparties that would be subject to the Proposed National Instrument have already begun clearing IRS on regulated clearing agencies.

Our goal is to harmonise, to the greatest extent possible, the Proposed Determination across Canada and with international practices. Certain classes of IRD denominated in USD, GBP and EUR are already mandated to be cleared in the United States, in Australia beginning in April 2016, and in Europe beginning in June 2016.

There is currently no central clearing mandate in any jurisdiction covering CAD IRS, although it is being assessed by some foreign jurisdictions. Considering that the market for CAD IRS involves foreign counterparties outside of our jurisdiction, the competitiveness of local counterparties subject to the Proposed National Instrument could be impacted negatively, in the absence of foreign regulators also mandating clearing of CAD IRS. The Committee is well aware of this potential impact and is seeking to harmonise implementation of the Proposed Determination with our international counterparts to minimise disadvantageous consequences. Where harmonisation is not possible, the Committee could consider delaying the determination of CAD IRS as mandatory clearable derivatives, or including a transition provision or phase-in to minimise negative consequences while potential foreign mandates are considered. For example, such a phase-in could provide that, for a certain

period of time, CAD IRS only be mandated to be cleared when entered into by two local counterparties in any jurisdiction of Canada. Transactions involving a foreign counterparty could then be part of a second phase triggered once a foreign mandate for CAD IRS is in place.

The Committee would appreciate your input on the following questions.

1. The scope of counterparties subject to the clearing requirement has been significantly scaled back since the publication of the Draft National Instrument. In your view, is the scope in the Proposed National Instrument appropriate considering the Proposed Determination?

2. Is the Proposed Determination appropriate for the Canadian market? Please provide specific concerns relating to any or all of the following:

   (i) US IRD;

   (ii) GBP IRD;

   (iii) EUR IRD;

   (iv) CAD IRS;

   (v) any other derivatives.

3. What additional risks to the market or regulated clearing agencies would result from the Proposed Determination?

4. As currently contemplated, the Proposed National Instrument and the Proposed Determination would become effective simultaneously. Do you agree with this approach or should a transition period be provided after the Proposed National Instrument has come into force and before mandatory clearable derivatives must be cleared? Please identify significant consequences that could arise from the current approach and what length of time would be appropriate if you deem that a phase-in is necessary.

5. Please discuss any significant consequences that could arise from a determination of CAD IRS as a mandatory clearable derivative absent a corresponding CAD IRS mandate in one or more foreign jurisdictions.

6. Are the characteristics used in Appendix A and the table above to define mandatory clearable derivatives adequate? If not, what other variables should be considered?

Anticipated Costs and Benefits of the Proposed National Instrument

We believe that the impact of the Proposed National Instrument, including anticipated compliance costs for market participants, is proportional to the benefits we seek to achieve. The G20 has agreed that requiring standardised and sufficiently liquid OTC derivatives transactions to be cleared through central counterparties will result in more effective management of counterparty credit risk through multilateral netting of transactions and mutualisation of losses through a default fund. As such, central counterparty clearing of derivatives included in the Proposed Determination contributes to greater stability of our financial markets and reduced systemic risk.

We recognise that counterparties will incur additional costs in order to comply with the Proposed National Instrument due to the increase in transactions that are centrally cleared. However, we note that the G20 has also committed to impose capital and collateral requirements on OTC derivative transactions that are not centrally cleared; the related costs may well exceed the costs associated with clearing OTC derivatives transactions. The intragroup and multilateral portfolio compression exemptions in the Clearing Rule will help mitigate the costs borne by counterparties as a result of the Clearing Rule.

Moreover, the narrow scope of application of the Clearing Rule will provide relief for certain categories of market participants. We note that the current approach of the Clearing Rule will provide the provincial regulators time to establish a derivatives registration regime under which a category would be contemplated for larger derivatives participants who could become subject to the Clearing Rule. We will continue to monitor trade repository data to assess the characteristics of the markets for derivatives mandated to be cleared to inform whether the $500 000 000 000 threshold for an entity to be subject to mandatory clearing should be lowered and if so, what carve-outs might be appropriate for certain types of entities.

With respect to the Proposed Determination, while we acknowledge that CAD IRS are systemically important to the Canadian market, as noted above, there may be potential costs associated with requiring CAD IRS to be cleared without international harmonisation. In the absence of foreign regulators also mandating clearing of CAD IRS, local counterparties subject to the Proposed National Instrument could be impacted negatively if foreign counterparties withdraw from the market and reduced the

ability of local counterparties to hedge their risks. This risk is particularly relevant to the cleared CAD IRS market where approximately half of all outstanding positions are cleared by foreign clearing members.

Content of Annexes
The following annexes form part of this CSA Notice:

- Annex A – Summary of Comments and List of Commenters;
- Annex B – Proposed National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives*; and
- Annex C – Proposed Companion Policy 94-101CP *Mandatory Central Counterparty Clearing of Derivatives*.

Request for Comments

Please provide your comments in writing by **May 24, 2016**.

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

Thank you in advance for your comments.

Please address your comments to each of the following:

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

Please send your comments **only** to the following addresses. Your comments will be forwarded to the remaining jurisdictions:

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Fax: 514 864-6381
consultation-en-cours@lautorite.qc.ca

Josée Turcotte
Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
Fax: 416 593-2318
comments@osc.gov.on.ca

Questions

Please refer your questions to any of the following:

Derek West Co-Chairman, CSA Derivatives Committee
Senior Director, Derivatives Oversight
Autorité des marchés financiers
514 395-0337, ext. 4491
derek.west@lautorite.qc.ca

Kevin Fine
Co-Chairman, CSA Derivatives Committee
Director, Derivatives Branch
Ontario Securities Commission
416 593-8109
kfine@osc.gov.on.ca

Paula White
Deputy Director, Compliance and Oversight
Manitoba Securities Commission
204 945-5195
Paula.white@gov.mb.ca

Martin McGregor
Legal Counsel, Corporate Finance
Alberta Securities Commission
403 355-2804
martin.mcgregor@asc.ca

Michael Brady
Manager, Derivatives
British Columbia Securities Commission
604 899-6561
mbrady@bcsc.bc.ca

Abel Lazarus
Senior Securities Analyst
Nova Scotia Securities Commission
902 424-6859
abel.lazarus@novascotia.ca

Wendy Morgan
Senior Legal Counsel
Financial and Consumer Services Commission (New Brunswick)
506 643-7202
wendy.morgan@fcnb.ca

ANNEX A

COMMENT SUMMARY AND CSA RESPONSES

Section Reference	Issue/Comment	Response
General Comment	A commenter suggested that the rule use a more principles-based approach.	No change. A clearing requirement is necessary to ensure the objective of enhancing central clearing is accomplished.
S. 1 – Definitions	A commenter requested that we define derivative to be harmonized with Proposed Multilateral Instrument 96-101 *Trade Repositories and Derivatives Data Reporting.*	Change made. An application section was added to explain that derivative has the same meaning as in securities legislation and the local Rule 91-506 *Derivatives: Product Determination* and Proposed Multilateral Instrument 91-101 *Derivatives: Product Determination.*
S. 1 – Definitions: Financial entity	Several commenters pointed out that, until there is a registration regime in place, it would be difficult for a participant to determine if it is a financial entity or not.	Change made. The definition of "financial entity" was removed since the distinction between a financial and non-financial entity was solely for the purpose of the end-user exemption which was deleted.
S.1 – Definitions: Local counterparty	A number of commenters requested additional guidance on concepts such as "head office", "principal place of business" and "affiliate".	Partial change. We note that the interpretation of "affiliated entity" was changed to harmonize with other Canadian derivatives rules. The other concepts are commonly used terms with judicially considered definitions.
	A few commenters asked what is meant by "responsible for the liabilities of that affiliated party".	Change made. The Clearing Rule now specifies that the responsibility is for all or substantially all the liabilities of the affiliated entity.
S.1 – Definitions: Mandatory Clearable Derivatives	A commenter requested that the definition should be harmonized across Canada and internationally.	No change. Although the definition provides that mandatory clearable derivatives will be determined in a decision in Québec, while other jurisdictions of Canada will list them in Appendix A of the Clearing Rule, the intent of the Committee is to harmonize the determinations across Canada. When proposing mandatory clearable derivatives, the Committee intends to take into account whether the derivatives are mandated to be cleared in foreign jurisdictions.
S.1 – Definitions: Regulated clearing agency	A commenter suggested that the definition be restricted to a person or company that acts as a central counterparty.	The Clearing CP now explains that a regulated clearing agency acts as a central counterparty.
Former S.3 – Interpretation of the term affiliated entity	Two commenters opined that definitions should be the same across rules. Another commenter requested that partnerships and unincorporated entities be included in the definition.	Change made. We included a broader definition of affiliated entity that includes partnerships and trusts for greater harmonization with other derivatives rules.
Former S. 4 – Interpretation of hedging	Many commenters expressed the need for clarification regarding the meaning of "speculating", the "intent to reduce risk", the "list of risks" and the "normal course of business".	This section was deleted since non-financial entities are no longer required to clear their transactions unless they fall into the scope of revised subsection 3(1).
Former S. 5 – Duty to clear	A few commenters highlighted the difficulties relating to access to clearing for certain market participants. Many commenters requested an exemption or an exclusion from the scope of the duty to clear for smaller financial entities or non-systemic entities such as pension schemes.	Change made. See revised subsection 3(1) where the scope of the duty to clear was narrowed to capture only the largest entities, and those with direct access to a regulated clearing agency.
	A commenter expressed the concern that the Clearing Rule would not provide for situations where a local counterparty accesses a regulated clearing agency directly without being a clearing member.	Change made. The definition of "participant" referring to a person or company in a contractual relationship with a regulated clearing agency and bound by its rules has been added to the Clearing Rule.
	A commenter proposed to extend the clearing requirement to foreign entities whose transactions	No change. We note that, although the obligation to clear rests on local counterparties, a transaction with

	have a direct, substantial and foreseeable effect in Canada or are aimed at evading the clearing requirement.	a foreign counterparty must be cleared if the foreign counterparty is also subject to subsection 3(1).
	Three commenters were concerned about the lack of substituted compliance within Canada and with foreign jurisdictions available for a counterparty subject to the duty to clear in more than one jurisdiction.	Partial change. Regarding substituted compliance within Canada, Alberta, New Brunswick and Nova Scotia were added to the list of jurisdictions which provide substituted compliance where a transaction is cleared at a clearing agency regulated in any jurisdiction of Canada. It is the Committee's view that an application for exemptive relief may be made in a local jurisdiction that do not provide substituted compliance. With regard to equivalence with foreign jurisdictions, we note that only local counterparties under paragraph (b) of that definition should benefit from substituted compliance, since the Clearing Rule would only apply when there is a local counterparty in scope involved in the transaction if the Clearing Rule is the stricter rule applicable to the transaction.
	A commenter submitted that the requirement to submit transactions for clearing before the end of the day of execution is too short since it does not allow the overnight file transfer and could impact liquidity.	No change. We note that this requirement is consistent with foreign regulation.
Former S. 6 – Non-application	Several commenters expressed their concern that this section confers an advantage to crown corporations over their competitors. Some commenters added that the non-application section should provide objective criteria.	No change. We note that the regulators retain the right to modify the applicability of all exemptions.
	Two commenters requested that the non-application section be available for entities wholly-owned by or acting as agent for the government and who do not benefit from a guarantee of its obligations by that government.	No change. The non-application section includes a crown corporation for which the government where the crown corporation was constituted is responsible for all or substantially all of the crown corporation's liabilities. We note that crown corporations are not required to clear their transactions unless they fall into the scope of revised subsection 3(1).
	A commenter suggested adding the International Monetary Fund to the list of entities.	Change made. The International Monetary Fund was added to the non-application section. We note that the non-application section has not been extended to recognize other supra-national agencies. The Committee anticipates exemption requests would be sent to regulators as required.
	A commenter suggested that former section 6 apply to a financial entity that is wholly owned by one or more government(s) as long as all or substantially all the liabilities of the entity are guaranteed by one or more of that or these government(s). It was also noted that a government of a foreign jurisdiction in former paragraph 6(a) should include both sovereign and subsovereign governments.	Change made. The language in the non-application section has been adapted to include entities wholly-owned by more than one government. The Clearing CP now includes guidance on the interpretation of a foreign government.
Former Part 3 - Exemptions	A commenter suggested that an exemption should be available for a transaction resulting from a multilateral portfolio compression exercise where the previous transactions were not cleared and were entered into prior to the effective date of the clearing requirement for the derivative.	Change made. An exemption was added in section 8 of the Clearing Rule for certain transactions resulting from a multilateral portfolio compression exercise.
Former S. 9 – End-user exemption	Many commenters requested that the exemption be broadened to be available for small financial entities, pension funds and property and casualty insurers. Three commenters believed this exemption should be available to a registrant hedging the risk of a non-financial affiliated entity.	This section was deleted in consideration of the new scope of application.

Former S. 10 – Intragroup exemption	Many commenters thought that the intragroup exemption should be available for entities that are not prudentially supervised on a consolidated basis or that do not have consolidated financial statements.	No change. The Committee notes that the approach used in the Clearing Rule is harmonized with exemptions found in foreign regulations.
	A commenter asked that financial statements using Canadian or U.S. GAAP or GAAP of the local jurisdiction be allowed.	No change. The Committee notes that Canadian and U.S. GAAP are included in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*.
	Two commenters expressed the need for clarification as to the agreement between the affiliated entities.	No change. The Committee notes that the requirement that the counterparties agree to rely on the exemption provides sufficient flexibility for them to choose in which form to express their intent to rely on the exemption.
	Four commenters asked for clarification on the level of detail of the written agreement required and whether written confirmations are required for each transaction.	No change. The Committee notes that the written agreement required provides flexibility.
	A commenter urged that former subsection 10(3) include “or cause to be submitted” to allow a counterparty that centralizes its compliance and reporting functions to another entity to submit the form through this entity.	Change made. See revised subsection 7(2) where “or cause to be delivered” was added.
	A commenter requested clarification regarding whether Form 94-101F1 should be submitted for every transaction between two affiliated entities.	Change made. See revised subsection 7(2). We are of the view that Form 94-101F1 must be delivered only once per pair of counterparties to be valid for all transactions between the pair.
	A commenter suggested the elimination of a form filing requirement.	No change. The Committee notes that regulators could review filed Forms 94-101F1 to determine whether the exemption was properly relied on.
	A commenter proposed that a corporate group be permitted to file only one Form 94-101F1.	No change. We note that the exemption is available on a bilateral basis and not on a group basis.
	Two commenters proposed that Form 94-101F1 be submitted to a trade repository. A commenter suggested that only one regulator should receive the form and share it with the other regulators.	No change. The regulators do not have arrangements in place with trade repositories regarding the Clearing Rule. The Committee notes that there is no agreement in place between regulators for sharing the information received on Form 94-101F1. Furthermore, it is the Committee’s view that it would not be overly burdensome for market participants to send the same form to several regulators.
Former S. 11 – Recordkeeping	Some commenters sought clarification on the requirements for the end-user exemption regarding factual representations and documentation on a portfolio level.	The end-user exemption and related requirements were deleted.
Former S. 12 – Submission of information on clearing services for derivatives by a regulated clearing agency	Two commenters asked about the authority to make top-down determinations.	Change made. See revised sections 10 and 12 of the Clearing CP that discuss top-down determinations.
Former S. 13 – Other exemption	A commenter requested clarification on the impact of the clearing requirement on a market participant who submitted an application for an exemption.	No change. We believe that market participants will have sufficient time ahead of a determination to submit an application for a discretionary exemption. However, a transition period was added to section 3.
Former S. 14 – Transition – regulated clearing agency filing requirement	A commenter proposed that products already offered for clearing by a clearing agency be presumed eligible for clearing.	No change. It is the Committee’s view that the information required in Form 94-101F2 is an important element for regulators in making or proposing a determination as to which derivatives should be mandatory clearable derivatives.

Form 94-101F1	A commenter requested that Form 94-101F1 be kept confidential	Change made. The Clearing CP includes a provision about the confidentiality of this form.
Form 94-101F2	A commenter requested that regulated clearing agencies provide specific information on the end-to-end testing conducted with its participants.	No change. We note that the information requested from regulated clearing agencies is only one part of the determination process which considers multiple factors as set out in the notice.
Appendix A – Mandatory clearable derivatives	<u>Determination</u> Many commenters provided their insight on which types of derivatives should or should not be mandatory clearable derivatives. Several commenters suggested that the process for the determination of mandatory clearable derivatives should be harmonized with international standards and across all jurisdictions of Canada. Two commenters asked that the list of mandatory clearable derivatives be kept in one place. Some commenters also suggested that mandatory clearable derivatives and derivatives excluded from the scope should be harmonized with foreign jurisdictions.	No change. It is the Committee's intention that the mandatory clearable derivatives will not include derivatives that are outside the scope of the Scope Rule. Other than in Québec, all mandatory clearable derivatives will be listed in Appendix A to the Clearing Rule. In Québec, the same mandatory clearable derivatives would be determined in a decision by the Autorité des marchés financiers. The timing for implementation of each determination will be aligned across all jurisdictions of Canada. It is the Committee's view that foreign determinations of derivatives mandated to be cleared are important criteria when determining what derivatives should be a mandatory clearable derivative under the Clearing Rule.
	<u>Consultation</u> Many commenters requested that either the Clearing Rule or the Clearing CP contain a statement to insure that the regulators will seek public comment prior to determining a mandatory clearable derivative. A commenter suggested that the determinations follow a simplified approach that does not follow the full rulemaking process and that is harmonized in all jurisdictions of Canada.	No change. Any subsequent determinations of a mandatory clearable derivative will require that Appendix A of the Clearing Rule be amended to include the new derivative or class of derivatives. In some jurisdictions of Canada, such an amendment would be a material change requiring a public consultation. Since the Clearing Rule is a national instrument, every jurisdiction of Canada would align with the longest public consultation period. It is the Committee's view that the public consultation required to make an amendment will allow sufficient time for market participants to comment and prepare for the new clearing requirements.
	<u>Timing</u> A commenter was concerned that a derivative would be determined a mandatory clearable derivative before mutual recognition across Canada and substituted compliance are provided. Another commenter raised the concern that no timing is provided for when determinations are made which makes it difficult for market participants to predict when they can expect a determination to be published. Several commenters mentioned that the clearing requirement should not become effective until the registration regime for OTC derivatives is finalized.	No change. We note that the regulators intend to adopt a "stricter rule applies" principle in the case of cross-border discrepancies. As a result, when a foreign counterparty transacts with a local counterparty in a derivative that is subject to mandatory clearing under the Clearing Rule, the transaction must be cleared even if an exemption exists in the foreign counterparty's jurisdiction. We also note that the Committee continues to monitor the development of cross-border guidance with respect to substituted compliance on clearing requirements. Considering the changes to the Clearing Rule, qualification as a registrant is no longer a criteria.
	<u>Phase-in</u> A few commenters provided comments on the phase-in approach and which market participants should be caught and when.	The phase-in approach was deleted as client clearing services are not readily available yet. We intend to monitor the situation and reassess in the future whether the application of the Clearing Rule should be made broader.

List of Commenters

1. ATCO Power Canada Ltd.
2. Canadian Advocacy Council
3. Capital Power Corporation
4. Canadian Commercial Energy Working Group
5. Canadian Market Infrastructure Committee
6. Canadian Life and Health Insurance Association Inc.
7. Canadian Pension Fund Managers
8. Central 1 Credit Union
9. CLS Bank International
10. Concentra Financial Services Association
11. Dentons Canada LLP
12. Enbridge, Inc.
13. Global Foreign Exchange Division, GFMA
14. Investment Industry Association of Canada
15. Insurance Bureau of Canada
16. International Energy Credit Association
17. International Swaps and Derivatives Association, Inc.
18. KFW Bankengruppe
19. LCH.Clearnet Group Limited
20. Pension Investment Association of Canada
21. SaskEnergy Incorporated
22. TMX Group Limited
23. TransCanada Corporation
24. TriOptima AB
25. Western Union Business Solutions

ANNEX B

PROPOSED NATIONAL INSTRUMENT 94-101
MANDATORY CENTRAL COUNTERPARTY CLEARING OF DERIVATIVES

PART 1
DEFINITIONS AND INTERPRETATION

Definitions and interpretation

1. (1) In this Instrument

"local counterparty" means a counterparty to a transaction if, at the time of execution of the transaction, either of the following applies:

(a) the counterparty is a person or company, other than an individual, to which one or more of the following apply:

(i) it is organized under the laws of the local jurisdiction;

(ii) its head office is in the local jurisdiction;

(iii) its principal place of business is in the local jurisdiction;

(b) the counterparty is an affiliated entity of a person or company referred to in paragraph (a) and the person or company is responsible for all or substantially all the liabilities of the counterparty;

"mandatory clearable derivative" means a derivative or class of derivatives that is offered for clearing at a regulated clearing agency and is

(a) except in Québec, listed in Appendix A, and

(b) in Québec, determined by the Autorité des marchés financiers to be subject to mandatory central counterparty clearing;

"participant" means a person or company that has entered into an agreement with a regulated clearing agency to access the services of the regulated clearing agency and is bound by the regulated clearing agency's rules and procedures;

"regulated clearing agency" means

(a) in British Columbia, Manitoba, Ontario and Saskatchewan, a person or company recognized or exempted from recognition as a clearing agency in the local jurisdiction,

(b) in Québec, a person recognized or exempted from recognition as a clearing house, and

(c) in Alberta, New Brunswick, Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island and Yukon, a person or company recognized or exempted from recognition as a clearing agency or clearing house pursuant to the securities legislation of any jurisdiction of Canada;

"transaction" means any of the following:

(a) entering into, making a material amendment to, assigning, selling or otherwise acquiring or disposing of a derivative;

(b) a novation of a derivative, other than a novation resulting from submitting the derivative to a regulated clearing agency.

(2) In this Instrument, a person or company is an affiliated entity of another person or company if one of them controls the other or each of them is controlled by the same person or company.

(3) In this instrument, a person or company (the first party) is considered to control another person or company (the second party) if any of the following apply:

(a) the first party beneficially owns or directly or indirectly exercises control or direction over securities of the second party carrying votes which, if exercised, would entitle the first party to elect a majority of the directors of the second party unless the first party holds the voting securities only to secure an obligation;

(b) the second party is a partnership, other than a limited partnership, and the first party holds more than 50% of the interests of the partnership;

(c) the second party is a limited partnership and the general partner of the limited partnership is the first party.

Application

2. (1) This Instrument applies to:

(a) in Manitoba, a derivative as prescribed in Manitoba Securities Commission Rule 91-506 *Derivatives: Product Determination*;

(b) in Ontario, a derivative as prescribed in Ontario Securities Commission Rule 91-506 *Derivatives: Product Determination*;

(c) in Québec, a derivative specified in Regulation 91-506 respecting derivatives determination.

(2) In Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Saskatchewan and Yukon, in this Instrument, each reference to a "derivative" is a reference to a specified derivative as defined in Multilateral Instrument 91-101 *Derivatives: Product Determination*.

PART 2
MANDATORY CENTRAL COUNTERPARTY CLEARING

Duty to submit for clearing

3. (1) A local counterparty to a transaction in a mandatory clearable derivative must submit, or cause to be submitted, the transaction for clearing to a regulated clearing agency that provides clearing services in respect of the mandatory clearable derivative if one or more of the following applies to each counterparty to the transaction:

(a) it is a participant of a regulated clearing agency that offers clearing services in respect of the mandatory clearable derivative and it subscribes for clearing services for the class of derivative to which the mandatory clearable derivative belongs;

(b) it is an affiliated entity of a participant referred to in paragraph (a);

(c) it is a local counterparty in any jurisdiction of Canada that has or has had a month-end gross notional amount under all outstanding derivatives, of the local counterparty and each affiliated entity that is a local counterparty in any jurisdiction of Canada, exceeding $500 000 000 000 after excluding transactions to which section 7 applies.

(2) Unless subsection (3) applies, a local counterparty must submit a transaction for clearing under subsection (1) no later than

(a) if the transaction is executed during the business hours of the regulated clearing agency, the end of the day of execution, or

(b) if the transaction is executed after the business hours of the regulated clearing agency, the end of the next business day.

(3) A local counterparty that exceeds the month-end outstanding gross notional amount specified in paragraph (1)(c) is not required to comply with subsection (1) until the 90th day after the end of the month in which the amount was first exceeded unless paragraphs (1)(a) or (b) apply.

(4) A local counterparty required to submit a transaction for clearing under subsection (1) must submit the transaction in accordance with the rules of the regulated clearing agency, as amended from time to time.

(5) A local counterparty that is a local counterparty solely pursuant to paragraph (b) of the definition of "local counterparty" satisfies subsection (1) if the transaction is submitted for clearing in accordance with the laws of a foreign jurisdiction that

(a) except in Québec, is listed in Appendix B, and

(b) in Québec, appears on a list determined by the Autorité des marchés financiers.

Notice of rejection

4. If a regulated clearing agency rejects a transaction in a mandatory clearable derivative submitted to it for clearing, the regulated clearing agency must immediately notify each local counterparty to the transaction.

Public disclosure of clearable and mandatory clearable derivatives

5. A regulated clearing agency must maintain a website on which it discloses a list, which must be accessible to the public at no cost, of all derivatives or classes of derivatives for which it provides clearing services and, for each derivative or class of derivatives listed, identify whether it is a mandatory clearable derivative.

PART 3
EXEMPTIONS FROM MANDATORY CENTRAL COUNTERPARTY CLEARING

Non-application

6. The following counterparties are excluded from the application of this Instrument:

(a) the government of Canada, the government of a jurisdiction of Canada or the government of a foreign jurisdiction;

(b) a crown corporation for which the government of the jurisdiction where the crown corporation was constituted is responsible for all or substantially all the liabilities;

(c) an entity wholly owned by one or more governments, referred to in paragraph (a), that are responsible for all or substantially all the liabilities of the entity;

(d) the Bank of Canada or a central bank of a foreign jurisdiction;

(e) the Bank for International Settlements;

(f) the International Monetary Fund.

Intragroup exemption

7. (1) Despite any other section of this Instrument, a local counterparty is under no obligation to clear a transaction in a mandatory clearable derivative if all of the following apply:

(a) the transaction is between either of the following:

(i) two counterparties that are prudentially supervised on a consolidated basis;

(ii) a counterparty and its affiliated entity if the financial statements for the counterparty and the affiliated entity are prepared on a consolidated basis in accordance with "accounting principles" as defined in the National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

(b) both counterparties to the transaction agree to rely on this exemption;

(c) the transaction is subject to centralized risk evaluation, measurement and control procedures reasonably designed to identify and manage risks;

(d) there is a written agreement between the counterparties setting out the terms of the transaction between the counterparties.

(2) No later than the 30th day after a local counterparty first relies on subsection (1) with each affiliated entity, the local counterparty must deliver or cause to be delivered to the regulator, in an electronic format, a completed Form 94-101F1 *Intragroup Exemption*.

(3) No later than the 10th day after a local counterparty becomes aware that the information in a previously delivered Form 94-101F1 *Intragroup Exemption* is no longer accurate, the local counterparty must deliver to the regulator, in an electronic format, an amended Form 94-101F1 *Intragroup Exemption*.

Multilateral portfolio compression exemption

8. Despite any other section of this Instrument, a local counterparty to a mandatory clearable derivative resulting from a multilateral portfolio compression exercise is under no obligation to clear the resulting transaction if all of the following apply:

(a) the resulting transaction is entered into as a result of more than two counterparties changing or terminating and replacing prior transactions;

(b) the prior transactions do not include a transaction entered into after the effective date on which the derivative or class of derivatives became a mandatory clearable derivative;

(c) the prior transactions were not cleared by a regulated clearing agency;

(d) the resulting transaction is entered into by the same counterparties as the prior transactions;

(e) the multilateral portfolio compression exercise is conducted by a third-party provider.

Recordkeeping

9. (1) A local counterparty to a transaction that relies on section 7 or section 8 must keep records demonstrating that the conditions referred to in those sections, as applicable, were satisfied.

(2) The records required to be maintained under subsection (1) must be

(a) kept in a safe location and in a durable form,

(b) provided to the regulator within a reasonable time following request,

(c) except in Manitoba, kept for a period of 7 years following the date on which the transaction expires or terminates, and

(d) in Manitoba, kept for a period of 8 years following the date on which the transaction expires or terminates.

PART 4
MANDATORY CLEARABLE DERIVATIVES

Submission of information on clearing services for derivatives by a regulated clearing agency

10. No later than the 10th day after a regulated clearing agency first provides or offers clearing services for a derivative or class of derivatives, the regulated clearing agency must deliver to the regulator, in an electronic format, a completed Form 94-101F2 *Derivatives Clearing Services*, identifying the derivative or class of derivatives.

PART 5
EXEMPTION

Exemption

11. (1) The regulator or the securities regulatory authority may grant an exemption to this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant an exemption.

(3) Except in Alberta and Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

PART 6
TRANSITION AND EFFECTIVE DATE

Transition – regulated clearing agency filing requirement

12. No later than the 30th day after the coming into force of this Instrument, a regulated clearing agency must deliver to the regulator, in an electronic format, a completed Form 94-101F2 *Derivatives Clearing Services*, identifying all derivatives or classes of derivatives for which it provides clearing services as of the date of the coming into force of this Instrument.

Effective date

13. This Instrument comes into force on [*insert date*].

APPENDIX A

MANDATORY CLEARABLE DERIVATIVES

Interest Rate Swaps

Type	Floating index	Settlement currency	Maturity	Settlement Currency Type	Optionality	Notional type
Fixed-to-float	CDOR	CAD	28 days to 30 years	Single currency	No	Constant or variable
Fixed-to-float	LIBOR	USD	28 days to 50 years	Single currency	No	Constant or variable
Fixed-to-float	EURIBOR	EUR	28 days to 50 years	Single currency	No	Constant or variable
Fixed-to-float	LIBOR	GBP	28 days to 50 years	Single currency	No	Constant or variable
Basis	LIBOR	USD	28 days to 50 years	Single currency	No	Constant or variable
Basis	EURIBOR	EUR	28 days to 50 years	Single currency	No	Constant or variable
Basis	LIBOR	GBP	28 days to 50 years	Single currency	No	Constant or variable
Overnight index swap	CORRA	CAD	7 days to 2 years	Single currency	No	Constant or variable
Overnight index swap	FedFunds	USD	7 days to 30 years	Single currency	No	Constant or variable
Overnight index swap	EONIA	EUR	7 days to 30 years	Single currency	No	Constant or variable
Overnight index swap	SONIA	GBP	7 days to 30 years	Single currency	No	Constant or variable

Forward Rate Agreements

Forward rate agreement	LIBOR	USD	3 days to 3 years	Single currency	No	Constant or variable
Forward rate agreement	EURIBOR	EUR	3 days to 3 years	Single currency	No	Constant or variable
Forward rate agreement	LIBOR	GBP	3 days to 3 years	Single currency	No	Constant or variable

APPENDIX B

EQUIVALENT CLEARING LAWS OF FOREIGN JURISDICTIONS PURSUANT TO PARAGRAPH 3(5)(a)

Jurisdiction	Law, Regulation and/or Instrument

FORM 94-101F1
INTRAGROUP EXEMPTION

Type of Filing: ☐ **INITIAL** ☐ **AMENDMENT**

Section 1 – Information on the counterparty delivering this Form

1. Provide the following information with respect to the counterparty delivering this Form for a transaction:

   Full legal name:
   Name under which it conducts business, if different:

   Head office:
   Address:
   Mailing address (if different):
   Telephone:
   Website:

   Contact employee:
   Name and title:
   Telephone:
   E-mail:

   Other offices:
   Address:
   Telephone:
   Email:

   Canadian counsel (if applicable)
   Firm name:
   Contact name:
   Telephone:
   E-mail:

2. In addition to providing the information required in item 1, if this Form is delivered for the purpose of reporting a name change on behalf of the counterparty referred to in item 1, provide the following information:

   Previous full legal name:
   Previous name under which the counterparty conducts business:

Section 2 – Combined notification on behalf of other counterparties within the group to which the counterparty delivering this Form belongs

1. Provide a statement confirming that both counterparties to each transaction to which this Form relates agree to rely on the exemption in section 7 of the Instrument and describe how the counterparties comply with paragraph 7(1)(a).

2. Provide a statement confirming that each transaction between the pair of counterparties to which this Form relates is subject to centralized risk evaluation, measurement and control procedures reasonably designed to identify and manage risks. Describe those procedures.

3. State the legal entity identifier of both counterparties to each transaction to which this Form relates in the same manner as required under securities legislation.

4. For each transaction between the pair of counterparties to which this Form relates, describe the ownership and control structure of the counterparties.

5. For each transaction between the pair of counterparties to which this Form relates, state whether there is a written agreement setting out the terms of the transaction and, if so, state the date of the agreement and the signatories to the agreement and describe the agreement.

Section 3 – Certification

I certify that I am authorised to deliver this Form on behalf of the counterparty delivering this Form and, where applicable, on behalf of the other counterparties listed above in Section 2 and that the information in this Form is true and correct.

DATED at _____ this _____ day of _____, 20____

_____
(Print name of authorized person)

_____
(Print title of authorized person)

_____
(Signature of authorized person)

_____
(Email)

_____
(Phone number)

Instructions: Deliver this form to the regulator in the local jurisdiction as follows:

[*Insert names of each jurisdiction and email or other address by which submission is to be made.]*

FORM 94-101F2
DERIVATIVES CLEARING SERVICES

Type of Filing: ☐ **INITIAL** ☐ **AMENDMENT**

Section 1 – Regulated clearing agency information

1. Full name of regulated clearing agency:

2. Contact information of person authorized to deliver this form:

   Name and title:
   Telephone:
   E-mail:

Section 2 – Description of derivatives

1. Identify each derivative or class of derivatives for which the regulated clearing agency provides clearing services, for which a Form 94-101F2 has not previously been delivered.

2. For each derivative or class of derivatives referred to in item 1, describe all significant attributes of the derivative or class of derivative including

   (a) the standard practices for managing any life-cycle events, as defined in the securities legislation, associated with the derivative or class of derivative,

   (b) the extent to which the transaction is electronically confirmable,

   (c) the degree of standardization of the contractual terms and operational processes,

   (d) the market for the derivative or class of derivatives, including its participants, and

   (e) data supporting the availability of pricing and liquidity of the derivative or class of derivatives within Canada and internationally.

3. Describe the impact of providing clearing services for each derivative or class of derivatives referred to in item 1 on the regulated clearing agency's risk management framework and financial resources, including the protection of the regulated clearing agency upon the default of a participant and the effect of such a default on the other participants.

4. Describe the extent to which the regulated clearing agency would face difficulties complying with its regulatory obligations should the regulator or securities regulatory authority determine any derivative or class of derivatives referred to in item 1 to be a mandatory clearable derivative.

5. Describe the clearing services provided for each derivative or class of derivatives referred to in item 1.

6. If applicable, attach a copy of any notice the regulated clearing agency provided to its participants for consultation in connection with the launch of the clearing service for a derivative or class of derivative referred to in item 1 and a summary of any concerns received in response to any such notice.

Section 3 – Certification

CERTIFICATE OF REGULATED CLEARING AGENCY

I certify that I am authorized to deliver this form on behalf of the regulated clearing agency named below and that the information in this form is true and correct.

DATED at _____ this _____ day of _____, 20____

_____
(Print name of regulated clearing agency)

_____
(Print name of authorized person)

_____
(Print title of authorized person)

_____
(Signature of authorized person)

Instructions: Deliver this form to the regulator in the local jurisdiction as follows:

[*Insert names of each jurisdiction and email or other address by which submission is to be made.]*

ANNEX C

PROPOSED COMPANION POLICY 94-101CP
MANDATORY CENTRAL COUNTERPARTY CLEARING OF DERIVATIVES

GENERAL COMMENTS

Introduction

This Companion Policy sets out how the Canadian Securities Administrators (the "CSA" or "we") interpret or apply the provisions of National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives* ("NI 94-101" or the "Instrument") and related securities legislation.

The numbering of Parts and sections in this Companion Policy correspond to the numbering in NI 94-101. Any specific guidance on sections in NI 94-101 appears immediately after the section heading. If there is no guidance for a section, the numbering in this Companion Policy will skip to the next provision that does have guidance.

SPECIFIC COMMENTS

Unless defined in NI 94-101 or explained in this Companion Policy, terms used in NI 94-101 and in this Companion Policy have the meaning given to them in the securities legislation of each jurisdiction including National Instrument 14-101 *Definitions*.

In this Companion Policy, "Product Determination Rule" means,

> in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Saskatchewan and Yukon, Multilateral Instrument 91-101 *Derivatives: Product Determination,*
>
> in Manitoba, Manitoba Securities Commission Rule 91-506 *Derivatives: Product Determination*,
>
> in Ontario, Ontario Securities Commission Rule 91-506 *Derivatives: Product Determination*, and
>
> in Québec, Regulation 91-506 respecting Derivatives Determination.

In this Companion Policy, "TR Instrument" means,

> in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Saskatchewan and Yukon, Multilateral Instrument 96-101 *Trade Repositories and Derivatives Data Reporting*,
>
> in Manitoba, Manitoba Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting,*
>
> in Ontario, Ontario Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting*, and
>
> in Québec, Regulation 91-507 respecting Trade Repositories and Derivatives Data Reporting.

PART 1
DEFINITIONS AND INTERPRETATION

Definitions and interpretation

1. (1) This Instrument defines "regulated clearing agency". It is intended that only a regulated clearing agency that acts as a central counterparty for over-the-counter derivatives be subject to the Instrument. The purpose of paragraph (c) of this definition is to allow a transaction in a mandatory clearable derivative involving a local counterparty in one of the listed jurisdictions to be submitted to a clearing agency that is not yet recognized or exempted in the local jurisdiction. Paragraph (c) does not supersede any provisions of the securities legislation of the local jurisdiction with respect to any recognition requirements for a person or company that is carrying on the business of a clearing agency in the local jurisdiction.

The Instrument uses the term "transaction" rather than the term "trade" in part to reflect that "trade" is defined in the securities legislation of some jurisdictions as including the termination of a derivative. We do not think the termination of a derivative should trigger a requirement to submit the derivative for central clearing. Similarly, the definition of transaction in NI 94-101 excludes a novation resulting from the submission of a transaction to a regulated clearing agency as this is already a cleared

transaction. Finally, the definition of "transaction" is not the same as the definition found in the TR Instrument as the latter does not include a material amendment since the TR Instrument expressly provides that an amendment must be reported.

In the definition of "transaction", the term "material amendment" should be considered in light of the fact that only new transactions will be subject to mandatory central counterparty clearing under NI 94-101. If a derivative that existed prior to the coming into force of NI 94-101 is materially amended after NI 94-101 is effective, that amendment will trigger the mandatory clearing requirement if applicable. A material amendment is one that changes information that would reasonably be expected to have a significant effect on the derivative's attributes, including its value, the terms and conditions of the contract evidencing the derivative, the transaction methods or the risks related to its use, excluding information that is likely to have an effect on the market price or value of its underlying interest. We will consider several factors when determining whether a modification to an existing transaction is a material amendment. Examples of modifications to an existing transaction that would be a material amendment include any modification which would result in a significant change in the value of the transaction, differing cash flows or the creation of upfront payments.

(2) For the purpose of the interpretation of control, a person or company will always be considered to control a trust to which it is acting as trustee.

PART 2
MANDATORY CENTRAL COUNTERPARTY CLEARING

Duty to submit for clearing

3. (1) The duty to submit a transaction for clearing only applies at the time the transaction is executed. If a derivative or class of derivatives is determined to be a mandatory clearable derivative after the date of execution of a transaction in that derivative or class of derivatives, a local counterparty will not be required to submit the transaction for clearing. However, if after a derivative or class of derivatives is determined to be a mandatory clearable derivative, there is another transaction in that same derivative, including a material amendment to a previous transaction, (as discussed in subsection 1(1) above), that transaction in or material amendment to the derivative will be subject to the mandatory clearing requirement. Where a derivative is not subject to the mandatory clearing requirement, but the derivative is clearable through a regulated clearing agency, the counterparties have the option to submit the derivative for clearing at any time.

For a local counterparty that is not a participant of a regulated clearing agency**,** we have used the phrase "cause to be submitted" to refer to the local counterparty's obligation. In order to comply with subsection (1), a local counterparty would need to have arrangements in place with a participant for clearing services in advance of entering into a transaction in a mandatory clearable derivative.

A transaction in a mandatory clearable derivative is required to be cleared when at least one of the counterparties is a local counterparty and one or more of paragraphs (a), (b) or (c) apply to both counterparties.

A local counterparty that has or has had a month-end gross notional amount of outstanding derivatives exceeding the threshold in paragraph (c), for any month following the entry into force of the Instrument, must clear all its subsequent transactions in a mandatory clearable derivative with another counterparty captured under one or more of paragraphs (a), (b), or (c). A local counterparty that is a participant at a regulated clearing agency who does not subscribe to clearing services for a mandatory clearable derivative would still have to clear such transactions if it is subject to paragraph (c).

A local counterparty determines whether it exceeds the threshold in paragraph (c) by calculating the notional amount of all outstanding derivatives which were entered into by itself and those of its affiliated entities that are also local counterparties. However, the calculation of the gross notional amount excludes derivatives entered into by entities that are prudentially supervised on a consolidated basis or whose financial statements are prepared on a consolidated basis, which are exempted in section 7.

(2) The Instrument requires that a transaction subject to mandatory central clearing be submitted to a regulated clearing agency as soon as practicable, but no later than the end of the day on which the transaction was executed or if the transaction occurs after business hours of the clearing agency, the next business day.

PART 3
EXEMPTIONS FROM MANDATORY CENTRAL COUNTERPARTY CLEARING

Non-application

6. A transaction involving a counterparty that is an entity listed in section 6 is not subject to the duty to submit for clearing under section 3 even if the other counterparty is otherwise subject to it.

The expression “government of a foreign jurisdiction” in paragraph (a) is interpreted as including sovereign and sub sovereign governments.

Intragroup exemption

7. (1) The intragroup exemption is based on the premise that the risk created by these transactions is expected to be managed in a centralized manner to allow for the risk to be identified and managed appropriately.

This subsection sets out the conditions that must be met for the counterparties to rely on the intragroup exemption for a transaction in a mandatory clearable derivative. Subparagraph (a)(i) extends the availability of the intragroup exemption to transactions among certain entities that do not prepare consolidated financial statements. This may apply, e.g., to cooperatives or other entities that are prudentially supervised on a consolidated basis. Entities prudentially supervised on a consolidated basis are counterparties that are supervised on a consolidated basis either by the Office of the Superintendent of Financial Institutions (Canada), a government department or a regulatory authority of Canada or a jurisdiction of Canada responsible for regulating deposit-taking institutions.

Paragraph (c) refers to a system of risk management policies and procedures designed to monitor and manage the risks associated with a particular transaction. We are of the view that counterparties relying on this exemption may structure their centralized risk management according to their unique needs, provided that the program reasonably monitors and manages risks associated with non-centrally cleared derivatives.

(2) Within 30 days of the first transaction between two entities relying on the intragroup exemption, a completed Form 94-101F1 *Intragroup Exemption* (“Form 94-101F1”) must be delivered to the regulator to notify the regulator that the exemption is being relied upon. The information provided in the Form 94-101F1 will aid the regulators in better understanding the legal and operational structure allowing counterparties to benefit from the intragroup exemption. The obligation to deliver the completed Form 94-101F1 is imposed on one of the counterparties to a transaction relying on the exemption. For greater clarity, a completed Form 94-101F1 must be delivered for each pairing of counterparties that seek to rely upon the intragroup exemption. One completed Form 94-101F1 is valid for every transaction between the pair provided that the requirements set out in subsection (1) continue to apply.

(3) Examples of changes to the information provided that would require an amended Form 94-101F1 include: (i) a change in the control structure of one or more of the counterparties listed in Form 94-101F1, and (ii) any significant amendment to the risk evaluation, measurement and control procedures of a counterparty listed in Form 94-101F1.

Multilateral portfolio compression exemption

8. A multilateral portfolio compression exercise is an exercise which involves more than two counterparties who wholly change or terminate the notional amount of some or all of the prior transactions submitted by the counterparties for inclusion in the exercise and, depending on the methodology employed, replace the terminated derivatives with other derivatives whose combined notional amount, or some other measure of risk, is less than the combined notional amount, or some other measure of risk, of the derivatives terminated in the exercise.

The purpose of a multilateral portfolio compression exercise is to reduce operational or counterparty credit risk by reducing the number or notional amounts of outstanding derivatives between counterparties and aggregate gross number or notional amounts of outstanding derivatives.

The expression “resulting transaction” refers to the transaction resulting from the multilateral portfolio compression exercise. The expression “prior transactions” refers to transactions that were entered into before the multilateral portfolio compression exercise. Those prior transactions were not required to be cleared under the Instrument, either because they did not include a mandatory clearable derivative or because they were entered into before the derivative or class of derivatives became a mandatory clearable derivative.

We would expect a local counterparty involved in a multilateral portfolio compression exercise to comply with its credit risk tolerance levels. To do so, we expect each participant to the compression exercise to set its own counterparty, market and cash payment risk tolerance levels so that the exercise does not alter the risk profiles of each participant beyond a level acceptable to the participant. Consequently, prior transactions that would be reasonably likely to significantly increase the risk exposure of the participant cannot be included in the portfolio compression exercise in order to benefit from this exemption.

We would generally expect that the resulting transaction would have the same material terms as the prior transactions with the exception of reducing the notional amount of outstanding derivatives.

Recordkeeping

9. (1) We would generally expect that the reasonable supporting documentation to be kept in accordance with section 9 would include full and complete records of any analysis undertaken by the local counterparty to demonstrate it satisfies the conditions necessary to rely on the intragroup exemption under section 7 or the multilateral portfolio compression exemption under section 8.

The local counterparty subject to the mandatory central counterparty clearing requirement is responsible for determining whether, given the facts available, the exemption is available. Generally, we would expect a local counterparty relying on an exemption to retain all documents that show it properly relied on the exemption. It is not appropriate for a local counterparty to assume an exemption is available.

Counterparties using the intragroup exemption under section 7 should have appropriate legal documentation between them and detailed operational material outlining the risk management techniques used by the overall parent entity and its affiliated entities with respect to the transactions benefiting from the exemption.

PART 4
MANDATORY CLEARABLE DERIVATIVES

and

PART 6
TRANSITION AND EFFECTIVE DATE

10 & 12. A regulated clearing agency must deliver a Form 94-101F2 *Derivatives Clearing Services* ("Form 94-101F2") to identify all derivatives for which it provides clearing services within 30 days of the coming into force of the Instrument pursuant to section 12. A new derivative or class of derivatives added to the offer of clearing services after the Instrument is in force is declared through a Form 94-101F2 within 10 days of the launch of such service pursuant to section 10.

Each of the regulators has the power to determine by rule or otherwise which derivative or classes of derivatives will be subject to the mandatory central counterparty clearing requirement through a top-down approach. Furthermore, NI 94-101 includes a bottom-up approach for determining whether a derivative or class of derivatives will be subject to the mandatory clearing obligation. The information required by Form 94-101F2 will assist the CSA in carrying out this determination.

In the course of determining whether a derivative or class of derivatives will be subject to the clearing requirement, some of the factors we will consider include the following:

- the level of standardization of the derivative, such as the availability of electronic processing, the existence of master agreements, product definitions and short form confirmations;
- the effect of central clearing of the derivative on the mitigation of systemic risk, taking into account the size of the market for the derivative and the available resources of the regulated clearing agency to clear the derivative;
- whether mandating the derivative to be cleared would bring undue risk to regulated clearing agencies;
- the outstanding notional amount of counterparties transacting in the derivative or class of derivatives, the current liquidity in the market for the derivative or class of derivatives and the availability of reliable and timely pricing data;
- the existence of third-party vendors providing pricing services;
- with regards to a regulated clearing agency, the existence of an appropriate rule framework, and the existence of capacity, operational expertise and resources, and credit support infrastructure to clear the derivative on terms that are consistent with the material terms and trading conventions on which the derivative is traded;
- whether a regulated clearing agency would be able to manage the risk of the additional derivatives that might be submitted due to the clearing requirement determination;
- the effect on competition, taking into account appropriate fees and charges applied to clearing, and whether mandating clearing of the derivative could harm competition;
- alternative derivatives or clearing services co-existing in the same market;
- the public interest.

FORM 94-101F1
INTRAGROUP EXEMPTION

Submission of information on intragroup transactions by a local counterparty

In item 3 of section 2, the phrase "in the manner required under the securities legislation" means in accordance with section 28 of the TR Instrument.

The forms delivered by or on behalf of a local counterparty under the Instrument will be kept confidential in accordance with the provisions of the applicable legislation. We are of the view that the forms generally contain proprietary information, and that the cost and potential risks of disclosure for the counterparties to an intragroup transaction outweigh the benefit of the principle requiring that forms be made available for public inspection.

While Form 94-101F1 and any amendments to it will be kept generally confidential, if the regulator considers that it is in the public interest to do so, it may require the public disclosure of a summary of the information contained in such form, or amendments to it.

FORM 94-101F2
DERIVATIVES CLEARING SERVICES

Submission of information on clearing services of derivatives by the regulated clearing agency

Paragraphs (a), (b) and (c) of item 2 in section 2 address the potential for a derivative or class of derivatives to be a mandatory clearable derivative given its level of standardization in terms of market conventions, including legal documentation, processes and procedures, and whether pre- to post- transaction operations are carried out predominantly by electronic means. The standardization of the economic terms is a key input in the determination process as discussed in the following section.

In paragraph (a) of item 2 in section 2, life-cycle events has the same meaning as in section 1 of the TR Instrument.

Paragraphs (d) and (e) of item 2 in section 2 provide details to assist in assessing the market characteristics such as the activity (volume and notional amount) of a particular derivative or class of derivatives, the nature and landscape of the market for that derivative or class of derivatives and the potential impact its determination as a mandatory clearable derivative could have on market participants, including the regulated clearing agency. The determination process will involve different or additional considerations when assessing whether a derivative or class of derivatives should be a mandatory clearable derivative in terms of its liquidity and price availability, versus the considerations used by the regulator in permitting a regulated clearing agency to offer clearing services for a derivative or class of derivatives. Stability in the availability of pricing information will also be an important factor considered in the determination process. Metrics such as the total number of transactions and aggregate notional amounts, and outstanding positions can be used to justify the confidence and frequency with which the pricing of a derivative or class of derivatives is calculated. The data presented should also cover a reasonable period of time of no less than 6 months. Suggested information to be provided on the market includes

- statistics regarding the percentage of activity of participants on their own behalf and for customers,
- average net and gross positions including the direction of positions (long or short), by type of market participant submitting transactions directly or indirectly, and
- average trading activity and concentration of trading activity among participants by type of market participant submitting transactions directly or indirectly.

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 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Algonquin Power & Utilities Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 15, 2016
NP 11-202 Receipt dated February 16, 2016
Offering Price and Description:
$1,000,000,000.00 - 5.00% Convertible Unsecured Subordinated Debentures
represented by Instalment Receipts
Price: $1,000 per Debenture to yield 5.00% per annum (each Debenture is convertible into Common Shares at a Conversion Price of $10.60)
Underwriter(s) or Distributor(s):
CIBC WORLD MARKETS INC.
SCOTIA CAPITAL INC.
BMO NESBITT BURNS INC.
NATIONAL BANK FINANCIAL INC.
RBC DOMINION SECURITIES INC.
TD SECURITIES INC.
DESJARDINS SECURITIES INC.
RAYMOND JAMES LTD.
J.P. MORGAN SECURITIES CANADA INC.
WELLS FARGO SECURITIES CANADA, LTD.
INDUSTRIAL ALLIANCE SECURITIES INC.
CANACCORD GENUITY CORP.
CORMARK SECURITIES INC.
Promoter(s):
-
Project #2442267

Issuer Name:
Alternate Health Corp.
Type and Date:
Preliminary Long Form Prospectus dated February 11, 2016
Receipted on February 17, 2016
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2443553

Issuer Name:
Cardiome Pharma Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Shelf Prospectus dated February 19, 2016
NP 11-202 Receipt dated February 19, 2016
Offering Price and Description:
U.S. $250,000,000.00 - Common Shares, Preferred Shares, Debt Securities, Warrants, Subscription Receipts, Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2445266

Issuer Name:
CI G5|20 2041 Q2 Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated February 12, 2016
NP 11-202 Receipt dated February 16, 2016
Offering Price and Description:
Class A, F, and O Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
CI Investments Inc.
Project #2443363

Issuer Name:
Commerce Resources Corp.
Principal Regulator - British Columbia
Type and Date:
Amendment dated February 18, 2016 to Preliminary Short Form Prospectus dated August 31, 2015
NP 11-202 Receipt dated February 18, 2016
Offering Price and Description:
Minimum Offering: $1,000,000.00 - 10,000,000 Units
Maximum Offering: $3,000,000.00 - 30,000,000 Units
Price: $0.10 per Unit
Underwriter(s) or Distributor(s):
Secutor Capital Management Corporation
Promoter(s):
-
Project #2394910

Issuer Name:
IA Clarington Montage Balanced Portfolio
IA Clarington Montage Conservative Portfolio
IA Clarington Montage Growth Portfolio
IA Clarington Montage Maximum Growth Portfolio
IA Clarington Montage Moderate Portfolio
Principal Regulator - Quebec
Type and Date:
Preliminary Simplified Prospectus dated February 9, 2016
NP 11-202 Receipt dated February 16, 2016
Offering Price and Description:
Series A, B, B5, E, E5, F, F5, FE, FE5, L, L5 and T5
Underwriter(s) or Distributor(s):
-
Promoter(s):
IA Clarington Investments Inc.
Project #2442951

Issuer Name:
Mercal Capital Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary CPC Prospectus dated February 16, 2016
NP 11-202 Receipt dated February 19, 2016
Offering Price and Description:
$500,000.00 - 5,000,000 common shares
Price: $0.10 per common share
Underwriter(s) or Distributor(s):
INDUSTRIAL ALLIANCE SECURITIES INC.
Promoter(s):
-
Project #2444848

Issuer Name:
Roxgold Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 19, 2016
NP 11-202 Receipt dated February 19, 2016
Offering Price and Description:
$20,000,000.00 - 25,000,000 Common Shares
Price: $0.80 per Common Share
Underwriter(s) or Distributor(s):
CORMARK SECURITIES INC.
MACQUARIE CAPITAL MARKETS CANADA LTD.
RAYMOND JAMES LTD.
RBC DOMINION SECURITIES INC.
CANACCORD GENUITY CORP.
HAYWOOD SECURITIES INC.
Promoter(s):
-
Project #2443397

Issuer Name:
Willoughby Investment Pool
Principal Regulator - British Columbia
Type and Date:
Preliminary Simplified Prospectus dated February 16, 2016
NP 11-202 Receipt dated February 17, 2016
Offering Price and Description:
Series A and Series F Units
Underwriter(s) or Distributor(s):
Harbourfront Wealth Management Inc.
Promoter(s):
Willoughby Asset Management Inc.
Project #2444350

Issuer Name:
Allbanc Split Corp. II
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 17, 2016
NP 11-202 Receipt dated February 17, 2016
Offering Price and Description:
$17,649,845.00 - 687,567 Class B Preferred Shares, Series 2
Price: $25.67 per Class B Preferred Share, Series 2
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
National Bank Financial Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Promoter(s):
Scotia Managed Companies Administration Inc.
Project #2437867

Issuer Name:
Fidelity Global Intrinsic Value Class
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated February 12, 2016 to Final Simplified Prospectus dated December 16, 2015
NP 11-202 Receipt dated February 19, 2016
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Fidelity Investments Canada ULC
Promoter(s):
FIDELITY INVESTMENTS CANADA ULC
Project #2318045

Issuer Name:
Fidelity North American Equity Class
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated February 12, 2016 to Final Simplified Prospectus dated December 16, 2015
NP 11-202 Receipt dated February 19, 2016
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Fidelity Investments Canada ULC
Promoter(s):
Fidelity Investments Canada ULC
Project #2398086

Issuer Name:
GreenSpace Brands Inc. (formerly Aumento IV Capital Corporation)
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 22, 2016
NP 11-202 Receipt dated February 22, 2016
Offering Price and Description:
Up to $8,383,500.00 - 9,315,000 Units @ $0.90 per Unit
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
GMP Securities L.P.
Beacon Securities Limited
Dundee Securities Ltd.
Promoter(s):
Matthew von Teichman
Project #2429700

Issuer Name:
OSISKO GOLD ROYALTIES LTD
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated February 19, 2016
NP 11-202 Receipt dated February 19, 2016
Offering Price and Description:
$150,094,000.00 - 9,940,000 Units at a price of $15.10 per Unit
Underwriter(s) or Distributor(s):
BMO NESBITT BURNS INC.
RBC DOMINION SECURITIES INC.
NATIONAL BANK FINANCIAL INC.
MACQUARIE CAPITAL MARKETS CANADA LTD.
CIBC WORLD MARKETS INC.
HAYWOOD SECURITIES INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
CORMARK SECURITIES INC.
DUNDEE SECURITIES LTD.
PARADIGM CAPITAL INC.
Promoter(s):
-
Project #2442148

Issuer Name:
VidWRX Inc. (previously SoMedia Networks Inc.)
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated February 19, 2016
NP 11-202 Receipt dated February 19, 2016
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Euro Pacific Canada Inc.
Promoter(s):
George Fleming
Project #2419771

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Name Change	From: Brix Exchange Inc. To: Brix RCR Inc.	Exempt Market Dealer	February 12, 2016
Voluntary Surrender	Morguard Financial Corp.	Investment Fund Manager, Portfolio Manager, and Exempt Market Dealer	February 17, 2016
Change in Registration Category	Vision Wealth Management Ltd	From: Portfolio Manager To: Portfolio Manager and Investment Fund Manager	February 17, 2016

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Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.1 SROs

13.1.1 IIROC – Proposed Amendments Respecting the Audit Requirement to Send Second Positive Confirmation Requests – Request for Comment

REQUEST FOR COMMENT

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

PROPOSED AMENDMENTS RESPECTING
THE AUDIT REQUIREMENT TO SEND SECOND POSITIVE CONFIRMATION REQUESTS

IIROC is publishing for public comment proposed amendments to Dealer Member Rule 300.2(a)(vii) regarding the audit requirement to send second positive confirmation requests ("proposed amendments"). The primary objective of the proposed amendments is to provide independent auditors with a practical solution to address their concern that the current IIROC audit requirement to send second positive confirmation requests to all of a Dealer Member's clients, who did not reply to the initial positive confirmation request, is onerous and redundant. The proposed amendments would give an independent auditor the option (rather than it being a requirement) to send second positive confirmation requests to the Dealer Member's clients, who did not reply to the initial positive confirmation request, and would require the independent auditor use appropriate alternative verification procedures to obtain relevant and reliable audit evidence where second positive confirmation requests are not sent.

A copy of the IIROC Notice including the amended documents is also published on our website at www.osc.gov.on.ca. The comment period ends on May 25, 2016.

13.2 Marketplaces

13.2.1 Canadian Securities Exchange – Variation of Recognition Order – Notice

CANADIAN SECURITIES EXCHANGE

VARIATION OF RECOGNITION ORDER

NOTICE

1. INTRODUCTION

The Canadian Securities Exchange (CSE or the Exchange) is a recognized exchange pursuant to section 21 of the *Securities Act* (Ontario) (the Act). OSC staff (Staff or we) are publishing this notice to give an update on a number of initiatives aimed at strengthening listings requirements. These initiatives include a variation to the CSE's recognition order (Recognition Order), which is also published today.

2. BACKGROUND

The CSE was recognized as an exchange in 2004. It has a unique model for listing issuers in Canada, as it is restricted to listing only reporting issuers and it is intended that the Exchange relies on the review by a Canadian securities regulatory authority of documents associated with initial public offerings and ongoing disclosure. This restriction is reflected in its Recognition Order, which states that only reporting issuers may be listed on the Exchange. The CSE's Recognition Order also has other requirements relating to CSE's listing function, including:

- a requirement that it maintain its ability to regulate and discipline issuers;
- a requirement that the CSE carry out appropriate review procedures to monitor and enforce issuer compliance with its rules; and
- certain reporting requirements pertaining to listing activities.

The CSE also has policies setting out listing requirements, which include:

- Policy 2 – *Qualification for Listing*, which sets out the minimum standards for listing on the Exchange; and
- Policy 8 – *Fundamental Changes*, which covers fundamental changes to a listed issuer's business, such that the issuer effectively changes to a different issuer.

3. DISCUSSION

Recently, there has been an increase in the number of issuers listed on the CSE, with a relatively small percentage arising by way of an initial public offering. Where an issuer seeks to list on the CSE without concurrently filing a prospectus with a securities regulatory authority, the CSE will not have the benefit of the issuer having been concurrently reviewed by another regulator. To address this issue within the regulatory framework for the CSE's listing function, a number of steps have been taken, including the following:

- On January 23, 2015, the CSE published Notice 2015-003 *Regulatory Guidance on Plans or Arrangement and Capital Structure*, where it set out its expectations for issuers that become reporting issuers through a statutory plan of arrangement;
- The Commission has amended the CSE's Recognition Order to (i) specifically reference the CSE's public interest mandate, (ii) reinforce that the CSE's rules will not be contrary to the public interest and they address risks associated with the listing and continued listing of issuers, (iii) require the CSE to ensure that it takes into consideration the public interest and risks associated with the listing and continued listing of issuers when it carries out its listing function, and (iv) establish additional reporting requirements; and
- Concurrent with this staff notice, the CSE is publishing for comment proposed amendments to enhance its initial listing requirements and add restrictions on listed issuers undergoing fundamental changes in their business.

4. CONCLUSION

Staff are of the view that the amendments to the CSE's Recognition Order, together with the upcoming amendments to the CSE's requirements applicable to listed issuers, are important steps in establishing a regulatory framework that addresses risks associated with the increasing number of issuers that access the Exchange through listing avenues other than initial public offerings. We will continue to monitor additional enhancements that CSE will make to its listing standards to ensure they align with how the Exchange has grown over the past several years and may continue to grow in the future.

13.2.2 CNSX Markets Inc. – Proposed Amendments to Policy 2 Qualifications for Listing – OSC Staff Notice of Proposed Changes and Request for Comment

CNSX MARKETS INC.

OSC STAFF NOTICE OF PROPOSED CHANGES AND REQUEST FOR COMMENT

CNSX Markets Inc. (CSE) is publishing for comment proposed amendments to Policy 2 *Qualifications for Listing* in accordance with the *Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto*. The changes relate to revisions to the minimum requirements that must be met as a pre-requisite of listing securities on the CSE.

A copy of the CSE notice including the proposed changes is published on our website at www.osc.gov.on.ca.

13.2.3 CNSX Markets Inc. – Proposed Amendments to Policy 8 Fundamental Changes – OSC Staff Notice of Proposed Changes and Request for Comment

CNSX MARKETS INC.

OSC STAFF NOTICE OF PROPOSED CHANGES AND REQUEST FOR COMMENT

CNSX Markets Inc. (CSE) is publishing for comment proposed amendments to Policy 8 *Fundamental Changes* in accordance with the *Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto*.

A copy of the CSE notice including the proposed changes is published on our website at www.osc.gov.on.ca.

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