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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 The Investment Funds Practitioner – June 2017

OSC

THE INVESTMENT FUNDS PRACTITIONER

From the Investment Funds and Structured Products Branch, Ontario Securities Commission

WHAT IS THE INVESTMENT FUNDS PRACTITIONER?

The Practitioner is an overview of recent issues arising from applications for discretionary relief, prospectuses, and continuous disclosure documents that investment funds file with the OSC. It is intended to assist investment fund managers and their staff or advisors who regularly prepare public disclosure documents and applications for exemptive relief on behalf of investment funds.

The Practitioner is also intended to make you more broadly aware of some of the issues we have raised in connection with our reviews of documents filed with us and how we have resolved them. We hope that fund managers and their advisors will find this information useful and that the Practitioner can serve as a useful resource when preparing applications and disclosure documents.

The information contained in the Practitioner is based on particular factual circumstances. Outcomes may differ as facts change or as regulatory approaches evolve. We will continue to assess each case on its own merits.

The Practitioner has been prepared by staff of the Investment Funds and Structured Products Branch and the views it expresses do not necessarily reflect the views of the Commission or the Canadian Securities Administrators.

REQUEST FOR FEEDBACK

This is the 19th edition of the Practitioner. Previous editions of the Practitioner are available on the OSC website www.osc.gov.on.ca under *Investment Funds & Structured Products* on the *Industry* tab. We welcome your feedback and any suggestions for topics that you would like us to cover in future editions. Please forward your comments by email to *investmentfunds@osc.gov.on.ca*.

ANNOUNCEMENTS

Project RID

The Canadian Securities Administrators (CSA) has recently approved the launch of a new policy project aimed at re-examining the investment fund disclosure regime. This initiative ties into the CSA priority, as set out in its 2016-19 business plan, to review the regulatory burden for reporting issuers to identify areas that would benefit from a reduction of any undue regulatory burden and streamline requirements without reducing investor protection or the efficiency of the capital markets.

Co-led by investment funds staff at the OSC and AMF, and with the participation of the other CSA jurisdictions, the Rationalization of Investment Fund Disclosure (Project RID) initiative will review the existing disclosure requirements to identify potentially redundant or obsolete disclosures that should be reconsidered by the CSA. This review will be conducted during 2017, and staff is targeting mid-2018 for publication of any proposed rule amendments for comment.

Prior to the publication of the proposed rule amendments, stakeholders are welcome to provide staff with comments and recommendations. In Ontario, please contact John Mountain, Director, Investment Funds and Structured Products Branch, or Vera Nunes, Manager, Investment Funds and Structured Products Branch, OSC.

Changes in Investment Funds and Structured Products Branch Management Responsiblities

To promote consistency and transparency, the management responsibilities within the Investment Funds and Structured Products Branch have been recently structured as follows:

- **conventional mutual funds** – Vera Nunes, Manager

- **investment funds other than conventional mutual funds and structured products**, including exchange-traded funds (ETFs), closed-end funds, structured notes, alternative funds, scholarship plans, and labour-sponsored investment funds – Darren McKall, Manager

- **branch oversight and intelligence**, including file screening and assignment, branch policies and procedures, issue-oriented reviews and continuous disclosure reviews, and exempt market matters – Raymond Chan, Manager

Issuers and their counsel are encouraged to direct their inquiries to the appropriate branch manager.

Adoption of a T+2 Settlement Cycle for Conventional Mutual Funds

On September 5, 2017, equity and long-term debt markets in Canada and the United States are expected to shorten their standard settlement cycle from three days after the date of a trade (T+3) to two days after the date of a trade (T+2). On April 27, 2017, the CSA published amendments to National Instrument 24-101 *Institutional Trade Matching and Settlement* (NI 24-101) to facilitate the migration to a T+2 settlement cycle in equity and long-term debt markets, and to update, modernize and clarify certain provisions of NI 24-101. As part of the amendments made to NI 24-101, secondary-market trades in exchange-traded fund (ETF) securities will become subject to NI 24-101. As a result, dealers and advisers that trade in ETF securities will be required to comply with NI 24-101's rules that promote the "matching" of such trades by noon on T+1 and the settlement of such trades by the "standard settlement date" (now T+2, from T+3) as of September 5, 2017.

On April 27, 2017, *Notice and Request for Comment Adoption of a T+2 Settlement Cycle for Conventional Mutual Funds Proposed Amendments to National Instrument 81-102 Investment Funds* (the Notice) was published. As outlined in the Notice, staff's expectation is that all conventional mutual funds will adopt a T+2 settlement cycle on September 5, 2017.

The Notice includes proposed amendments to NI 81-102 (the Proposed Amendments) to require conventional mutual funds to settle on T+2. Filers are encouraged to submit comments to the Proposed Amendments, in writing, on or before July 26, 2017. We anticipate publishing final rules aimed at implementing the Proposed Amendments in the late Summer of 2017 (Publication Date) and that the Proposed Amendments will be proclaimed into force expeditiously after the Publication Date.

APPLICATIONS

Update on Pooled Fund-on-Fund Relief

In a recent Commission decision granting exemptive relief from the investment restrictions in securities legislation for pooled fund-on-fund structures[1] whereby the top fund and the underlying fund are under common management and both funds are organized in a Canadian jurisdiction, a new condition was included to require that a top fund not invest in an underlying pooled fund unless the underlying pooled fund complies with the provisions of National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106) that apply to a "mutual fund in Ontario" as defined in the *Securities Act* (Ontario).

In certain Canadian jurisdictions, NI 81-106 does not apply to a mutual fund that is not a reporting issuer. The effect of the condition included in the relief is that when a pooled fund relies on the relief to invest in an underlying pooled fund organized under the laws of a Canadian jurisdiction where NI 81-106 does not apply, the underlying pooled fund must prepare annual audited financial statements and interim financial reports and deliver them to top fund investors, upon request. Filers with an underlying pooled fund not organized under the laws of a Canadian jurisdiction should consider providing submissions as to the appropriate review of financial statements and how best to provide relevant financial information to top fund unitholders.

Another new condition was added by the Commission to ensure that when purchasing and/or redeeming securities of an underlying fund, the filer shall act honestly, in good faith and in the best interests of the top fund and the underlying fund respectively. Given that the filer, in most cases, is the investment fund manager and the portfolio manager of the top funds and the underlying funds, it is important that the filer exercise the care and diligence that a reasonably prudent person would exercise in comparable circumstances.

[1] *In the Matter of Sionna Investment Managers Inc.*, dated June 2, 2017

PROSPECTUSES

CSA Mutual Fund Risk Classification Methodology

On December 8, 2016, the CSA published final amendments (the Final Amendments) that will mandate the CSA Mutual Fund Risk Classification Methodology (the Methodology) for use by fund managers to determine the investment risk level of conventional mutual funds and ETFs for use in the Fund Facts and ETF Facts, respectively.

Filers are reminded that for prospectus filings as of September 1, 2017, the investment risk level of conventional mutual funds and ETFs must be determined using the Methodology for each filing of a Fund Facts or ETF Facts, respectively. For preliminary prospectus filings made on or after September 1, 2017, the Fund Facts or ETF Facts should provide an investment risk level determined by the Methodology. For pro forma prospectus filings made on or after September 1, 2017, the Fund Facts or ETF Facts should provide an investment risk level determined by the Methodology at the time of the first renewal prospectus on or after September 1, 2017.

For filers who are subject to exemptive relief from a provision of Form 81-101F3 *Contents of Fund Facts Document* in relation to the disclosure under the heading "How risky is it?", such exemptive relief expires on September 1, 2017 in accordance with staff's interpretation of the sunset clause included in the Final Amendments.

Disclosure of Management Fees

As noted in the December 9, 2011 edition of the Practitioner, some mutual funds have management fees that are payable directly by securityholders and may vary from securityholder to securityholder. The disclosure about these management fees provided in the fund's simplified prospectus and Fund Facts include the highest possible rate or range of those management fees, as contemplated by Instruction 5, Part A, Item 8.1 of Form 81-101F1, or how fees applicable to that series compare to those applicable to other series offered by the same fund.

For mutual funds that have management fees that are payable directly by securityholders but do not vary from securityholder to securityholder, the management fee should be disclosed in the simplified prospectus and Fund Facts as a specified amount and should not be disclosed as a "maximum" management fee or "up to" the highest possible rate or range of those management fees, as any increase in the management fee would be subject to securityholder approval under Part 5, NI 81-102. The management fee disclosed in the simplified prospectus and Fund Facts should be the specified amount that is payable by the securityholders before any management fee rebates or waivers.

Earnings Coverage Ratios in Short Form Prospectuses

In recent reviews of short form prospectus filings, we have raised comments on earnings coverage ratio disclosure that did not appear to comply with the form requirements of National Instrument 44-101 *Short Form Prospectus Distributions*. Under item 6 of Form 44-101F1 *Short Form Prospectus*, the earnings coverage ratio is calculated by taking an issuer's net income under International Financial Reporting Standards and dividing it by borrowing costs and dividend obligations.

If a filer only presents an "adjusted" earnings coverage ratio by "adjusting" net income to remove gains and losses due to fair value changes, then earnings coverage ratios may not be comparable to other filers who have complied with the form requirements. Moreover, investors may be misled to believe that the "adjusted" earnings coverage ratio is calculated in accordance with the form requirements. Filers should disclose the earnings coverage ratio calculated in accordance with the form requirements. If a filer chooses to also provide supplementary disclosure, the derivation of the earnings coverage ratio should be disclosed and the "adjusted" earnings coverage ratio should not be given more prominence than the required disclosure.

Staff will continue to raise comments on short form prospectus filings when it appears that the earnings coverage ratio is not calculated in accordance with the form requirements, or when filers present an "adjusted" earnings coverage ratio without disclosing how it was derived.

ETF FACTS

Transition Period for Filing ETF Facts

On December 8, 2016, the CSA published final amendments (the Amendments) that will require ETFs to produce and file a summary disclosure document called "ETF Facts". The Amendments also introduce a new delivery regime which will require all dealers that receive an order to purchase ETF securities to deliver an ETF Facts to investors within two days of purchase, beginning December 10, 2018.

Filers are reminded that, as of September 1, 2017, an ETF that files a preliminary or pro forma prospectus must concurrently file an ETF Facts for each class or series of ETF securities offered under that prospectus. This means that for existing ETFs, the initial ETF Facts should be filed with the first renewal prospectus filed on or after September 1, 2017. The ETF Facts must also be posted to the ETF's or ETF manager's website after final receipt.

Until the initial ETF Facts is filed, ETF managers who obtained exemptive relief to prepare and file summary disclosure documents for ETF securities can continue to rely on that relief.

The initial ETF Facts filed may be reviewed by staff for strict form compliance with Form 41-101F4 *Information Required in an ETF Facts Document* (Form 41-101F4). Issuers and their counsel are encouraged to contact staff if there are any questions about the form requirements or instructions in Form 41-101F4.

1.1.2 OSC Notice 11-777 Notice of Statement of Priorities for Financial Year to End March 31, 2018

OSC NOTICE 11-777

NOTICE OF STATEMENT OF PRIORITIES FOR FINANCIAL YEAR TO END MARCH 31, 2018

The *Securities Act* (Act) requires the Ontario Securities Commission (OSC or Commission) to deliver to the Minister of Finance by June 30th of each year a statement from the Commission setting out its priorities for its current financial year in connection with the administration of the Act, the regulations and rules, together with a summary of the reasons for the adoption of the priorities.

In the notice published by the Commission on March 23, 2017, the Commission set out its draft Statement of Priorities (SoP) and invited public input in advance of finalizing and publishing the 2017–2018 Statement of Priorities. Twenty-one responses were received which focussed on a wide range of issues.

The OSC appreciates the thoughtful feedback and unique insights provided by commenters. On balance, the feedback was broadly supportive of the overall direction of the OSC goals and proposed priorities. In addition to feedback on the identified priorities, commenters highlighted a range of noteworthy items and issues including:

- the importance of the efforts and achievements of the OSC Investor Office in expanding investor engagement, research, education and outreach and bringing new perspectives such as elements of behavior to policy-making and operations
- the growing financial relevance to investors of environmental, social and governance (ESG) factors and the need for ESG disclosure by companies
- the importance of post-implementation review of policies and rules to confirm they are achieving their desired outcomes
- innovative initiatives such as OSC Whistleblower, Launchpad and the CSA Regulatory Sandbox
- the importance of regulatory harmonization both internationally and across the CSA

The OSC continues to receive comments focused on its pace of regulatory development for various initiatives. Some commenters noted that the pace of change should be slowed down to allow more time for consultation, but many clearly indicated that they would like to see faster implementation of regulatory changes. The OSC remains committed to policy development that balances the desire to be timely with the need to achieve harmonized outcomes that best meet the needs of Ontario investors and market participants.

A high level summary of key comment areas and our responses is set out below:

1. *Our proposed priority to introduce a Best Interest Standard and finalize proposals on targeted reforms under NI 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations to enhance the advisor/client relationship remains a significant area of focus for the OSC. A number of comments were also provided on related issues such as proficiency and titles for advisors. Commenters remain divided on this issue and set out positions for and against the introduction of a Best Interest Standard.*

   The CSA is united on moving forward with targeted reforms to improve the client-registrant relationship. In addition, Ontario and New Brunswick are committed to bringing forward a Best Interest Standard. The OSC will continue to:

   - work to define and introduce a regulatory best interest standard in Ontario
   - work with the CSA to introduce targeted, harmonized reforms to strengthen the standard of conduct and make the client-registrant relationship more centered on the interests of the client

   The OSC will also be examining the impact that advisor titles and proficiency standards have on investor protection as part of this priority.

2. *Embedded commissions and compensation arrangements in mutual funds received a significant number of responses. There is no clear commenter consensus on this issue. On balance investor advocates supported measures to discontinue embedded commissions and other forms of compensation. Other commenters cited negative outcomes, such as reduced access to advice, which have been documented in other jurisdictions where embedded compensation arrangements were no longer allowed.*

The OSC believes that investors must be able to understand the true costs of their investments, the costs of buying and holding their investments, and the cost of the advice they receive. The current embedded fee model is not well understood by investors and embedded fees raise conflicts that could incent advisors to recommend funds that benefit the advisor ahead of the investor. The OSC remains committed to achieving an evidence-based resolution to the use of embedded compensation structures. Following further dialogue with stakeholders the OSC will develop and present policy options and recommendations to the Commission and CSA Chairs later this year.

3. *Commenters continued to highlight seniors' issues as a growing area of risk requiring more focus.*

Seniors and vulnerable investors are important groups that require attention. The OSC recently established a new external Seniors Expert Advisory Committee to increase focus on this group of investors. The committee's mandate is to provide expert opinion and input on various policy, operational, education and outreach activities of the OSC. The OSC Investor Office has planned a number of initiatives to address these and other key investor protection issues, including developing a focused seniors strategy to identify opportunities and provide a framework to focus its efforts on the particular needs of seniors.

4. *There was strong support for continued focus on the Women on Boards and Executive positions initiative.*

The OSC remains committed to this important issue and will consider the need for additional measures if required.

5. *Commenters commended the OSC's innovative approaches and efforts to support Fintech entities. One commenter suggested that the OSC should broaden the use of this type of collaborative, supportive approach to other market participants.*

The OSC will continue to strive to foster an innovation-friendly market where entrepreneurs can flourish in a regulated industry where essential investor protections are in place. The OSC will examine opportunities to apply the learnings gained through this approach in its dealings with other market participants. The OSC believes that regulatory rules must protect investors – but they must also make sense for all businesses, including emerging ones.

6. *Commenters were consistent in their support for the need for cybersecurity measures. Specifically, some commenters suggested that more specific guidance would be useful to allow them to better understand what they need to do to meet compliance expectations in this area.*

The OSC will continue to provide guidance to market participants including reporting on the results of the cybersecurity roundtable and registrant survey.

7. *Subsequent to publishing the draft SoP, the Ontario government announced its plan to transfer regulatory oversight of syndicated mortgage investments from the Financial Services Commission of Ontario to the OSC. Syndicated mortgages were also noted in the feedback received as an area the OSC should take a more active role.*

The OSC will be adding a priority to set out the work required to address this issue.

8. *Various commenters provided suggestions related to data collection and the National Systems Renewal Program initiative. There was consensus on the need for better collection and use of data. Comments focused on system interface functionality, simplification of data requests (e.g. OSC Risk Assessment Questionnaire) and efficiency in the flow of information.*

We appreciate the comments and will take them into consideration in the work underway to replace the national systems.

9. *A number of commenters suggested additional regulation, such as required disclosure of environmental, social and governance (ESG) factors that measure the sustainability and ethical impact of an investment in a company.*

Companies already have an obligation to disclose material environmental and governance issues. We acknowledge the continued importance of disclosures in these areas and are monitoring developments to assess whether additional or new forms of disclosure are required.

10. *Various commenters suggested including shareholder democracy issues such as "say on pay", majority/empty voting and proxy voting as an SoP priority.*

We continue to monitor developments in respect of shareholder democracy issues. We plan to address these issues through work that is underway as part of our business plans.

11. *There was strong support for our priority to strengthen the powers and support for the Ombudsman for Banking Services and Investments (OBSI). A number of commenters suggested that more should be done (e.g. establishment of a Restitution Fund) to provide restitution to investors when they have suffered losses due to breaches of securities laws.*

    The OSC agrees that an effective and fair dispute resolution process, including complaints handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient, is a key element of investor protection, especially if it includes the ability to impose binding decisions. The OSC will analyze the OBSI independent evaluator's findings and recommendations along with other stakeholder input in determining what steps to consider in response.

12. *A number of commenters suggested that the OSC assign additional resources to monitor the recent expansion of the exempt market to confirm compliance with the rules and detect and resolve unintended consequences before retail investors are harmed.*

    The OSC agrees with these comments and oversight of these markets will be undertaken by our operational (e.g. compliance) branches.

13. *The proposed priority on reducing regulatory burden was broadly supported by commenters who suggested that rising regulatory costs can adversely affect competitiveness, stifle innovation and lead to regulatory arbitrage.*

    We believe that our markets are better able to compete, innovate and flourish with appropriate regulation. Regulatory costs should be proportionate to the regulatory objectives sought. The OSC is committed to re-examining our rules and processes to ensure they are appropriate, necessary and relevant. Our objective is to reduce regulatory burden wherever possible, as long as appropriate safeguards for investors are in place.

14. *Commenters were generally supportive of the OSC's role in supporting the transition to the Capital Markets Regulatory Authority (CMRA). However, unlike last year, some commenters expressed concerns including the degree to which harmonization will be achieved and whether the CMRA structure will be as effective for Ontario as the OSC is today.*

    The CMRA project is intended to give Canadians a straightforward and uniform approach to capital markets regulation and we remain committed to the creation of a cooperative national effort.

The OSC's core regulatory work will always be its primary area of focus. Our SoP sets out our highest priority areas, what we will deliver during the year under those priorities and how we will measure our performance. As noted above, we have revised our 2017-2018 SoP to include an additional priority related to syndicated mortgages. The other important initiatives and issues identified for inclusion by various commenters will be provided to staff for consideration and most of these are already addressed within our branch business plans or will be considered for future work.

All of the comment letters are available on our website www.osc.gov.on.ca. The SoP will serve as the guide for the Commission's operations. Following delivery of the SoP to the Minister, we will also publish on our website a report on our progress against our 2016–2017 priorities.

[Editor's Note: The 2017-2018 Statement of Priorities follows on separately numbered pages. Bulletin pagination resumes at the end of the Statement.]

Ontario Securities Commission
2017 – 2018
Statement of Priorities

Our 2017 – 2018 Priorities

Our 2017-2018 Statement of Priorities (SoP) sets out the priority areas on which the Ontario Securities Commission (OSC) intends to focus its resources and actions in 2017-2018. Each of the priorities set out in the pages that follow is aligned under one of the five OSC regulatory goals. Nine priorities from our prior year SoP are being carried forward with the next phase of work. Four priorities were not carried forward, as the remaining work is minimal or is now part of our daily operations. Our significant work in the international regulatory environment will continue but was not identified as a priority this year. Insights into emerging issues and standards gained through our international engagement will continue to be integrated into our policy development. The 2017-2018 SoP includes five new priorities: investor redress, fintech, regulatory burden reduction, collection of sanctions and our transition to CMRA.

Deliver strong investor protection

The OSC will champion investor protection, especially for retail investors

- Publish regulatory reforms to define a best interest standard and targeted reforms to improve the advisor/client relationship
- Define regulatory action needed to address embedded commissions
- Advance retail investor protection, engagement and education through the OSC's Investor Office
- Address independent evaluator's recommendation that OBSI be better empowered to secure redress for investors

Deliver effective compliance, supervision and enforcement

The OSC will deliver effective compliance oversight and pursue fair, vigorous and timely enforcement

- Protect investors and foster confidence in our markets by upholding strong standards of compliance with our regulatory framework
- Actively pursue timely and impactful enforcement cases involving serious securities laws violations
- Increase deterrent impact of OSC enforcement actions and sanctions through a more visible and active collection strategy

Deliver responsive regulation

The OSC will identify important issues and deal with them in a timely way

- Identify opportunities to reduce regulatory burden while maintaining appropriate investor protections
- Work with fintech businesses to support innovation and promote capital formation and regulatory compliance
- Actively monitor and assess impacts of recently implemented regulatory initiatives
- Implement the orderly transfer of syndicated mortgage investments to OSC oversight

Promote financial stability through effective oversight

The OSC will identify, address and mitigate systemic risk and promote stability

- Enhance OSC systemic risk oversight
- Promote cybersecurity resilience through greater collaboration with market participants and other regulators on risk preparedness and responsiveness

Be an innovative, accountable and efficient organization

The OSC will be an innovative, efficient and accountable organization through excellence in the execution of its operations

- Enhance OSC business capabilities
- Work with the Capital Markets Regulatory Authority (CMRA) partners on the transition of the OSC to the CMRA

Introduction

We are pleased to present the Chair's Statement of Priorities for the Commission for the year commencing April 1, 2017. The Securities Act (Ontario) requires the OSC to publish the Statement of Priorities in its Bulletin and to deliver it to the Minister by June 30 of each year. This Statement of Priorities also supports the OSC's commitment to be both effective and accountable in delivering its regulatory services.

This Statement of Priorities sets out the OSC's strategic goals and the specific initiatives that the OSC will pursue in support of each of these goals in 2017-2018. The Statement of Priorities also describes the environmental factors that the OSC has considered in setting these goals.

It is important to note that the majority of OSC resources are focused on delivering the core regulatory work (authorizations, reviews, compliance and enforcement) undertaken by the OSC to maintain high standards of regulation in Ontario's capital markets.

OSC Vision

To be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

OSC Mandate

To provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets.

OSC Goals

Confidence in fair and efficient markets is a prerequisite for economic growth. The OSC regulates the largest capital market in Canada and our actions have impacts for Ontario and the rest of Canada. The OSC is committed to promoting safe, fair and efficient markets in Ontario and has identified a broad range of initiatives to improve the regulatory framework. We must anticipate problems in the market and act decisively in order to promote public confidence in our capital markets, protect investors, and support market integrity. We will continue to proactively identify emerging issues, trends, and risks in our capital markets.

Investor protection is always a top priority for the OSC. The OSC will continue to rely on investor advocacy groups and the Investor Advisory Panel as important sources of insight to help the OSC better understand investor needs and interests.

The OSC continues to make strong advances in moving its regulatory agenda forward, improving the way it approaches its work and engaging industry participants, investors and other regulators to better understand their issues and concerns. Our recent Launchpad initiative is an example of developing a collaborative approach to respond to emerging issues. These actions are essential to reach solutions that balance promoting innovation and competition while maintaining appropriate investor safeguards.

The OSC works as part of the Canadian Securities Administrators (CSA) to harmonize rules and their application across the country to facilitate business needs. The OSC is working with the Ontario government and the OSC's counterparts in other participating jurisdictions to develop a harmonized regulatory approach and seamless transition to the CMRA.

Our Environment

Our regulatory framework is designed to provide protection to investors while fostering fair and efficient capital markets. Many factors can affect public confidence in our capital markets. The OSC faces a wide range of issues, risks and opportunities as it strives to achieve its vision and mandate.

Ontario investors continue to contend with a low interest rate environment. Interest rates remain low by historical standards and will continue to challenge Canadian seniors to achieve sufficient investment returns for their retirement. While healthy capital markets have afforded solid investment returns, it is unclear how long this will last. Higher rates are likely and may pose risks to capital markets and investors as they adjust to these conditions.

Investors will likely continue to seek opportunities to maximize yield on their investments, or capital appreciation, and these expose them to changing investment risks and rewards.

Key challenges and issues that may influence the OSC's policy agenda, its operations, and the way it uses its resources, are as follows.

Changing demographics and investor needs

Demographics are critical to understanding investor needs and are a key driver of most investor-focused issues. Different investor segments (e.g., seniors, millennials) have different investment horizons and objectives. In particular, the need for retirement planning has increased, as the responsibility for saving and investing continues to shift from employer-sponsored plans to the individual.

The demand for accessible and affordable advice that meets individual investor needs is expected to increase. A well-functioning investor/advisor relationship remains critical to the economic well-being of Ontarians and ultimately to achieving healthy capital markets.

Globally, there is a movement toward better aligning the interests of firms and advisors with the expectations of investors. Increasing focus is being placed on the cost of advice, fee structures, incentives and conflicts of interest. Firms are under pressure to align their cultures and conduct more closely with investor needs and desired outcomes.

Growing importance of investor education

Investor education has the potential to contribute to improved financial outcomes for investors and is an important component of investor protection.

As individuals take on increased responsibility for investing, they are challenged to achieve sufficient returns to finance future needs. At the same time, the financial marketplace continues to evolve and innovate, and investment products and services are becoming increasingly complex and diverse. These issues are magnified when there are wide gaps in the levels of experience and financial literacy among investors. The ability to achieve meaningful advancements in financial literacy will be a key to strengthening investor protection. Investors with a greater level of understanding of financial concepts will be better able to make informed investment decisions and avoid fraud.

Investors will always be at risk for potential losses from improper or fraudulent interactions. A number of jurisdictions are looking at ways to improve investor access to redress in these types of situations. Avenues for investor redress, including an effective and fair dispute resolution system, are increasingly being included as an element of investor protection frameworks.

The OSC will need to continue to seek new and innovative ways to deliver investor education and support retail investors in today's complex investing environment.

Globalization

Recent geopolitical events highlight the fact that the regulatory environment can change very quickly. The potential impact of continuing changes in the international environment, such as Brexit, decisions by the new US administration, and changing trade relationships could have profound impacts on financial regulation globally.

The increasing globalization of the capital markets underscores the importance of regulatory alignment both domestically and internationally. The sustained growth of cross-border activities means that the OSC must deal with regulatory matters that have both national and international dimensions. Our international involvement informs how we regulate Ontario's capital markets. Our goal is to promote domestic regulation that is aligned with international standards, while reflecting the unique needs of our markets.

The global interconnectedness of markets and mobility of capital create a strong need for harmonization and coordination of regulation. However, the potential for increased protectionism and de-regulation could inhibit global harmonization and create opportunities for regulatory arbitrage. In light of such developments, the OSC may face pressure from certain stakeholders to scale back areas of regulation making it increasingly important for the OSC to address concerns of undue regulatory burden.

Technology threats and opportunities

Technological innovation, including the advancement of "fintech", continues to disrupt and transform our capital markets. Fintech refers to a variety of innovative business models and emerging technologies that have the potential to transform the financial services industry.

Evolving market channels, such as automated financial advice, are redefining the delivery of client wealth management services and the fees charged for advice. Fintech is being enabled by the growth of low cost computing power, greater availability of data and the emergence of technologies, such as artificial intelligence and machine learning.

Regulators may face challenges addressing fintech developments while fulfilling their regulatory mandates to promote investor protection, market fairness and financial stability. For example, some fintech business models, such as online advice, remove the intermediary in providing financial advice to investors. Trading and investing in securities through fintech-enabled firms is often self-directed and can pose risks to investors making decisions without adequate information. While these advances can create opportunities to achieve better outcomes for investors, they also present potential risks and vulnerabilities, including programming errors in the algorithms that underlie automation, cybersecurity breaches, and the inability of investors to understand novel products and services.

Growing dependence on digital connectivity and data collection and analysis creates challenges and growing risks for businesses, market participants and regulators, and raises potential exposure to disruptions, including cyber-attacks. Cyber-attacks are inevitable and will have the potential to disrupt our markets and market participants. The OSC, working with other regulatory partners, has an important role to play in assessing and promoting readiness and supporting cybersecurity resilience within the financial services industry and raising awareness of cybersecurity risks.

Systemic risk and financial stability

The OSC works with many domestic and international regulators to monitor financial stability risks and trends, improve market resilience, and reduce the potential risk of global systemic events. The OSC is continuing to build out a domestic derivatives framework and to operationalize the necessary compliance and surveillance tools required to achieve a practical and effective regime.

As part of their review of market stability issues, financial system regulators are examining the need for companies to disclose exposure to economic, environmental and social sustainability risks, including climate change. The Financial Stability Board (FSB) has established a Task Force on Climate-related Financial Disclosures to develop a set of recommendations for consistent, comparable, reliable, clear and efficient climate-related disclosures by companies. The OSC will continue to monitor these developments to determine the need for a regulatory response.

Enforcement and compliance tools

Strong compliance and enforcement are essential to maintaining the integrity and attractiveness of our capital markets. Disruption of illegal activity and deterrence are key strategies in order to prevent or limit harm to investors. Our actions against firms and individuals who do not comply with the rules need to be strong and visible in order to achieve the desired deterrent effect and enhance public confidence in our markets.

As securities fraud and misconduct become increasingly complex, regulators must evolve their compliance and enforcement approaches and expand their tools. Technology, in particular, is enabling growth in cross-border activities that are detrimental to investors and very difficult to address. This creates challenges in supervision, surveillance and enforcement. If regulatory approaches are not aligned, cross-border supervision and enforcement efforts can be impeded. Regulators will need greater access to data and more sophisticated surveillance and analysis tools to more effectively evaluate compliance with regulatory requirements and identify misconduct.

Regulatory balance

Securities regulators continue to face pressure to reduce regulatory burden. As the complexity of regulatory requirements increases, market participants often require greater resources to ensure compliance. The need for a cost-effective regulatory framework, with proportionate regulation that supports innovation and competition – while maintaining appropriate investor protections – is critical.

Both over-regulation and under-regulation can dampen innovation and undermine the competitiveness of our capital markets. The OSC will need to continue to collaborate with its stakeholders to develop appropriate rules and oversight that protect investors without imposing unnecessary regulatory burden on firms. We will also need to seek opportunities where technology can be used to make compliance easier and more cost effective.

OSC operations

A focus on our staff continues to be important for the OSC. Attracting, motivating and retaining top talent in a competitive environment is a challenge and key to delivering on our mandate. We are increasing our investments in data and information systems to provide the right tools and training to leverage the talents of our people.

Deliver strong investor protection

The OSC will champion investor protection, especially for retail investors

The OSC remains strongly committed to investor protection and is continuing to expand its efforts to strengthen investor protection through various investor-focused initiatives. Investors need to be confident in the fairness of the market, have trust and confidence in their advisors and understand the products in which they invest.

The OSC continues to support the work of its independent Investor Advisory Panel, which solicits and represents the views of investors on the OSC's policy and rule-making initiatives. The initiatives set out below will advance achievement of the OSC's investor protection mandate.

Our Priorities

Publish regulatory reforms to define a best interest standard and targeted reforms to improve the advisor/client relationship

Access to affordable, high quality and unbiased investment advice continues to be a core investor expectation. The OSC will continue to work on key initiatives to improve the advisor/client relationship and address issues, such as incentive structures, that may hinder the alignment of interests between advisors and investors. Improvements to the culture of compliance in financial services businesses will remain a focus as weaknesses in these areas can result in inappropriate advice and unsatisfactory investor outcomes. Investor trust and confidence in the financial system is critical and can only be attained when achievement of investment objectives is a mutually shared outcome for advisors and investors.

The actions include:

- Continue to obtain input to inform regulatory proposals from stakeholders
- Publish policy direction on regulatory reforms required to improve the advisor/client relationship
- Publish rule proposals for comment:
  - Regulatory provisions to create a best interest standard
  - Targeted regulatory reforms and/or guidance under NI 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) to improve the advisor/client relationship
- Conduct a regulatory impact analysis of proposed regulatory provisions to create a best interest standard and targeted regulatory reforms and/or guidance under NI 31-103 to improve the advisor/client relationship

Define regulatory actions needed to address embedded commissions

Work with the CSA to review and evaluate stakeholder feedback received through both the written comment process and in-person consultations on CSA Consultation Paper 81-408 – *Consultation on the Option of Discontinuing Embedded Commissions*

- Conduct a stakeholder roundtable to:
  - Examine the potential impacts of discontinuing embedded commissions in Canada
  - Identify appropriate transition measures
- Present policy options and recommendations to the Commission and CSA Chairs

Advance retail investor protection, engagement and education through the OSC's Investor Office

Investor protection is at the core of everything the OSC does, and we are committed to improving outcomes for investors through policy, research, education and outreach initiatives led by our Investor Office. The OSC Investor Office is committed to developing evidence-based policy and programs.

The Investor Office will work with the Seniors Expert Advisory Committee (SEAC) and engage with investors in new and innovative ways to obtain a better understanding of investor issues and needs across various investor demographics, including seniors, millennials and new Canadians.

The Investor Office will continue to build the OSC's understanding and capacity in the behavioural insights area and work with relevant OSC staff to identify options to apply these concepts in OSC policy development and operational processes.

Actions will include:

- Support older investors through education and outreach
- Publish a behavioural insights research report
- Publish an OSC Seniors Strategy

Address independent evaluator's recommendation that OBSI be better empowered to secure redress for investors

The OSC continues to believe that investors should have access to an effective and fair dispute resolution system as a central component of the investor protection framework.

In 2016, an independent evaluator published the results of a review of the Ombudsman for Banking Services and Investments (OBSI) operations and practices under its investment mandate. The report set out 19 main recommendations, including a recommendation that OBSI be better empowered to secure redress for investors. The OBSI Joint Regulators Committee will analyze the review's findings and recommendations, the views of OBSI's leadership, along with stakeholder input in determining what steps the OSC or CSA should consider in response.

Actions will include:

- With the OBSI Joint Regulators Committee, develop a regulatory response to the recommendations in the independent evaluator's report, particularly the recommendation for binding decisions

Measures of Success

- Focused consultations on a proposed best interest standard and guidance completed
- Rule proposals setting out regulatory provisions to create a best interest standard published for comment
- Regulatory reforms required to improve the advisor/client relationship published for comment
- Stakeholder roundtable focused on examining the impacts of discontinuing embedded commissions completed. Issues identified, assessed and recommendations finalized
- OSC Seniors Strategy provides roadmap to provide targeted approaches to address seniors' issues
- Investors make better investment choices due to expanded education and outreach efforts
- Pilot projects for behavioural insights testing developed and key learnings integrated into OSC activities
- Response to OBSI independent evaluator's recommendations published

Deliver effective compliance, supervision and enforcement

The OSC will deliver effective compliance oversight and pursue fair, vigorous and timely enforcement

Effective registration and compliance oversight programs combined with timely enforcement help to deter misconduct and non-compliance by registrants and market participants. The OSC is committed to improving the efficiency and effectiveness of its compliance and enforcement processes and will protect the interests of investors by taking action against firms and individuals who do not comply with Ontario securities law.

The OSC will focus compliance efforts on higher risk areas and potential abusive practices by capital market participants that harm investors and decrease confidence in our capital markets. Our compliance work will be targeted through better use of data and reviews will continue to be focused on high risk and new registrants. We will also conduct targeted prospectus and continuous disclosure reviews of issuers, investment funds and structured products as they respond to market developments and engage in product innovations. The OSC will focus on preventing non-compliance and misconduct within our capital markets by proactively identifying registrants and issuers whose operations or structures may pose risks to retail investors and taking appropriate regulatory action. We will publish OSC staff guidance as warranted. Our actions need to be visible and better understood by market participants and the public in order to achieve the desired deterrent effect.

The OSC will seek to improve the efficiency and timeliness of its enforcement work through targeted case selection and co-ordinated multi-branch processes to increase early detection of breaches of securities laws. The OSC will continue to rely on stronger enforcement mechanisms such as our quasi-criminally focused Joint Serious Offences Team (JSOT) program to identify serious breaches of Ontario securities law. The OSC will continue to work with national and international enforcement regulators to enhance communication and collaboration and develop a comprehensive response to emerging market issues.

Recently introduced enforcement tools such as no-contest settlements and Whistleblower submissions will continue to be used to obtain swifter enforcement outcomes in areas that are otherwise difficult to detect.

The OSC continues to face collection challenges as some assets may be non-existent or very difficult to retrieve. The OSC needs to demonstrate that it will vigorously pursue the collection of penalties and fines in order to maximize the intended deterrent impacts of its sanctions.

Our Priorities

Protect investors and foster confidence in our markets by upholding strong standards of compliance with our regulatory framework

- Maintain effective oversight of registrants by focusing on new registrants, higher risk firms and emerging risks

Actively pursue timely and impactful enforcement cases involving serious securities laws violations

- Raise awareness of the OSC Whistleblower Program including:
  - Promoting better understanding of the anti-retaliation protections for whistleblowers
  - Developing a more proactive outreach program to reach potential high-value whistleblowers
- Improve the efficiency and effectiveness of our enforcement efforts through greater use of technology, including working with the CSA to develop a new market analytics platform for investigations
- Reduce enforcement timelines by streamlining investigative and prosecution processes

Increase deterrent impact of OSC enforcement actions and sanctions through a more visible and active collection strategy

- Assess collection alternatives and pilot an improved collection approach
- Publish results of new collection process

Measures of Success

- Complete reviews of high-risk firms and continue the "Registration as a First Compliance Review" program
- Continue focused reviews targeting issues relevant to seniors and suitability, the expanded exempt market rules, online dealer platforms, derivative trade repositories, fund expenses and funds with large holdings in illiquid securities
- Publish Annual Summary Report for Dealers, Advisers and Investment Fund Managers that includes key findings and trends from compliance reviews
- Enhanced OSC Whistleblower program profile results in measureable increases in the number of credible tips and cases initiated
- Increased deterrence of misconduct in areas targeted for priority enforcement actions
- Enhanced market analytics capability will generate more timely, accurate and actionable information and improved enforcement outcomes
- Greater alignment between cases and OSC strategic priorities, including better focus on cases that pose the greatest risks to Ontario capital markets and investors
- Improved collection strategy increases the deterrent impact of OSC enforcement actions
- Results of collections pilot published

Deliver responsive regulation

The OSC will identify important issues and deal with them in a timely way

The increased pace of regulatory change experienced over the last few years is expected to continue as market structures and products evolve and become increasingly complex. In the face of rapid innovation and technological changes we must strive to remain abreast of regulatory challenges and developments and adapt quickly in order to maintain healthy and competitive capital markets.

Active participation in international regulatory forums remains a key component to maintaining a responsive regulatory framework. The OSC participates as a member of IOSCO and engages with other key regulatory authorities to develop international regulatory standards. Through these efforts the OSC helps to shape regulatory responses that are aligned with and reflect the needs of the Canadian capital markets and its participants.

Our Priorities

Identify opportunities to reduce regulatory burden while maintaining appropriate investor protections

The OSC is mindful of the impact of regulatory burden on market participants and recognizes the need to actively pursue opportunities to alleviate that burden without impeding the ability of the OSC to fulfill its responsibility to protect investors.

Together with our CSA partners, we are seeking feedback from market participants and stakeholders to identify specific areas of securities legislation that may duplicate other requirements, may not be achieving our regulatory objectives, or where the regulatory burden may be disproportionate to the regulatory objectives that are achieved.

The OSC is also examining ways to make it easier and less costly for firms to interact with regulators. Potential areas to reduce regulatory burden in the public markets include:

- Expanding application of streamlined rules for smaller reporting issuers
- Simplifying prospectus rules and process requirements
- Reducing ongoing disclosure requirements
- Removing redundant and ineffective disclosure and reporting requirements for investment funds
- Eliminating overlap in regulatory requirements, and
- Identifying ways to enhance electronic delivery of documents

Actions will include:

- Identify opportunities to reduce or eliminate redundant or unnecessary non-investment fund reporting issuer disclosure where current requirements are not achieving desired regulatory outcomes
  - With the CSA, publish a consultation paper
  - Review comments on the consultation paper
  - Publish recommendations
- Together with the CSA review investment fund regulation to:
  - Review options for streamlined disclosure and determine potential impacts on affected stakeholders, including investors, dealers and their SROs, and regulators and their informational requirements
  - Recommend options for disclosure reductions

Work with fintech businesses to support innovation and promote capital formation and regulatory compliance

The emergence of fintech has occurred rapidly, causing disruption in the financial services industry. The development of innovative business models, including online advisers, online lenders and crowdfunding platforms, has already resulted in substantial changes to the relationship among regulators, investors and intermediaries. Fintech represents a significant challenge for regulators to respond to and support the pace of innovation.

OSC LaunchPad, launched in October 2016, engages with the fintech community, provides the opportunity for support in navigating regulatory requirements and strives to keep regulation in step with digital innovation. In January 2017, the OSC announced the membership of its new Fintech Advisory Committee (FAC), which will advise the OSC LaunchPad team on developments in the fintech space as well as the unique challenges faced by fintech businesses in the securities industry.

The OSC is committed to supporting fintech businesses by providing the opportunity to flourish while ensuring compliance with our regulatory requirements.

Actions will include:

- Support fintech innovation through OSC LaunchPad by:
  - Engaging with the fintech community to identify and understand any regulatory barriers, trends and gaps
  - Offering direct support to eligible businesses in navigating the regulatory environment
  - Integrating learnings into the regulation of similar business models going forward
- Participate in the recently announced CSA Regulatory Sandbox that is designed to allow firms to test novel products and services without full regulatory approval in a way that also provides investor protection
- Collaborate with the Fintech Advisory Committee, as well as the CSA and other regulators including, the Australian Securities and Investments Commission and the Financial Conduct Authority in the UK, to obtain insight and input regarding fintech innovation and support these businesses in Canada and globally

Actively monitor and assess impacts of recently implemented regulatory initiatives

As technology and capital markets evolve, our approach to regulation needs to adapt to address these changes. The OSC has undertaken initiatives, such as changes to the exempt market regulatory regime and the review of the market structure regulatory framework, to promote efficient markets, protect investors and maintain investor confidence. The OSC's focus in these areas will shift to monitoring and assessing whether existing measures are achieving their expected regulatory outcomes or if further regulatory responses are needed.

The OSC will also continue to review recently implemented regulatory reforms to assess whether expected results are being achieved. In the case of disclosure relating to women on boards and in executive officer positions – the actions will include:

- Conduct targeted review of disclosure provided by issuers with financial years ending from December 31, 2016 to March 31, 2017
- Assess the effectiveness of the disclosure and consider whether other regulatory action is needed

Implement the orderly transfer of syndicated mortgage investments to OSC oversight

Syndicated mortgages are mortgages that are funded by multiple investors. Mortgage brokers and agents licensed with the Financial Services Commission of Ontario (FSCO) can engage in syndicated mortgage transactions with investors using registration and prospectus exemptions. Concerns have been raised about the current regulatory framework, including in a 2016 expert report reviewing the mandate of FSCO. On April 27, 2017, the Ontario government announced its plan to transfer regulatory oversight of syndicated mortgage investments from FSCO to the OSC.

Actions will include:

- Work with the Ontario government and FSCO to plan and implement an orderly transfer of the oversight of syndicated mortgage products to the OSC

Measures of Success

- Staff notice on women on boards and in executive officer positions published that sets out:
  - Results of the targeted review
  - An update on any potential need for further disclosure requirements
  - The relevant disclosure data of issuers with financial years ending December 31, 2016 to March 31, 2017
- Staff notice published summarizing capital raising activity in the exempt market including use of recently introduced capital raising prospectus exemptions
- Time-to-market of novel businesses reduced, by taking a flexible, risk-based approach to the regulation of novel fintech businesses, while maintaining appropriate investor safeguards
- Capital formation and innovation supported through LaunchPad
- CSA Regulatory Sandbox provides expedited registration and exemptive relief processes for emerging firms
- Consultation paper on options for regulatory burden reductions published, comments reviewed and an update on next steps published
- Transition plan for the transfer of syndicated mortgages to OSC oversight developed. Proposed rule amendments published for comment

Promote financial stability through effective oversight

The OSC will identify, address and mitigate systemic risk and promote stability

Capital markets are increasingly interconnected by technology, business models and investment flows and this creates potential for global systemic risk. The OSC works with other regulators and market participants to monitor financial stability risks and the resilience of financial markets. Through these actions the OSC is better able to understand points of integration and identify potential risks to monitor and mitigate.

Our Priorities

Enhance OSC systemic risk oversight

The OSC plays a strong leadership role within the International Organization of Securities Commissions (IOSCO). OSC staff chair the IOSCO committees focused on Regulation of Secondary Markets and Emerging Risks. The OSC also engages with domestic and international regulators including other securities commissions, the Bank of Canada, the Financial Stability Board (FSB), and the Bank of International Settlements on current and emerging topics such as digital innovation. Continued active OSC participation is necessary to remain abreast of emerging regulatory developments on important issues such as changing standards and systemic risk.

The OSC will continue to enhance its internal identification and monitoring of trends and risks across various market segments and participants including – equities, fixed income, OTC derivatives, trading platforms, clearing agencies and derivatives dealers. Identifying emerging risks in a timely manner leads to a better understanding of the key components of systemic risk and how they interact.

Actions will include:

- Providing strong leadership within IOSCO and supporting activities to promote sound international regulatory standards and guidelines that are aligned with key areas of risk
- Enhance OTC derivatives oversight and systemic risk monitoring and operationalize the regulatory framework that has been implemented by:
  - Continuing collection and analysis of trade data
  - Publishing a Staff Notice on key trade reporting compliance audit findings and areas for improvement
  - Developing a framework for monitoring systemic risk in the OTC derivatives markets
- Enhance OTC derivatives regulatory regime by:
  - Implementing data analysis for systemic risk monitoring and market conduct purposes, including the development of trade reporting analytical tools
  - Conducting audits on a sample of derivatives dealers and publishing Staff Notices on the findings and areas for improvement
  - Implementing rules for clearing, segregation and portability of cleared OTC derivatives
  - Publishing proposed rules for market conduct and registration of derivatives dealers, completing consultations, reviewing comments, revising proposed rules and conducting a roundtable
  - Publishing a margin for uncleared derivatives rule and reviewing comments
- Continued development of internal capabilities to identify and monitor market trends and risks, including increased access to data and analytical resources as well as gathering views of stakeholders

Promote cybersecurity resilience through greater collaboration with market participants and other regulators on risk preparedness and responsiveness

Advances in technology and access to data support growth in innovative approaches to deliver financial services. However, increased reliance on technology poses risks such as data breaches and increased exposure to disruptions. The increase in the number and sophistication of cyber-attacks poses a major and growing risk for market participants and regulators. Other more public impacts can include theft of sensitive or personal financial information and investor losses. Successful cyber-attacks can undermine investor confidence. The OSC will continue to promote and support determined efforts by market participants to maintain and improve their cyber defenses and resilience to respond to cyber-attacks.

Actions will include:

- Continue to assess the level of market participant cybersecurity resilience and monitor cyber readiness
- Follow up on recommendations from cybersecurity roundtable

- Review results of the registrant cybersecurity survey and determine next steps

Measures of Success

- Enhanced systemic risk data collection and analysis supports effective oversight and supervision of OTC derivatives markets
- More accurate trade reports support better analysis of systemic risk
- Registration and conduct rules reduce risk and promote responsible market conduct in the OTC derivatives markets
- Key risk areas identified and communicated to market participants including registrants
- Improved cybersecurity awareness through ongoing oversight of risk preparedness and resilience

Be an innovative, accountable and efficient organization

The OSC will be an innovative, efficient and accountable organization through excellence in the execution of its operations

The OSC is committed to becoming a more proactive and agile securities regulator. Improving our efficiency and effectiveness remains a top priority.

The OSC is committed to greater use of technological tools to enhance our ability to monitor and assess market activity. We are incorporating technology and more sophisticated analytical tools to improve the efficiency and quality of our work. We are increasing our use of research, risk and data analysis to support a more disciplined approach to identifying market issues and developing policy and decision-making. The OSC is working with the CSA to develop modern, more easily configurable systems to replace the current CSA national systems.

Just as market participants must evolve to meet competition from new business models and technology enabled service offerings, the OSC must also improve its business capabilities to maintain a supportive and effective regulatory environment. Proactive regulatory solutions, such as the recently implemented Launchpad initiative, are examples of how regulators can support innovation and capital formation. We will continue to seek similar opportunities to improve our regulatory effectiveness.

Our Priorities

Enhance OSC business capabilities

- Work with the CSA to renew CSA national systems to improve usability and address new regulatory requirements
- Develop a comprehensive data management strategy that will provide the foundation for increased reliance on data management and analytics to support risk and evidence-based decision making
- Foster a dynamic, supportive and attractive workplace
- Actively recruit new skills required to improve our regulatory capacity to meet current and future challenges

Work with the Capital Markets Regulatory Authority (CMRA) partners on the transition of the OSC to the CMRA

The OSC continues to view the CMRA as an opportunity to enhance investor protection, foster efficient rulemaking and promote globally competitive markets in Canada. The OSC is working with the Ontario government and the OSC's counterparts in other participating jurisdictions to develop a harmonized regulatory approach and seamless transition to the CMRA. While engaging in the considerable work required to transition to the CMRA, the OSC will maintain an engaged and effective regulatory presence including a cooperative interface with the CSA.

Actions will include:

- Continue to work with participating jurisdictions and Capital Markets Authority Implementation Organization

Measures of Success

- New CSA national systems will improve ease of use, security and adaptability to new business requirements and technology
- Use of research and risk analysis reflected consistently in OSC policy initiatives and OSC publications
- New skill gaps identified and addressed, and staff turnover and retention within target ranges
- The OSC is ready and able to transition into the new CMRA organization

2017 – 2018 Financial Outlook

OSC Revenues and Surplus

The OSC is forecasting 2017–2018 revenues to be slightly lower (3.5%) than 2016–2017 actual revenues. The forecast reflects fee rates set out in the OSC's fee rules (13-502 and 13-503), which became effective April 6, 2015. We expect participation fees for 2017-2018 to be in line with 2016-2017 results as fee rates are set until March 31, 2018 and we do not expect market changes to have a significant impact. Activity fees and late fees are expected to be lower than 2016-2017 as there is uncertainty on the level of issuer and registrant activity.

The OSC expects to have a deficit of $1.9 million in 2017–2018 which will reduce the 2016-2017 ending surplus of $40.6 million, for a total surplus of $38.7 million as at March 2018. When the fee rules were developed and published in 2015, the OSC advised that they would be relatively revenue neutral over the three-year period, with an expected surplus in 2015–2016, a smaller surplus in 2016–2017 and a deficit in 2017–2018. This is because revenues were expected to be relatively flat over the term of the rule, while expenses were expected to increase each year. The budget approved by the OSC Board for 2017–2018 is in line with this expectation. Actual expenses for each of 2015–2016 and 2016–2017 were lower than projected which has increased the surplus.

Fee rates will be reviewed in fiscal 2018 and the existing surplus will be taken into account in determining new rates. Other factors to be considered when reviewing the level of surplus and fee rates are the projected level of expenses, any projected capital expenses and the level of cash resources required to provide an adequate cash safety margin.

2017 – 2018 Budget Approach

Our regulatory framework needs to remain current and responsive to the continuing evolution of market structures and products and be supportive of capital formation in Ontario. The OSC must carefully balance the desire to improve access to capital with the need to retain appropriate investor protections. The 2017–2018 SoP sets out the OSC's key priorities to meet these challenges. Achievement of these priorities is a key driver of the increases to the 2017–2018 OSC budget as this will require focused investments in the following areas:

- Continuation of LaunchPad and Whistleblower program and anticipation of increased resources needed for syndicated mortgages
- Continuation of the data management program
- Continuation of technology modernization including eDiscovery and eHearing replacement
- Workforce stabilization and retention strategy through increase in benefits and salary compensation.

The budget reflects an increase in expenses of 4.9% from the 2016–2017 budget and 8.5% from actual 2016–2017 spending. Salaries and benefits, which comprise $86.1 million or 73% of the budget, represent an increase of $4.2 million or 5.1% over 2016–2017 spending. The key reasons for this increase are:

- Approval of new positions to support the investments noted above
- The impact of the full year costs of the positions filled in the prior year.

The OSC continues to maintain fiscal responsibility in its operating areas as evidenced by the underspending noted in the prior year and the fact that budget amounts will remain relatively flat in approximately 65% of its operating branches in the 2018 plan.

The capital budget, essentially flat as compared to 2016–2017 spending, primarily reflects the cost to support the OSC's information technology needs.

Excess/Deficiency of Revenues over Expenses (in millions)	2016 – 2017 Actual	2017 – 2018 Budget	Year Over Year Changes	
Revenues	$119.9	$115.8	($4.1)	(3.5%)
Expenses	$108.5	$117.7	$9.2	8.5%
Excess (Deficit) of Revenues over Expenses	$11.4	($1.9)	($13.3)	(116%)
Capital Expenditure	$2.7	$2.7	$0	0%

1.3 Notices of Hearing with Related Statements of Allegations

1.3.1 RBC Dominion Securities Inc. et al. – ss. 127(1), 127(2)

**IN THE MATTER OF
RBC DOMINION SECURITIES INC.,
ROYAL MUTUAL FUNDS INC., AND
RBC PHILLIPS, HAGER & NORTH
INVESTMENT COUNSEL INC.**

**NOTICE OF HEARING
(Subsections 127(1) and 127(2) of the Securities Act)**

TAKE NOTICE that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to subsections 127(1) and 127(2) of the *Securities Act*, RSO 1990, c S.5 (the "Act") at the offices of the Commission located at 20 Queen Street West, 17th Floor, commencing on June 27, 2017 at 11:00 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 June 21, 2017, on a no-contest basis, between Staff of the Commission and RBC Dominion Securities Inc., Royal Mutual Funds Inc., and RBC Phillips, Hager & North Investment Counsel Inc.;

BY REASON OF the allegations set out in the Statement of Allegations of Staff, dated June 22, 2017;

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

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

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

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

DATED at Toronto this 22nd day of June, 2017.

"Grace Knakowski"
Secretary to the Commission

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

AND

**IN THE MATTER OF
RBC DOMINION SECURITIES INC.,
ROYAL MUTUAL FUNDS INC., AND
RBC PHILLIPS, HAGER & NORTH
INVESTMENT COUNSEL INC.**

**STATEMENT OF ALLEGATIONS OF
STAFF OF THE ONTARIO SECURITIES COMMISSION**

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

I. THE RESPONDENTS

1. RBC Dominion Securities Inc. ("DS") is a corporation incorporated pursuant to the federal laws of Canada. DS is a member of the Investment Industry Regulatory Organization of Canada and is registered with the Commission as an investment dealer.

2. Royal Mutual Funds Inc. ("RMFI") is a corporation incorporated pursuant to the federal laws of Canada. RMFI is a member of the Mutual Fund Dealers Association of Canada and is registered with the Commission as a mutual fund dealer.

3. RBC Phillips, Hager & North Investment Counsel Inc. ("PH&NIC") is a corporation incorporated pursuant to the federal laws of Canada and is registered with the Commission as a portfolio manager. Each of DS, RMFI and PH&NIC (collectively, the "RBC Registrants") is a wholly owned, indirect subsidiary of Royal Bank of Canada.

II. THE RBC REGISTRANTS' CONDUCT

4. Commencing in February 2015, the RBC Registrants promptly self-reported to Commission Staff inadequacies in their systems of controls and supervision which formed part of their compliance systems (the "Control and Supervision Inadequacies") which resulted in certain clients paying, directly or indirectly, excess fees that were not detected or corrected by the RBC Registrants in a timely manner.

5. Commission Staff do not allege, and have found no evidence of dishonest conduct by any of the RBC Registrants.

6. The RBC Registrants formulated an intention to pay appropriate compensation to eligible clients and former clients when they self-reported the Control and Supervision Inadequacies to Com-

mission Staff. The RBC Registrants are taking corrective action, including implementing enhanced procedures and controls, and supervisory and monitoring systems designed to prevent the re-occurrence of the Control and Supervision Inadequacies in the future.

7. Some clients of the RBC Registrants have fee-based accounts and are charged a fee for investment management services in respect of assets held in the account (the "Fee-Based Accounts"). The investment management fee is based on the client's assets under management (the "Account Fee").

8. RBC Global Asset Management ("GAM") maintains and manages a number of mutual funds that are available in different classes. For certain of these mutual funds, there are two classes of the same mutual fund which differ solely in that the Management Expense Ratio ("MER") of one class, which has a higher minimum investment threshold, is lower than the MER of the other class.

9. The Control and Supervision Inadequacies are summarized as follows:

   (a) for some DS and PH&NIC clients with Fee-Based Accounts, non-exchange-traded investment products with embedded trailer fees were incorrectly included in Account Fee calculations, resulting in some clients paying excess fees for the period (i) January 1, 2008 to October 31, 2016 for DS clients and (ii) March 1, 2005 to October 31, 2016 for PH&NIC clients;

   (b) for some DS and PH&NIC clients with Fee-Based Accounts, assets held in their Fee-Based Accounts and assessed an Account Fee included certain mutual funds with negotiable service fees and exchange-traded investment products with embedded trailer fees, resulting in some clients paying excess fees because DS and PH&NIC received trailer fees for the period (i) January 1, 2008 to October 31, 2016 for DS clients and (ii) March 1, 2005 to October 31, 2016 for PH&NIC clients;

   (c) beginning in July 9, 2012 for RMFI and January 1, 2008 for DS, until June 30, 2016, some clients who purchased, transferred in from another dealer, or already held units of a mutual fund maintained and managed by GAM were not advised that they qualified for a lower MER series of such mutual fund and indirectly paid excess fees when they invested in the higher MER series of the same mutual fund.

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

10. In respect of the Control and Supervision Inadequacies, the RBC Registrants failed to establish, maintain and apply procedures to establish controls and supervision:

   (a) sufficient to provide reasonable assurance that the RBC Registrants, and each individual acting on behalf of the RBC Registrants, complied with securities legislation, including the requirement to deal fairly with clients with regard to fees; and

   (b) that were reasonably likely to identify the non-compliance described in (a) above at an early stage and that would have allowed the RBC Registrants to correct the non-compliant conduct in a timely manner.

11. As a result, these instances of Control and Supervision Inadequacies constituted a breach of section 11.1 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. In addition, the failures in the RBC Registrants' systems of controls and supervision associated with the Control and Supervision Inadequacies were contrary to the public interest.

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

DATED at Toronto, this 22nd day of June, 2017.

1.5 Notices from the Office of the Secretary

1.5.1 RBC Dominion Securities Inc. et al.

FOR IMMEDIATE RELEASE
June 22, 2017

IN THE MATTER OF
RBC DOMINION SECURITIES INC.,
ROYAL MUTUAL FUNDS INC., AND
RBC PHILLIPS, HAGER & NORTH
INVESTMENT COUNSEL INC.

TORONTO – The Office of the Secretary issued a Notice of Hearing to consider whether it is in the public interest to approve the Settlement Agreement dated June 21, 2017, on a no-contest basis, between Staff of the Commission and RBC Dominion Securities Inc., Royal Mutual Funds Inc., and RBC Phillips, Hager & North Investment Counsel Inc.

The hearing pursuant to subsections 127(1) and 127(2) of the *Securities Act*, will be held at the offices of the Commission located at 20 Queen Street West, 17th Floor, on June 27, 2017 at 11:00 a.m.

A copy of the Notice of Hearing dated June 22, 2017 and Statement of Allegations of Staff of the Ontario Securities Commission dated June 22, 2017 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
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 Dennis L. Meharchand and Valt.X Holdings Inc.

FOR IMMEDIATE RELEASE
June 26, 2017

IN THE MATTER OF
DENNIS L. MEHARCHAND and
VALT.X HOLDINGS INC.

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

1. by no later than July 21, 2017, the Respondents shall provide their witness lists and summaries to Staff of the Commission and shall indicate any intent to call an expert witness, including the name of the expert and the issue on which the expert will be giving evidence; and

2. the Third Appearance in this matter will be heard on August 21, 2017 at 10:00 a.m., or such other date as may be agreed to by the parties and set by the Office of the Secretary.

A copy of the Order dated June 26, 2017 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

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 Dennis Wing

FOR IMMEDIATE RELEASE
June 27, 2017

IN THE MATTER OF
DENNIS WING

TORONTO – The Commission issued an Order in the above named matter which provides that the hearing is adjourned *sine die*.

A copy of the Order dated June 26, 2017 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

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 RBC Dominion Securities Inc. et al.

FOR IMMEDIATE RELEASE
June 27, 2017

IN THE MATTER OF
RBC DOMINION SECURITIES INC.,
ROYAL MUTUAL FUNDS INC., AND
RBC PHILLIPS, HAGER & NORTH
INVESTMENT COUNSEL INC.

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 RBC Dominion Securities Inc., Royal Mutual Funds Inc., and RBC Phillips, Hager & North Investment Counsel Inc.

A copy of the Order dated June 27, 2017, Settlement Agreement dated June 21, 2017 and Oral Ruling and Reasons dated June 27, 2017 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
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 Nixon Lau et al.

FOR IMMEDIATE RELEASE
June 27, 2017

IN THE MATTER OF
NIXON LAU,
INCOME STRATEGIX HOLDINGS LTD.,
INCOME STRATEGIX L.P.,
INCOME STRATEGIX A-CLASS L.P. and
INCOME STRATEGIX I-CLASS L.P.

TORONTO – Following a hearing held in the above named matter, the Commission issued an Order approving the Settlement Agreement reached between Staff of the Commission and Nixon Lau, Income Strategix Holdings Ltd., Income Strategix L.P., Income Strategix A-Class L.P. and Income Strategix I-Class L.P.

A copy of the Order dated June 26, 2017 and the Settlement Agreement dated June 13, 2017 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

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

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 First Nations Finance Authority

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Securities Act (Ontario), s. 53 – Application for relief from prospectus requirement in respect of certain distributions of debt securities of filer – debt securities are analogous to debt securities of or guaranteed by any municipal corporation in Canada, or debt securities secured by or payable out of rates or taxes levied under the law of a jurisdiction of Canada on property in the jurisdiction or on certain other revenues – Filer's structure and obligations are analogous to a municipal finance authority and other municipal corporations – Filer's borrowing program provides comparable protections and rights for debt securityholders to those found in municipal borrowing programs – Filer will only issue debt securities – Filer will provide prospective purchasers of debt securities with a comprehensive disclosure document – Relief granted, subject to conditions.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 53, 74.

April 28, 2017

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

AND

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

AND

IN THE MATTER OF
FIRST NATIONS FINANCE AUTHORITY
(the Filer)

DECISION

Background

1) 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**) that the prospectus requirement of the Legislation does not apply to distributions or trades of Debt Securities (as such term is defined below) of the Filer (the **Exemption Sought**).

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

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

(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, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon Territory, Northwest Territories and Nunavut Territory; and

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

Interpretation

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

Representations

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

1. on April 1, 2006, the *First Nations Fiscal Management Act* (Canada) (the **Federal Act**) came into force;

2. the Government of Canada has adopted a policy of recognizing the inherent right of self government as an aboriginal right; the purpose of the Federal Act is to, among other things, provide First Nations with the access to capital markets available to other governments; to accomplish this purpose, the Federal Act, together with the regulation thereunder (the **Federal Regulation**), creates a comprehensive regulatory framework for First Nations to exercise real property taxation and for property tax revenues and certain other revenues prescribed by the Federal Regulation to support capital markets borrowings; this structure was modeled on the British Columbia municipal finance model, as operated by the Municipal Finance Authority of British Columbia under the *Municipal Finance Authority Act* (British Columbia);

3. the Filer was established pursuant to the Federal Act as a non-profit corporation without share capital;

4. the Filer's head office is located at 202 - 3500 Carrington Road, Westbank, British Columbia, V4T 3C1;

5. the Filer is not a reporting issuer in any jurisdiction of Canada and has no present intention of becoming a reporting issuer in any jurisdiction of Canada;

6. no securities of the Filer have ever been traded on a marketplace in Canada as defined in National Instrument 21-101 *Marketplace Operation* and the Filer has no present intention of securities of the Filer being traded on such a marketplace;

7. the Filer is not in default of securities legislation in any jurisdiction of Canada;

8. the Filer is the central borrowing agency for eligible First Nations across Canada that have been accepted by the Filer as "borrowing members" (as defined in the Federal Act) (**Borrowing Members**);

9. pursuant and subject to the Federal Act, a Borrowing Member may enact a borrowing law to obtain from the Filer (i) long-term financing of capital infrastructure for the provision of local services on reserve lands where repayment is secured by property tax revenues of that Borrowing Member, and (ii) financing for other purposes prescribed by the Federal Regulation where repayment is secured by other revenues prescribed by the Federal Regulation of that Borrowing Member (**Permitted Financing**);

10. pursuant and subject to the Federal Act, requests for such Permitted Financing that are approved by the Filer are funded by, among other things, the issuance by the Filer of debt securities (**Debt Securities**) in the capital markets;

11. to facilitate an orderly fiscal management system for First Nations, the Federal Act allocates responsibility and oversight among, and regulates the activities of, three independent entities:

    (a) the Filer, which was established to, among other things, secure for borrowing Members Permitted Financing;

    (b) the First Nations Tax Commission (**FNTC**), which was established to regulate real property taxation by First Nations; the Federal Act provides that the FNTC must approve every (i) property tax revenue law to be enacted by a First Nation pursuant to the Federal Act and (ii) borrowing law to be enacted by a First Nation pursuant to the Federal Act authorizing the borrowing of money by such First Nation from the Filer that is secured by property tax revenues; and

    (c) the First Nations Financial Management Board (**FMB**), which was established to, among other things, (i) provide assessment and certification services respecting First Nations financial management and

financial performance and (ii) provide intervention services in the event that a First Nation defaults on a loan from the Filer; the Federal Act provides that the Filer may only accept a First Nation as a Borrowing Member if the FMB has issued to that First Nation a certificate in respect of their financial performance pursuant to the Federal Act and has not subsequently revoked it;

12. to facilitate orderly capital markets borrowings by Borrowing Members, the Federal Act and the Federal Regulations provide for certain safeguards:

    (a) the Filer must establish a sinking fund to fulfill its repayment obligations to the holders of each Debt Security;

    (b) the Filer must establish debt reserve funds to make payments or sinking fund contributions for which insufficient moneys are available from Borrowing Members to fulfill the Filer's repayment obligation to the holders of each Debt Security;

    (c) the Filer has established a credit enhancement fund, funded by the Government of Canada, which may be used to temporarily offset any shortfalls in the debt reserve funds;

    (d) in the event a First nation is insolvent, the Filer has, in certain circumstances, priority over all other creditors of the First Nation; and

    (e) in the event a Borrowing Member fails to make a payment due to the Filer, the Filer may require the FMB to impose a "co-management arrangement" on or assume "third-party management" of the Borrowing Member;

13. the Board of Directors of the Filer is elected by its Borrowing Members;

14. the Authority has obtained a credit rating from a "designated rating organization" (as defined in National Instrument 45-106 Prospectus Exemptions (NI 45-106)); and

15. on November 30, 2011, the securities regulatory authority or regulator in British Columbia and Ontario issued a decision that the prospectus requirements of the Legislation do not apply to debt securities of the Filer (the "**Previous Decision**"); the Previous Decision terminated in accordance with its terms on November 30, 2016.

Decision

4) 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 Exemption Sought is granted, provided that this decision will terminate if:

(a) the prospectus exemption in s 2.34(2)(c) of NI 45-106 (the specified debt exemption) is amended such that:

    (i) a prospectus exemption is no longer available in Canada to debt securities issued by or guaranteed by a municipal corporation in Canada, or secured by or payable out of rates or taxes levied under the law of a jurisdiction of Canada on property in the jurisdiction and collectable by or through the municipality in which the property is situated, or

    (ii) additional conditions are added to the specified debt exemption; or

(b) the Federal Act or Federal Regulations are amended so that any of the representations in items 11 and 12 are no longer true.

"Peter Brady"
Executive Director
British Columbia Securities Commission

2.1.2 Secure Energy Services Inc. and Rene Amirault

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – reporting insider party to automatic securities disposition plan – relief granted from section 3.3 of National Instrument 55-104 Insider Reporting Requirements and Exemptions and subsection 107(2) of the Securities Act (Ontario), provided that reporting insider file reports with respect to dispositions under the plan during the year by March 31 of the next calendar year.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 107(2).
National Instrument 55-104 Insider Reporting Requirements and Exemptions, s. 3.3.

Citation: *Re Secure Energy Services Inc.*, 2017 ABASC 112

June 23, 2017

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

AND

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

AND

IN THE MATTER OF
SECURE ENERGY SERVICES INC.
(Secure)

AND

RENE AMIRAULT
(Amirault) (collectively, the Filers)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Maker**) has received an application from the Filers for a decision (the **Exemption Sought**) under the securities legislation of the Jurisdictions (the **Legislation**) exempting Amirault from the requirement in Section 3.3 of National Instrument 55-104 I*nsider Reporting Requirements and Exemptions* (**NI 55-104**) and Subsection 107(2) of the *Securities Act* (Ontario) (the **OSA**) to file an insider report within five days following the disposition of securities under the ASDP (as defined below), subject to certain conditions.

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

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

(b) the Filers have provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island; and

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

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, MI 11-102 or NI 55-104 have the same meaning if used in this decision, unless otherwise defined.

Representations

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

Secure

1. Secure is a corporation existing under the laws of the Province of Alberta and is a reporting issuer under the securities legislation of each of the provinces of Canada. Secure is not in default of securities legislation in any jurisdiction of Canada.

2. The head of office of Secure is located in Calgary, Alberta.

3. The authorized share capital of Secure consists of an unlimited number of common shares (the **Shares**) and an unlimited amount of preferred shares, issuable in series. As at March 31, 2017, Secure had 162,580,599 Shares and no preferred shares issued and outstanding.

4. The Shares are listed and posted for trading on the Toronto Stock Exchange under the symbol "SES".

Amirault

5. Amirault is the President, Chief Executive Officer and Chairman of Secure and is a reporting insider. Amirault is not in default of securities legislation in any jurisdiction of Canada.

6. Amirault Partnership (the **Seller**) is a general partnership formed under the laws of Alberta on March 21, 2017; the partners of which are Amirault and The Rene Amirault Family Trust (each a **Partner**). Amirault is the Managing Partner of the Seller.

7. The Seller holds 1,200,000 Shares of which 1,000,000 were transferred to the Seller by Amirault and 200,000 were transferred to the Seller by The Rene Amirault Family Trust.

8. Neither the Seller nor the Rene Amirault Family Trust are in default of securities legislation in any jurisdiction of Canada.

The Automatic Securities Disposition Plan

9. ScotiaMcLeod, a division of Scotia Capital Inc. (the **Administrator**), Secure and the Seller plan to enter into an automatic securities disposition plan (the **ASDP**) to facilitate the automatic sale of up to 1,200,000 Shares, which will be deposited by the Seller into an account managed by the Administrator, to be managed in accordance with the trading parameters and other instructions set out in the ASDP.

10. The ADSP will not become effective until the Seller delivers to the Administrator a certificate from Secure confirming that Secure is aware of the ASDP and certifying that:

    (a) to the best of Secure’s knowledge, neither the Seller nor either of the Partners is in possession of material non-public information about Secure or the Shares;

    (b) Secure is not, under its trading policy, in a blackout or similar period during which executives or employees of Secure are restricted from trading in securities of Secure;

    (c) to the best of Secure’s knowledge, there are no legal, contractual or regulatory restrictions applicable to either of the Partners or Secure that would prohibit the Seller from entering into the ASDP; and

    (d) Amirault, both personally and as Managing Partner of the Seller and as trustee of The Rene Amirault Family Trust, has represented that the ASDP has been entered into in good faith and not as part of a plan or scheme to evade the prohibitions of Section 147 of the *Securities Act* (Alberta) (the **Act**), Section 76 of the OSA or comparable prohibitions in other securities legislation.

11. The agreement between the Seller, the Administrator and Secure provides that The Rene Amirault Family Trust cannot make changes to the ASDP.

12. Amirault can only make changes to the parameters and other instructions set out in the ASDP if all of the following conditions are met:

    (a) Amirault, as Managing Partner of the Partnership, has delivered to Secure a certificate at least six business days prior to the date of the on which the notice is to be provided that the ASDP is to be suspended, amended or terminated, representing that Amirault is not aware of any material non-public information with respect to Secure or the Shares;

    (b) Secure's compensation committee has approved in writing any proposed suspension, amendment or termination;

    (c) as Amirault is a reporting insider of Secure, Amirault, on behalf of the Seller, notifies the public of the suspension, amendment or termination via a news release and a SEDI filing; and

    (d) such amendment or modification is made in good faith and not as part of a plan or scheme to evade the prohibitions of Section 147 of the Act, Section 76 of the OSA or comparable prohibitions in other securities legislation.

13. The Administrator is a securities broker which is at arm's length to Secure and each of the Partners.

14. The Administrator has been appointed as an independent broker to effect the sales of the Shares pursuant to the terms and conditions of the ASDP. The dispositions under the ASDP will be effected by the Administrator in accordance with the predetermined instructions as to the number and dollar value of the Shares to be sold, and other relevant information.

15. Subject to the restrictions set forth in the ASDP, the Administrator shall execute the trades in such a way as to attempt to minimize the negative price impact on the market and to attempt to maximize the prices obtained for the Shares sold.

16. Except with respect to Amirault setting trading parameters in the manner described above, neither Partner has the authority to make investment decisions or influence or control any disposition effected by the Administrator pursuant to the ASDP and the Administrator will not consult with either Partner regarding any disposition.

17. Neither Partner will disclose to the Administrator any information concerning Secure that might influence the execution of any disposition under the ASDP.

18. The ASDP includes a waiting period of 30 days between the date of adoption and the date that the first disposition can be made thereunder.

19. The ASDP has been structured to comply with applicable securities legislation and guidance, including Paragraph 147(7)(?) of the Act, Paragraph 175(2)(b) of the General Regulation under the OSA and Ontario Securities Commission Staff Notice 55-701 *Automatic Securities Disposition Plans and Automatic Securities Purchase Plans*.

20. The Shares are not subject to any liens, security interests or other impediments to transfer (except for limitations imposed by any applicable laws).

21. The ASDP will automatically terminate upon the earliest to occur of:

    (a) 5:00 p.m. (Calgary time) on the date that is 12 months after the date that the ASDP is entered into;

    (b) should the employment at, and tenure as a director of, Secure of Amirault cease for any reason other than death, mental incapacity or retirement, 4:00 p.m. (Calgary time) on the 90th day after the date that the later of such employment and directorship ceases;

    (c) the date on which the Administrator receives written notice from Amirault or Secure or otherwise becomes aware that Secure or any other person has publicly announced a tender or exchange offer with respect to any Shares, including a normal course issuer bid;

    (d) the date on which the Administrator receives written notice from the Seller or from Secure or otherwise becomes aware of a public announcement of a merger, acquisition, reorganization, recapitalization, or

comparable transaction affecting securities of Secure as a result of which Shares are to be exchanged or converted into securities of another entity;

(e) the date on which the Administrator receives a written notice from Secure or otherwise becomes aware of the commencement of any proceedings in respect of or triggered by Secure's bankruptcy or insolvency;

(f) the date on which a total of 1,200,000 Shares have been sold under the ASDP; or

(g) an agreement signed by the Seller and Secure, provided that at the time: (i) the Seller is permitted to terminate the ASDP under Secure's trading policy; (ii) Amirault is not aware of or in possession of material non-public information concerning Secure or any securities of Secure and has provided a certificate to Secure to that effect; (iii) Secure has certified to the Administrator that to the best of Secure's knowledge Amirault is not is possession of material non-public information of Secure or any securities of Secure; and (iv), Secure is not, under its trading policy, in a blackout or similar period during which executives or employees of Secure are restricted from trading in securities of Secure, as certified in writing by Secure to the Administrator.

22. The ASDP will not be terminated while either Partner possesses knowledge of a material fact or material change that has not been generally disclosed and will only do so in good faith and not as part of a plan or scheme to evade the prohibitions of Section 147 of the Act, Section 76 of the OSA or comparable prohibitions in other securities legislation.

23. On establishment of the ASDP and in all cases of termination of the ASDP, Amirault on behalf of the Seller, will notify the public of such termination through a SEDI filing and news release.

24. If the Seller voluntarily terminates the ASDP, the Seller must not enter a new ASDP, either with Secure or any other party, for period of 60 days following termination of participation.

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 Exemption Sought is granted, provided that Amirault shall file a report through SEDI, by March 31 of each calendar year, of all dispositions under the ASDP during the prior calendar year not previously disclosed in a SEDI filing, disclosing either of the following:

(a) each disposition on a transaction-by-transaction basis;

(b) all dispositions as a single transaction using the average unit price of the securities.

"Tom Graham, CA"
Director, Corporate Finance
Alberta Securities Commission

2.1.3 CI Investments Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Large portfolio manager, exempt market dealer, commodity trading counsel, commodity trading manager and investment fund manager with separate operating divisions exempted from the requirement to register an individual as a chief compliance officer (CCO) – permitted to register two CCOs, one for each operating division.

Statutes cited

National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 11.3, 15.1.

June 23, 2017

**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
CI INVESTMENTS INC.
(the Filer)**

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction (the **Legislation**) exempting the Filer from section 11.3 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) to permit the Filer to designate two individuals as chief compliance officer (**CCO**), with the result that there will be a separate CCO in respect of each of the two distinct lines of business carried on by the Filer (the **Exemption Sought**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions:

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

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

Interpretation

Terms defined in MI 11-102, National Instrument 14-101 *Definitions* and NI 31-103 have the same meaning if used in this decision, unless otherwise defined.

Representations

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

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

   (a) under the securities legislation of all provinces of Canada as a portfolio manager;

(b) under the securities legislation of Ontario, Québec, and Newfoundland and Labrador as an investment fund manager;

(c) under the securities legislation of Ontario as an exempt market dealer; and

(d) under the *Commodity Futures Act* (Ontario) as a commodity trading counsel and a commodity trading manager.

2. The Filer has applied to extend its registration in the categories of portfolio manager and exempt market dealer to each Jurisdiction.

3. The Filer is not in default of securities legislation in any Jurisdiction.

4. The Filer agreed to a no-contest settlement agreement with the OSC, which was approved on February 5, 2016, in relation to a matter that the Filer discovered and self-reported to the OSC. While having neither admitted nor denied the accuracy of the facts and conclusions of OSC staff, the Filer provided prompt, detailed and candid co-operation to OSC staff, and also implemented additional controls and supervision within its compliance systems to prevent a recurrence of this matter.

5. The Filer has two distinct operating lines of business (each, a **Division**):

(a) One Division (the **IFM/EMD Division**) currently provides investment fund management services to several families of investment funds representing a total of approximately 245 investment funds (the **Funds**), and distributes securities to accredited investors.

(b) One Division (the **PM Division**) provides discretionary portfolio management services to the Funds and to institutional clients, including financial intermediaries, pension funds, endowments, foundations and corporations. As of December 31, 2016, the PM Division had approximately $117.9 billion of assets under management. The PM Division currently comprises five distinct portfolio management teams.

6. The Filer wishes to designate one individual who is registered in the category of CCO under the securities legislation of the Jurisdictions as CCO of the IFM/EMD Division and a different individual who is registered in the category of CCO under the securities legislation of the Jurisdictions as CCO of the PM Division.

7. Each of the IFM/EMD Division and the PM Division has a well-established separate and distinct business supervisory and operational structure. Currently, each of the Filer's compliance professionals supports both Divisions. If the Exemption Sought is granted, each of the IFM/EMD Division and the PM Division will have specific compliance professionals designated to each Division.

8. Given the large scope and the specialized and diversified business operations of each Division, the Filer believes that having a separate CCO for each Division will allow it to more effectively manage its compliance program by enabling it to focus resources on the specific requirements of each Division.

9. If the Exemption Sought is granted, the CCO of the PM Division will oversee the compliance systems that are reasonably designed to ensure that each portfolio manager team, and each person acting on their behalf, complies with securities legislation. The CCO of the PM Division will focus on the applicable laws, regulations, rules, policies and codes of conduct which govern the portfolio management and commodity trading manager activities of the Filer in the jurisdictions in which it operates. To this end, the CCO of the PM Division will maintain a compliance process and infrastructure throughout the portfolio management business so as to enable the Filer's management to fulfill their portfolio management compliance responsibilities. This includes maintaining appropriate policies and procedures and overseeing a supervisory structure that monitors the portfolio management activities, employee trading, conflicts of interest, self-dealing and the commodity trading manager activities conducted by the Filer's personnel.

10. If the Exemption Sought is granted, the CCO of the IFM/EMD Division will oversee compliance systems that are reasonably designed to ensure that the investment fund manager and exempt market dealer businesses, and each person acting on their behalf, comply with securities legislation. To this end, the CCO of the IFM/EMD Division will maintain appropriate policies and procedures for investment fund management and exempt market dealer activities and will oversee a supervisory structure that monitors compliance. This will include overseeing compliance with the requirements governing: (i) public offering and continuous disclosure of the Funds; (ii) sales practices and sales communications; (iii) fiduciary obligations for management functions that are outsourced; (iv) conflict identification and management; and (v) self-dealing.

11. The CCO of each Division will report directly to the Senior Vice-President, Compliance and will have direct access to the ultimate designated person (UDP) and the board of directors of the Filer.

12. Under section 11.3 of NI 31-103, a registered firm is required to designate an individual to be the CCO (the **CCO Requirement**).

13. Given the size, diversity and increasing complexity of the Filer's PM Division and IFM/EMD Division, it is (i) unreasonable for one individual to be expected to effectively carry out all of the responsibilities of the CCO for both the PM Division and the IFM/EMD Division, and (ii) difficult for one CCO to effectively identify and stay abreast of the different issues and risks applicable to clients and the capital markets stemming from both the PM Division and the IFM/EMD Division.

14. If the Exemption Sought is granted, each CCO will have direct access to the Filer's UDP, will provide reports to the board of directors of the Filer and will comply in all other respects with applicable securities requirements, including the requirements set out in NI 31-103.

15. With the granting of the Exemption Sought, the Filer would continue its operations with enhanced compliance effectiveness, since one individual would no longer continue to divide his or her time between the compliance oversight of the IFM/EMD Division and the PM Division. Not granting the Exemption Sought would prevent the CCOs from responding more quickly to address the Filer's compliance issues, providing a higher level of senior participation on the Filer's compliance projects and initiatives, and undertaking more detailed reviews of the Filer's compliance monitoring programs to assist in reducing the risks of non-compliance.

16. In section 5.2 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, the Canadian Securities Administrators state that:

    > "Firms must designate one CCO. However, in large firms, the scale and kind of activities carried out by different operating divisions may warrant the designation of more than one CCO. We will consider applications, on a case-by-case basis, for different individuals to act as the CCO of a firm's operating divisions."

17. Designating only one CCO for purposes of satisfying the CCO Requirement in the circumstances of the Filer is not consistent with the policy objectives the CCO Requirement is intended to achieve because the PM Division and the IFM/EMD Division are independent operations that are distinct from one another in kind and conducted on a very large scale.

Decision

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

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

(a) each Division has its own CCO;

(b) each CCO fulfils the responsibilities set out in section 5.2 of NI 31-103, or any successor provision thereto, in respect of the Division for which he or she is the designated CCO; and

(c) each CCO has access to the UDP and the board of directors of the Filer.

"Elizabeth King"
Deputy Director, Compliance & Registrant Regulation
Ontario Securities Commission

2.1.4 Marquest Asset Management Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – fund family relief from the requirement to send a printed information circular to registered holders of the securities of an investment fund – relief subject to conditions, including sending an explanatory document in lieu of the printed information circular and giving securityholders the option to request and obtain at no charge a printed information circular – notice-and-access for investment funds – National Instrument 81-106 Investment Fund Continuous Disclosure.

Applicable Legislative Provisions

National Instrument 81-106 Investment Fund Continuous Disclosure, s. 12.2(2)(a).

May 30, 2017

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
MARQUEST ASSET MANAGEMENT INC.
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer, on behalf of existing and future investment funds that are or will be managed from time to time by the Filer or by an affiliate or successor of the Filer (collectively, the **Funds**, and each, a **Fund**), for a decision under the securities legislation of the Jurisdiction (the **Legislation**) granting an exemption from the requirement contained in paragraph 12.2(2)(a) of National Instrument 81-106 *Investment Fund Continuous Disclosure* (**NI 81-106**) for a person or company that solicits proxies, by or on behalf of management of a Fund, to send an information circular to each registered holder of securities of a Fund whose proxy is solicited, and instead allow a Fund to send a Notice-and-Access Document (as defined in condition 1 of this decision) using the Notice-and-Access Procedure (as defined in condition 2 of this decision) (the **Exemption Sought**).

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

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

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

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, MI 11-102, National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**) and National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* (**NI 54-101**) have the same meaning if used in this decision, unless otherwise defined.

Representations

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

The Filer and the Funds

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

2. The Filer is registered as an investment fund manager in the following Jurisdictions: Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Ontario, Québec and Saskatchewan.

3. Each Fund is, or will be, managed by the Filer or by an affiliate or successor of the Filer.

4. Each Fund is, or will be, an investment fund and is, or will be, a reporting issuer in one or more of the Jurisdictions.

5. Neither the Filer nor any of the existing Funds managed by the Filer is in default of any of the requirements of securities legislation in any of the Jurisdictions.

Meetings of Securityholders of the Funds

6. Pursuant to applicable legislation, the Filer must call a meeting of securityholders of each Fund from time to time to consider and vote on matters requiring securityholder approval.

7. In connection with a meeting of securityholders, a Fund is required to comply with the requirements in NI 81-106 regarding the sending of proxies and information circulars to registered holders of its securities, which include a requirement that each person or company that solicits proxies by or on behalf of management of a Fund send, with the notice of meeting, to each registered holder of securities of a Fund whose proxy is solicited, an information circular, prepared in compliance with the requirements of Form 51-102F5 *Information Circular* of NI 51-102, to securityholders of record who are entitled to receive notice of the meeting.

8. A Fund is also required to comply with NI 54-101 for communicating with beneficial owners of its securities.

Notice-and-Access Procedure – Corporate Finance Issuers

9. Section 9.1.1 of NI 51-102 permits, if certain conditions are met, a reporting issuer that is not an investment fund to use the notice-and-access procedure and send, instead of an information circular, a notice to each registered holder of its securities that contains certain specific information regarding the meeting and an explanation of the notice-and-access procedure.

10. Section 2.7.1 of NI 54-101 permits a reporting issuer that is not an investment fund to use a similar procedure to communicate with each beneficial owner of its securities.

Reasons supporting the Exemption Sought

11. A meeting of investment fund securityholders is no different than a meeting of corporate finance securityholders. As a result, if the notice-and access procedure set forth in NI 51-102 and in NI 54-101 can be used by a corporate finance issuer for a meeting of its securityholders in order to send a notice-and-access document instead of an information circular, it would not be detrimental to the protection of investors to allow an investment fund to also use the Notice-and-Access Procedure to send a Notice-and-Access Document, instead of the information circular.

12. With the Exemption Sought, securityholders will maintain access to the same quality of disclosure material currently available. Without limiting the generality of the foregoing:

    (a) all securityholders of record entitled to receive an information circular will receive instructions on how to access the information circular and will be able to receive a printed copy, without charge, if they so desire; and

    (b) the conditions to the Exemption Sought mandate that the Notice-and-Access Document will be sent to securityholders sufficiently in advance of a meeting so that if a securityholder wishes to receive a printed copy of the information circular, there will be sufficient time for the Filer, directly or through the Filer's agent, to send the information circular.

13. With the Notice-and-Access Procedure, no securityholder will be deprived of their ability to access the information circular in his/her preferred manner of communication.

14. In accordance with the Filer's standard of care owed to the relevant Fund pursuant to applicable legislation, the Filer will only use the Notice-and-Access Procedure for a particular meeting where it has concluded it is appropriate and consistent to do so, also taking into account the purpose of the meeting and whether the Fund would obtain a better participation rate by sending the information circular with the other proxy-related materials.

15. There are significant costs involved in the printing and delivery of the proxy-related materials, including information circulars, to securityholders in the Funds.

Decision

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

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted provided that, in respect of each Fund or the Filer soliciting proxies by or on behalf of management of a Fund:

1. The registered holders or beneficial owners, as applicable, of securities of the Fund are sent a document that contains the following information and no other information (the **Notice-and-Access Document**):

    (a) the date, time and location of the meeting for which the proxy-related materials are being sent;

    (b) a description of each matter or group of related matters identified in the form of proxy to be voted on unless that information is already included in a Form 54-101F6 *Request for Voting Instructions for Reporting Issuer* or Form 54-101F7 *Request for Voting Instructions Made by Intermediary* as applicable, that is being sent to the beneficial owner of securities of the Fund under condition (2)(c) of this decision;

    (c) the website addresses for SEDAR and the non-SEDAR website where the proxy-related materials are posted;

    (d) a reminder to review the information circular before voting;

    (e) an explanation of how to obtain a paper copy of the information circular and, if applicable, the financial statements of the Fund;

    (f) a plain-language explanation of the Notice-and-Access Procedure that includes the following information:

        (i) the estimated date and time by which a request for a paper copy of the information circular and, if applicable, the financial statements of the Fund, is to be received in order for the registered holder or beneficial owner, as applicable, to receive the paper copy in advance of any deadline for the submission of voting instructions for the meeting;

        (ii) an explanation of how the registered holders or the beneficial owners, as applicable, of securities of the Fund are to return voting instructions, including any deadline for return of those instructions;

        (iii) the sections of the information circular where disclosure regarding each matter or group of related matters identified in the Notice-and-Access Document can be found; and

        (iv) a toll-free telephone number the registered holders or the beneficial owners, as applicable, of securities of the Fund can call to get information about the Notice-and-Access Procedure.

2. The Filer, on behalf of the Fund, sends the Notice-and-Access Document in compliance with the following procedure (the **Notice-and-Access Procedure**), in addition to any and all other applicable requirements:

    (a) the proxy-related materials are sent a minimum of 30 days before a meeting and a maximum of 50 days before a meeting;

    (b) if the Fund sends proxy-related materials:

        (i) directly to a NOBO using the Notice-and-Access Procedure, then the Fund must send the Notice-and-Access Document and, if applicable, any paper copies of information circulars and the financial statements, at least 30 days before the date of the meeting; and

        (ii) indirectly to a beneficial owner using the Notice-and-Access Procedure, then the Fund must send the Notice-and-Access Document and, if applicable, any paper copies of information circulars and the

financial statements to the proximate intermediary (A) at least 3 business days before the 30th day before the date of the meeting, in the case of proxy-related materials that are to be sent on by the proximate intermediary by first class mail, courier or the equivalent, or (B) at least 4 business days before the 30th day before the date of the meeting, in the case of proxy-related materials that are to be sent using any other type of prepaid mail;

(c) using the procedures referred to in section 2.9 or 2.12 of NI 54-101, as applicable, the beneficial owner of securities of the Fund is sent, by prepaid mail, courier or the equivalent, the Notice-and-Access Document and a Form 54-101F6 or Form 54-101F7, as applicable;

(d) the Filer, on behalf of the Fund, files on SEDAR the notification of meeting and record dates on the same date that it sends the notification of meeting date and record date pursuant to subsection 2.2(1) of NI 54-101 (as such time may be abridged);

(e) public electronic access to the information circular and the Notice-and-Access Document is provided on or before the date that the Notice-and-Access Document is sent to registered holders or to beneficial owners, as applicable, of securities of the Fund in the following manner:

(i) the information circular and the Notice-and-Access Document are filed on SEDAR; and

(ii) the information circular and the Notice-and-Access Document are posted until the date that is one year from the date that the documents are posted, on a website of the Filer or the Fund;

(f) a toll-free telephone number is provided for use by the registered holders or beneficial owners, as applicable, of securities of the Fund to request a paper copy of the information circular and, if applicable, the financial statements of the Fund, at any time from the date that the Notice-and-Access Document is sent to the registered holders or the beneficial owners, as applicable, up to and including the date of the meeting, including any adjournment or postponement;

(g) if a request for a paper copy of the information circular and, if applicable, the financial statements of the Fund, is received at the toll-free telephone number provided in the Notice-and-Access Document or by any other means, a paper copy of any such document requested is sent free of charge to the registered holder or beneficial owner, as applicable, at the address specified in the request in the following manner:

(i) in the case of a request received prior to the date of the meeting, within 3 business days after receiving the request, by first class mail, courier or the equivalent; and

(ii) in the case of a request received on or after the date of the meeting, and within one year of the date the information circular is filed on SEDAR, within 10 calendar days after receiving the request, by prepaid mail, courier or the equivalent;

(h) a Notice-and-Access Document is only accompanied by:

(i) a form of proxy;

(ii) if applicable, the financial statements of the Fund to be presented at the meeting; and

(iii) if the meeting is to approve a reorganization of the Fund with another investment fund, as contemplated by paragraph 5.1(1)(f) of National Instrument 81-102 *Investment Funds*, the Fund Facts document, ETF summary document or ETF facts document, as applicable, for the continuing investment fund;

(i) a Notice-and-Access Document may only be combined in a single document with a form of proxy;

(j) if the Filer, directly or through the Filer's agent, receives a request for a copy of the information circular and if applicable, the financial statements of the Fund, using the toll-free telephone number referred to in the Notice-and-Access Document or by any other means, it must not do any of the following:

(i) ask for any information about the registered holder or beneficial owner, other than the name and address to which the information circular and, if applicable, the financial statements of the Fund are to be sent; and

(ii) disclose or use the name or address of the registered holder or beneficial owner for any purpose other than sending the information circular and, if applicable, the financial statements of the Fund;

(k) the Filer, directly or through the Filer's agent, must not collect information that can be used to identify a person or company who has accessed the website address to which it posts the proxy-related materials pursuant to condition (2)(e)(ii) of this decision;

(l) in addition to the proxy-related materials posted on a website in the manner referred to in condition (2)(e)(ii) of this decision, the Filer must also post on the website the following documents:

(i) any disclosure document regarding the meeting that the Filer, on behalf of the Fund, has sent to registered holders or beneficial owners of securities of the Fund; and

(ii) any written communications the Filer, on behalf of the Fund, has made available to the public regarding each matter or group of matters to be voted on at the meeting, whether or not they were sent to registered holders or beneficial owners of securities of the Fund;

(m) materials that are posted on a website pursuant to condition (2)(e)(ii) of this decision must be posted in a manner and be in a format that permit an individual with a reasonable level of computer skill and knowledge to do all of the following easily:

(i) access, read and search the documents on the website; and

(ii) download and print the documents;

(n) despite subsection 2.1(b) of NI 54-101, if the Fund relies upon this decision, it must set a record date for notice that is no fewer than 40 days before the date of the meeting;

(o) in addition to section 2.20 of NI 54-101, the Fund may only abridge the time prescribed in subsections 2.1(b), 2.2(1) or 2.5(1) of NI 54-101 if the Fund fixes the record date for notice to be at least 40 days before the date of the meeting and sends the notification of meeting and record dates at least 3 business days before the record date for notice;

(p) the notification of meeting date and record date sent pursuant to subsection 2.2(l)(b) of NI 54-101 shall specify that the Fund is sending proxy-related materials to registered holders or beneficial owners, as applicable, of securities of the Fund using the Notice-and-Access Procedure pursuant to the terms of this decision;

(q) the Filer, on behalf of the Fund, provides disclosure in the information circular to the effect that the Fund is sending proxy-related materials to registered holders or beneficial owners, as applicable, of securities of the Fund using the Notice-and-Access Procedure pursuant to the terms of this decision; and

(r) the Filer pays for delivery of the information circular and, if applicable, the financial statements of the Fund, to registered holders or to beneficial owners, as applicable, of securities of the Fund if a copy of such material is requested following receipt of the Notice-and-Access Document.

The Exemption Sought terminates on the coming into force of any legislation or regulation allowing an investment fund to use a notice-and-access procedure.

"Vera Nunes"
Manager,
Investment Funds and Structured Products
Ontario Securities Commission

2.1.5 Scotia Managed Companies Administration Inc. and Moneda Latam Corporate Bond Fund

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Exemptive relief granted to permit an existing non-redeemable investment fund to continue to invest in a Chilean bottom fund – The Fund's return has been continuously linked to the returns of the bottom fund since its initial public offering in 2011 – terms and conditions at the time of the initial public offering continue to apply – National Instrument 81-102 Investment Funds.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 2.5(2)(a.1) and (c.1), 19.1.

June 23, 2017

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
MONEDA LATAM CORPORATE BOND FUND
(THE FUND)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction (the **Legislation**) pursuant to section 19.1 of National Instrument 81-102 *Investment Funds* (**NI 81-102**) exempting the Fund from paragraphs 2.5(2)(a.1) and 2.5(2)(c.1) of NI 81-102 to permit the Fund to invest in securities of Moneda Deuda Latinoamericana Fondo de Inversion (the **Moneda Fund**) (the **Requested Relief**).

Under National Policy 11-203 *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 pursuant to section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) that the Requested Relief is intended to be relied upon in each province and territory of Canada, other than Québec, (together with Ontario, the **Applicable Jurisdictions**).

Interpretation

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

Representations

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

The Filer

1. The Filer is a corporation incorporated under the laws of the Province of Ontario with its head office located in Toronto, Ontario. The Filer is registered under the securities legislation of Ontario, Québec, and Newfoundland and Labrador as an investment fund manager.

2. The Filer is not in default of securities legislation in any Applicable Jurisdiction.

The Fund

3. The Fund is a trust that was created under the laws of the Province of Ontario by a declaration of trust dated October 26, 2011. The Fund is a non-redeemable investment fund and is a reporting issuer (or the equivalent) under the securities legislation of each Applicable Jurisdiction. The Class A units of the Fund are listed for trading on the Toronto Stock Exchange under the symbol "MLD.UN".

4. The portfolio manager (the **Portfolio Manager**) to the Fund currently is Scotia Capital Inc.

5. Except as described herein, the Fund is not in default of securities legislation in any Applicable Jurisdiction.

6. The Fund completed its initial public offering of securities (the **IPO**) in all the Applicable Jurisdictions on November 3, 2011 pursuant to a prospectus dated October 26, 2011.

Investment objectives

7. At the time of the IPO, the investment objectives of the Fund were to (i) preserve and enhance the net asset value of the Fund, and (ii) provide unitholders with quarterly tax-advantaged distributions consisting primarily of returns of capital, in each case through exposure by virtue of a forward purchase agreement (the **Forward Agreement**) to the total return performance of the Moneda Fund.

8. Through the use of the Forward Agreement, the Fund was able to provide tax-advantaged distributions to its unitholders because the Fund's positive returns from the Forward Agreement were realized as capital gains, rather than receiving ordinary income from investing directly in securities of the Moneda Fund (a **character conversion transaction**). Ordinary income is subject to tax at a higher rate in Canada than capital gains.

9. The Forward Agreement terminated at the end of its term on November 3, 2016 (the **Effective Date**). Due to amendments to the *Income Tax Act* (Canada) (the **ITA**) in December 2013 regarding character conversion transactions (the **Tax Changes**), the tax-advantaged treatment of the Forward Agreement was eliminated and the Fund was precluded by the Tax Changes from entering into a replacement character conversion transaction.

10. The Filer determined that, as a result of the Tax Changes, it would be more efficient and less costly for the Fund to seek to achieve its investment objectives after the Effective Date by investing its assets using the same, or substantially the same, investment strategies as it then employed, namely through exposure to the Moneda Fund. As a result, the Filer determined that, upon the termination of the Forward Agreement, the Fund should invest directly in the securities of the Moneda Fund.

11. Shortly before the Effective Date, the Filer revised the investment objectives of the Fund to remove all references to the use of the Forward Agreement and to delete references to "tax-advantaged" distributions (the **Objective Change**). As a result, the investment objectives of the Fund became the following:

> "The Fund's investment objectives are to (i) preserve and enhance the net asset value of the Fund, and (ii) provide unitholders with quarterly distributions through direct investment in the Moneda Fund."

12. Pursuant to a decision dated September 8, 2016 (the **Objective Change Relief**), the Filer received an exemption from the requirement in paragraph 5.1(1)(c) of NI 81-102 to obtain the approval of the unitholders of the Fund before making the Objective Change.

13. The Filer complied with the timely disclosure requirements set out in Part 11 of National Instrument 81-106 *Investment Fund Continuous Disclosure* (**NI 81-106**) in connection with the Filer's decision to make the Objective Change by issuing a press release on July 25, 2016 regarding the Objective Change and filing the press release with a related material change report on SEDAR on August 3, 2016.

14. Pursuant to the Objective Change Relief, the Filer was required to send to each unitholder of the Fund at least 30 days before the Objective Change a written notice (the **Objective Change Notice**) that set out the change to the investment objective, the reasons for such change, and a statement that the Fund would no longer distribute gains under forward contracts that are treated as capital gains for tax purposes. The Objective Change Notice was sent as required by the Objective Change Relief.

Moneda Fund

15. The Moneda Fund is a Chilean listed investment fund established in 2000 which is actively managed by Moneda S.A. Administradora de Fondos de Inversion (**Moneda**). Moneda is at arm's length from the Filer. As of March 31, 2017, the Moneda Fund had a net asset value of approximately US$ 1.412 billion.

16. The fundamental investment objective of the Moneda Fund is to seek capital appreciation and income from the investment in a diversified portfolio of high yield fixed income securities of companies located in, or with significant operations in, Latin America (including the Caribbean), primarily denominated in U.S. dollars.

17. The Moneda Fund adheres to investment restrictions and practices (the **Moneda Fund Investment Restrictions**) which are stipulated in its by-law. The Moneda Fund Investment Restrictions include restrictions which generally require, among other matters, that the Moneda Fund:

    (a) maintain a diversified portfolio based on restrictions on the amount of assets of the Moneda Fund which may be invested in certain types of instruments and by issuer;

    (b) not invest more than 5% of its total assets in equity securities;

    (c) not invest in securities issued by Moneda or persons related to Moneda;

    (d) adhere to limits relating to borrowing, short selling and securities lending; and

    (e) maintain a liquidity reserve not less than 5% of the Moneda Fund's assets.

18. The custodian of substantially all of the Moneda Fund's asset is J.P. Morgan and such custodian arrangements substantially meet the same standards required of custodians as set out in Part 14 of National Instrument 41-101 *General Prospectus Requirements*.

The Fund's investments in the Moneda Fund

19. Since the completion of the IPO, the Fund's returns have been continuously linked to the returns of the Moneda Fund. Prior to the Objective Change, the linkage existed under the Forward Agreement. Since the Objective Change, the linkage exists through the Fund's direct holding of securities of the Moneda Fund.

20. At the time of the IPO, there were no requirements in Canadian securities legislation specific to investments by non-redeemable investment funds in other investment funds. Nonetheless, it had been the general expectation of staff at certain Canadian securities regulators (principally the Autorité des marchés financiers and, at times, the OSC) that a non-redeemable investment fund (the **Top CEF**) wishing to invest substantially all of its assets (directly or through derivatives exposure) in another investment fund (the **Bottom Fund**) required that the Bottom Fund be a reporting issuer in at least one jurisdiction of Canada. The reason for this expectation was to provide transparency of information regarding the Bottom Fund by making the Bottom Fund subject to the continuous and timely disclosure requirements set out in NI 81-106. Where the Bottom Fund was created and managed by the manager of the Top CEF (which typically was the case), this expectation was easily addressed by causing the Bottom Fund to file a non-offering prospectus in at least one jurisdiction.

21. The Moneda Fund was in existence long before the Fund's IPO and was not created for the purpose of becoming the Bottom Fund for the Fund. The manager of the Moneda Fund was, and remains, at arm's length to the Filer. For these reasons, it was not practical to require that the Moneda Fund become a reporting issuer in a local jurisdiction. Instead, as part of reviewing the Fund's preliminary prospectus for its IPO, OSC staff extensively analyzed and commented upon the merits of permitting the Fund to invest, through the Forward Agreement, in securities of the Moneda Fund without requiring that the Moneda Fund become a reporting issuer in a local jurisdiction. Such review included consideration of the following issues:

    (a) whether the IPO should be considered an indirect offering in Canada by the Moneda Fund;

(b) the continuous and timely disclosure requirements of the Moneda Fund under its local laws mandated by the Superintendencia Valores y Seguros (the **SVS**), including a comparison of the disclosure by the Moneda Fund to those mandated by NI 81-106;

(c) whether the Filer would be able to meet its timely disclosure obligations under NI 81-106, including how the Filer would disclose any material changes received from Moneda;

(d) how the Moneda Fund manages conflicts of interest;

(e) the duty of care owed by Moneda to investors in the Moneda Fund and the Fund;

(f) whether the custodial arrangements of the Moneda Fund met substantially the same requirements as those applicable to non-redeemable investment funds in Canada;

(g) the auditor of the Moneda Fund;

(h) the financial year-end of the Moneda Fund;

(i) the controls and processes of the Filer and the Portfolio Manager to monitor the underlying investment of the Fund and Moneda's activities as the portfolio manager of the Moneda Fund, including the parameters used to determine when to exercise the Fund's option to terminate the Forward Agreement early to end the Fund's exposure to the Moneda Fund or whether to pre-settle the Forward Agreement to reduce the Fund's exposure to the Moneda Fund; and

(j) risk factor disclosure regarding the status of the Moneda Fund and Moneda in Canada.

22. As a result of that extensive review and comment process, OSC staff agreed to permit the IPO to proceed on the strength of the responses provided by the Filer which included the following:

(a) the Filer and the Portfolio Manager monitor the information which the Moneda Fund is required to file publicly;

(b) the Fund provides enhanced disclosure in its management reports of fund performance (**MRFPs**) regarding the Moneda Fund including:

(i) a discussion of any related party transactions carried out by the Moneda Fund;

(ii) a summary of the investment portfolio of the Moneda Fund; and

(iii) a detailed look-through management discussion of fund performance for the Moneda Fund including results of operations, recent developments and past performance;

(c) Moneda assists the Filer with the preparation of the MRFPs;

(d) the Filer discloses all material changes received from Moneda to the public upon receipt of such information; where such information is a "material change" as defined in NI 81-106, the Filer discloses this information publicly by a press release;

(e) the Filer provides unitholders of the Fund with the option upon request to receive in respect of the Moneda Fund:

(i) annual audited financial statements within four months of the end of the Moneda Fund's fiscal year;

(ii) semi-annual unaudited financial statements within two months of the end of the Moneda Fund's semi-annual period;

(iii) monthly reports within 30 days of the end of each month;

(iv) reports of any material event involving the Moneda Fund as soon as practicable and in any event within 10 days of the happening of such event, in each case as filed with the SVS; and

(v) the by-laws of the Moneda Fund;

(together, the **Moneda Documents**);

(f) the Fund, the Filer and Moneda enter into an agreement (the **Moneda Agreement**) pursuant to which:

(i) Moneda has agreed to exercise the powers and duties of its office honestly, in good faith and in the best interests of the Filer and the Fund and exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances;

(ii) Moneda consents to the Fund providing its unitholders with the Moneda Documents;

(iii) Moneda agrees to provide the Filer and the Fund with continuous disclosure in respect of the Moneda Fund on the same basis as such information is generally provided to investors in the Moneda Fund; and

(iv) Moneda agrees to notify the Filer and the Fund promptly in writing of any material changes in respect of the Moneda Fund, as the term "material change" is defined in NI 81-106;

(g) Moneda holds status conference calls quarterly (or more frequently if requested by the Filer) with representatives of the Filer and the Portfolio Manager relating to the Moneda Fund to enable the Filer and the Portfolio Manager to ask questions with respect to the Moneda Fund's disclosure and performance,

(together, the **Moneda Requirements**).

The Moneda Agreement was filed on SEDAR. The Moneda Requirements remain in effect today.

CEF Fund-on-Fund Requirements

23. On September 22, 2014, NI 81-102 was amended (the **Phase 2 Amendments**) to, among other matters, introduce certain requirements for non-redeemable investments. The Phase 2 Amendments extended to non-redeemable investments funds the application of certain investment restrictions in NI 81-102 (the **CEF Investment Restrictions**) and certain other requirements unrelated to investment restrictions (the **CEF Operational Requirements**). The CEF Investment Restrictions include restrictions (the **CEF Fund-on-Fund Requirements**) on the ability of a Top CEF to invest in a Bottom Fund, including the introduction of paragraphs 2.5(2)(a.1) and 2.5(2)(c.1) of NI 81-102, which did not become effective until March 21, 2016.

24. Due to personnel changes at the Filer, the impact of the CEF Fund-on-Fund Requirements on the Fund was not identified at that time.

25. Except to the extent the Fund is seeking the Requested Relief, the Fund complies with the CEF Investment Restrictions and CEF Operational Requirements.

26. The Moneda Fund Investment Restrictions do not match the CEF Investment Restrictions. The Moneda Fund complies with operational requirements mandated by the SVS which may or may not be similar to the CEF Operational Requirements.

27. Paragraph 2.5(2)(a.1) of NI 81-102 provides that a Top CEF must not purchase or hold a security of a Bottom Fund unless the Bottom Fund is subject to NI 81-102 or complies with the provisions of NI 81-102 applicable to a non-redeemable investment fund.

28. Paragraph 2.5(2)(c.1) of NI 81-102 provides that a Top CEF must not purchase or hold a security of a Bottom Fund unless the Bottom Fund is a reporting issuer in the local jurisdiction.

29. The Moneda Fund:

(a) is not subject to NI 81-102;

(b) may not comply, from time to time, with some of the CEF Investment Restrictions;

(c) may not comply with the CEF Operational Requirements; and

(d) is not a reporting issuer under the securities legislation of any Applicable Jurisdiction.

Accordingly, absent the Requested Relief, paragraphs 2.5(2)(a.1) and 2.5(2)(c.1) of NI 81-102 prohibit the Fund from purchasing and holding securities of the Moneda Fund.

30. Principally through its quarterly status conference calls with Moneda and review of any material changes to the Moneda Fund of which the Filer is given notice pursuant to the Moneda Agreement, the Portfolio Manager monitors the ongoing suitability of the Moneda Fund as a means for pursuing the Fund's investment objectives in a manner consistent with the risk profile of the Fund. If the Portfolio Manager determines that the Moneda Fund no longer remains a suitable investment for the Fund, the Filer will either:

    (a) seek the approval of unitholders of the Fund to change its investment objectives based on advice from the Portfolio Manager; or

    (b) commence proceedings to terminate the Fund.

Decision

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

The decision of the principal regulator under the Legislation is that the Requested Relief is granted provided that the Moneda Requirements continue to be met.

"Darren McKall"
Manager
Investment Funds and Structured Products Branch
Ontario Securities Commission

2.2 Orders

2.2.1 Janus Capital Management LLC – s. 6.1 of OSC Rule 91-502 Trades in Recognized Options

Headnote

Application to the Director for an exemption, pursuant to section 6.1 of Rule 91-502, exempting the Applicant's Representatives from the proficiency requirements in section 3.1 of Rule 91-502 as it applies to advice provided to Permitted Clients in relation to Foreign Recognized Options – relief subject to conditions, including conditions that Representatives are not resident in Canada and are authorized under the Applicant's SEC registration to advise in respect of Recognized Options in the United States; Representatives are registered as advisers under the Securities Act (Ontario) and otherwise satisfy or are exempt from all other proficiency requirements required for individual advising representatives under Part 3 of NI 31-103; and the Applicant remains in compliance with the terms and conditions of Re Janus Capital Management LLC dated March 3, 2017.

Rule Cited

Ontario Securities Commission Rule 91-502 Trades in Recognized Options, ss. 3.1, 6.1.

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

AND

IN THE MATTER OF
ONTARIO SECURITIES COMMISSION RULE 91-502 TRADES IN RECOGNIZED OPTIONS
(Rule 91-502)

AND

IN THE MATTER OF
JANUS CAPITAL MANAGEMENT LLC

ORDER
(Section 6.1 of Rule 91-502)

UPON the application (the **Application**) of Janus Capital Management LLC (the **Applicant**) to the Ontario Securities Commission (the **Commission**) for a decision of the Director, pursuant to section 6.1 of Rule 91-502, exempting the Applicant's salespersons, directors, officers and employees (the **Representatives**) from section 3.1 of Rule 91-502 as it applies to advice relating to Foreign Recognized Options (as defined below) provided to Permitted Clients (as defined below) resident in Ontario, subject to certain terms and conditions;

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

A**ND WHEREAS** for the purposes of this Decision:

"CFA" means the *Commodity Futures Act* (Ontario);

"CFA Adviser Registration Requirement" means the provisions of section 22 of the CFA that prohibits a person or company from acting as an adviser with respect to trading in Contracts unless the person or company is registered in the appropriate category of registration under the CFA;

"CFTC" means the Commodity Futures Trading Commission of the United States;

"Foreign Futures Contract" means a contract as defined in subsection 1(1) of the CFA that is primarily traded on one or more organized exchanges that are located outside of Canada and primarily cleared through one or more clearing corporations that are located outside of Canada;

"Foreign Recognized Option" means a Recognized Option (defined below) that is primarily traded on one or more organized exchanges that are located outside of Canada or primarily cleared through one or more clearing corporations that are located outside of Canada;

"International Adviser Exemption" means the exemption set out in section 8.26 of NI 31-103 from the OSA Adviser Registration Requirement;

"NFA" means the National Futures Association of the United States;

"NI 31-103" means National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, as amended from time to time;

"OSA" means the *Securities Act*, R.S.O. 1990, c. S.5, as amended from time to time;

"OSA Adviser Registration Requirement" means the provisions of section 25 of the OSA that prohibits a person or company from acting as an adviser with respect to investing in, buying or selling securities unless the person or company is registered in the appropriate category of registration under the OSA;

"Permitted Client" means a client in Ontario that is a "permitted client", as that term is defined in section 1.1 of NI 31-103, except that for purposes of this Decision such definition shall exclude a person or company registered under the securities or commodities legislation of a jurisdiction of Canada as an adviser or dealer;

"Recognized Options" has the meaning ascribed to that term in subsection 1(1) of Rule 91-502;

"SEC" means the Securities and Exchange Commission of the United States;

"United States" means the United States of America; and

"United States Advisers Act" means the *Investment Advisers Act of 1940* of the United States, as amended from time to time.

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is a company incorporated under the laws of the State of Delaware, United States. Its principal place of business is located in Denver, Colorado.

2. The Applicant engages in the business of an adviser with respect to securities and derivatives in the United States. The Applicant provides investment management services on a fully discretionary basis to its clients through separately managed accounts across multiple strategies and financial instruments including equities, equity options and futures contracts.

3. The Applicant is currently (a) registered with the SEC as an investment adviser under the United States Advisers Act; (b) registered with the CFTC as a commodity trading advisor and is a commodity pool operator; and (c) a member of the NFA.

4. The Applicant is registered as a portfolio manager and exempt market dealer in Ontario, Alberta, British Columbia, Manitoba and Québec.

5. The Applicant and the Representatives were granted an exemption from the CFA Adviser Registration Requirement on March 3, 2017 (**CFA International Adviser Equivalent Order**). The CFA International Adviser Equivalent Order permits the Representatives to advise Permitted Clients in Ontario with respect to Foreign Futures Contracts without having to be registered under the CFA.

6. The Applicant is not in default of securities legislation, commodity futures legislation or derivatives legislation of any jurisdiction in Canada. The Applicant is in compliance in all material respects with securities laws, commodity futures laws and derivatives laws of the United States.

7. In Ontario, certain institutional investors that are Permitted Clients seek to engage the Applicant as a discretionary investment manager for purposes of implementing certain specialized investment strategies.

8. In addition to its current ability to provide advice to Canadian institutional investors in securities (other than Recognized Options) and Foreign Futures Contracts, the Applicant and the Representatives seek to provide advice in Foreign Recognized Options, in particular equity options, for Canadian institutional investors that are Permitted Clients.

9. Were the proposed advisory services limited to Foreign Futures Contracts, the Applicant and the Representatives would be able to rely on the CFA International Adviser Exemption Equivalent Order and carry out such activities for Permitted Clients on a basis that would be exempt from the requirements of Rule 91-502.

10. There is currently no exemption from Rule 91-502 for foreign registrants similar to the International Adviser Exemption or the CFA International Adviser Exemption Equivalent Order. Consequently, in order to advise Permitted Clients as to trading in Foreign Recognized Options, in the absence of this Decision, the Applicant would be required to satisfy the requirements of Rule 91-502.

11. The Applicant's registrations with the SEC and CFTC include authorization for the Representatives to advise in respect of Recognized Options in the United States.

12. The Representatives are registered as advising representatives of the Applicant under the OSA and are exempt from registration pursuant to the CFA International Adviser Equivalent Order.

13. The regulations in the U.S. applicable to the Applicant do not impose any proficiency requirements on the Representatives in respect of their advice regarding Recognized Options.

14. The Applicant's and the Representatives' registration in Alberta, British Columbia, Manitoba and the availability of a statutory exemption in Québec allow the Applicant and the Representatives to advise Recognized Options with no additional proficiencies or requirements.

15. None of the Representatives have the additional specified proficiency required by Rule 91-502 regarding advice in respect of recognized options being the Canadian Options Course or the Derivatives Fundamentals Course and Options Licensing Course (or the combined course).

AND UPON being satisfied that it would not be prejudicial to the public interest for the Commission to make this Decision;

IT IS THE DECISION of the Director, pursuant to section 6.1 of Rule 91-502, that section 3.1 of Rule 91-502 does not apply to Representatives of the Applicant in respect of advice relating to Foreign Recognized Options provided to Permitted Clients resident in Ontario, provided that

(a) the Representatives provide advice to Permitted Clients only as to trading in Foreign Recognized Options and do not advise any Permitted Client as to trading in Recognized Options that are not Foreign Recognized Options, unless providing such advice is incidental to their providing advice on Foreign Recognized Options;

(b) the Representatives are not resident in Canada and are authorized under the Applicant's SEC registration to advise in respect of Recognized Options in the United States;

(c) the Representatives are registered as advisers under the OSA and otherwise satisfy or are exempt from all other proficiency requirements required for individual advising representatives under Part 3 of NI 31-103;

(d) the Applicant remains in compliance with the terms and conditions of the CFA International Adviser Equivalent Order; and

IT IS FURTHER ORDERED that this Decision will terminate on the earliest of:

(a) six months, or such other transition period as may be provided by law, after the coming into force of any amendment to Ontario securities law (as defined in the OSA) that affects the ability of the Applicant or the Representatives to provide advice relating to Recognized Options;

(b) the date on which the CFA International Adviser Equivalent Order is terminated; and

(c) five years after the date of this Decision.

June 20, 2017

"Debra Foubert"
Director, Compliance and Registrant Regulation Branch
Ontario Securities Commission

2.2.2 Battle Mountain Gold Inc.

Headnote

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – The issuer ceases to 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).

June 21, 2017

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

AND

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

AND

**IN THE MATTER OF
BATTLE MOUNTAIN GOLD INC.
(the Filer)**

ORDER

Background

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

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

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

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

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

Interpretation

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

Representations

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

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

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

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

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

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

Order

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

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

"Gordon Smith"
Acting Director, Corporate Finance
British Columbia Securities Commission

2.2.3 Era Resources Inc.

Headnote

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – The issuer ceases to 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).

June 22, 2017

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(THE JURISDICTION)

AND

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

AND

IN THE MATTER OF
ERA RESOURCES INC.
(THE FILER)

ORDER

Background

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

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

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

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

Interpretation

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

Representations

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

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

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

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

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

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

Order

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

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

"Marie-France Bourret"
Acting Manager, Corporate Finance Branch
Ontario Securities Commission

2.2.4 Borealis Exploration Limited – s. 144(1)

Headnote

Section 144(1) – Application to vary a cease trade order – cease trade order varied to permit beneficial shareholders, who are not insiders or control persons, to sell securities outside of Canada, subject to conditions.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 127, 144.

May 31, 2017

**IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, C. S.5, AS AMENDED
(THE "ACT")**

AND

**IN THE MATTER OF
BOREALIS EXPLORATION LIMITED
(THE "ISSUER")**

**ORDER
(Section 144(1) of the Act)**

WHEREAS the securities of the Issuer are subject to a temporary cease trade order issued by the Ontario Securities Commission (the "**Commission**") on September 13, 2001, under paragraph 2 of subsection 127(1) and subsection 127(5) of the Act, as extended by a further cease trade order issued by the Commission on September 27, 2001 pursuant to subsection 127(8) of the Act directing that trading in the securities of the Issuer shall cease until revoked by a further order or revocation (the "**Cease Trade Order**");

AND WHEREAS a cease trade order with respect to the Issuer's securities was also issued by the Alberta Securities Commission on or about September 14, 2001;

AND WHEREAS the Issuer's securities are not listed on and do not trade on any exchange in Canada;

AND WHEREAS a shareholder of the Issuer has made an application to the Commission pursuant to section 144(1) of the Act to vary the Cease Trade Order;

AND UPON the Commission being satisfied that:

a) the terms and conditions to the Cease Trade Order put Ontario resident shareholders of the Issuer at a disadvantage to certain shareholders who are free to trade their shares over a foreign market; and

b) it is not prejudicial to the public interest to vary the Cease Trade Order under section 144(1) of the Act;

IT IS ORDERED that, pursuant to section 144(1) of the Act, the Cease Trade Order be varied by including the following section:

> Despite this order, a beneficial shareholder of Borealis Exploration Limited, who is not, and was not as at September 13, 2001, an insider or control person of Borealis Exploration Limited, may sell securities of Borealis Exploration Limited acquired before September 13, 2001, if:
>
> 1. the sale is made through a market outside of Canada; and
>
> 2. the sale is made through an investment dealer registered in Ontario.

DATED this 31st day of May, 2017

"Michael Balter"
Manager
Corporate Finance Branch
Ontario Securities Commission

2.2.5 Bank of Montreal and The Bank of Nova Scotia – s. 6. 1 of NI 62-104 Take-Over Bids and Issuer Bids

Headnote

Section 6.1 of NI 62-104 – Issuer bid – relief from the requirements applicable to issuer bids in Part 2 of NI 62-104 – issuer proposes to purchase, pursuant to a repurchase program and at a discounted purchase price, up to a specified number of its common shares under its normal course issuer bid from a third party – the 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 – the third party will purchase common shares under the program on the same basis as if the Issuer had conducted the bid in reliance on the normal course issuer bid exemptions set out in securities legislation – no adverse economic impact on, or prejudice to, the Issuer or its security holders – acquisition of securities exempt from the requirements applicable to issuer bids in Part 2 of NI 62-104, subject to conditions, including that the number of common shares transferred by the third party from its existing inventory to the issuer for purchase under the program be equivalent to the number of common shares that the third party has purchased, or had purchased on its behalf, on Canadian markets.

Applicable Legislative Provisions

National Instrument 62-104 Take-Over Bids and Issuer Bids, Part 2 and s. 6.1.

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

AND

IN THE MATTER OF
BANK OF MONTREAL AND
THE BANK OF NOVA SCOTIA

ORDER
(Section 6.1 of National Instrument 62-104)

UPON the application (the "**Application**") of Bank of Montreal (the "**Issuer**") and The Bank of Nova Scotia ("**BNS**", and together with the Issuer, the "**Filers**") to the Ontario Securities Commission (the "**Commission**") for an order pursuant to section 6.1 of National Instrument 62-104 *Take-Over Bids and Issuer Bids* ("**NI 62-104**") exempting the Issuer from the requirements applicable to issuer bids in Part 2 of NI 62-104 (the "**Issuer Bid Requirements**") in respect of the proposed purchases by the Issuer of up to 4,000,000 (the "**Program Maximum**") of its common shares (the "**Common Shares**") from BNS pursuant to a share repurchase program (the "**Program**");

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

AND UPON the Issuer having represented to the Commission the matters set out in paragraphs 1 to 4, inclusive, 7, 11 to 18, inclusive, 20 to 27, inclusive, 31, 33, 35 to 37, inclusive, 39 and 40;

AND UPON BNS and Scotia Capital Inc. ("**SCI**" and, together with BNS, the "**Scotia Entities**") having represented to the Commission the matters set out in paragraphs 5 to 10, inclusive, 17, 19 to 21 inclusive, 25, 28 to 32 inclusive, 34, 38, 40 and 41 as they relate to the Scotia Entities;

1. The Issuer is a Schedule I bank governed by the *Bank Act* (Canada).

2. The Issuer's executive offices are located at 100 King Street West, 1 First Canadian Place, Toronto, Ontario, Canada, M5X 1A1 and its head office is located at 129 rue Saint Jacques, Montréal, Quebec, Canada, H2Y 1L6.

3. The Issuer is a reporting issuer in each of the provinces and territories of Canada 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 "BMO" and "BMO:US", respectively. The Issuer is not in default of any requirement of the securities legislation in the jurisdictions in which it is a reporting issuer.

4. The authorized share capital of the Issuer consists of an unlimited number of Common Shares and an unlimited number of Class B preferred shares without par value, issuable in series. As at June 14, 2017, the Issuer had the following shares outstanding:

	Number of shares
Common Shares outstanding	652,652,803
Class B preferred shares outstanding	
Class B – Series 16	6,267,391
Class B – Series 17	5,732,609
Class B – Series 25	9,425,607
Class B – Series 26	2,174,393
Class B – Series 27	20,000,000
Class B – Series 29	16,000,000
Class B – Series 31	12,000,000
Class B – Series 33	8,000,000
Class B – Series 35	6,000,000
Class B – Series 36	600,000
Class B – Series 38	24,000,000
Class B – Series 40	20,000,000

5. BNS is a Schedule I bank governed by the *Bank Act* (Canada). The executive office of BNS is located in the Province of Ontario.

6. SCI is registered as an investment dealer under the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, Newfoundland and Labrador, New Brunswick, Prince Edward Island, Yukon, the Northwest Territories and Nunavut. It is also registered as a futures commission merchant under the *Commodity Futures Act* (Ontario), as a derivatives dealer under the *Derivatives Act* (Quebec) and as dealer (futures commission merchant) under *The Commodity Futures Act* (Manitoba). SCI 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 SCI is located in Toronto, Ontario.

7. Each proposed purchase will be executed and settled in the Province of Ontario.

8. BNS does not own, directly or indirectly, more than 5% of the issued and outstanding Common Shares.

9. BNS is the beneficial owner of at least 4,000,000 Common Shares, none of which were acquired by, or on behalf of, BNS in anticipation or contemplation of resale to the Issuer (such Common Shares over which BNS has beneficial ownership, the "**Inventory Shares**"). All of the Inventory Shares are held by BNS in the Province of Ontario. No Common Shares were purchased by, or on behalf of, BNS on or after May 3, 2017, 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 BNS to the Issuer.

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

11. Pursuant to a Notice of Intention to Make a Normal Course Issuer Bid (the "**Original Notice**") which was accepted by the TSX effective May 1, 2017, the Issuer is permitted to make a normal course issuer bid (the "**NCIB**") to purchase for cancellation, during the 12-month period beginning on May 1, 2017 and ending on April 30, 2018, up to 15,000,000 Common Shares, representing approximately 2.3% of the issued and outstanding Common Shares as of the date specified in the Original Notice. The Original Notice specified that purchases made under the NCIB were to be conducted through the facilities of the TSX or alternative Canadian trading systems, if eligible, or by such other means as may be permitted by the TSX in accordance with sections 628 to 629.3 of Part VI of the TSX Company Manual (the "**TSX Rules**"). On June 23, 2017, the TSX accepted an amendment (the "**Amendment**" and together with the Original Notice, the "**Notice**") to the Original Notice to specify that purchases made under the NCIB are to be conducted

through the facilities of the TSX, the NYSE and other designated exchanges and alternative Canadian trading systems, if eligible, or by such other means as may be permitted by the TSX in accordance with the TSX Rules or by such other means as may be permitted by the TSX, a securities regulatory authority or applicable securities laws and regulations, including under automatic purchase plans and by private agreements or share repurchase programs under issuer bid exemption orders issued by securities regulatory authorities.

12. The NCIB is being conducted in reliance upon the exemption from the Issuer Bid Requirements set out in subsection 4.8(2) of NI 62-104 (the "**Designated Exchange Exemption**").

13. The NCIB may also be 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 4.8(3) of NI 62-104 (the "**Other Published Markets Exemption**", and together with the Designated Exchange Exemption, the "**Exemptions**").

14. Pursuant to the TSX Rules, the Issuer will appoint BMO Nesbitt Burns Inc. as its designated broker in respect of the NCIB (the "**Responsible Broker**").

15. Any automatic share repurchase plan established by the Issuer in connection with the NCIB prior to the commencement of the Program Term (as defined below) will not be in effect during the Program Term.

16. During the course of the NCIB, Common Shares may be purchased by trustees or administrators that are not independent of the Issuer pursuant to the TSX Rules (a "**Plan Trustee**") in the open market to satisfy net requirements of certain plans sponsored by the Issuer ("**Plan Trustee Purchases**"), including the Issuer's shareholder dividend reinvestment and share purchase plan and certain security based compensation plans of the Issuer for the benefit of directors of the Issuer and employees of the Issuer and its subsidiaries. The maximum number of Common Shares that the Issuer is permitted to repurchase under the NCIB, being 15,000,000, will be reduced by the number of Plan Trustee Purchases.

17. The Filers wish to participate in the Program during, and as part of, the NCIB to enable the Issuer to purchase from BNS, and for BNS to sell to the Issuer, that number of Common Shares equal to the Program Maximum.

18. To the best of the Issuer's knowledge the "public float" (calculated in accordance with the TSX Rules) for the Common Shares as at April 30, 2017 consisted of 651,480,359 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**").

19. Pursuant to the terms of the Program Agreement (as defined below), SCI has been retained by BNS to acquire Common Shares 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 on any Other Published Markets other than Canadian Other Published Markets.

20. The Program will be governed by, and conducted in accordance with, the terms and conditions of a Share Repurchase Program Agreement (the "**Program Agreement**") that will be entered into among the Filers and SCI prior to the commencement of the Program, a copy of which will be delivered by the Filers to the Commission promptly thereafter.

21. The Program will terminate on the earlier of: (a) July 31, 2017; and (b) the date on which the Issuer will have purchased the Program Maximum under the Program (the "**Program Term**"). Neither the Issuer nor any of the Scotia Entities may unilaterally terminate the Program Agreement during the Program Term, except in the case of an event of default by a party thereunder or a change in law or announced change in law that would have adverse consequences to the transactions under the Program or to the Issuer or either of the Scotia Entities.

22. At least two clear Trading Days (as defined below) prior to the commencement of the Program, the Issuer will issue and file a press release that has been pre-cleared by the TSX that: (a) describes the material features of the Program, including the Program Term; (b) discloses the Issuer's intention to participate in the Program during the NCIB; (c) states that it is the Issuer's current intention to purchase the Program Maximum, but that the number of Common Shares purchased pursuant to the Program may be less than the Program Maximum; (d) provides an explanation as to why less than the Program Maximum may be purchased; and (e) states that, immediately following the Program Term, the Issuer will issue and file the Completion Press Release (as defined below) (the "**Commencement Press Release**").

23. The Program Maximum will not exceed the number of Common Shares remaining that the Issuer is entitled to acquire under the NCIB, calculated as at the date of the Program Agreement.

24. The TSX has: (a) been advised of the Issuer's intention to enter into the Program; (b) been provided with a copy of the Program Agreement and a draft of the Commencement Press Release; and (c) confirmed that it has no objection to the Issuer conducting the Program as part of the NCIB.

25. The Program will:

    (a) be an "automatic securities purchase plan" as defined in National Instrument 55-104 *Insider Reporting Requirements and Exemptions* (as applied, *mutatis mutandis*, to purchases made by an issuer) and SCI will conduct the Program in its sole discretion, in accordance with the irrevocable instructions established by the Issuer, and conveyed by the Issuer to SCI, pursuant to the Program Agreement (the "**Irrevocable Instructions**"); and

    (b) comply with applicable securities regulatory requirements and guidance, including, inter alia, clause 175(2) of Regulation 1015 of the Act, OSC Staff Notice 55-701 *Automatic Securities Disposition Plans and Automatic Securities Purchase Plans* and similar rules and regulations regarding automatic acquisitions of securities under Canadian securities laws.

26. The Program Agreement will be entered into, and Irrevocable Instructions will be given to SCI, at a time when the Issuer is not: (a) in a regularly scheduled quarterly blackout period that is imposed by the Issuer on its directors, executive officers and other insiders pursuant to the Issuer's internal insider trading policy; or (b) aware of Undisclosed Information (as defined below).

27. The Irrevocable Instructions will be of the same nature as the instructions that the Issuer would have given to BMO Nesbitt Burns Inc., as its designated Responsible Broker, if the Issuer was conducting the NCIB in reliance on the Exemptions.

28. All Common Shares acquired for the purposes of the Program by SCI on a day during the Program Term on which Canadian Markets are open for trading (each, a "**Trading Day**") must be acquired on Canadian Markets in accordance with the TSX Rules and any by-laws, rules, regulations or policies of any Canadian Markets upon which purchases are carried out (collectively, the "**NCIB Rules**") that would be applicable to the Issuer in connection with the NCIB, provided that:

    (a) the aggregate number of Common Shares to be acquired on Canadian Markets by SCI and any Plan Trustees on each Trading Day shall not exceed the maximum daily limit that is imposed upon the NCIB pursuant to the TSX Rules, determined with reference to an average daily trading volume that is based on the trading volume of the Common Shares on all Canadian Markets rather than being limited to the trading volume on the TSX only (the "**Modified Maximum Daily Limit**"), it being understood that the aggregate number of Common Shares to be acquired on the TSX by SCI and any Plan Trustees on each Trading Day will not exceed the maximum daily limit that is imposed on the NCIB pursuant to the TSX Rules; and

    (b) notwithstanding the block purchase exception provided for in the TSX Rules, no purchases will be made by SCI on any Canadian Markets pursuant to any pre-arranged trade.

29. The aggregate number of Common Shares acquired by SCI in connection with the Program:

    (a) shall not exceed the Program Maximum; and

    (b) on Canadian Other Published Markets, shall not exceed that number of Common Shares remaining eligible for purchase by the Issuer pursuant to the Other Published Markets Exemption, calculated as at the date of the Program Agreement.

30. On every Trading Day, SCI will purchase the Number of Common Shares. The "**Number of Common Shares**" will be no greater than the least of:

    (a) the maximum number of Common Shares established in the instructions set out in the Program Agreement;

    (b) the Program Maximum less the aggregate number of Common Shares previously purchased by SCI under the Program;

    (c) on a Trading Day where trading ceases on the TSX or some other event that would impair SCI's ability to acquire Common Shares on Canadian Markets occurs (a "**Market Disruption Event**"), the number of Common Shares acquired by SCI on such Trading Day up until the time of the Market Disruption Event; 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 Canadian Markets 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 on the Canadian Markets at the time of the Market Disruption Event less an agreed upon discount.

31. BNS will deliver to the Issuer that number of Inventory Shares equal to the number of Common Shares purchased by SCI on a Trading Day under the Program on the Trading Day immediately thereafter (or such other Trading Day as agreed to between the parties to the Program Agreement), and the Issuer will pay BNS a purchase price equal to the Discounted Price for each such Inventory Share on the date of delivery thereof. Each Inventory Share purchased by the Issuer under the Program will be cancelled upon delivery to the Issuer.

32. BNS will not sell any Inventory Shares to the Issuer unless SCI has purchased the equivalent number of Common Shares on Canadian Markets under the Program. The number of Common Shares that are purchased by SCI on Canadian Markets on a Trading Day under the Program will be equal to the Number of Common Shares for such Trading Day. SCI will provide the Issuer with a daily written report of SCI's purchases, which report will indicate, *inter alia*, the aggregate number of Common Shares acquired under the Program, the Canadian Market on which such Common Shares were acquired, and the Modified Maximum Daily Limit.

33. During the Program Term, the Issuer will: (a) not purchase, directly or indirectly, any Common Shares (other than Inventory Shares purchased under the Program); (b) prohibit the Responsible Broker from acquiring any Common Shares on its behalf; and (c) prohibit any Plan Trustee from undertaking any Plan Trustee Purchases which, when taken together with any purchases of Common Shares pursuant to the Program on the applicable Trading Day, would exceed the Modified Maximum Daily Limit.

34. All purchases of Common Shares under the Program will be made by SCI and neither of the Scotia Entities will engage in any hedging activity in connection with the conduct of the Program.

35. 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 Program Term, the Issuer will: (a) report the total number of Common Shares acquired under the Program to the TSX and the Commission; and (b) issue and file a press release that announces the completion of the Program and sets out the number of Common Shares acquired under the Program and the aggregate dollar amount paid for such Common Shares (the "**Completion Press Release**").

36. The Issuer is of the view that: (a) it will be able to purchase Common Shares from BNS at a lower price than the price at which it would be able to purchase an equivalent quantity of Common Shares under the NCIB in reliance on the Exemptions; and (b) the purchase of Common Shares pursuant to the Program is in the best interests of the Issuer and constitutes an appropriate use of the Issuer's funds.

37. The entering into of the Program Agreement, the purchase of Common Shares by SCI in connection with the Program, and the sale of Inventory Shares by BNS 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.

38. The sale of Inventory Shares to the Issuer by BNS will not be a "distribution" (as defined in the Act).

39. The Issuer will be able to acquire the Inventory Shares from BNS without the Issuer being subject to the dealer registration requirements of the Act.

40. At the time that the Issuer and the Scotia Entities enter into the Program Agreement, neither the Issuer, nor any member of the Global Equity Derivatives group of BNS, nor any personnel of either of the Scotia Entities 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**").

41. Each of the Scotia Entities:

(a) has policies and procedures in place to ensure that the Program will be conducted in accordance with, among other things, the Program Agreement and this Order, and to preclude those persons responsible for administering the Program from acquiring any Undisclosed Information during the conduct of the Program; and

(b) will, prior to entering into the Program Agreement, (i) ensure that its systems are capable of adhering to, and performing in accordance with, the requirements of the Program and this Order, and (ii) provide all necessary training and take all necessary actions to ensure that the persons administering and executing the purchases under the Program are aware of, and understand the terms of this Order.

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

IT IS ORDERED pursuant to section 6.1 of NI 62-104 that the Issuer be exempt from the Issuer Bid Requirements in respect of the purchase of Inventory Shares from BNS pursuant to the Program, provided that:

(a) at least two clear Trading Days prior to the commencement of the Program the Issuer issues and files the Commencement Press Release;

(b) all purchases of Common Shares under the Program are made on Canadian Markets by SCI, and are:

(i) made in accordance with the NCIB Rules applicable to the NCIB, as modified by paragraph 28 of this Order;

(ii) taken into account by the Issuer when calculating the maximum annual aggregate limits that are imposed upon the NCIB in accordance with the TSX Rules, with those Common Shares purchased on Canadian Other Published Markets being 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;

(iii) marked with such designation, as would be required by the applicable marketplace and UMIR for trades made by an agent of the Issuer; and

(iv) monitored by the Scotia Entities on a continual basis for the purposes of ensuring compliance with the terms of this Order, NCIB Rules, and applicable securities law;

(c) during the Program Term: (i) the Issuer does not purchase, directly or indirectly, any Common Shares (other than Inventory Shares under the Program), (ii) no Common Shares are purchased on behalf of the Issuer by the Responsible Broker, and (iii) no Plan Trustee Purchases are undertaken by any Plan Trustee which, when taken together with any purchases of Common Shares pursuant to the Program on the applicable Trading Day, would exceed the Modified Maximum Daily Limit;

(d) the number of Inventory Shares transferred by BNS to the Issuer for purchase under the Program in respect of a particular Trading Day is equal to the number of Common Shares purchased by SCI under the Program on Canadian Markets in respect of the Trading Day;

(e) no hedging activity is engaged in by the Scotia Entities in connection with the conduct of the Program;

(f) at the time that the Program Agreement is entered into by the Filers and SCI:

(i) the Common Shares are “highly liquid securities”, as that term is defined in section 1.1 of OSC Rule 48-501 and section 1.1 of UMIR; and

(ii) none of the Issuer, any member of the Global Equity Derivatives group of BNS, or any personnel of either of the Scotia Entities 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, was aware of any Undisclosed Information;

(g) no purchase instructions in respect of the Program are given by the Issuer to SCI at any time that the Issuer is aware of Undisclosed Information;

(h) the Scotia Entities maintain records of all purchases of Common Shares that are made by SCI pursuant to the Program, which will be available to the Commission and IIROC upon request; and

(i) in addition to reporting its purchases of Common Shares under the Program to the TSX in accordance with the TSX Rules, immediately following the end of the Program Term, the Issuer will: (i) report the total number of Common Shares acquired under the Program to the TSX and the Commission, and (ii) issue and file the Completion Press Release.

DATED at Toronto, Ontario, this 23rd day of June, 2017.

"Naizam Kanji"
Director, Office of Mergers & Acquisitions
Ontario Securities Commission

2.2.6 NEX SEF Limited – s. 147

Headnote

Application for an order that a swap execution facility registered with the United States Commodity Futures Trading Commission is exempt from the requirement to be recognized as an exchange in Ontario – requested order granted.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 21, 147.

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

AND

IN THE MATTER OF
NEX SEF LIMITED

ORDER
(Section 147 of the Act)

WHEREAS NEX SEF Limited (**Applicant**) has filed an application dated May 1, 2017 (**Application**) with the Ontario Securities Commission (**Commission**) requesting an order pursuant to section 147 of the Act exempting the Applicant from the requirement to be recognized as an exchange under subsection 21(1) of the Act (**Exchange Relief**);

AND WHEREAS the United States Commodity Futures Trading Commission (**CFTC**) granted the Applicant permanent registration as a swap execution facility (**SEF**) on April 20, 2017;

AND WHEREAS the Applicant has represented to the Commission that:

1.1 The Applicant is a limited liability company organized under the laws of England and Wales. The ultimate parent company of the Applicant is NEX Group plc, a company listed on the London Stock Exchange;

1.2 The Applicant is regulated by the Financial Conduct Authority of the United Kingdom (the **FCA**) and is authorised, among other things, to (i) arrange (bring about) deals in investments (ii) deal in investments as agent (iii) make arrangements with a view to transactions in investments; and (iv) operate a multilateral trading facility (**MTF**). The Applicant also has passporting rights under the European Markets in Financial Instruments Directive 2004/39/EC (**MiFID**) which allows the applicant to provide services throughout the European Economic Area (**EEA**);

1.3 The Applicant is a marketplace for trading derivatives that are regulated as swaps by the CFTC. The Applicant's SEF supports order book functionality. Additional trading functionality may be added in the future, subject to obtaining any required regulatory approvals;

1.4 In the United States, the Applicant operates under the jurisdiction of the CFTC and obtained registration with the CFTC to operate a SEF on April 20, 2017;

1.5 The Applicant is obliged under CFTC rules to have requirements governing the conduct of participants, to monitor compliance with those requirements and to discipline participants, including by means other than exclusion from the marketplace;

1.6 The Applicant has retained the National Futures Association to be a regulatory services provider (**RSP**);

1.7 Because the Applicant regulates the conduct of its participants, it is considered by the Commission to be an exchange;

1.8 Because the Applicant has participants located in Ontario, it is considered by the Commission to be carrying on business as an exchange in Ontario and is required to be recognized as such or exempted from recognition pursuant to section 21 of the Act;

1.9 The Applicant provides connectivity to LCH.Clearnet Limited;

1.10 The Applicant has no physical presence in Ontario and does not otherwise carry on business in Ontario except as described above; and

1.11 The Applicant satisfies all the SEF Criteria as described in Appendix 1 to Schedule “A”.

AND WHEREAS the products traded on the Applicant are not commodity futures contracts as defined in the *Commodity Futures Act* (Ontario) and the Applicant is not considered to be carrying on business as a commodity futures exchange in Ontario;

AND WHEREAS the Applicant has acknowledged to the Commission that the scope of the Exchange Relief and the terms and conditions imposed by the Commission attached hereto as Schedule “A” to this order, or the determination whether it is appropriate that the Applicant continue to be exempted from the requirement to be recognized as an exchange, may change as a result of the Commission’s monitoring of developments in international and domestic capital markets or the Applicant’s activities, or as a result of any changes to the laws in Ontario affecting trading in derivatives or securities;

AND WHEREAS based on the Application, together with the representations made by and acknowledgements of the Applicant to the Commission, the Commission has determined that Applicant satisfies the criteria set out in Appendix 1 to Schedule “A” and that the granting of the Exchange Relief would not be prejudicial to the public interest;

IT IS HEREBY ORDERED by the Commission that, pursuant to section 147 of the Act, the Applicant is exempt from recognition as an exchange under subsection 21(1) of the Act,

PROVIDED THAT the Applicant complies with the terms and conditions contained in Schedule “A.”

DATED June 23, 2017.

"William Furlong"

"Janet Leiper"

SCHEDULE "A"

TERMS AND CONDITIONS

Meeting Criteria for Exemption

1. The Applicant will continue to meet the criteria for exemption included in Appendix 1 to this Schedule.

Regulation and Oversight of the Applicant

2. The Applicant will maintain its registration as a SEF with the CFTC and will continue to be subject to the regulatory oversight of the CFTC.

3. The Applicant will continue to comply with the ongoing requirements applicable to it as a SEF registered with the CFTC.

4. The Applicant will promptly notify the Commission if its registration as a SEF has been revoked, suspended, or amended by the CFTC, or the basis on which its registration as a SEF has been granted has significantly changed.

5. The Applicant must do everything within its control, which includes cooperating with the Commission as needed, to carry out its activities as an exchange exempted from recognition under subsection 21(1) of the Act in compliance with Ontario securities law.

Access

6. The Applicant will not provide direct access to a participant in Ontario (**Ontario User**) unless the Ontario User is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements, and qualifies as an "eligible contract participant" under the United States *Commodity Exchange Act*, as amended (**CEA**).

7. For each Ontario User provided direct access to its SEF, the Applicant will require, as part of its application documentation or continued access to the SEF, the Ontario User to represent that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements.

8. The Applicant may reasonably rely on a written representation from the Ontario User that specifies either that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements, provided the Applicant notifies such Ontario User that this representation is deemed to be repeated each time it enters an order, request for quote or response to a request for quote on the Applicant.

9. The Applicant will require Ontario Users to notify the Applicant if their registration as applicable under Ontario securities laws has been revoked, suspended, or amended by the Commission or if they are no longer exempt from or become subject to those requirements and, following notice from the Ontario User and subject to applicable laws, the Applicant will promptly restrict the Ontario User's access to the Applicant if the Ontario User is no longer appropriately registered or exempt from those requirements.

10. The Applicant must make available to Ontario Users appropriate training for each person who has access to trade on the Applicant's facilities.

Trading by Ontario Users

11. The Applicant will not provide access to an Ontario User to trading in products other than swaps, as defined in section 1a(47) of the CEA (and for greater certainty, excluding security-based swaps), without prior Commission approval.

Submission to Jurisdiction and Agent for Service

12. With respect to a proceeding brought by the Commission arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the activities of the Applicant in Ontario, the Applicant will submit to the non-exclusive jurisdiction of (i) the courts and administrative tribunals of Ontario and (ii) an administrative proceeding in Ontario.

13. The Applicant will file with the Commission a valid and binding appointment of an agent for service in Ontario upon whom the Commission may serve a notice, pleading, subpoena, summons or other process in any action, investigation

or administrative, criminal, quasi-criminal, penal or other proceeding arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the Applicant's activities in Ontario.

Disclosure

14. The Applicant will provide to its Ontario Users disclosure that states that:

    (a) rights and remedies against the Applicant may only be governed by the laws of the United States of America (**U.S.**), rather than the laws of Ontario and may be required to be pursued in the U.S. rather than in Ontario; and

    (b) the rules applicable to trading on the Applicant may be governed by the laws of the U.S., rather than the laws of Ontario.

Prompt Reporting

15. The Applicant will notify staff of the Commission promptly of:

    (a) any material change to its business or operations or the information provided in the Application, including, but not limited to:

        (i) changes to the regulatory oversight by the CFTC;

        (ii) the corporate governance structure of the Applicant;

        (iii) the access model, including eligibility criteria, for Ontario Users;

        (iv) systems and technology; and

        (v) the clearing and settlement arrangements for the Applicant;

    (b) any change in the Applicant's regulations or the laws, rules and regulations in the U.S. relevant to swaps where such change may materially affect its ability to meet the criteria set out in Appendix 1 to this Schedule;

    (c) any condition or change in circumstances whereby the Applicant is unable or anticipates it will not be able to continue to meet the SEF Core Principles established in section 5h of the CEA and Part 37 of the CFTC's regulations or any other applicable requirements of the CEA or CFTC regulations;

    (d) any known investigations of, or any disciplinary action against the Applicant by the CFTC or any other regulatory authority to which it is subject;

    (e) any matter known to the Applicant that may materially and adversely affect its financial or operational viability, including, but not limited to, any declaration of an emergency pursuant to the Applicant's rules;

    (f) any default, insolvency, or bankruptcy of a participant of the Applicant known to the Applicant or its representatives that may have a material, adverse impact upon the Applicant; and

    (g) any material systems outage, malfunction or delay.

16. The Applicant will promptly provide staff of the Commission with notice of any made available to trade determination that it files with the CFTC under the regulations pertaining to self-certification and/or approval.

17. The Applicant will promptly provide staff of the Commission with the following information to the extent it is required to provide to or file such information with the CFTC:

    (a) details of any material legal proceeding instituted against the Applicant;

    (b) notification that the Applicant has instituted a petition for a judgment of bankruptcy or insolvency or similar relief, or to wind up or liquidate the Applicant or has a proceeding for any such petition instituted against it; and

    (c) the appointment of a receiver or the making of any voluntary arrangement with creditors.

18. The Applicant will promptly file with staff of the Commission copies of any Rule Enforcement Review report regarding the Applicant once issued as final by the CFTC.

Quarterly Reporting

19. The Applicant will maintain the following updated information and submit such information in a manner and form acceptable to the Commission on a quarterly basis (within 30 days of the end of each calendar quarter), and at any time promptly upon the request of staff of the Commission:

    (a) a current list of all Ontario Users and whether the Ontario User is registered under Ontario securities laws or is exempt from or not subject to registration, and, to the extent known by the Applicant, other persons or companies located in Ontario trading as customers of participants (Other Ontario Participants);

    (b) the legal entity identifier assigned to each Ontario User, and, to the extent known by the Applicant, to Other Ontario Participants in accordance with the standards set by the Global Legal Entity Identifier System;

    (c) a list of all Ontario Users against whom disciplinary action has been taken in the last quarter by the Applicant or its RSP acting on its behalf, or, to the best of the Applicant's knowledge, by the CFTC with respect to such Ontario Users' activities on the Applicant and the aggregate number of disciplinary actions taken against all participants in the last quarter by the Applicant or its RSP acting on its behalf;

    (d) a list of all active investigations during the quarter by the Applicant or its RSP acting on its behalf relating to Ontario Users and the aggregate number of active investigations during the quarter relating to all participants undertaken by the Applicant;

    (e) a list of all Ontario applicants for status as a participant who were denied such status or access to the Applicant during the quarter, together with the reasons for each such denial;

    (f) copies of all amendments to the Applicant's Form SEF filed with the CFTC during the quarter, including, but not limited to, any amendments to the Applicant's trading rules;

    (g) a list of all additions, deletions, or changes to the products available for trading since the prior quarter;

    (h) for each product,

        (i) the total trading volume and value originating from Ontario Users, and, to the extent known by the Applicant, from Other Ontario Participants, presented on a per Ontario User or per Other Ontario Participant basis; and

        (ii) the proportion of worldwide trading volume and value on the Applicant conducted by Ontario Users, and, to the extent known by the Applicant, by Other Ontario Participants, presented in the aggregate for such Ontario Users and Other Ontario Participants;

    provided in the required format; and

    (i) a list outlining each incident of a security breach, systems failure, malfunction, or delay (including cyber security breaches, systems failures, malfunctions or delays reported under section 15(g) of this Schedule) that occurred at any time during the quarter for any system relating to trading activity, including trading, routing or data, specifically identifying the date, duration and reason, to the extent known or ascertainable by the Applicant, for the failure, malfunction or delay, and noting any corrective action taken.

Annual Reporting

20. The Applicant will file with the Commission any annual report or annual financial statements (audited or unaudited) of the Applicant provided to or filed with the CFTC promptly after filing with the CFTC.

21. The Applicant will arrange to have any annual "Service Organization Controls 1" report prepared for the Applicant filed with the Commission promptly after the report is issued as final by its independent auditor.

Information Sharing

22. The Applicant will provide and cause its RSP to provide such information as may be requested from time to time by, and otherwise cooperate with, the Commission or its staff, subject to any applicable privacy or other laws (including solicitor-client privilege) governing the sharing of information and the protection of personal information.

APPENDIX 1

CRITERIA FOR EXEMPTION OF A FOREIGN EXCHANGE TRADING OTC DERIVATIVES FROM RECOGNITION AS AN EXCHANGE

PART 1 REGULATION OF THE EXCHANGE

1.1 Regulation of the Exchange

The exchange is regulated in an appropriate manner in another jurisdiction by a foreign regulator (Foreign Regulator).

1.2 Authority of the Foreign Regulator

The Foreign Regulator has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator.

PART 2 GOVERNANCE

2.1 Governance

The governance structure and governance arrangements of the exchange ensure:

(a) effective oversight of the exchange,

(b) that business and regulatory decisions are in keeping with its public interest mandate,

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

  (i) appropriate representation of independent directors, and

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

(d) the exchange has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors and employees, and

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

2.2 Fitness

The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person and past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.

PART 3 REGULATION OF PRODUCTS

3.1 Review and Approval of Products

The products traded on the exchange and any changes thereto are submitted to the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.

3.2 Product Specifications

The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.

3.3 Risks Associated with Trading Products

The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the exchange that may include, but are not limited to, daily trading limits, price limits, position limits, and internal controls.

PART 4 ACCESS

4.1 Fair Access

(a) The exchange has established appropriate written standards for access to its services including requirements to ensure

(i) participants are appropriately registered as applicable under Ontario securities laws, or exempted from these requirements,

(ii) the competence, integrity and authority of systems users, and

(iii) systems users are adequately supervised.

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

(c) The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.

(d) The exchange does not

(i) permit unreasonable discrimination among participants, or

(ii) impose any burden on competition that is not reasonably necessary and appropriate.

(e) The exchange keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.

PART 5 REGULATION OF PARTICIPANTS ON THE EXCHANGE

5.1 Regulation

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

PART 6 RULEMAKING

6.1 Purpose of Rules

(a) The exchange has rules, policies and other similar instruments (Rules) that are designed to appropriately govern the operations and activities of participants and do not permit unreasonable discrimination among participants or impose any burden on competition that is not reasonably necessary or appropriate.

(b) The Rules are not contrary to the public interest and are designed to

(i) ensure compliance with applicable legislation,

(ii) prevent fraudulent and manipulative acts and practices,

(iii) promote just and equitable principles of trade,

(iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,

(v) provide a framework for disciplinary and enforcement actions, and

(vi) ensure a fair and orderly market.

PART 7 DUE PROCESS

7.1 Due Process

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

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

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

PART 8 CLEARING AND SETTLEMENT

8.1 Clearing Arrangements

The exchange has or requires its participants to have appropriate arrangements for the clearing and settlement of transactions for which clearing is mandatory through a clearing house.[1]

8.2 Risk Management of Clearing House

The exchange has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

PART 9 SYSTEMS AND TECHNOLOGY

9.1 Systems and Technology

Each of the exchange's critical systems has appropriate internal controls to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and business continuity plans to enable the exchange to properly carry on its business. Critical systems are those that support the following functions:

(a) order entry,

(b) order routing,

(c) execution,

(d) trade reporting,

(e) trade comparison,

(f) data feeds,

(g) market surveillance,

(h) trade clearing, and

(i) financial reporting.

9.2 System Capability/Scalability

Without limiting the generality of section 9.1, for each of its systems supporting order entry, order routing, execution, data feeds, trade reporting and trade comparison, the exchange:

(a) makes reasonable current and future capacity estimates;

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

(c) reviews the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters;

[1] For the purposes of these criteria, "clearing house" also means a "clearing agency".

(d) ensures that safeguards that protect a system against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service are subject to an independent and ongoing audit which should include the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans;

(e) ensures that the configuration of the system has been reviewed to identify potential points of failure, lack of back-up and redundant capabilities;

(f) maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and

(g) maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.

9.3 Information Technology Risk Management Procedures

The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and respond to market disruptions and disorderly trading.

PART 10 FINANCIAL VIABILITY

10.1 Financial Viability

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

PART 11 TRADING PRACTICES

11.1 Trading Practices

Trading practices are fair, properly supervised and not contrary to the public interest.

11.2 Orders

Rules pertaining to order size and limits are fair and equitable to all market participants and the system for accepting and distinguishing between and executing different types of orders is fair, equitable and transparent.

11.3 Transparency

The exchange has adequate arrangements to record and publish accurate and timely information as required by applicable law or the Foreign Regulator. This information is also provided to all participants on an equitable basis.

PART 12 COMPLIANCE, SURVEILLANCE AND ENFORCEMENT

12.1 Jurisdiction

The exchange or the Foreign Regulator has the jurisdiction to perform member and market regulation, including the ability to set rules, conduct compliance reviews and perform surveillance and enforcement.

12.2 Member and Market Regulation

The exchange or the Foreign Regulator maintains appropriate systems, resources and procedures for evaluating compliance with exchange and legislative requirements and for disciplining participants.

12.3 Availability of Information to Regulators

The exchange has mechanisms in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory or enforcement purposes is available to the relevant regulatory authorities, including the Commission, on a timely basis.

PART 13 RECORD KEEPING

13.1 Record Keeping

The exchange has and maintains adequate systems in place for the keeping of books and records, including, but not limited to, those concerning the operations of the exchange, audit trail information on all trades, and compliance with, and/or violations of exchange requirements.

PART 14 OUTSOURCING

14.1 Outsourcing

Where the exchange has outsourced any of its key services or systems to a service provider, it has appropriate and formal arrangements and processes in place that permit it to meet its obligations and that are in accordance with industry best practices.

PART 15 FEES

15.1 Fees

(a) All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants to the services offered by the exchange.

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

PART 16 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

16.1 Information Sharing and Regulatory Cooperation

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

16.2 Oversight Arrangements

Satisfactory information sharing and oversight agreements exist between the Commission and the Foreign Regulator.

PART 17 IOSCO PRINCIPLES

17.1 IOSCO Principles

To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Organisation of Securities Commissions (IOSCO) including those set out in the “Principles for the Regulation and Supervision of Commodity Derivatives Markets” (2011).

2.2.7 Bluewater Technologies Inc. – s. 80 of the CFA

Headnote

Section 80 of the Commodity Futures Act (Ontario) – Relief from the adviser registration requirement of paragraph 22(1)(b) of the CFA granted to adviser headquartered in Ontario that is registered as a commodity trading advisor with the Commodity Futures Trading Commission of the United States of America – Adviser only provides advice to clients resident in the United States – Relief subject to certain terms and conditions – Relief mirrors exemption available in section 3 of Ontario Securities Commission Rule 32-505 Conditional Exemption from Registration for United States Broker-Dealers and Advisers Servicing U.S. Clients from Ontario made under the Securities Act (Ontario) – Relief subject to sunset clause.

Applicable Legislative Provisions

Commodity Futures Act, R.S.O. 1990, c. C.20, as am., ss. 1(1), 22(1)(b), 80.
Securities Act, R.S.O. 1990, c. S.5, as am., s. 25(3).
Ontario Securities Commission Rule 31-505 Conditions of Registration, s. 2.1.
Ontario Securities Commission Rule 32-505 Conditional Exemption from Registration for United States Broker-Dealers and Advisers Servicing U.S. Clients from Ontario, s. 3.

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, CHAPTER C.20, AS AMENDED
(the CFA)

AND

IN THE MATTER OF
BLUEWATER TECHNOLOGIES INC.

ORDER
(Section 80 of the CFA)

UPON the application (the **Application**) of Bluewater Technologies Inc. (the **Applicant**) to the Ontario Securities Commission (the **Commission**) for an order pursuant to section 80 of the CFA that the Applicant and any individuals engaging in, or holding themselves out as engaging in, the business of advising others on the Applicant's behalf (the **Representatives**) be exempt, for a specified period of time, from the adviser registration requirements in paragraph 22(1)(b) of the CFA, subject to certain terms and conditions;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is a corporation incorporated pursuant to the laws of Ontario. The head office of the Applicant is located in Toronto, Ontario.

2. The Applicant is registered with the United States Commodity Futures Trading Commission (**CFTC**) as a commodity trading advisor and as an approved member of the United States National Futures Association (**NFA**). The Commission has a memorandum of understanding in place with the CFTC for mutual cooperation and information sharing.

3. The Applicant is not registered as an adviser under the CFA.

4. The Applicant and its Representative provide advice (**Commodities Advice**) to clients resident in the United States (**U.S. Clients**) on commodity futures contracts and any commodity futures options (as those terms are defined in subsection 1(1) of the CFA) (**CFA Contracts**) that are primarily traded as one or more organized exchanges located outside of Canada and primarily cleared through one or more clearing corporations located outside of Canada (**Foreign Contracts**).

5. The Applicant and its Representatives will comply with all registration and other requirements of applicable United States laws in respect of advising U.S. Clients.

6. The Applicant and its Representatives shall not provide any Commodities Advice to residents of Canada.

7. The executing and clearance of the Foreign Contracts is done by a registered futures commission merchant located in the United States.

8. The Applicant does not have any affiliated companies registered with any securities regulatory authorities in Canada and therefore there is no potential for client confusion as to which entity provides the Commodities Advice.

9. Before advising U.S. Clients, the Applicant and its Representative will notify U.S. Clients of the location of the Applicant's head office or principal place of business and that there may be difficulty enforcing legal rights against the Applicant because of this.

10. U.S. Clients will be advised at the time they enter into an investment management agreement or similar documentation with the Applicant, and periodically thereafter, that if they relocate to a Canadian jurisdiction, their accounts will have to be transferred to another adviser that is appropriately registered or relying on an exemption from registration in the Canadian jurisdiction.

11. The CFA requires that a person or company acting as an adviser in Ontario on CFA Contracts be registered in Ontario as an adviser in the appropriate category under the CFA. Even though the business operations are primarily located in the United States and all clients of the Applicant are not resident in Ontario, the fact that the Applicant is incorporated in Ontario and one or more of its Representatives are resident in Ontario triggers the requirement to be registered as an adviser in the category of Commodity Trading Manager under the CFA.

12. The Applicant submits that it would not be prejudicial to the public interest for the Commission to grant the requested relief because:

    (a) the Applicant will only advise U.S. Clients as to trading in Foreign Contracts;

    (b) the U.S. Clients seek to access certain specialized portfolio management services provided by the Applicant, including advice as to trading in Foreign Contracts;

    (c) the Applicant and its Representative is appropriately registered, to act as an adviser to the U.S. Clients under applicable laws of the United States.

13. The Applicant will become a "market participant" as defined under subsection 1(1) of the CFA as a consequence of this decision. As a market participant, amongst other requirements, the Applicant is required to comply with the record keeping and provision of information provisions in Part V of the CFA.

14. The Applicant is not in default of any requirement of securities, commodity futures or derivatives legislation of any jurisdiction in Canada.

15. The Applicant is in material compliance with U.S. securities, commodity futures, and derivatives laws.

16. Bluewater and each of its Representatives confirm that there are currently no regulatory actions of the type contemplated by Appendix "A" and Appendix "B".

17. The Applicant will comply with reporting and other requirements relating to terrorist financing and United Nations sanctions, as described in Canadian Securities Administrators Staff Notice 31-317 (Revised) *Reporting Obligations Related to Terrorist Financing*.

AND UPON being satisfied that it would not be prejudicial to the public interest for the Commission to grant the exemption requested;

IT IS ORDERED pursuant to section 80 of the CFA that the Applicant and its Representative are exempt from the adviser registration requirements of paragraph 22(1)(b) of the CFA in respect of the provision of advice to U.S. Clients as to the trading of Foreign Contracts, provided that:

(a) under U.S. federal commodity futures and derivatives laws, the Applicant and its Representatives are permitted to act as an adviser to U.S. Clients in respect of Foreign Contracts;

(b) the Applicant is not registered as an adviser under the CFA;

(c) the Applicant and its Representatives will provide advice as to trading in Foreign Contracts to U.S. Clients only;

(d) the Commission has a supervisory memorandum of understanding in place with the CFTC for mutual cooperation and information sharing;

(e) before advising U.S. Clients, the Applicant and its Representative will notify U.S. Clients of the location of the Applicant's head office or principal place of business and that there may be difficulty enforcing legal rights against the Applicant because of this;

(f) at the time U.S. Clients enter into an investment management agreement or similar documentation with the Applicant, and periodically thereafter, the Applicant and its Representatives will advise U.S. Clients that if they relocate to a Canadian jurisdiction, their accounts will have to be transferred to another adviser that is appropriately registered or relying on an exemption from registration in the Canadian jurisdiction;

(g) the Applicant and each of its Representatives notifies the Commission of any regulatory action initiated with respect to the Applicant by completing and filing Appendix "A" or Appendix "B", as applicable, within 10 days of the commencement of such action;

(h) the Applicant and its Representatives comply with the requirements under Ontario Securities Commission Rule 31-505 *Conditions of Registration*, as amended from time to time, namely, to deal fairly, honestly and in good faith with its, his, or her clients; and

(i) the Applicant has completed and filed with the Commission the information report set out in Appendix "C" and notifies the Commission of any changes to the content of such report within 10 days of the change.

IT IS FURTHER ORDERED that this Order will terminate on the earliest of:

(a) the expiry of any transition period as may be provided by law, after the effective date of the repeal of the CFA;

(b) six months, or such other transition period as may be provided by law, after the coming into force of any amendment to Ontario commodity futures law (as defined in the CFA) or Ontario securities law (as defined in the Securities Act (Ontario)) that affects the ability of the Applicant or its Representatives to act as an adviser in respect of the Commodities Advice; and

(c) five years after the date of this Order.

DATED at Toronto, Ontario, this 23rd day of June, 2017.

"Janet Leiper"
Commissioner
Ontario Securities Commission

"William Furlong"
Commissioner
Ontario Securities Commission

APPENDIX A

NOTICE OF REGULATORY ACTION – FIRM

1. Settlement agreements

Has the firm, or any predecessors or specified affiliates[1] of the firm entered into a settlement agreement with any financial services regulator, securities or derivatives exchange, SRO or similar agreement with any financial services regulator, securities or derivatives exchange, SRO or similar organization?

Yes _____ No _____

If yes, provide the following information for each settlement agreement:

Name of entity
Regulator/organization
Date of settlement (yyyy/mm/dd)
Details of settlement
Jurisdiction

2. Disciplinary history

Has any financial services regulator, securities or derivatives exchange, SRO or similar organization:

		Yes	No
a)	Determined that the firm, or any predecessors or specified affiliates of the firm violated any securities regulations or any rules of a securities or derivatives exchange, SRO or similar organization?	___	___
(b)	Determined that the firm, or any predecessors or specified affiliates of the firm made a false statement or omission?	___	___
(c)	Issued a warning or requested an undertaking by the firm, or any predecessors or specified affiliates of the firm?	___	___
(d)	Suspended or terminated any registration, licensing or membership of the firm, or any predecessors or specified affiliates of the firm?	___	___
(e)	Imposed terms or conditions on any registration or membership of the firm, or predecessors or specified affiliates of the firm?	___	___
(f)	Conducted a proceeding or investigation involving the firm, or any predecessors or specified affiliates of the firm?	___	___
(g)	Issued an order (other than an exemption order) or a sanction to the firm, or any predecessors or specified affiliates of the firm for securities or derivatives-related activity (e.g. cease trade order)?	___	___

If yes, provide the following information for each action:

Name of entity	
Type of action	
Regulator/organization	
Date of action (yyyy/mm/dd)	Reason for action
Jurisdiction	

[1] In this Appendix, the term "specified affiliate" has the meaning ascribed to that term in Form 33-109F6 to National Instrument 33-109 *Registration Information*.

3. Ongoing investigations

Is the firm aware of any ongoing investigation of which the firm or any of its specified affiliates is the subject?

Yes _____ No _____

If yes, provide the following information for each investigation:

Name of entity
Reason or purpose of investigation
Regulator/organization
Date investigation commenced (yyyy/mm/dd)
Jurisdiction

Authorized signing officer or partner

Name of firm:
Name of firm's authorized signing officer or partner
Title of firm's authorized signing officer or partner
Signature
Date (yyyy/mm/dd)

Witness

The witness must be a lawyer, notary public or commissioner of oaths.

Name of witness
Title of witness
Signature
Date (yyyy/mm/dd)

This form is to be submitted through the Ontario Securities Commission's Electronic Filing Portal:

https://www.osc.gov.on.ca/filings

APPENDIX B

NOTICE OF REGULATORY ACTION – INDIVIDUAL

Name of Individual

________________________	________________________	________________________	________________________
Last name	First name	Second name (N/A ☐)	Third name (N/A ☐)

1. Securities and derivatives regulation

Are you now, or have you ever been subject to any disciplinary proceedings or any order resulting from disciplinary proceedings under any securities legislation or derivatives legislation or both in any province, territory, state or country?

Yes _____ No _____

If "Yes", complete the following:

For each order or disciplinary proceeding, state below (1) the name of the firm, (2) the securities or derivatives regulator that issued the order or is conducting or conducted the proceeding, (3) the date any notice of proceeding was issued, (4) the date any order or settlement was made, (5) a summary of any notice, order or settlement (including any sanctions imposed), (6) whether you are or were a partner, director, officer or major shareholder of the firm and named individually in the order or disciplinary proceeding, and (7) any other relevant details.

____

2. SRO regulation

Are you now, or have you ever been, subject to any disciplinary proceedings conducted by any self-regulatory organization (SRO) or similar organization in any province, territory, state or country?

Yes _____ No _____

If "Yes", complete the following:

For each order or disciplinary proceeding, state below (1) the name of the firm, (2) the SRO that issued the order or that is, or was, conducting the proceeding, (3) the date any notice of proceeding was issued, (4) the date any order or settlement was made, (5) a summary of any notice, order or settlement (including any sanctions imposed), (6) whether you are or were a partner, director, officer or major shareholder of the firm and named individually in the order or disciplinary proceeding, and (7) any other information that you think is relevant or that the regulator or, in Québec, the securities regulatory authority may request.

____

3. Non-securities regulation

Are you now, or have you ever been, a subject of any disciplinary actions conducted under any legislation relating to your professional activities unrelated to securities or derivatives in any province, territory, state or country?

Yes _____ No _____

If "Yes", complete the following:

For each order or disciplinary proceeding, indicate below (1) the party against whom the order was made or the proceeding taken (if insurance licensed, indicate the name of the insurance agency), (2) the regulatory authority that made the order or that is, or was, conducting the proceeding, or under what legislation the order was made or the proceeding is being, or was conducted, (3) the date any notice of proceeding was issued, (4) the date any order or settlement was made, (5) a summary of any notice, order or settlement (including any sanctions imposed), (6) whether you are or were a partner, director, officer or major shareholder of the firm and named individually in the order or disciplinary proceeding and (7) any other information that you think is relevant or that the regulatory authority may request.

____

Authorized signing officer or partner

Name of firm
Name of firm's authorized signing officer or partner
Title of firm's authorized signing officer or partner
Signature
Date (yyyy/mm/dd)

This form is to be submitted through the Ontario Securities Commission's Electronic Filing Portal:

https://www.osc.gov.on.ca/filings

APPENDIX C

INFORMATION REPORT FOR FIRM REGISTERED IN THE U.S. THAT IS SERVICING U.S. CLIENTS FROM ONTARIO

Complete the applicable sections.

Indicate if you intend to rely on any of the following:

An exemption order under the *Commodity Futures Act* (Ontario) that is similar to the following exemption in OSC Rule 32-505 *Conditional Exemption from Registration for United States Broker-Dealers Servicing U.S. Clients from Ontario*:

☐ Part 2 [*dealer registration exemption*]

☐ Part 3 [*adviser registration exemption*]

Indicate the jurisdiction(s) in which the firm has representatives who trade to, with, or on behalf of U.S. clients or who are acting as advisers to U.S. clients.

AB	BC	MB	NB	NL	NS	NT	NU	ON	PE	QC	SK	YT
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

____
[Name of firm relying upon the exemption order(s) noted above]

____
[Address]

____
[Telephone number]

____
[NRD number, if applicable]

____
[Name of registered firm(s) in a jurisdiction of Canada with which the firm relying upon the exemption order(s) noted above is affiliated, has a business arrangement, or shares employees or offices]

____
[NRD number of each above noted firm]

____
[Name of individual responsible for ensuring conditions of the exemption order(s) are met]

____
[Telephone number for responsible individual]

____
[E-mail address for responsible individual]

____
[Names of representatives who, in Ontario, trade to, with, or on behalf of U.S. clients or who are acting in Ontario advisers to U.S. clients.
Use separate sheet if necessary]

____
[Date]

This form, and notice of a change to any information submitted in this form, is to be submitted through the Ontario Securities Commission's Electronic Filing Portal:

https://www.osc.gov.on.ca/filings

2.2.8 Dennis L. Meharchand and Valt.X Holdings Inc.

IN THE MATTER OF
DENNIS L. MEHARCHAND and
VALT.X HOLDINGS INC.

Janet Leiper, Commissioner

June 26, 2017

ORDER

WHEREAS on June 26, 2017, the Ontario Securities Commission held a hearing at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario for the Second Appearance in this matter;

ON READING the two affidavits of service of Rita Pascuzzi sworn on June 23, 2017 and on hearing the submissions of the representatives for Staff of the Commission and for Dennis L. Meharchand and Valt.X Holdings Inc. (the "**Respondents**");

IT IS ORDERED THAT:

1. by no later than July 21, 2017, the Respondents shall provide their witness lists and summaries to Staff of the Commission and shall indicate any intent to call an expert witness, including the name of the expert and the issue on which the expert will be giving evidence; and

2. the Third Appearance in this matter will be heard on August 21, 2017 at 10:00 a.m., or such other date as may be agreed to by the parties and set by the Office of the Secretary.

"Janet Leiper"

2.2.9 Dennis Wing

IN THE MATTER OF
DENNIS WING

Janet A. Leiper, Commissioner

June 26, 2017

ORDER

WHEREAS on June 26, 2017, the Ontario Securities Commission held a hearing at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario.

ON HEARING the submissions of the representatives for Dennis Wing, appearing via teleconference, and Staff of the Commission, appearing in person, and considering the consents of the parties to the making of this order;

IT IS ORDERED THAT the hearing is adjourned *sine die*.

"Janet Leiper"

2.3 Orders with Related Settlement Agreements

2.3.1 RBC Dominion Securities Inc. et al. – ss. 127(1), 127(2)

**IN THE MATTER OF
RBC DOMINION SECURITIES INC.,
ROYAL MUTUAL FUNDS INC., AND
RBC PHILLIPS, HAGER & NORTH INVESTMENT COUNSEL INC.**

Timothy Moseley, Commissioner and Chair of the Panel
AnneMarie Ryan, Commissioner
Philip Anisman, Commissioner

June 27, 2017

**ORDER
(Subsections 127(1) and 127(2) of the Securities Act, RSO 1990, c S.5)**

THIS APPLICATION, made jointly by Staff of the Commission and RBC Dominion Securities Inc., Royal Mutual Funds Inc., and RBC Phillips, Hager & North Investment Counsel Inc. (the **RBC Registrants**) for approval of a Settlement Agreement dated June 21, 2017 (the **Settlement Agreement**), was heard on June 27, 2017 at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario;

ON READING the Statement of Allegations dated June 22, 2017, the Joint Application Record for a Settlement Hearing dated June 22, 2017, including the Settlement Agreement, and on hearing the submissions of the representatives for the RBC Registrants and Staff;

IT IS ORDERED THAT:

(a) pursuant to subsection 127(1) of the Act, the Settlement Agreement is approved;

(b) pursuant to subsection 127(2) of the Act, the approval of the Settlement Agreement is subject to the following terms and conditions:

(i) in respect of inadequacies in the RBC Registrants' systems of controls and supervision which formed part of their compliance systems (the **Control and Supervision Inadequacies**), within 90 days of receiving comments from Staff regarding the procedures, controls, and supervisory and monitoring systems designed to prevent the re-occurrence of the Control and Supervision Inadequacies in the future (the **Enhanced Control and Supervision Procedures**), the RBC Registrants shall provide to a manager or deputy director in the Compliance and Registrant Regulation Branch of the Commission (the **OSC Manager**), revised written policies and procedures (the **Revised Policies and Procedures**) that, to the satisfaction of the OSC Manager, are responsive to any remaining issues raised by Staff with regard to the RBC Registrants' policies and procedures to establish the Enhanced Control and Supervision Procedures (the **Remaining Issues**);

(ii) thereafter, the RBC Registrants shall make such further modifications to their Revised Policies and Procedures as are required to ensure that the Revised Policies and Procedures address any Remaining Issues to the satisfaction of the OSC Manager;

(iii) within 8 months of receiving confirmation from the OSC Manager that the Revised Policies and Procedures satisfy the remaining issues raised by Staff (the **Confirmation Date**), the RBC Registrants shall submit a letter (the **Attestation Letter**), signed by the Ultimate Designated Person and the Chief Compliance Officer for each of the RBC Registrants, to the OSC Manager, expressing their opinion as to whether the Enhanced Control and Supervision Procedures were adequately followed, administered and enforced by the RBC Registrants for the 6 month period commencing from the Confirmation Date;

(iv) the Attestation Letter shall be accompanied by a report which provides a description of the testing performed to support the conclusions contained in the Attestation Letter;

(v) the RBC Registrants shall submit such additional reports as may be requested by the OSC Manager for the purpose of satisfying the OSC Manager that the opinion expressed in the Attestation Letter described in subparagraph (b)(iii) above is valid;

(vi) any of the RBC Registrants or Staff may apply to the Commission for directions in respect of any issues that may arise with regard to the implementation of subparagraphs (b)(i) to (v) above;

(vii) the RBC Registrants shall comply with their undertaking in the Settlement Agreement to:

(a) pay appropriate compensation to eligible clients and former clients who were harmed by the Control and Supervision Inadequacies in accordance with a plan submitted by the RBC Registrants to Staff (the **Compensation Plan**) and to report to the OSC Manager in accordance with the Compensation Plan;

(b) make a voluntary payment of $50,000 to reimburse the Commission for costs incurred or to be incurred by it, in accordance with subsection 3.4(2)(a) of the Act; and

(c) make a further voluntary payment of $925,000 to be designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act; and

(viii) the voluntary payment referred to in subparagraph (vii)(c) above is designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act.

"Timothy Moseley"

"AnneMarie Ryan"

"Philip Anisman"

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

AND

IN THE MATTER OF
RBC DOMINION SECURITIES INC.,
ROYAL MUTUAL FUNDS INC., AND
RBC PHILLIPS, HAGER & NORTH INVESTMENT COUNSEL INC.

SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE COMMISSION AND
RBC DOMINION SECURITIES INC.,
ROYAL MUTUAL FUNDS INC., AND
RBC PHILLIPS, HAGER & NORTH INVESTMENT COUNSEL INC.

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 subsections 127(1) and (2) of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the "Act"), it is in the public interest for the Commission to make certain orders in respect of RBC Dominion Securities Inc. ("DS"), Royal Mutual Funds Inc. ("RMFI"), and RBC Phillips, Hager & North Investment Counsel Inc. ("PH&NIC").

2. DS is a corporation incorporated pursuant to the federal laws of Canada. DS is a member of the Investment Industry Regulatory Organization of Canada ("IIROC") and is registered with the Commission as an investment dealer.

3. RMFI is a corporation incorporated pursuant to the federal laws of Canada. RMFI is a member of the Mutual Fund Dealers Association of Canada ("MFDA") and is registered with the Commission as a mutual fund dealer.

4. PH&NIC is a corporation incorporated pursuant to the federal laws of Canada and is registered with the Commission as a portfolio manager.

5. DS, RMFI, and PH&NIC (each an "RBC Registrant" and collectively, the "RBC Registrants") are wholly owned, indirect subsidiaries of Royal Bank of Canada ("RBC").

6. Commencing in February 2015, the RBC Registrants promptly self-reported to Staff of the Commission ("Commission Staff") the matters described in Part III below. During Commission Staff's investigation of these matters, the RBC Registrants provided prompt, detailed and candid co-operation to Commission Staff.

7. As summarized at paragraph 14 below and more fully described in Part III below, it is Commission Staff's position that there were inadequacies in the RBC Registrants' systems of controls and supervision which formed part of their compliance systems (the "Control and Supervision Inadequacies") which resulted in certain clients paying, directly or indirectly, excess fees that were not detected or corrected by the RBC Registrants in a timely manner.

PART II – JOINT SETTLEMENT RECOMMENDATION

8. Commission Staff and the RBC Registrants have agreed to a settlement of the proceeding initiated in respect of the RBC Registrants by Notice of Hearing dated June 22, 2017 (the "Proceeding") based on the terms and conditions set out in this settlement agreement (the "Settlement Agreement"). Commission Staff have consulted with IIROC Staff and MFDA Staff in relation to the underlying facts which are the subject matter of this Settlement Agreement.

9. Pursuant to this Settlement Agreement, Commission Staff agree to recommend to the Commission that the Proceeding be resolved and disposed of in accordance with the terms and conditions contained herein.

10. It is Commission Staff's position that:

    (a) the statement of facts set out by Commission Staff in Part III below, which is based on an investigation carried out by Commission Staff following the self-reporting by the RBC Registrants, is supported by the evidence reviewed by Commission Staff and the conclusions contained in Part III are reasonable; and

(b) it is in the public interest for the Commission to approve this Settlement Agreement, having regard to the following considerations:

(i) Commission Staff's allegations are that each of the RBC Registrants failed to establish, maintain and apply procedures to establish controls and supervision:

A. sufficient to provide reasonable assurance that the RBC Registrants, and each individual acting on behalf of the RBC Registrants, complied with securities legislation, including the requirement to deal fairly with clients with regard to fees; and

B. that were reasonably likely to identify the non-compliance described in A. above at an early stage that would have allowed the RBC Registrants to correct the non-compliant conduct in a timely manner;

(ii) Commission Staff do not allege, and have found no evidence of dishonest conduct by any of the RBC Registrants;

(iii) the RBC Registrants discovered and promptly self-reported the Control and Supervision Inadequacies to Commission Staff;

(iv) during the investigation of the Control and Supervision Inadequacies, following the self-reporting by the RBC Registrants, the RBC Registrants provided prompt, detailed and candid cooperation to Commission Staff;

(v) the RBC Registrants formulated an intention to pay appropriate compensation to eligible clients and former clients when they self-reported the Control and Supervision Inadequacies to Commission Staff and, thereafter, the RBC Registrants co-operated with Commission Staff with a view to providing appropriate compensation to eligible clients and former clients who were harmed by any of the matters in Part III below, including the Control and Supervision Inadequacies (the "Affected Clients");

(vi) as part of this Settlement Agreement, the RBC Registrants have agreed to pay appropriate compensation to the Affected Clients, in accordance with a plan submitted by the RBC Registrants to Commission Staff and presented to the Commission (the "Compensation Plan"). As at the date of this Settlement Agreement, the RBC Registrants anticipate paying compensation to Affected Clients of approximately $21,802,231 in the aggregate in respect of the Control and Supervision Inadequacies;

(vii) the Compensation Plan prescribes, among other things:

A. the detailed methodology to be used for determining the compensation to be paid to the Affected Clients, including the time value of money in respect of any monies owed by the RBC Registrants to the Affected Clients;

B. the approach to be taken with regard to contacting and making payments to the Affected Clients;

C. the timing to complete the steps included in the Compensation Plan;

D. a $25 *de minimis* exception (the aggregate of such *de minimis* amounts as at the date of this Settlement Agreement is approximately $122,176 as compared to $21,802,231 in compensation to be paid), which aggregate *de minimis* amount will be donated to Junior Achievement – Financial Literacy Program; Free the Children – It all Adds Up (We Charity); Women's Brain Health Initiative – Healthy, Wealthy & Wise financial literacy speaker series; and Treasure Academy;

E. the approach to be taken to any remaining funds that are not paid out to Affected Clients after the steps included in the Compensation Plan have been fully implemented. In that regard, the Compensation Plan provides that if the RBC Registrants are not able to contact any former Affected Clients, notwithstanding the steps described in the Compensation Plan, each RBC Registrant will use reasonable efforts to locate any Affected Clients who are eligible to receive payment of $200 or more including directory searches, internet searches, and the employment of third parties to assist in the search. If the RBC Registrant determines that an Affected Client is deceased but does not know the identity of the

personal representative of that Affected Client's estate, and the estate is eligible to receive more than $400, the RBC Registrant shall make reasonable efforts to identify the personal representative of the deceased Affected Client. Subject to any applicable unclaimed property legislation, any amounts remaining undistributed to non-located clients by June 30, 2019 will be donated to Junior Achievement – Financial Literacy Program; Free the Children – It all Adds Up (We Charity); Women's Brain Health Initiative – Healthy, Wealthy & Wise financial literacy speaker series; and Treasure Academy;

F. the resolution of inquiries of Affected Clients through an escalation process; and

G. regular reporting to a manager or deputy director in the Compliance and Registrant Regulation Branch of the Commission ("OSC Manager") detailing the RBC Registrants' progress with respect to the implementation of the Compensation Plan, including with regard to the resolution of Affected Client inquiries;

(viii) at the request of Commission Staff, each of the RBC Registrants conducted an extensive review of its other business operating in Canada to identify whether there were any other instances of inadequacies in their systems of controls and supervision leading to clients directly paying excess fees, or indirectly paying excess fees on mutual funds managed by RBC Global Asset Management ("GAM"), a subsidiary of RBC. Based on this review, the RBC Registrants have advised Commission Staff that there are no instances other than those instances of Control and Supervision Inadequacies described herein;

(ix) The RBC Registrants are taking corrective action including enhancing the existing controls and supervision to address the Control and Supervision Inadequacies, by establishing and implementing enhanced procedures and controls, supervisory and monitoring systems designed to prevent the re-occurrence of the Control and Supervision Inadequacies in the future (the "Enhanced Control and Supervision Procedures") and, as part of this Settlement Agreement, the RBC Registrants are required to report to the OSC Manager on the development and implementation of the Enhanced Control and Supervision Procedures;

(x) the RBC Registrants have agreed to make a voluntary payment of $925,000 to be designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act;

(xi) the RBC Registrants have agreed to make a further voluntary payment of $50,000 to reimburse the Commission for costs incurred or to be incurred;

(xii) the total agreed voluntary payment of $975,000 will be paid by wire transfer before the commencement of the hearing before the Commission to approve this Settlement Agreement, which payment is conditional upon approval of this Settlement Agreement by the Commission; and

(xiii) the terms of this Settlement Agreement are appropriate in all the circumstances, including mitigating factors and the principles of general and specific deterrence. Commission Staff are of the view that the voluntary payments referred to above in addition to the amounts to be paid as compensation to Affected Clients by the RBC Registrants will emphasize to the marketplace that Commission Staff expect registrants to have compliance systems with appropriate controls and supervision in place which:

A. provide reasonable assurance that registrants, and each individual acting on behalf of registrants, are complying with securities legislation, including the requirement to deal fairly with clients with regard to fees; and

B. are reasonably likely to allow registrants to identify and correct non-compliance with securities legislation in a timely manner.

11. The RBC Registrants neither admit nor deny the accuracy of the facts or the conclusions of Commission Staff as set out in Part III of this Settlement Agreement.

12. The RBC Registrants agree to this Settlement Agreement and to the making of an order in the form attached as Schedule A.

PART III – COMMISSION STAFF'S STATEMENT OF FACTS AND CONCLUSIONS

A. Overview

13. Commencing in February 2015, the RBC Registrants self-reported the Control and Supervision Inadequacies to Commission Staff. Some clients of the RBC Registrants have fee-based accounts and are charged a fee for investment management services in respect of assets held in the account (the "Fee-Based Accounts"). The investment management fee is based on the client's assets under management (the "Account Fee"). Further, some of the RBC Registrants' clients may not always have been advised of the existence of, and their eligibility to invest in, or convert their higher Management Expense Ratio ("MER") series of an MER Differential Fund (as defined below) into the lower MER series of the same fund.

14. The Control and Supervision Inadequacies are summarized as follows:

    (a) for some DS and PH&NIC clients with Fee-Based Accounts, non-exchange-traded investment products with embedded trailer fees were incorrectly included in Account Fee calculations, resulting in some clients paying excess fees for the period (i) January 1, 2008 to October 31, 2016 for DS clients and (ii) March 1, 2005 to October 31, 2016 for PH&NIC clients;

    (b) for some DS and PH&NIC clients with Fee-Based Accounts, assets held in their Fee-Based Accounts and assessed an Account Fee included certain mutual funds with negotiable service fees and exchange-traded investment products with embedded trailer fees, resulting in some clients paying excess fees because DS and PH&NIC received trailer fees for the period (i) January 1, 2008 to October 31, 2016 for DS clients and (ii) March 1, 2005 to October 31, 2016 for PH&NIC clients;

    (c) beginning in July 9, 2012 for RMFI and January 1, 2008 for DS, until June 30, 2016, some clients who purchased, transferred in from another dealer, or already held units of a mutual fund maintained and managed by GAM were not advised that they qualified for a lower MER series of such mutual fund and indirectly paid excess fees when they invested in the higher MER series of the same mutual fund (the "MER Differential Funds").

15. These Control and Supervision Inadequacies continued undetected for an extended period of time. The RBC Registrants discovered the Control and Supervision Inadequacies following inquiries made and/or reviews conducted by the RBC Registrants.

16. As set out in greater detail below in the section entitled Mitigating Factors, the RBC Registrants have taken and are taking several remedial steps in order to correct the Control and Supervision Inadequacies.

17. The RBC Registrants have engaged an independent third party to assist them in identifying, calculating, and validating the amounts to be paid to Affected Clients.

B. The Control and Supervision Inadequacies

(a) Excess Account Fees paid by certain DS and PH&NIC clients on Non-Exchange-Traded Investment Products

18. For some DS and PH&NIC clients who have Fee-Based Accounts, assets held in a Fee-Based Account included certain non-exchange-traded investment products that had embedded trailer fees paid by the issuer of such products to DS and PH&NIC.

19. As part of their reviews, DS and PH&NIC discovered that a number of non-exchange-traded investment products with embedded trailer fees had been incorrectly classified for fee-billing purposes and incorrectly included in the Account Fee in some Fee-Based Accounts during the periods (i) January 1, 2008 to October 31, 2016 for DS clients and (ii) March 1, 2005 to October 31, 2016 for PH&NIC clients, and, as a result, DS and PH&NIC clients were charged excess Account Fees. Specifically,

    (a) it was determined that DS and PH&NIC did not have adequate systems of internal controls and supervision in place to ensure that non-exchange-traded investment products with embedded trailer fees were classified correctly and excluded consistently from the calculation of the Account Fee;

    (b) it was determined that DS and PH&NIC's internal controls failed to detect this Control and Supervision Inadequacy in a timely manner; and

(c) DS and PH&NIC took immediate steps to ensure the incorrectly classified non-exchange-traded investment products with embedded trailer fees were classified correctly and excluded consistently from the calculation of the Account Fee on a going forward basis.

20. Upon identification of the issue described above, DS and PH&NIC took steps to determine the extent of the problem and how to calculate and how to compensate Affected Clients who paid excess fees. DS and PH&NIC engaged an independent third party to identify, calculate and validate the amounts to be paid to Affected Clients as compensation for the excess Account Fees paid by them.

21. Having taken the steps described above, DS and PH&NIC self-reported this Control and Supervision Inadequacy to Commission Staff. By October 31, 2016, DS and PH&NIC had corrected the classification errors that had occurred in an effort to address the issue and prevent its reoccurrence.

22. DS and PH&NIC have determined that, as a result of this Control and Supervision Inadequacy, approximately 6,969 client accounts were charged excess Account Fees during the periods (i) January 1, 2008 to October 31, 2016 for DS clients and (ii) March 1, 2005 to October 31, 2016 for PH&NIC clients.

23. DS and PH&NIC have agreed to compensate Affected Clients who held these securities in their Fee-Based Accounts during the relevant time period in accordance with the Compensation Plan, which requires that DS and PH&NIC pay to the Affected Clients:

(a) the excess Account Fees;

(b) an amount representing the applicable sales tax charged on the excess Account Fees; and

(c) an amount representing the time value of money in respect of the excess Account Fees from the time the excess Account Fees were charged to June 30, 2017, based on a simple interest rate of 5% per annum calculated monthly (the “Account Fees Foregone Investment Opportunity Cost”).

24. Where Account Fees were undercharged to the client, the benefit of those undercharges will not be set off against any compensation amounts paid to the client. The undercharges will also not otherwise be charged to Affected Clients or any other clients.

25. As at the date of this Settlement Agreement, DS and PH&NIC have determined that the total amount to be paid to these Affected Clients pursuant to the Compensation Plan, inclusive of the Account Fees Foregone Investment Opportunity Cost, is approximately $4,666,067.

(b) Excess Trailer Fees paid by certain DS and PH&NIC clients on Mutual Funds and Exchange-Traded Investment Products

26. For some DS and PH&NIC clients who have Fee-Based Accounts, assets held in a Fee-Based Account included certain mutual funds with negotiable service fees and/or exchange-traded investment products with embedded trailer fees that were paid by the issuer of such products to DS and PH&NIC.

27. As part of their reviews, DS and PH&NIC identified instances in which clients had purchased or held mutual funds with a negotiable service fee or trailer-paying versions of Exchange-Traded Funds (“ETFs”) and Closed-Ended Funds (“CEFs”) in Fee-Based Accounts during the periods (i) January 1, 2008 to October 31, 2016 for DS clients and (ii) March 1, 2005 to October 31, 2016 for PH&NIC clients. Specifically,

(a) it was determined that DS and PH&NIC did not have adequate systems of internal controls and supervision in place to ensure that clients were not subject, directly or indirectly, to the negotiable service fees on mutual funds and trailer fees on exchange-traded investment products held in Fee-Based Accounts if those products were subject to an Account Fee;

(b) it was determined that DS and PH&NIC’s internal controls failed to detect this Control and Supervision Inadequacy in a timely manner; and

(c) DS and PH&NIC took immediate steps to ensure that when clients purchase mutual funds or exchange-traded investment products in a Fee-Based Account that are subject to an Account Fee, they are not subject, directly or indirectly, to negotiable service fees or trailer fees on those products.

28. Upon identification of the issue described above, DS and PH&NIC took steps to determine the extent of the problem and how to calculate and how to compensate Affected Clients who paid excess fees. DS and PH&NIC engaged an

independent third party to identify, calculate and validate the amounts to be paid to Affected Clients as compensation for the excess Account Fees paid by them.

29. Having taken the steps described above, DS and PH&NIC self-reported this Control and Supervision Inadequacy to Commission Staff. By October 31, 2016, DS and PH&NIC had corrected the classification errors that had occurred in an effort to address the issue and prevent its reoccurrence.

30. DS and PH&NIC have determined that, as a result of this Control and Supervision Inadequacy, approximately 40,504 client accounts were charged excess trailers during the periods (i) January 1, 2008 to October 31, 2016 for DS clients and (ii) March 1, 2005 to October 31, 2016 for PH&NIC clients.

31. DS and PH&NIC have agreed to compensate Affected Clients who held these securities in their Fee-Based Accounts during the relevant time period in accordance with the Compensation Plan, which requires that DS and PH&NIC pay to the Affected Clients:

    (a) an amount equal to the negotiable service fee or trailer fee received; and

    (b) an amount representing the time value of money in respect of this negotiable service or trailer fee from the time it was charged to June 30, 2017, based on a simple interest rate of 5% per annum calculated monthly (the "Trailer Investment Opportunity Cost").

32. Where Account Fees were undercharged to the client, the benefit of those undercharges will not be set off against any compensation amounts paid to the client. The undercharges will also not otherwise be charged to Affected Clients or any other clients.

33. As at the date of this Settlement Agreement, DS and PH&NIC have determined that the total amount to be paid to these Affected Clients pursuant to the Compensation Plan, inclusive of the Trailer Investment Opportunity Cost, is approximately $14,787,055.

(c) Excess Indirect Fees paid by some clients of DS and RMFI who invested in the MER Differential Funds

34. GAM maintains and manages a number of mutual funds that are available in different classes. For certain of these mutual funds, there are two classes of the same mutual fund which differ solely in that the MER of one class, which has a higher minimum investment threshold, is lower (the "Premium Series") than the MER of the other class (the "Non-Premium Series").

35. The MER Differential Funds identified with instances of the Control and Supervision Inadequacies were:

    (a) RBC, PH&NIC and BlueBay funds with a Series A, Series C or Advisor and Premium Series H, where the MER differential varied from 2 to 136 basis points;

    (b) RBC, PH&NIC and BlueBay funds with a Series F and Premium Series I, where the MER differential varied from 1 to 81 basis points;

36. On January 11, 2007, Series I was launched by GAM and most products were made available to DS clients with Fee-Based Accounts who invested $500,000 or greater. On July 9, 2012, the minimum investment threshold on these products was reduced to $200,000. Series I Money Market funds were available to DS clients with Fee-Based Accounts who invested $5,000,000 or greater. The Non-Premium Series counterpart of Series I is Series F.

37. On July 9, 2012, Series H was launched for certain MER Differential Funds and made available to eligible DS and RMFI clients where the amount invested by a client in a MER Differential Fund with Series H was $200,000 or greater. The Non-Premium Series counterparts of Series H are Series A, Series C and Advisor.

38. On February 29, 2016, GAM announced MER reductions on the Non-Premium Series versions of several of the MER Differential Funds, effective June 30, 2016, and also that the Premium Series of the MER Differential Funds would begin to be phased out. On June 30, 2016, certain Premium Series were closed and re-designated to the corresponding (often reduced-fee) Non-Premium Series and the remaining Premium Series were capped from new investment. Clients holding greater than the relevant threshold in a Non-Premium Series with corresponding capped Premium Series were advised and given the opportunity to convert their units to the Premium Series effective on or prior to June 30, 2016.

39. DS and RMFI conducted a review of the MER Differential Funds to cover the period from January 1, 2008 to June 30, 2016 and determined that certain client accounts invested in the Non-Premium Series that appeared to qualify for a

Premium Series of that mutual fund were not invested in that series and therefore holders of those client accounts did not benefit from its lower MER. Specifically,

(a) DS and RMFI determined that they did not have adequate systems of internal controls and supervision in place to ensure that when a purchase or transfer-in of an investment in a MER Differential Fund, alone or combined with existing MER Differential Fund holdings in the same account, exceeded the minimum investment threshold required to qualify for the Premium Series of the same mutual fund, the client was advised consistently that a lower MER Premium Series of the same MER Differential Fund was available to the client; and

(b) DS and RMFI determined that their internal controls failed to identify this Control and Supervision Inadequacy in a timely manner.

40. DS and RMFI have determined that there are approximately 2,974 Affected Clients that ought to have been invested in the Premium Series of the same MER Differential Fund but were not from January 1, 2008 for DS and July 9, 2012 for RMFI until June 30, 2016.

41. In accordance with the Compensation Plan, in respect of those Affected Clients, DS and RMFI will pay:

(a) an amount representing the difference in the return that the Affected Client would have received on any share or unit held by the client of an MER Differential Fund had the client been invested in the Premium Series units of that fund in a timely manner upon being eligible to invest in the Premium Series held in that mutual fund for the entire period in which the Affected Client qualified for the Premium Series (the “Difference in Return”); and

(b) an amount representing the time value of money in respect of the Difference in Return, from the date the Affected Client became eligible for the Premium Series of the MER Differential Funds for any periods up to June 30, 2017 based on a simple interest rate of 5% per annum (the “MER Opportunity Cost”).

42. On this basis, DS and RMFI have determined that the total compensation to be paid to Affected Clients as a result of this Control and Supervision Inadequacy is approximately $2,349,109, inclusive of the MER Opportunity Cost, where applicable.

C. Breaches of Ontario Securities Law

43. In respect of the Control and Supervision Inadequacies, the RBC Registrants failed to establish, maintain and apply procedures to establish controls and supervision:

(a) sufficient to provide reasonable assurance that the RBC Registrants, and each individual acting on behalf of the RBC Registrants, complied with securities legislation, including the requirement to deal fairly with clients with regard to fees; and

(b) that were reasonably likely to identify the non-compliance described in (a) above at an early stage and that would have allowed the RBC Registrants to correct the non-compliant conduct in a timely manner.

44. As a result, these instances of Control and Supervision Inadequacies constituted a breach of section 11.1 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. In addition, the failures in the RBC Registrants’ systems of controls and supervision associated with the Control and Supervision Inadequacies were contrary to the public interest.

D. Mitigating Factors

45. Commission Staff do not allege, and have found no evidence of dishonest conduct by any of the RBC Registrants or their employees.

46. The RBC Registrants discovered and promptly self-reported the Control and Supervision Inadequacies to Commission Staff.

47. During the investigation of the Control and Supervision Inadequacies by Commission Staff following the self-reporting by the RBC Registrants, the RBC Registrants provided prompt, detailed and candid cooperation to Commission Staff.

48. The RBC Registrants had formulated an intention to pay appropriate compensation to Affected Clients in connection with their self-reporting of the Control and Supervision Inadequacies to Commission Staff and, thereafter, co-operated

with Commission Staff with a view to providing appropriate compensation to the Affected Clients who were harmed by any of the Control and Supervision Inadequacies.

49. As part of this Settlement Agreement, the RBC Registrants have agreed to pay appropriate compensation to the Affected Clients, in accordance with the Compensation Plan. As at the date of this Settlement Agreement, the RBC Registrants anticipate paying compensation to Affected Clients of approximately $21,802,231 in the aggregate in respect of the Control and Supervision Inadequacies.

50. The Compensation Plan prescribes, among other things:

(a) the detailed methodology to be used for determining the compensation to be paid to the Affected Clients, including the time value of money owed by the RBC Registrants to the Affected Clients;

(b) the approach to be taken with regard to contacting and making payments to the Affected Clients;

(c) the timing to complete the various steps included in the Compensation Plan;

(d) a $25 *de minimis* exception (the aggregate of such *de minimis* amounts as at the date of this settlement is approximately $122,176 as compared to $21,802,231 in compensation to be paid), which amount will be donated to Junior Achievement – Financial Literacy Program; Free the Children – It all Adds Up (We Charity); Women's Brain Health Initiative – Healthy, Wealthy & Wise financial literacy speaker series; and Treasure Academy;

(e) the approach to be taken to any remaining funds that are not paid out to Affected Clients after the steps included in the Compensation Plan have been fully implemented. In that regard, the Compensation Plan provides that if the RBC Registrants are not able to contact any former Affected Clients, notwithstanding the steps described in the Compensation Plan, each RBC Registrant will use reasonable efforts to locate any Affected Clients who are entitled to payment of $200 or more including directory searches, internet searches, and the employment of third parties to assist in the search. If the RBC Registrant determines that an Affected Client is deceased but do not know the identity of the personal representative of the client's estate, and the estate is entitled to more than $400, the RBC Registrant shall make reasonable efforts to identify the personal representative of the deceased Affected Client. Subject to any applicable unclaimed property legislation, any amounts remaining undistributed to non-located clients by June 30, 2019 will be donated to Junior Achievement – Financial Literacy Program; Free the Children – It all Adds Up (We Charity); Women's Brain Health Initiative – Healthy, Wealthy & Wise financial literacy speaker series; and Treasure Academy;

(f) the resolution of client inquiries through an escalation process; and

(g) regular reporting to the OSC Manager detailing the RBC Registrants' progress with respect to the implementation of the Compensation Plan, including with regard to the resolution of client inquiries.

51. At the request of Commission Staff, the RBC Registrants conducted an extensive review of each of their Canadian business lines to identify whether there were any other instances of inadequacies in their systems of controls and supervision leading to clients directly paying excess fees, or indirectly paying excess fees on MER Differential Funds. Based on this review, the RBC Registrants have advised Commission Staff that there are no instances of Control and Supervision Inadequacies other than those described herein.

52. The RBC Registrants are taking corrective action including implementing the Enhanced Control and Supervision Procedures and, as part of this Settlement Agreement, the RBC Registrants are required to report to the OSC Manager on the development and implementation of the Enhanced Control and Supervision Procedures.

53. The RBC Registrants have agreed to make a voluntary payments totalling $975,000, as described in paragraphs 10(b)(x) and 10(b)(xi) above.

54. The RBC Registrants will pay the total agreed voluntary payment of $975,000 by wire transfer before the commencement of the hearing before the Commission to approve this Settlement Agreement, which payment is conditional upon approval of this Settlement Agreement by the Commission.

55. The terms of settlement are appropriate in all the circumstances, including mitigating factors and the principles of general and specific deterrence. Commission Staff are of the view that the voluntary payments referred to above, in addition to the amounts to be paid as compensation to Affected Clients by RBC Registrants, will emphasize to the marketplace that Commission Staff expect registrants to have compliance systems with appropriate controls and supervision in place which:

(a) provide reasonable assurance that registrants, and each individual acting on behalf of registrants, are complying with securities legislation, including the requirement to deal fairly with clients with regard to fees; and

(b) are reasonably likely to allow registrants to identify and correct non-compliance with securities legislation in a timely manner.

E. The RBC Registrants' Undertaking

56. By signing this Settlement Agreement, each RBC Registrant undertakes to:

(a) pay compensation to the Affected Clients in accordance with the Compensation Plan and to report to the OSC Manager in accordance with the Compensation Plan; and

(b) make the voluntary payments referred to in paragraphs 10(b)(x) and 10(b)(xi) above (the "Undertaking").

PART IV – TERMS OF SETTLEMENT

57. The RBC Registrants agree to the terms of settlement listed below and consent to the Order in substantially the form attached hereto, that provides that:

(a) pursuant to subsection 127(1) of the Act, the Settlement Agreement is approved;

(b) pursuant to subsection 127(2) of the Act, the approval of the Settlement Agreement is subject to the following conditions:

(i) within 90 days of receiving comments from Commission Staff regarding the Enhanced Control and Supervision Procedures, the RBC Registrants shall provide to the OSC Manager revised written policies and procedures (the "Revised Policies and Procedures") that, to the satisfaction of the OSC Manager, are responsive to any remaining issues raised by Commission Staff with regard to the RBC Registrants' policies and procedures to establish the Enhanced Control and Supervision Procedures (the "Remaining Issues");

(ii) thereafter, the RBC Registrants shall make such further modifications to their Revised Policies and Procedures as are required to ensure that the Revised Policies and Procedures address any Remaining Issues to the satisfaction of the OSC Manager;

(iii) within 8 months of receiving confirmation from the OSC Manager that the Revised Policies and Procedures satisfy the Remaining Issues raised by Commission Staff (the "Confirmation Date"), the RBC Registrants shall submit a letter (the "Attestation Letter") signed by the Ultimate Designated Person and the Chief Compliance Officer for each of the RBC Registrants to the OSC Manager, expressing their opinion on whether the Enhanced Control and Supervision Procedures were adequately followed, administered and enforced by the applicable RBC Registrant for the 6 month period commencing from the Confirmation Date;

(iv) the Attestation Letter shall be accompanied by a report which provides a description of the testing performed to support the conclusions contained in the Attestation Letter;

(v) the RBC Registrants shall submit such additional reports as may be requested by the OSC Manager for the purpose of satisfying the OSC Manager that the opinion expressed in the Attestation Letter described in subparagraph (b)(iii) above is valid;

(vi) any of the RBC Registrants or Commission Staff may apply to the Commission for directions in respect of any issues that may arise with regard to the implementation of subparagraphs (b)(i) to (v) above; and

(vii) the RBC Registrants shall comply with the Undertaking.

58. The RBC Registrants agree to make the voluntary payments described in subparagraph 10(b)(x) and 10(b)(xi) by wire transfer before the commencement of the hearing before the Commission to approve this Settlement Agreement.

PART V – COMMISSION STAFF COMMITMENT

59. If the Commission approves this Settlement Agreement, Commission Staff will not commence any proceeding under Ontario securities law in relation to the Commission Staff's Statement of Facts and Conclusions set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 60 below, and except with respect to paragraph 51 above, and nothing in this Settlement Agreement shall be interpreted as limiting Commission Staff's ability to commence proceedings against the RBC Registrants in relation to any control and supervision inadequacies leading to clients paying excess fees other than in respect of the matters described herein.

60. If the Commission approves this Settlement Agreement and any of the RBC Registrants fails to comply with any of the terms of this Settlement Agreement, Commission Staff may bring proceedings under Ontario securities law against the RBC Registrants. These proceedings may be based on, but are not limited to, the Commission Staff's Statement of Facts and Conclusions set out in Part III of this Settlement Agreement as well as the breach of this Settlement Agreement.

PART VI – PROCEDURE FOR APPROVAL OF SETTLEMENT

61. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for June 27, 2017, or on another date agreed to by Commission Staff and the RBC Registrants (the "Settlement Hearing"), according to the procedures set out in this Settlement Agreement and the Commission's Rules of Procedure.

62. Commission Staff and the RBC Registrants agree that this Settlement Agreement will form all of the evidence that will be submitted at the settlement hearing on the RBC Registrants' conduct, unless the parties agree that additional evidence should be submitted at the settlement hearing.

63. If the Commission approves this Settlement Agreement, the RBC Registrants agree to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

64. If the Commission approves this Settlement Agreement, the RBC Registrants will not make any public statement that is inconsistent with this Settlement Agreement or with any additional evidence submitted at the settlement hearing. In addition, the RBC Registrants agree that they will not make any public statement that there is no factual basis for this Settlement Agreement. Nothing in this paragraph affects the RBC Registrants' testimonial obligations or the right to take legal or factual positions in other investigations or legal proceedings in which the Commission and/or Commission Staff is not a party or in which any provincial or territorial securities regulatory authority in Canada and/or its Commission Staff is not a party ("Other Proceedings") or to make public statements in connection with Other Proceedings.

65. The RBC Registrants 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 VII – DISCLOSURE OF SETTLEMENT AGREEMENT

66. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule A to this Settlement Agreement:

    (a) this Settlement Agreement and all discussions and negotiations between Commission Staff and the RBC Registrants before the settlement hearing takes place will be without prejudice to Commission Staff and the RBC Registrants; and

    (b) Commission Staff and the RBC Registrants will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.

67. The parties will keep the terms of this Settlement Agreement confidential until the Commission approves this Settlement Agreement, subject to the parties' need to make submissions at the public settlement hearing.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

68. This agreement may be signed in one or more counterparts which, together, constitute a binding agreement.

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

Dated this 21st day of June, 2017

RBC DOMINION SECURITIES INC.

Per: "Wayne Bossert"
Wayne Bossert
Director, RBC Dominion Securities Inc.

Per: "Nick Cardinale"
Nick Cardinale
Chief Compliance Officer, RBC Dominion Securities Inc.

ROYAL MUTUAL FUNDS INC.

Per: "Ingrid Versnel"
Ingrid Versnel
Head, Operations & Technology, RBC Wealth Management; Director, Royal Mutual Funds Inc.

Per: "Doug Coulter"
Doug Coulter
President, RBC Global Asset Management; Director, Royal Mutual Funds. Inc.

RBC PHILLIPS HAGER & NORTH INVESTMENT COUNSEL

Per: "Annica Karlsson"
Annica Karlsson
Director, RBC PH&N Investment Counsel Inc.

Per: "Rob McDonald"
Rob McDonald
VP, Head of Investments, RBC PH&N Investment Counsel Inc.

Commission Staff:

Per: "Jeff Kehoe"
Jeff Kehoe
Director, Enforcement Branch

Schedule A

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

AND

IN THE MATTER OF
RBC DOMINION SECURITIES INC.,
ROYAL MUTUAL FUNDS INC., AND
RBC PHILLIPS, HAGER & NORTH INVESTMENT COUNSEL INC.

ORDER
(Subsections 127(1) and 127(2) of the Securities Act)

THIS APPLICATION, made jointly by Staff of the Commission and RBC Dominion Securities Inc., Royal Mutual Funds Inc., and RBC Phillips, Hager & North Investment Counsel Inc. (the **RBC Registrants**) for approval of a settlement agreement dated June 21, 2017 (the **Settlement Agreement**), was heard on June 27, 2017 at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario;

ON READING the Statement of Allegations dated June 22, 2017, the Joint Application Record for a Settlement Hearing dated June 22, 2017, including the Settlement Agreement, and on hearing the submissions of the representatives for the RBC Registrants and Staff;

IT IS ORDERED THAT:

(a) pursuant to subsection 127(1) of the Act, the Settlement Agreement is approved;

(b) pursuant to subsection 127(2) of the Act, the approval of the Settlement Agreement is subject to the following terms and conditions:

(i) in respect of inadequacies in the RBC Registrants' systems of controls and supervision which formed part of their compliance systems (the **Control and Supervision Inadequacies**), within 90 days of receiving comments from Staff regarding the procedures, controls, and supervisory and monitoring systems designed to prevent the re-occurrence of the Control and Supervision Inadequacies in the future (the **Enhanced Control and Supervision Procedures**), the RBC Registrants shall provide to a manager or deputy director in the Compliance and Registrant Regulation Branch of the Commission (the **OSC Manager**), revised written policies and procedures (the **Revised Policies and Procedures**) that, to the satisfaction of the OSC Manager, are responsive to any remaining issues raised by Staff with regard to the RBC Registrants' policies and procedures to establish the Enhanced Control and Supervision Procedures (the **Remaining Issues**);

(ii) thereafter, the RBC Registrants shall make such further modifications to their Revised Policies and Procedures as are required to ensure that the Revised Policies and Procedures address any Remaining Issues to the satisfaction of the OSC Manager;

(iii) within 8 months of receiving confirmation from the OSC Manager that the Revised Policies and Procedures satisfy the remaining issues raised by Staff (the **Confirmation Date**), the RBC Registrants shall submit a letter (the **Attestation Letter**), signed by the Ultimate Designated Person and the Chief Compliance Officer for each of the RBC Registrants, to the OSC Manager, expressing their opinion as to whether the Enhanced Control and Supervision Procedures were adequately followed, administered and enforced by the RBC Registrants for the 6 month period commencing from the Confirmation Date;

(iv) the Attestation Letter shall be accompanied by a report which provides a description of the testing performed to support the conclusions contained in the Attestation Letter;

(v) the RBC Registrants shall submit such additional reports as may be requested by the OSC Manager for the purpose of satisfying the OSC Manager that the opinion expressed in the Attestation Letter described in subparagraph (b)(iii) above is valid;

(vi) any of the RBC Registrants or Staff may apply to the Commission for directions in respect of any issues that may arise with regard to the implementation of subparagraphs (b)(i) to (v) above;

(vii) the RBC Registrants shall comply with their undertaking in the Settlement Agreement to:

(a) pay appropriate compensation to eligible clients and former clients who were harmed by the Control and Supervision Inadequacies in accordance with a plan submitted by the RBC Registrants to Staff (the **Compensation Plan**) and to report to the OSC Manager in accordance with the Compensation Plan;

(b) make a voluntary payment of $50,000 to reimburse the Commission for costs incurred or to be incurred by it, in accordance with subsection 3.4(2)(a) of the Act; and

(c) make a further voluntary payment of $925,000 to be designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act; and

(viii) the voluntary payment referred to in subparagraph (vii)(c) above is designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act.

DATED at Toronto, Ontario this 27th day of June, 2017

2.3.2 Nixon Lau et al. – ss. 127, 127.1

IN THE MATTER OF
NIXON LAU,
INCOME STRATEGIX HOLDINGS LTD.,
INCOME STRATEGIX L.P.,
INCOME STRATEGIX A-CLASS L.P. and
INCOME STRATEGIX I-CLASS L.P.

Janet Leiper, Chair of the Panel
William J. Furlong, Commissioner

Monday, June 26, 2017

ORDER
(Sections 127 and 127.1 of the Securities Act, RSO 1990, c S.5)

THIS APPLICATION, made jointly by Staff of the Commission and Nixon Lau (**Lau**), Income Strategix Holdings Ltd. (**Income Strategix**), Income Strategix L.P., Income Strategix A-Class L.P., and Income Strategix I-Class L.P. (the **Respondents**) for approval of a settlement agreement dated June 13, 2017, (the **Settlement Agreement**) was heard on June 26, 2017, at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario;

ON READING the Statement of Allegations of Staff dated June 15, 2017, the Settlement Agreement and the application materials dated June 15, 2017, including the Joint Application Record for a Settlement Hearing, the Statement of Financial Condition sworn March 30, 2017 (the **Statement of Financial Condition**), the Joint Book of Authorities, Staff's Submissions and on hearing the submissions of the representatives for each of the parties, and considering undertakings by Lau and Income Strategix contained in the Settlement Agreement and attached as Schedule "A" to this Order (**Undertakings**) and on hearing the request by counsel for the parties for an order that two documents be kept confidential;

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;

2. trading in any securities or derivatives by and/or of Income Strategix, Income Strategix L.P., Income Strategix A-Class L.P., and Income Strategix I-Class L.P (together, the **Income Strategix Entities**) cease permanently, pursuant to paragraph 2 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the **Act**);

3. trading in any securities or derivatives by Lau cease permanently, pursuant to paragraph 2 of subsection 127(1) of the Act except that, only if Lau complies with the Undertakings, including, but not limited to, making all required repayments to investors, and proves the repayments in accordance with paragraph 44 of the Settlement Agreement, Lau shall be permitted to trade:

    a. exchange-traded funds, government bonds, mutual funds, and/or guaranteed investment certificates in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, solely through a registered dealer in Ontario, to whom Lau must have given a copy of this order; and

    b. securities by retaining the services of one or more independent, arms-length dealer/portfolio manager(s) who are registered in accordance with Ontario securities law, to trade securities on Lau's behalf in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, provided that:

        i. the respective registered dealer/portfolio manager(s) is provided with a copy of this order prior to trading securities on Lau's behalf;

        ii. the respective registered dealer/portfolio manager(s) has sole discretion over what trades may be made in the account and Lau has no direction or control over the selection of specific securities; and

        iii. Lau is permitted to have annual discussions with the respective registered dealer/portfolio manager(s) for the sole purpose of Lau providing information regarding general investment objectives, suitability and risk tolerance or as required under Ontario securities law;

4. the acquisition of any securities by the Income Strategix Entities is prohibited permanently, pursuant to paragraph 2.1 of subsection 127(1) of the Act;

5. the acquisition of any securities by Lau is prohibited permanently, pursuant to paragraph 2.1 of subsection 127(1) of the Act except that, only if Lau complies with the Undertakings, including, but not limited to, making all required repayments to investors, and proves the repayments in accordance with paragraph 44 of the Settlement Agreement, Lau shall be permitted to acquire:

   a. exchange-traded funds, government bonds, mutual funds, and/or guaranteed investment certificates in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, solely through a registered dealer in Ontario, to whom Lau must have given a copy of this order; and

   b. securities by retaining the services of one or more independent, arms-length dealer/portfolio manager(s) who are registered in accordance with Ontario securities law, to acquire securities on Lau's behalf in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, provided that:

      i. the respective registered dealer/portfolio manager(s) is provided with a copy of this order prior to acquiring securities on Lau's behalf;

      ii. the respective registered dealer/portfolio manager(s) has sole discretion over what acquisitions may be made in the account and Lau has no direction or control over the selection of specific securities; and

      iii. Lau is permitted to have annual discussions with the respective registered dealer/portfolio manager(s) for the sole purpose of Lau providing information regarding general investment objectives, suitability and risk tolerance or as required under Ontario securities law;

6. any exemptions contained in Ontario securities law do not apply to the Income Strategix Entities permanently, pursuant to paragraph 3 of subsection 127(1) of the Act;

7. any exemptions contained in Ontario securities law do not apply to Lau permanently, pursuant to paragraph 3 of subsection 127(1) of the Act;

8. Lau resign all positions that he holds as a director or officer of an issuer, pursuant to paragraph 7 of subsection 127(1) of the Act, with the exception that Lau shall be permitted to continue to act as a director and officer of a non-reporting issuer where there are 5 or fewer direct or indirect beneficial holders of the securities of such issuer and such issuer shall not raise capital through the issuance of securities to the public;

9. Lau resign all positions that he holds as a director or officer of a registrant, pursuant to paragraph 8.1 of subsection 127(1) of the Act;

10. Lau resign all positions that he holds as a director or officer of an investment fund manager, pursuant to paragraph 8.3 of subsection 127(1) of the Act;

11. Lau is prohibited from becoming or acting as a director or officer of any issuer permanently, pursuant to paragraph 8 of subsection 127(1) of the Act, with the exception that Lau shall be permitted to continue to act as a director and officer a non-reporting issuer where there are 5 or fewer direct or indirect beneficial holders of the securities of such issuer and such issuer shall not raise capital through the issuance of securities to the public;

12. Lau is prohibited from becoming or acting as a director or officer of any registrant permanently, pursuant to paragraph 8.2 of subsection 127(1) of the Act;

13. Lau is prohibited from becoming or acting as a director or officer of any investment fund manager permanently, pursuant to paragraph 8.4 of subsection 127(1) of the Act;

14. Lau is prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter permanently, pursuant to paragraph 8.5 of subsection 127(1) of the Act;

15. Lau and Income Strategix pay an administrative penalty in the amount of $70,000, on a joint and several basis, which shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act, pursuant to paragraph 9 of subsection 127(1) of the Act;

16. Lau and Income Strategix disgorge to the Commission the amount of $1,048,803.93, on a joint and several basis, less any amounts satisfied by payments made back to investors in accordance with the Undertakings and proven in accordance with paragraph 44 of the of the Settlement Agreement, and which shall be designated for allocation or for

use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act, pursuant to paragraph 10 of subsection 127(1) of the Act;

17. Lau and Income Strategix pay costs in the amount of $5,000, on a joint and several basis, pursuant to section 127.1 of the Act; and

18. Lau's right to (a) call at any residence for the purpose of trading in securities or derivatives, or (b) telephone from within Ontario to any residence within or outside Ontario for the purpose of trading in securities or derivatives, is cancelled, pursuant to subsection 37(1) of the Act.

19. pursuant to clause 9(1)(b) of the *Statutory Powers Procedure Act*, RSO 1990, c S.22, and rule 5.2 of the Commission's *Rules of Procedure*, the Income Strategix Investor Schedule to the Settlement Agreement and the Statement of Financial Condition are to be kept confidential.

"Janet Leiper"

"William J. Furlong"

SCHEDULE "A"

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

AND

**IN THE MATTER OF
NIXON LAU,
INCOME STRATEGIX HOLDINGS LTD.,
INCOME STRATEGIX L.P.,
INCOME STRATEGIX A-CLASS L.P. and
INCOME STRATEGIX I-CLASS L.P.**

UNDERTAKINGS TO THE ONTARIO SECURITIES COMMISSION

1. These Undertakings are given in connection with the settlement agreement dated June 9, 2017 (the "Settlement Agreement") between Nixon Lau, Income Strategix Holdings Ltd., Income Strategix L.P., Income Strategix A-Class L.P., and Income Strategix I-Class L.P. and Staff of the Commission. All terms shall have the same meanings in these Undertakings as in the Settlement Agreement.

2. The Respondents Nixon Lau and Income Strategix Holdings Ltd. undertake to the Commission:

   (a) to provide Staff (1) an updated sworn Statement of Financial Condition within three business days of July 1, 2021 and another updated sworn Statement of Financial Condition within three business days of July 1, 2024, and (2) copies of Lau's annual tax returns and those of his companies when they submit the proof of payment evidence contemplated in paragraph 44 of the Settlement Agreement for each year unless the payments agreed to in subparagraphs 41(o), (p), and (q) of the Settlement Agreement are no longer owing:

      (i) The updated Statement of Financial Condition will include, in addition to an updated Statement of Financial Condition in similar form to that submitted with the Settlement Agreement, (1) for the three years preceding the updated Statement of Financial Condition, particulars of any real estate commissions earned, the disposition of any real estate holdings, and any rental or property management income or revenue, and (2) details of any expectation of funds that will become available to satisfy the payments ordered in the three years following the date of the updated Statement of Financial Condition including, but not limited to, particulars of any real estate commissions, real estate holdings, and rental or property management income;

      (ii) Should there be a material change in the ability of Lau and/or Income Strategix to satisfy the payments agreed to in subparagraphs 41(o), (p), and (q) of the Settlement Agreement, the parties may apply to the Commission to vary the terms of the undertaking in the next subparagraph and in paragraph 44 of the Settlement Agreement;

   (b) to pay back Income Strategix Funds investors at least $150,000 per year in the manner set out in the following paragraph 44 of the Settlement Agreement until an amount equivalent to the disgorgement amount set out in paragraph 41(p) of the Settlement Agreement has been repaid;

   (c) to cause any disposition of the Real Estate Holdings to be at fair market value, and to cause their share of the proceeds from the disposition of any of the Real Estate Holdings to be used to pay back Income Strategix Funds investors in the manner set out in paragraph 44 of the Settlement Agreement unless an amount equivalent to the disgorgement amount set out in paragraph 41(p) of the Settlement Agreement has been repaid; and

   (d) should the tax returns of Income Strategix and Lau (including any tax returns of his companies) show that Lau earned, directly or indirectly, net income less taxes payable in any year in excess of $135,000, then to use such excess to pay back Income Strategix Funds investors in the manner set out in paragraph 44 of the Settlement Agreement unless an amount equivalent to the disgorgement amount set out in paragraph 41(p) of the Settlement Agreement has been repaid.

Dated at Toronto, ON this 9th day of June, 2017.

"Nixon Lau"
Nixon Lau

"Greg Temelini"
Greg Temelini
____________ [Print]

Witness

"Counsel, Janice Wright and Greg Temelini, Wright Temelini LLP"

Dated at Toronto, ON this 9th day of June, 2017.

"Nixon Lau"
Income Strategix Holdings Ltd.

Per: Nixon Lau
____________ [Print]

I am authorized to bind the corporation.

"Greg Temelini"
Greg Temelini
____________ [Print]

Witness

"Counsel, Janice Wright and Greg Temelini, Wright Temelini LLP"

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

AND

IN THE MATTER OF
NIXON LAU,
INCOME STRATEGIX HOLDINGS LTD.
INCOME STRATEGIX L.P.,
INCOME STRATEGIX A-CLASS L.P. and
INCOME STRATEGIX I-CLASS L.P.

AND

IN THE MATTER OF
A SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE ONTARIO SECURITIES COMMISSION AND
NIXON LAU,
INCOME STRATEGIX HOLDINGS LTD.
INCOME STRATEGIX L.P.,
INCOME STRATEGIX A-CLASS L.P. and
INCOME STRATEGIX I-CLASS L.P.

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*, R.S.O. 1990, c. S-5, as amended (the "Act"), it is in the public interest for the Commission to make certain orders in respect of Nixon Lau, Income Strategix Holdings Ltd., Income Strategix L.P., Income Strategix A-Class L.P., and Income Strategix I-Class L.P. (the "Respondents").

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("Staff") agree to recommend settlement of the proceeding commenced by the Notice of Hearing (the "Proceeding") against the Respondents according to the terms and conditions set out in Part VI of this Settlement Agreement (the "Settlement Agreement"). The Respondents agree to the making of an order in the form attached as Schedule "A" (the "Order"), based on the facts set out below.

3. For the purposes of this 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 July 2007 and September 2012, the Respondents Nixon Lau ("Lau") and Income Strategix Holdings Ltd. ("Income Strategix") engaged in the business of trading, and acted as a dealer in respect of, securities of investment funds being the Respondents Income Strategix L.P., Income Strategix A-Class L.P., and Income Strategix I-Class L.P. (collectively, the "Income Strategix Funds") without being registered in a category that permits such activity, and sold securities of the Income Strategix Funds through illegal distributions to investors in Ontario. As well, Lau and Income Strategix acted as the investment fund manager and portfolio manager of the Income Strategix Funds without being registered as was required in the circumstances with the requirement to register as an investment fund manager coming into place on September 28, 2009.

5. Lau and Income Strategix also engaged in conduct that they knew or reasonably ought to have known perpetrated a fraud contrary to clause 126.1(1)(b) of the Act (and its predecessor section). Among other things:

   a. by at least 2010, Lau and Income Strategix paid distributions or reported an accrual of distributions to investors as though the Income Strategix Funds were producing actual returns when they were not. By at

least 2012, Lau and Income Strategix knew they were using funds raised from new investors to make distributions to earlier investors; and

b. after the Income Strategix Funds stopped raising funds in September 2012, failing to provide investors a clear indication of what happened to their money or that their money had been lost, including promising some investors additional future payments should they agree to delay their request for the withdrawal of their investment.

B. THE RESPONDENTS

6. Income Strategix is an Ontario corporation. Income Strategix is the general partner of the Income Strategix Funds, which are all Ontario limited partnerships (collectively, the "Income Strategix Entities").

7. Lau is a resident of Mississauga, Ontario. At all times relevant to this proceeding, Lau was the directing mind of each of the Income Strategix Entities; Lau was the sole officer and director for each of the Income Strategix Entities; Lau was the sole signing authority on all of the Income Strategix Entities' bank accounts; and, Lau was the sole individual responsible for all trading decisions, execution of trades and wire transfers in and out of the Income Strategix Entities' trading accounts.

C. CONDUCT WITHOUT APPROPRIATE REGISTRATION

8. At all times relevant to this proceeding, none of the Respondents were registered in any capacity with the Commission. Prior to the relevant period, Lau was registered as a mutual fund salesperson from June 30, 2004 to March 27, 2006.

9. Lau conceived of and set up the Income Strategix Funds.

10. Lau and Income Strategix marketed the Income Strategix Funds to the public through a number of seminars held in the Greater Toronto Area, through one-on-one or small group meetings, and through a web page that was available to and accessed by the public.

11. Lau and Income Strategix dealt directly with all of investors who invested in the Income Strategix Funds.

12. Lau and Income Strategix marketed units of the Income Strategix Funds to the public on the basis that the investments made would be professionally managed by Lau and Income Strategix, and on the basis of a stated investment policy – primarily to hedge risk with publicly traded securities, options and futures. Investors were told among other things that, as a result of the investment strategy to be used by the Income Strategix Funds, the investors would "[m]ake money in any market condition, up, down, or sideways" and would be earning superior returns.

13. Investors were told by Lau and Income Strategix, and in a limited partnership agreement entitled "The Club Charter", which Lau provided investors, that investors could redeem their investment at the net asset value per unit provided the investment was left in place for a minimum of four months. Lau and Income Strategix also told the investors that their principal investment was guaranteed.

14. In exchange for their investment in the Income Strategix Funds, Lau and Income Strategix caused the Income Strategix Funds to issue promissory notes (the "Promissory Notes") to investors at the time of their investment. Lau signed all of the Promissory Notes. The Promissory Notes promised, among other things, that the investor was guaranteed upon withdrawal the greater of their principal investment or "the market value of the Security units" the investor purchased in the Income Strategix Funds.

15. The Promissory Notes are securities as that term is defined in subsection 1(1) of the Act including, but not limited to, that set out in clauses (e), (f), and (n) under the definition of "security" in subsection 1(1) of the Act.

16. The investors' funds were pooled in the Income Strategix Funds. The Income Strategix Funds had full discretion to buy and sell investments made by the Income Strategix Funds.

17. The Income Strategix Funds investors were told by Lau and Income Strategix that their money would be professionally managed by Lau and Income Strategix rather than the investors having to make their own decisions about investing in individual securities. The Income Strategix Funds did not seek to obtain control of or become involved in the management of companies in which they invested.

18. Lau and Income Strategix received compensation as a result of selling units of the Income Strategix Funds to investors and for managing the Income Strategix Funds. Through the period up to September 2012, the efforts of Lau and Income Strategix were devoted primarily to these activities.

19. Between July 2007 and September 2012, over 70 individual or family investors invested in the Income Strategix Funds. Collectively, these investors invested approximately $5.4 million in the Income Strategix Funds.

20. From at least between July 2007 and September 2012, Lau and the Income Strategix engaged in and held themselves out to be engaged in the business of trading in securities to the public. In marketing and selling the units of Income Strategix Funds to the public, Lau and Income Strategix were acting as a dealer.

21. Lau and Income Strategix acted as the portfolio manager for the Income Strategix Funds. They provided specific advice to the Income Strategix investors and the Income Strategix Funds. Lau caused and directed all trades in the Income Strategix Entities' trading accounts. All of the investment decisions for the Income Strategix Funds were made and implemented by Lau and Income Strategix.

22. As such, Lau and Income Strategix engaged in and held themselves out to be engaged in the business of advising with respect to investing in, buying or selling securities. Among other things, the advisory activity took the form of exercising full discretion in the trading in the Income Strategix Funds trading accounts.

23. Lau and Income Strategix acted as the investment fund manager for the Income Strategix Funds. Lau and Income Strategix organized and directed the business, operations and affairs of the Income Strategix Funds. They organized the Income Strategix Funds and were responsible for their management and administration.

24. Lau and Income Strategix failed to meet any of the requirements, obligations, or duties of a dealer, adviser, or investment fund manager. Among other things, they maintained deficient and, in most instances, no books and records necessary for the proper recording of the Income Strategix Entities' business, trading, and financial transactions and financial affairs.

25. There was no exemption available to Lau or Income Strategix from the requirements of subsections 25(1), 25(3), or 25(4) of the Act or their predecessor sections.

26. Lau and Income Strategix told investors that they were going to participate in an investment club. The dealer registration exemption for a private investment club did not apply to the trades described above, because, among other things, the Income Strategix Funds had more than fifty beneficial security holders, they distributed their securities to the public, and they paid remuneration for investment management and administration advice in respect of the trades in the securities.

D. CONDUCT RESPECTING ILLEGAL DISTRIBUTIONS

27. The Promissory Notes had not been previously issued.

28. No prospectus or preliminary prospectus was filed with the Commission and no receipt for them has ever been issued by the Director as required by subsection 53(1) of the Act with respect to the trades of the Promissory Notes. During the period relevant to this proceeding, the Respondents never filed a prospectus with the Commission.

29. No exemption from the requirements of section 53 of the Act was available to the Respondents.

E. CONDUCT THAT THE RESPONDENTS KNEW OR REASONABLY OUGHT TO HAVE KNOWN PERPETRATED A FRAUD

30. Beginning by at least 2010, Lau and Income Strategix took steps to prevent discovery by and to not disclose to Income Strategix Funds investors that the Income Strategix Funds were losing money and were not producing actual returns, and to show the Income Strategix Funds were paying expected returns. Despite the loss in value, Lau and Income Strategix continued to pay distributions or report an accrual of distributions to investors as though the Income Strategix Funds were producing actual returns. By at least 2012, Lau and Income Strategix knew they were using funds raised from new investors to make distributions to earlier investors.

31. Among other things, depending on the nature of their investment, investors were provided monthly distributions or statements showing an increase in the value of their units when in fact the Income Strategix Funds were incurring a loss. As well, Lau and Income Strategix presented inaccurate information in this respect by way of the investors' online accounts on the Income Strategix website and in presentations Lau gave to investors at annual meetings.

32. When Lau and Income Strategix did not have enough new investor funds to make distributions to existing Income Strategix Funds investors in September 2012, Lau sent emails to investors in which Lau told investors that Ontario regulators had frozen the accounts of the Income Strategix Funds. Lau led investors to believe that the reason for the cease trade/freeze was because an investor requested a withdrawal and when Lau did not provide it, the investor

complained. Emails from Lau to investors in the fall of 2013 referred to investigations being conducted by an additional regulator. Lau knew these emails were not true. Lau sent the emails to hold off investors who were seeking redemptions.

33. After the Income Strategix Funds stopped raising funds in September 2012, Lau and Income Strategix did not provide investors a clear indication of what happened to their money or that their money had been lost. When Lau and Income Strategix began to repay the investors, they promised some investors additional future payments should they agree to delay their request for the withdrawal of their investment.

34. Lau's and Income Strategix's conduct described above caused deprivation to the investors in the Income Strategix Funds. Investors invested their money and some investors chose to not redeem their investments based on the representations made by Lau and Income Strategix as set out above. From the moment of their investment, each investor's pecuniary interests were at risk from then on, and, in fact, many lost their investments.

35. At least 22 individual or family investors have not received a return of their principal investment. The amount of principal owing to these investors at the date of the Notice of Hearing is at least $1,048,803.93.

F. LIABILITY OF DIRECTORS AND OFFICERS

36. During the relevant period, Lau as a director and/or officer of the Income Strategix authorized, permitted or acquiesced in Income Strategix's non-compliance with Ontario securities law.

G. CONDUCT CONTRARY TO THE PUBLIC INTEREST

37. The conduct described above was contrary to the fundamental purposes and principles of the Act found in subsections 1.1 and 2.1 of the Act. The Respondents engaged in unfair and improper practices, which harmed investors who invested in the Income Strategix Funds, and which impugned the integrity of Ontario's capital markets.

H. CONTINUING COURSE OF CONDUCT

38. The misconduct described above establishing breaches of sections 25, 53 and 126.1(1) of the Act (and their predecessor sections), and the conduct contrary to the public interest described above, are part of a course of conduct by the Respondents with a continuity of purpose that extended into the limitation period.

PART IV – CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND THE PUBLIC INTEREST

39. By engaging in the conduct described above, Lau and Income Strategix admit and acknowledge that they have breached Ontario securities law by contravening sections 25, 53, and 126.1(1)(b) of the Act (and any predecessor sections of these sections in existence during the period relevant to this proceeding), Lau admits and acknowledges that he breached Ontario securities law by contravening section 129.2 of the Act, and the Respondents acknowledge that they have acted contrary to the public interest in that:

    a. Lau and Income Strategix engaged in the business of, or held themselves out as engaging in the business of trading in securities, being the Promissory Notes, without being registered in accordance with Ontario securities law as a dealer, contrary to section 25(1)(a) of the Act as that section existed at the time the conduct at issue commenced in July 2007, and contrary to subsection 25(1) of the Act, as subsequently amended on September 28, 2009, and where there were no exemptions available to Lau and Income Strategix under the Act;

    b. Lau and Income Strategix engaged in the business of, or held themselves out as engaging in the business of advising the Income Strategix Funds' investors and the Income Strategix Funds with respect to investing in, buying or selling securities without being registered in accordance with Ontario securities law as an adviser, contrary to clause 25(1)(c) of the Act as that section existed at the time the conduct at issue commenced in July 2007, and contrary to subsection 25(3) of the Act, as subsequently amended on September 28, 2009, and where there were no exemptions available to Lau and Income Strategix under the Act;

    c. Lau and Income Strategix acted as an investment fund manager for the Income Strategix Funds without being registered in accordance with Ontario securities law as an investment fund manager, contrary to subsection 25(4) of the Act as introduced on September 28, 2009, and where there were no exemptions available to Lau and Income Strategix under the Act;

    d. The trading of the Promissory Notes as set out above constituted a distribution of securities by Lau and Income Strategix in circumstances where no preliminary prospectus and prospectus were filed and receipts

had not been issued for them by the Director, and where there were no exemptions available to Lau and Income Strategix under the Act, contrary to subsection 53(1) of the Act;

e. Lau and Income Strategix directly or indirectly engaged or participated in an act, practice or course of conduct relating to the Promissory Notes and the Income Strategix Funds that they knew or reasonably ought to have known perpetrated a fraud on persons purchasing the Promissory Notes to acquire an interest in the Income Strategix Funds, contrary to subsection 126.1(b) of the Act as that section existed at the time the conduct at issue commenced in July 2007, and contrary to clause 126.1(1)(b) of the Act, as subsequently amended on June 21, 2013; and

f. Lau as a director and/or officer of the Income Strategix authorized, permitted or acquiesced in the Income Strategix's non-compliance with Ontario securities law as set out above, and accordingly, failed to comply with Ontario securities law contrary to section 129.2 of the Act.

PART V – RESPONDENTS' POSITION

40. The Respondents request that the settlement hearing panel consider the following mitigating circumstances:

a. Lau advises that he initiated his activities in 2007 as an investment club for close friends and family after successfully trading options for his own account. Lau acknowledges that while a number of investors received their principal back, his course of conduct led to losses for the remaining 22 individual or family investors. Lau advises that he accepts full responsibility for his conduct and is extremely remorseful.

b. Lau advises that, prior to Lau being aware of Staff's investigation and since September 2012, Lau began to repay the amounts outstanding from his personal assets and/or earnings. Lau advises that to date, more than $4.2 million has been repaid to investors and the majority of investors have received their principal back. Lau further advises that he has paid a significant amount of funds to investors, in the hundreds of thousands of dollars, from his personal assets and/or earnings. Lau advises that he has repaid these amounts through his employment but also by selling personal assets, including his family home, and borrowing money from his parents who mortgaged their home to assist their son.

c. While Lau will not be making a payment at the time this Settlement Agreement is approved, Lau advises that this is because he has used his available funds to repay investors. Between April 2016 and May 2017, Lau repaid Income Strategix investors $181,478.92.

d. Lau advises that he acknowledges that a further $1,048,803.93 remains outstanding. Lau advises that he is committed to paying these further amounts in an effort to make amends as much as possible for his course of conduct.

e. When Lau initiated his activities in 2007, he was 27 years old. Lau advises that he now has a young family to support but is committed to work to repay investors the full amount of the remaining amounts still owing.

f. Lau advises that he has no prior disciplinary record.

PART VI – TERMS OF SETTLEMENT

41. The Respondents agree to the terms of settlement listed below and to the Order attached hereto, made pursuant to subsection 127(1) and section 127.1 of the Act that:

(a) the Settlement Agreement is approved;

(b) trading in any securities or derivatives by and/or of the Income Strategix Entities cease permanently, pursuant to paragraph 2 of subsection 127(1) of the Act;

(c) trading in any securities or derivatives by Lau cease permanently, pursuant to paragraph 2 of subsection 127(1) of the Act except that, only if Lau complies with the Undertakings (identified in paragraph 43), including, but not limited to, making all required repayments to investors, and proves the repayments in accordance with paragraph 44, Lau shall then be permitted to trade:

i. exchange-traded funds, government bonds, mutual funds, and/or guaranteed investment certificates in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, solely through a registered dealer in Ontario, to whom Lau must have given a copy of the Order; and

ii. securities by retaining the services of one or more independent, arms-length dealer/portfolio manager(s) who are registered in accordance with Ontario securities law, to trade securities on Lau's behalf in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, provided that:

a. the respective registered dealer/portfolio manager(s) is provided with a copy of the Order prior to trading securities on Lau's behalf;

b. the respective registered dealer/portfolio manager(s) has sole discretion over what trades may be made in the account and Lau has no direction or control over the selection of specific securities; and

c. Lau is permitted to have annual discussions with the respective registered dealer/portfolio manager(s) for the sole purpose of Lau providing information regarding general investment objectives, suitability and risk tolerance or as required under Ontario securities law;

(d) the acquisition of any securities by the Income Strategix Entities is prohibited permanently, pursuant to paragraph 2.1 of subsection 127(1) of the Act;

(e) the acquisition of any securities by Lau is prohibited permanently, pursuant to paragraph 2.1 of subsection 127(1) of the Act except that, only if Lau complies with the Undertakings (identified in paragraph 43), including, but not limited to, making all required repayments to investors, and proves the repayments in accordance with paragraph 44, Lau shall then be permitted to acquire:

i. exchange-traded funds, government bonds, mutual funds, and/or guaranteed investment certificates in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, solely through a registered dealer in Ontario, to whom Lau must have given a copy of the Order; and

ii. securities by retaining the services of one or more independent, arms-length dealer/portfolio manager(s) who are registered in accordance with Ontario securities law, to acquire securities on Lau's behalf in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, provided that:

a. the respective registered dealer/portfolio manager(s) is provided with a copy of the Order prior to acquiring securities on Lau's behalf;

b. the respective registered dealer/portfolio manager(s) has sole discretion over what acquisitions may be made in the account and Lau has no direction or control over the selection of specific securities; and

c. Lau is permitted to have annual discussions with the respective registered dealer/portfolio manager(s) for the sole purpose of Lau providing information regarding general investment objectives, suitability and risk tolerance or as required under Ontario securities law;

(f) any exemptions contained in Ontario securities law do not apply to the Income Strategix Entities permanently, pursuant to paragraph 3 of subsection 127(1) of the Act;

(g) any exemptions contained in Ontario securities law do not apply to Lau permanently, pursuant to paragraph 3 of subsection 127(1) of the Act;

(h) Lau resign all positions that he holds as a director or officer of an issuer, pursuant to paragraph 7 of subsection 127(1) of the Act with the exception that Lau shall be permitted to continue to act as a director and officer of a non-reporting issuer where there are 5 or fewer direct or indirect beneficial holders of the securities of such issuer and such issuer shall not raise capital through the issuance of securities to the public;

(i) Lau resign all positions that he holds as a director or officer of a registrant, pursuant to paragraph 8.1 of subsection 127(1) of the Act;

(j) Lau resign all positions that he holds as a director or officer of an investment fund manager, pursuant to paragraph 8.3 of subsection 127(1) of the Act;

(k) Lau is prohibited from becoming or acting as a director or officer of any issuer permanently, pursuant to paragraph 8 of subsection 127(1) of the Act with the exception that Lau shall be permitted to continue to act as a director and officer of a non-reporting issuer where there are 5 or fewer direct or indirect beneficial holders of the securities of such issuer and such issuer shall not raise capital through the issuance of securities to the public;

(l) Lau is prohibited from becoming or acting as a director or officer of any registrant permanently, pursuant to paragraph 8.2 of subsection 127(1) of the Act;

(m) Lau is prohibited from becoming or acting as a director or officer of any investment fund manager permanently, pursuant to paragraph 8.4 of subsection 127(1) of the Act;

(n) Lau is prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter permanently, pursuant to paragraph 8.5 of subsection 127(1) of the Act;

(o) Lau and Income Strategix pay an administrative penalty in the amount of $70,000, on a joint and several basis, which shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act, pursuant to paragraph 9 of subsection 127(1) of the Act;

(p) Lau and Income Strategix disgorge to the Commission the amount of $1,048,803.93, on a joint and several basis, less any amounts satisfied by payments made back to investors in accordance with paragraph 43 and proven in accordance with paragraph 44, and which shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act, pursuant to paragraph 10 of subsection 127(1) of the Act;

(q) Lau and Income Strategix pay costs in the amount of $5,000, on a joint and several basis, pursuant to section 127.1 of the Act; and

(r) Lau's right to (i) call at any residence for the purpose of trading in securities or derivatives, or (ii) telephone from within Ontario to any residence within or outside Ontario for the purpose of trading in securities or derivatives, is cancelled, pursuant to subsection 37(1) of the Act.

42. Lau and Income Strategix have provided Staff a sworn Statement of Financial Condition indicating they have limited assets and an expectation that they will only have approximately $150,000 per year available to satisfy the payments ordered; this Statement of Financial Condition will be provided to the Commission at the confidential settlement conference and the public settlement hearing; however, it will not be made public. The Statement of Financial Condition sets out, among other things:

a. particulars of Lau and Income Strategix's real estate holdings at Schedule "1" to the Statement of Financial Condition (the "Real Estate Holdings"),

b. particulars of all real estate commissions expected to be earned by Income Strategix or Lau and his companies in the three years following the date of the Statement of Financial Condition, and

c. particulars of all rental or property management income or revenue expected to be earned by Income Strategix or Lau and his companies in the three years following the date of the Statement of Financial Condition.

43. Lau and Income Strategix have given undertakings (the "Undertakings") to the Commission in the form attached as Schedule "B" to this Settlement Agreement, which include undertakings:

a. to provide Staff (1) an updated sworn Statement of Financial Condition within three business days of July 1, 2021 and another updated sworn Statement of Financial Condition within three business days of July 1, 2024, and (2) copies of Lau's annual tax returns and those of his companies when they submit the proof of payment evidence contemplated in paragraph 44 for each year unless the payments agreed to in subparagraphs 41(o), (p), and (q) above are no longer owing:

i. The updated Statement of Financial Condition will include, in addition to an updated Statement of Financial Condition in similar form to that submitted with this Settlement Agreement, (1) for the three years preceding the updated Statement of Financial Condition, particulars of any real estate commissions earned, the disposition of any real estate holdings, and any rental or property management income or revenue, and (2) details of any expectation of funds that will become available to satisfy the payments ordered in the three years following the date of the updated

Statement of Financial Condition including, but not limited to, particulars of any real estate commissions, real estate holdings, and rental or property management income;

ii. Should there be a material change in the ability of Lau and/or Income Strategix to satisfy the payments agreed to in subparagraphs 41(o), (p), and (q) above, the parties may apply to the Commission to vary the terms of the undertaking in the next subparagraph and the following paragraph;

b. to pay back Income Strategix Funds investors at least $150,000 per year in the manner set out in the following paragraph until an amount equivalent to the disgorgement amount set out in paragraph 41(p) has been repaid;

c. to cause any disposition of the Real Estate Holdings to be at fair market value, and to cause their share of the proceeds from the disposition of any of the Real Estate Holdings to be used to pay back Income Strategix Funds investors in the manner set out in the following paragraph unless an amount equivalent to the disgorgement amount set out in paragraph 41(p) has been repaid; and

d. should the tax returns of Income Strategix and Lau (including any tax returns of his companies) show that Lau earned, directly or indirectly, net income less taxes payable in any year in excess of $135,000, then to use such excess to pay back Income Strategix Funds investors in the manner set out in the following paragraph unless an amount equivalent to the disgorgement amount set out in paragraph 41(p) has been repaid.

44. With respect to the payments in subparagraphs 41(o), (p), and (q) above, they are due and owing at the time the Order contemplated by this Settlement Agreement is made; however, the Commission will not take steps to collect these payments as long as:

a. Lau and Income Strategix comply with the Undertakings; and

b. further, to prevent collection steps, by July 1, 2018 and by July 1 of each following year, Lau and/or Income Strategix must provide proof to Staff that they have repaid at least $150,000 to the Income Strategix Funds investors without preference and pro rata to the amount owing to each investor as set out in the Income Strategix Funds Investors Schedule that is attached to the Settlement Agreement and which will be provided to the Commission at the confidential settlement conference and the public settlement hearing, but which will not be made public. The Income Strategix Funds Investors Schedule was prepared based on information provided by Lau and Income Strategix; it does not represent a finding of fact, a determination of liability, or an allocation or distribution of disgorged funds by the Commission.

45. Should Lau and/or Income Strategix not comply with the Undertakings, fail to make the repayments or provide proof to Staff of the repayments as required by paragraphs 43 and 44, or fail to provide the updated Statements of Financial Condition or tax returns in accordance with paragraph 43, the Commission may commence collection efforts on the full amount of the payments set out in subparagraphs 41(o), (p), and (q) less any amounts satisfied by repayments made and proven to Staff in accordance with this paragraph. Should the disgorgement amount set out in subparagraph 41(p) be satisfied, and the administrative monetary penalty or the costs award set out in subparagraphs 41(o) and (q) remain unsatisfied, then the Commission may commence collection efforts.

46. The Respondents undertake to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the prohibitions set out in sub-paragraphs 41(a) to (n) and (r) above. These prohibitions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

47. The Respondents agree to attend in person at the hearing before the Commission to consider the proposed settlement.

48. Lau and Income Strategix acknowledge that failure to pay the amounts set out in subparagraphs 41(o), (p), or (q) in accordance with the requirements of paragraph 44 will result in the Respondents' names being added to the list of "Respondents Delinquent in Payment of Commission Orders" published on the Commission website.

49. 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 undertake to contact the securities regulator of any other jurisdiction in which they may intend to engage in any securities- or derivatives-related activities, prior to undertaking such activities.

PART VII – STAFF COMMITMENT

50. If the Commission approves this Settlement Agreement, Staff will not commence any proceeding under Ontario securities law against the Respondents in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraphs 51 and 52 below.

51. If the Commission approves this Settlement Agreement and the Respondents fail to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against the Respondents. These proceedings may be based on, but need not be limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement. In addition, if this Settlement Agreement is approved by the Commission, and Lau or Income Strategix fail to comply with the terms of the Settlement Agreement, the Commission is entitled to bring any proceedings necessary to recover the amounts set out in paragraphs 41 (o), (p) and (q) above.

52. Staff have relied in part upon representations by the Respondents that Lau and Income Strategix raised approximately $5.4 million from over 70 individual or family investors and that at least $1,048,803.93 remains to be repaid to approximately 22 individual or family investors. Should materially more money have been raised, materially more investors have been involved, materially more investors remain unpaid, or materially more remain unpaid to investors than as set out here, then Staff may bring proceedings under Ontario securities law against the Respondents despite this Settlement Agreement.

PART VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT

53. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission, which shall be held on a date determined by the Secretary to the Commission in accordance with this Settlement Agreement and the Commission's *Rules of Procedure*.

54. Staff and the Respondents agree that 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.

55. If the Commission approves this Settlement Agreement, the Respondents agree to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

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

57. 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 IX – DISCLOSURE OF SETTLEMENT AGREEMENT

58. If the Commission does not approve this Settlement Agreement or does not make the order 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 of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this agreement.

59. All parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement, subject to the parties' need to make submissions during the public hearing.

PART X – EXECUTION OF SETTLEMENT AGREEMENT

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

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

Dated at Toronto, ON this 9th day of June, 2017.

"Nixon Lau"
Nixon Lau

"Greg Temelini"
Greg Temelini
____________ [Print]

Witness

"Counsel, Janice Wright and Greg Temelini, Wright Temelini LLP"

Dated at Toronto, ON this 9th day of June, 2017.

"Nixon Lau"
Income Strategix Holdings Ltd.

Per: Nixon Lau
____________ [Print]

I am authorized to bind the corporation.

"Greg Temelini"
Greg Temelini
____________ [Print]

Witness

"Counsel, Janice Wright and Greg Temelini, Wright Temelini LLP"

Dated at Toronto, ON this 9th day of June, 2017.

"Nixon Lau"
Income Strategix L.P.

Per: Nixon Lau
____________ [Print]

I am authorized to bind the limited partnership.

"Greg Temelini"
Greg Temelini
____________ [Print]

Witness

"Counsel, Janice Wright and Greg Temelini, Wright Temelini LLP"

Dated at Toronto, ON this 9th day of June, 2017.

"Nixon Lau"
Income Strategix A-Class L.P.

Per: Nixon Lau
____________ [Print]

I am authorized to bind the limited partnership.

"Greg Temelini"
Greg Temelini
____________ [Print]

Witness

"Counsel, Janice Wright and Greg Temelini, Wright Temelini LLP"

Dated at Toronto, ON this 9th day of June, 2017.

"Nixon Lau"
Income Strategix I-Class L.P.

Per: Nixon Lau
____________ [Print]

I am authorized to bind the limited partnership.

"Greg Temelini"
Greg Temelini
____________ [Print]

Witness

"Counsel, Janice Wright and Greg Temelini, Wright Temelini LLP"

Dated at Toronto this 13th day of June, 2017.

"Jeff Kehoe"
Jeff Kehoe
Director, Enforcement Branch

Schedule "A"

IN THE MATTER OF
NIXON LAU,
INCOME STRATEGIX HOLDINGS LTD.,
INCOME STRATEGIX L.P.,
INCOME STRATEGIX A-CLASS L.P. and
INCOME STRATEGIX I-CLASS L.P.

Janet Leiper, Chair of the Panel
William J. Furlong, Commissioner
Garnet Fenn, Commissioner

(*Day and date order made*)

ORDER
(Sections 127 and 127.1 of the Securities Act, RSO 1990, c S.5)

WHEREAS on [*date*], the Ontario Securities Commission held a hearing at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario, to consider whether it is in the public interest to approve a settlement agreement entered into between Staff of the Commission (**Staff**) and Nixon Lau (**Lau),** Income Strategix Holdings Ltd. (**Income Strategix**), Income Strategix L.P., Income Strategix A-Class L.P., and Income Strategix I-Class L.P. (the **Respondents**) in relation to the allegations set out in the Statement of Allegations of Staff dated [*date*] (the **Statement of Allegations**).

ON READING the Settlement Agreement entered into by the Respondents with Staff and dated [*date*] (the **Settlement Agreement**) and on hearing the submissions of the representatives for Staff and the Respondents, and considering undertakings by Lau and Income Strategix contained in the Settlement Agreement and attached as Schedule "A" to this Order (**Undertakings**);

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;

2. trading in any securities or derivatives by and/or of Income Strategix, Income Strategix L.P., Income Strategix A-Class L.P., and Income Strategix I-Class L.P (together, the **Income Strategix Entities**) cease permanently, pursuant to paragraph 2 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the **Act**);

3. trading in any securities or derivatives by Lau cease permanently, pursuant to paragraph 2 of subsection 127(1) of the Act except that, only if Lau complies with the Undertakings, including, but not limited to, making all required repayments to investors, and proves the repayments in accordance with paragraph 44 of the Settlement Agreement, Lau shall be permitted to trade:

    a. exchange-traded funds, government bonds, mutual funds, and/or guaranteed investment certificates in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, solely through a registered dealer in Ontario, to whom Lau must have given a copy of this order; and

    b. securities by retaining the services of one or more independent, arms-length dealer/portfolio manager(s) who are registered in accordance with Ontario securities law, to trade securities on Lau's behalf in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, provided that:

        i. the respective registered dealer/portfolio manager(s) is provided with a copy of this order prior to trading securities on Lau's behalf;

        ii. the respective registered dealer/portfolio manager(s) has sole discretion over what trades may be made in the account and Lau has no direction or control over the selection of specific securities; and

        iii. Lau is permitted to have annual discussions with the respective registered dealer/portfolio manager(s) for the sole purpose of Lau providing information regarding general investment objectives, suitability and risk tolerance or as required under Ontario securities law;

4. the acquisition of any securities by the Income Strategix Entities is prohibited permanently, pursuant to paragraph 2.1 of subsection 127(1) of the Act;

5. the acquisition of any securities by Lau is prohibited permanently, pursuant to paragraph 2.1 of subsection 127(1) of the Act except that, only if Lau complies with the Undertakings, including, but not limited to, making all required repayments to investors, and proves the repayments in accordance with paragraph 44 of the Settlement Agreement, Lau shall be permitted to acquire:

    a. exchange-traded funds, government bonds, mutual funds, and/or guaranteed investment certificates in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, solely through a registered dealer in Ontario, to whom Lau must have given a copy of this order; and

    b. securities by retaining the services of one or more independent, arms-length dealer/portfolio manager(s) who are registered in accordance with Ontario securities law, to acquire securities on Lau's behalf in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, provided that:

        i. the respective registered dealer/portfolio manager(s) is provided with a copy of this order prior to acquiring securities on Lau's behalf;

        ii. the respective registered dealer/portfolio manager(s) has sole discretion over what acquisitions may be made in the account and Lau has no direction or control over the selection of specific securities; and

        iii. Lau is permitted to have annual discussions with the respective registered dealer/portfolio manager(s) for the sole purpose of Lau providing information regarding general investment objectives, suitability and risk tolerance or as required under Ontario securities law;

6. any exemptions contained in Ontario securities law do not apply to the Income Strategix Entities permanently, pursuant to paragraph 3 of subsection 127(1) of the Act;

7. any exemptions contained in Ontario securities law do not apply to Lau permanently, pursuant to paragraph 3 of subsection 127(1) of the Act;

8. Lau resign all positions that he holds as a director or officer of an issuer, pursuant to paragraph 7 of subsection 127(1) of the Act, with the exception that Lau shall be permitted to continue to act as a director and officer of a non-reporting issuer where there are 5 or fewer direct or indirect beneficial holders of the securities of such issuer and such issuer shall not raise capital through the issuance of securities to the public;

9. Lau resign all positions that he holds as a director or officer of a registrant, pursuant to paragraph 8.1 of subsection 127(1) of the Act;

10. Lau resign all positions that he holds as a director or officer of an investment fund manager, pursuant to paragraph 8.3 of subsection 127(1) of the Act;

11. Lau is prohibited from becoming or acting as a director or officer of any issuer permanently, pursuant to paragraph 8 of subsection 127(1) of the Act, with the exception that Lau shall be permitted to continue to act as a director and officer a non-reporting issuer where there are 5 or fewer direct or indirect beneficial holders of the securities of such issuer and such issuer shall not raise capital through the issuance of securities to the public;

12. Lau is prohibited from becoming or acting as a director or officer of any registrant permanently, pursuant to paragraph 8.2 of subsection 127(1) of the Act;

13. Lau is prohibited from becoming or acting as a director or officer of any investment fund manager permanently, pursuant to paragraph 8.4 of subsection 127(1) of the Act;

14. Lau is prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter permanently, pursuant to paragraph 8.5 of subsection 127(1) of the Act;

15. Lau and Income Strategix pay an administrative penalty in the amount of $70,000, on a joint and several basis, which shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act, pursuant to paragraph 9 of subsection 127(1) of the Act;

16. Lau and Income Strategix disgorge to the Commission the amount of $1,048,803.93, on a joint and several basis, less any amounts satisfied by payments made back to investors in accordance with the Undertakings and proven in accordance with paragraph 44 of the of the Settlement Agreement, and which shall be designated for allocation or for

use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act, pursuant to paragraph 10 of subsection 127(1) of the Act;

17. Lau and Income Strategix pay costs in the amount of $5,000, on a joint and several basis, pursuant to section 127.1 of the Act; and

18. Lau's right to (a) call at any residence for the purpose of trading in securities or derivatives, or (b) telephone from within Ontario to any residence within or outside Ontario for the purpose of trading in securities or derivatives, is cancelled, pursuant to subsection 37(1) of the Act

SCHEDULE "A"

UNDERTAKING

[*NOTE: To be inserted from Schedule "B" to the Settlement Agreement.*]

SCHEDULE "B"

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

AND

**IN THE MATTER OF
NIXON LAU,
INCOME STRATEGIX HOLDINGS LTD.,
INCOME STRATEGIX L.P.,
INCOME STRATEGIX A-CLASS L.P. and
INCOME STRATEGIX I-CLASS L.P.**

UNDERTAKINGS TO THE ONTARIO SECURITIES COMMISSION

1. These Undertakings are given in connection with the settlement agreement dated June 9, 2017 (the "Settlement Agreement") between Nixon Lau, Income Strategix Holdings Ltd., Income Strategix L.P., Income Strategix A-Class L.P., and Income Strategix I-Class L.P. and Staff of the Commission. All terms shall have the same meanings in these Undertakings as in the Settlement Agreement.

2. The Respondents Nixon Lau and Income Strategix Holdings Ltd. undertake to the Commission:

(a) to provide Staff (1) an updated sworn Statement of Financial Condition within three business days of July 1, 2021 and another updated sworn Statement of Financial Condition within three business days of July 1, 2024, and (2) copies of Lau's annual tax returns and those of his companies when they submit the proof of payment evidence contemplated in paragraph 44 of the Settlement Agreement for each year unless the payments agreed to in subparagraphs 41(o), (p), and (q) of the Settlement Agreement are no longer owing:

(i) The updated Statement of Financial Condition will include, in addition to an updated Statement of Financial Condition in similar form to that submitted with the Settlement Agreement, (1) for the three years preceding the updated Statement of Financial Condition, particulars of any real estate commissions earned, the disposition of any real estate holdings, and any rental or property management income or revenue, and (2) details of any expectation of funds that will become available to satisfy the payments ordered in the three years following the date of the updated Statement of Financial Condition including, but not limited to, particulars of any real estate commissions, real estate holdings, and rental or property management income;

(ii) Should there be a material change in the ability of Lau and/or Income Strategix to satisfy the payments agreed to in subparagraphs 41(o), (p), and (q) of the Settlement Agreement, the parties may apply to the Commission to vary the terms of the undertaking in the next subparagraph and in paragraph 44 of the Settlement Agreement;

(b) to pay back Income Strategix Funds investors at least $150,000 per year in the manner set out in the following paragraph 44 of the Settlement Agreement until an amount equivalent to the disgorgement amount set out in paragraph 41(p) of the Settlement Agreement has been repaid;

(c) to cause any disposition of the Real Estate Holdings to be at fair market value, and to cause their share of the proceeds from the disposition of any of the Real Estate Holdings to be used to pay back Income Strategix Funds investors in the manner set out in paragraph 44 of the Settlement Agreement unless an amount equivalent to the disgorgement amount set out in paragraph 41(p) of the Settlement Agreement has been repaid; and

(d) should the tax returns of Income Strategix and Lau (including any tax returns of his companies) show that Lau earned, directly or indirectly, net income less taxes payable in any year in excess of $135,000, then to use such excess to pay back Income Strategix Funds investors in the manner set out in paragraph 44 of the

Settlement Agreement unless an amount equivalent to the disgorgement amount set out in paragraph 41(p) of the Settlement Agreement has been repaid.

Dated at Toronto, ON this 9th day of June, 2017.

Dated at Toronto, ON this 9th day of June, 2017.

"Nixon Lau"
Nixon Lau

"Greg Temelini"
Greg Temelini
____________ [Print]

Witness

"Counsel, Janice Wright and Greg Temelini,
Wright Temelini LLP"

Dated at Toronto, ON this 9th day of June, 2017.

"Nixon Lau"
Income Strategix Holdings Ltd.

Per: Nixon Lau
____________ [Print]

I am authorized to bind the corporation.

"Greg Temelini"
Greg Temelini
____________ [Print]

Witness

"Counsel, Janice Wright and Greg Temelini,
Wright Temelini LLP"

Income Strategix Funds Investor Schedule removed as it was ordered to be kept confidential pursuant to the Panel's order made June 26, 2017

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions

3.1.1 RBC Dominion Securities Inc. et al. – ss. 127(1), 127(2)

IN THE MATTER OF
RBC DOMINION SECURITIES INC.,
ROYAL MUTUAL FUNDS INC., and
RBC PHILLIPS, HAGER & NORTH INVESTMENT COUNSEL INC.

ORAL RULING AND REASONS
(Subsections 127(1) and 127(2) of the Securities Act)

Citation: *RBC Dominion Securities Inc. et al.*, 2017 ONSEC 24
Date: 2017-06-27

Hearing:	June 27, 2017		
Oral Ruling:	June 27, 2017		
Panel:	Timothy Moseley Philip Anisman AnneMarie Ryan	– – –	Commissioner and Chair of the Panel Commissioner Commissioner
Appearances:	Yvonne B. Chisholm Michelle Vaillancourt	–	For Staff of the Commission
	Paul Steep Dharshini Sinnadurai	–	For RBC Dominion Securities Inc., Royal Mutual Funds Inc., and RBC Phillips, Hager & North Investment Counsel Inc.

ORAL RULING AND REASONS

The following reasons have been prepared for publication in the Ontario Securities Commission Bulletin, based on the reasons delivered orally in the hearing as edited and approved by the panel, to provide a public record.

[1] Staff of the Commission has made allegations against RBC Dominion Securities Inc., Royal Mutual Funds Inc., and RBC Phillips, Hager & North Investment Counsel Inc., all of which are wholly-owned indirect subsidiaries of Royal Bank of Canada (referred to in these reasons as the "**RBC Registrants**"). Staff's allegations relate to matters that were reported by the RBC Registrants promptly to Staff beginning in February 2015.

[2] The RBC Registrants have entered into a settlement agreement with Staff, in which the RBC Registrants neither admit nor deny the truth of Staff's allegations. The RBC Registrants and Staff submit jointly that it would be in the public interest for us to approve the agreement and to issue the requested order. For the following reasons, we agree.

[3] Staff alleges that each RBC Registrant failed to establish, maintain and apply procedures to establish sufficient controls and supervision, as a result of which certain clients paid excess fees. Staff also alleges that these inadequacies were not detected or corrected by the RBC Registrants in a timely manner.

[4] Staff alleges that the excess fees fell into two categories. First, for some clients with fee-based accounts, certain products held in those accounts were incorrectly included in the calculation of account fees, even though the products were also subject to embedded trailer fees, or to service fees negotiated between the client and the investment advisor. Second, some clients were not advised that they qualified for a mutual fund series that had a lower management expense ratio than the series of the same fund in which the client was invested.

[5] Had Staff's allegations been proven at a contested hearing, the inadequacies referred to would have constituted a breach of section 11.1 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. That section requires registered firms such as the RBC Registrants to establish, maintain and apply policies and procedures that establish a sufficient system of controls and supervision.

[6] The settlement agreement is the product of negotiation between Staff and the RBC Registrants. The Commission respects that process and accords significant deference to the resolution reached by the parties. However, we must still be satisfied that the measures called for in the settlement agreement are appropriate and in the public interest.

[7] This panel had the opportunity to meet with counsel for Staff and for the RBC Registrants in a confidential settlement conference. We reviewed the proposed settlement agreement and we heard submissions from counsel.

[8] We highlight the fact that after the RBC Registrants discovered the alleged inadequacies, they then promptly self-reported them to Staff. Following that self-reporting, the RBC Registrants provided prompt, detailed and candid co-operation to Staff. Further, there is no allegation or evidence of dishonest conduct on the part of the RBC Registrants.

[9] The RBC Registrants will be accountable for paying compensation totalling more than $21 million to the affected clients, on the basis set out in the settlement agreement, subject to oversight by Commission Staff. The RBC Registrants have also committed to take corrective action, including establishing and implementing enhanced procedures and controls, supervisory and monitoring systems designed to prevent a recurrence of the alleged inadequacies. These revised policies and procedures will be subject to review and approval by Staff.

[10] Finally, the RBC Registrants have made a voluntary payment of $925,000 to the Commission for allocation or use by the Commission under subsection 3.4(2) of the *Securities Act*, and an additional voluntary payment of $50,000 to reimburse the Commission for costs.

[11] Based on the facts alleged and on the parties' submissions, in our view the compensation called for in the settlement agreement is appropriate.

[12] The settlement resolves this matter in a timely and efficient way that saves the substantial costs and delay that would be incurred as a result of a contested hearing. The affected clients and others benefit by a resolution of this nature at this stage.

[13] This is a no-contest settlement. It is difficult to secure the Commission's approval of a settlement in which the respondents do not admit the truth of Staff's allegations. However, taking into account the RBC Registrants' self-identification, prompt self-reporting, measures to adopt new policies and controls, payment of compensation to affected clients, significant additional payments, and prompt, detailed and candid co-operation with Staff, and with reference to the factors identified in sections 16 and 17 of OSC Staff Notice 15-702 – *Revised Credit for Co-operation Program*,[1] including Staff's statement that the facts are true based on its investigation, in our view it is appropriate to approve a no-contest settlement in this case.

[14] When compliance inadequacies occur, and they do from time to time, it is critical that the registrant responds in the responsible way that the RBC Registrants have. The *Credit for Co-operation Program* was designed for cases such as this, and the RBC Registrants have earned the benefit of the credit called for by that program.

[15] This settlement should make it clear that registered firms must have in place robust and effective compliance systems, a principal purpose of which is to provide reasonable assurance that investors are protected and that they are treated fairly.

[16] For all these reasons, we approve the settlement agreement as requested and we conclude that it is in the public interest to issue an order substantially in the form of Schedule 'A' to that agreement.

DATED at Toronto the 27th day of June, 2017.

"Timothy Moseley"

"AnneMarie Ryan"

"Philip Anisman"

[1] (2014), 37 OSCB 2583.

3.2 Director's Decisions

3.2.1 Hanane Bouji – s. 31

IN THE MATTER OF
STAFF'S RECOMMENDATION TO REFUSE TO AMEND THE REGISTRATION OF
HANANE BOUJI

OPPORTUNITY TO BE HEARD BY THE DIRECTOR
PURSUANT TO SECTION 31 OF THE SECURITIES ACT

Decision

1. For the reasons outlined below, my decision is to refuse the application to amend the registration of Hanane Bouji ("**Ms Bouji**").

2. My decision is based on the written submissions of Michael Denyszyn, Senior Legal Counsel, Compliance and Registrant Regulation Branch of the Ontario Securities Commission (the "**OSC**") for Staff, and Kevin Richard of Groia & Company, counsel for Ms Bouji.

Background

3. Ms Bouji has applied to amend her registration pursuant to section 27(1) of the *Securities Act* (Ontario) (the "**Act**") by adding the category of ultimate designated person ("**UDP**") in respect of Global RESP Corporation ("**Global RESP**") and Global Growth Assets Inc. ("**GGAI**", and collectively with Global RESP, the "**Global Applicants**") (the "**Application**").

4. Ms Bouji's father, Issam El-Bouji (also known as Sam Bouji and referred to herein as "**Mr. Bouji**"), is the sole shareholder and former UDP of both Global Applicants. Following a settlement agreement (the "**Settlement Agreement**"),[1] the Commission issued an Order dated April 16, 2014 applicable to, among other related parties, Mr. Bouji and the Global Applicants (the "**Order**").[2] Among other things, the Settlement Agreement and Order required that a new and independent UDP be appointed to replace Mr. Bouji in that capacity. That individual, David Prestwich ("**Mr. Prestwich**"), now wishes to retire.

5. The Global Applicants filed the Application on Ms Bouji's behalf on February 17, 2017. In a letter dated April 13, 2017, OSC Staff ("**Staff**") communicated its recommendation that the Application be refused.[3] In response, the Global Applicants filed a Motion for Directions and Other Relief (the "**Motion**") in which the firms sought to have the Commission confirm that the Order does not require that any UDP appointed after Mr. Bouji's successor must be independent, and moreover to order the Director to grant the Application and amend Ms Bouji's registration as requested. The Motion was dismissed on May 2, 2017[4] (the "**Dismissal Order**"). Consequently, the Application is once again before the Director.

6. On May 12, 2017, Staff made written submissions recommending that I refuse the Application. Staff made further written submissions on June 12, 2017, responding to questions that I had concerning the first submissions. Staff is of the view that the proposed registration of Ms Bouji as UDP of the Global Applicants is objectionable given the terms of the Order and in light of Mr. Bouji's ongoing active involvement in the business of Global RESP.

Submissions from Staff

Overview

7. Staff take no position on whether Ms Bouji is suitable for the amended registration, but Staff nonetheless recommends that the Application be refused because the amended registration is otherwise objectionable based on the submissions discussed below.

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[1] Settlement Agreement Between Staff of the Ontario Securities Commission and Issam El-Bouji, Global RESP Corporation, Global Growth Assets Inc., Global Educational Trust Foundation and Margaret Singh, dated April 16, 2014.

[2] Order *in re* Issam El-Bouji, Global RESP Corporation, Global Growth Assets Inc., Global Education Trust Foundation and Margaret Singh, dated April 16, 2014.

[3] Letter from Deputy Director Elizabeth A. King to Hanane Bouji dated April 13, 2017.

[4] *Re Issam El-Bouji et al.*, (2017) O.S.C.B. 4267.

8. In the Order, the Commission imposed serious sanctions on Mr. Bouji as a result of his misconduct while UDP of the Global Applicants, including substantial restrictions on his ability to be involved in the business of the Global Applicants.

9. Certain of the restrictions on Mr. Bouji in the Order were designed to provide some protection against him using indirect influence to do what he was not permitted to do himself, by virtue of the various sanctions imposed on him.

10. Although these restrictions on Mr. Bouji set out in the Order are still in place, the Global Applicants are seeking to register Ms Bouji, who is not independent of Mr. Bouji, to assume the UDP role.

11. Staff has obtained evidence, including admissions by Ms Bouji under oath, that Mr. Bouji remains actively involved in the business of Global RESP notwithstanding the restrictions in the Order.

12. In the Settlement Agreement, the parties agreed to a number of sanctions that were made subject to the Order. Mr. Bouji was, among other things:

- reprimanded
- permanently suspended as UDP of Global RESP and GGAI
- required to resign as a director or officer of Global Education Trust Foundation (the "**Foundation**") and of any registrant or investment fund manager ("**IFM**")
- prohibited for nine years from becoming or acting as a director or officer of any reporting issuer, registrant, IFM or the Foundation
- permanently prohibited from becoming or acting as a UDP or chief compliance officer of any registrant or IFM

13. Mr. Bouji's nine year prohibition on becoming or acting as a director or officer will not expire until April 14, 2023. Although the Order specified that both Global RESP and GGAI were required to appoint a new UDP to replace Mr. Bouji, and that the new UDP was to be "independent" defined with reference to National Instrument 52-110 *Audit Committees* ("**NI 52-110**")[5], the Order did not specify whether any subsequent UDP was similarly required to be independent of Mr. Bouji.

14. I note that Staff told the Global Applicants in an e-mail sent in November 2015 that although Ms Bouji and her sister were free to be involved in the business of the Global Applicants, should Mr. Prestwich depart, "it appears that a new independent UDP will be required to act until the members of the Bouji family are free to assume the role," which in Staff's view would be after the first phase of the sanctions against Mr. Bouji concluded.[6]

Staff submission that Ms Bouji is not independent of Mr. Bouji

15. Staff submits that Ms Bouji is not independent of Mr. Bouji within the meaning of NI 52-110. Counsel for Ms Bouji has not made any submissions challenging this assertion. Ms Bouji confirmed in a voluntary interview on March 3, 2017 (the "**Examination**") that she continues to live at home with her father. Moreover, Ms Bouji also stated in the Examination that since completing her undergraduate education in 2010, Ms Bouji has only maintained permanent employment with the Global Applicants and their affiliates. I also note that Ms Bouji indicated that she is the chair of the Global Applicants' respective boards of directors, the secretary of GGAI and executive vice-president of Global RESP. Counsel for Ms Bouji has also not made any submissions challenging these assertions.

Staff submission that Mr. Bouji is actively involved in the business of the Global Applicants

16. Staff further submits that the risk of undue influence by Mr. Bouji is necessarily proportionate to how involved Mr. Bouji is in the day-to-day business of the Global Applicants.

17. Staff asserts that the Global Applicants appear to be disregarding their own representation that Mr. Bouji would "remain disengaged from registrants and registered activities".[7]

18. Staff submitted that during the Examination they asked Ms Bouji about Mr. Bouji's involvement in the business of Global RESP. Staff expected, based on correspondence with the Global Affiliates in November 2015, and Ms Bouji

[5] For purposes of the Order, "independent" has the meaning as set out in section 1.4 and 1.5 of NI 52-110 except the point of reference is Mr. Bouji or any entities controlled by him.

[6] E-mail from Michael Denyszyn to Kathleen Strachan re "Update," dated November 4, 2015.

[7] E-mail from Kathleen Strachan to Michael Denyszyn re "Just Following Up," dated October 6, 2015.

confirmed, that Mr. Bouji was "in charge" of recruiting dealing representatives for Global RESP. However, Ms Bouji also admitted that Mr. Bouji was "in charge of sales" at Global RESP.

19. In the Examination, Ms Bouji elaborated on some of the specific management responsibilities currently being performed by Mr. Bouji. She explained that:

- Mr. Bouji has a role in hiring decisions for sales managers, sales directors and vice-presidents of sales
- Mr. Bouji has input in terminating sales managers, sales directors and vice-presidents of sales for lack of production
- Mr. Bouji works with sales managers, sales directors and vice-presidents of sales to set sales targets and meet sales objectives
- Mr. Bouji addresses failures to meet sales targets on the part of sales managers, sales directors and vice-presidents of sales; Ms Bouji stated that "it would not be unusual" for her father to "talk to them directly and say this is inadequate"
- Mr. Bouji has participated in board meetings and executive committee meetings

20. Staff also cited the voluntary interview of Maryam Molasalehi, a former branch manager at Global RESP dated December 1, 2016. Ms Molasalehi confirmed and expanded upon Ms Bouji's comments about Mr. Bouji's ongoing and active involvement in the business of Global RESP.

21. Staff submitted that sales of scholarship plans, and the fee revenue associated with these sales, comprise all of the profit-generating activities for Global RESP and the overwhelming majority of the profit-generating activities for GGAI. Therefore, Staff submitted that Mr. Bouji has oversight over activities that are central to the business activities of Global RESP directly, and GGAI indirectly.

22. Staff submit that Ms Bouji's statements in the Examination collectively establish that Mr. Bouji is actively involved in the business of Global RESP, including the management of sales. Therefore, there remains a significant risk of undue influence during the first phase of Mr. Bouji's sanctions.

23. Staff also submitted, regarding Ms Bouji's Counsel's statement in its May 12, 2017 submissions that "Staff was aware of and approved of S. Bouji's involvement in sales and recruiting as early as November 2015", demonstrates that the Global Applicants endorse Mr. Bouji's ongoing exercise of management responsibilities, and do not recognize the tension between his active role and the restrictions placed upon him by the Order.

24. Staff is therefore of the view that the public interest requires an independent UDP to oversee a compliance system sufficient to appropriately monitor and enforce the restrictions on Mr. Bouji.

Submissions on behalf of Ms Bouji

25. Under section 31 of the Act, Ms Bouji is entitled to an opportunity to be heard before a decision is made by the Director (an "**OTBH**"). Counsel for Ms Bouji made written submissions to me on May 12, 2017, responded in writing to questions from me on June 7, 2017 and, having been provided with Staff's responses to my questions to Staff, counsel indicated that it had no further submissions.

26. Counsel for Ms Bouji submits that there should be no question that the Order does not require the next UDP for Global RESP or GGAI to be independent. I note that Staff's prior concession of this point is reflected in paragraph 27 of the Dismissal Order.

27. Counsel submitted that Ms Bouji "is a very skilled and qualified executive who is very well suited to carry out the role of UDP, and the requisite and required role of CEO of Global RESP and GGAI", and that "there is no basis to conclude that her application is otherwise objectionable." Counsel indicated that Ms Bouji's application has the support of Mr. Prestwich and the independent directors of both Global Applicants. The independent directors have provided letters of recommendation on her behalf.

28. Counsel submits that "Staff has not raised any objection to Ms Bouji herself. Other than Staff's allegation that the Order requires the UDP to be independent, no objection to the registration application has been raised by Staff."

29. As noted above, counsel also submitted that Staff was aware of and approved of Mr. Bouji's involvement in sales and recruiting as early as November 2015. This comment was made in relation to an email from Mr. Denyszn to Global RESP's in-house counsel sent on November 4, 2015.

30. Counsel's submissions also make reference to Deputy Director King's April 13 letter to Ms Bouji, where Ms King stated that "S. Bouji's ongoing role at Global RESP underscores the need for an independent UDP." Counsel states that "We agree with the Commission's comments at paragraph 26 of the [Dismissal Order] that this statement indicates that the ongoing role is not a component of the objection raised by Staff, but rather Staff's objection is based on the order."

Findings

On the relevance of the Order to this Decision

31. The Order is important context for Staff's recommendation that the Application should be refused. In the Settlement Agreement, it is admitted that Mr. Bouji and the Global Applicants, among others, engaged in conduct contrary to the Act and conduct contrary to the public interest. It is particularly relevant that the Order reprimands them and, among other things, permanently suspended Mr. Bouji as UDP and Chief Executive Officer ("**CEO**") of the Global Applicants, permanently prohibited him from acting as UDP of any other registrant (the UDP of a registrant is normally its CEO or equivalent), and prohibited him from acting as an officer of any registrant (which includes the Global Applicants) for a period of nine years.

32. The Order includes no provision governing the appointment of any UDP after the one that replaced Mr. Bouji. So, while the Order does not require the next UDP to be independent, it also does not impose a restriction on the Director's authority to consider independence as a relevant factor in making a decision with regard to an application to be registered as UDP. This also means that "independent" for these purposes can have its ordinary meaning, which includes "not influenced or controlled in any way by other people, events, or things."[8]

On the Decision I must make

33. Since the matter is not pre-determined by the Order, my decision must be founded on the provisions of subsection 27(1) of the Act, which provide that the Director shall register an applicant unless it appears to the Director that the applicant is not suitable for registration or that the registration is otherwise objectionable.

34. In the absence of submissions regarding Ms Bouji's suitability, I will focus on whether it would be otherwise objectionable to accept the Application.

On the independence of Ms Bouji as a relevant consideration

35. Given the Order arises from misconduct during the time when Mr. Bouji was CEO and UDP and seeks to remove him from officer level involvement in the business of the Global Applicants, and that Staff has made unchallenged submissions to the effect that Mr. Bouji continues to be actively involved in the business, I find that Ms Bouji's independence is a relevant consideration in regard to my Decision concerning the Application.

36. No one has suggested Ms Bouji is independent within the definition used for purposes of the Order. In any event, I shall consider her independence in purposive terms: can she be expected to fulfill the important role of UDP of the Global Applicants without undue influence where her father is concerned?

On Mr. Bouji's involvement in the business of the Global Applicants

37. I find the submissions of Staff concerning Mr. Bouji's ongoing involvement in key elements of the business operations of Global RESP, which is not countered by submissions on Ms Bouji's behalf, to be persuasive. Given the integrated operations of the Global Applicants, I think that this involvement of Mr. Bouji in Global RESP is also relevant to the Application as it concerns GGAI. I note that it appears that some of Mr. Bouji's involvement continues to be at a senior decision making level.

38. The November 4, 2015 email of Mr. Denszyn cited by Ms Bouji's counsel does not state that Staff approved Mr. Bouji's involvement in sales. Mr. Denyszyn only stated that Staff did not have any issue with "Mr. Bouji recruiting sales Staff." Mr. Denyszyn expressed concern with Mr. Bouji taking a role in training sales Staff unless and until the follow-up review by the consultant appointed under the terms of the Order was completed to the satisfaction of the OSC Manager designated in the Order. He also clarified that "S. Bouji may not provide any services that would be provided by a director or officer of any of the registered firms in the ordinary course." There is a significant difference between

[8] Cambridge Dictionary.

involvement in recruiting and involvement in sales in general. Therefore, I find that Staff did not approve of Mr. Bouji's involvement in sales or the extent of his ongoing involvement in the business of Global RESP more generally.

39. I agree with Staff's submission that it appears the Global Applicants do not recognize the tension between Mr. Bouji's ongoing active involvement in their business operations and the restrictions placed upon him by the Order.This makes ethical conduct and the culture of compliance at the Global Applicants a material and ongoing concern.

On the role of the UDP

40. The UDP's role is to "supervise the activities of the firm that are directed towards ensuring compliance with securities legislation by the firm and each individual acting on the firm's behalf; [and] promote compliance by the firm, and individuals acting on behalf of the firm, with securities legislation."[9]

41. The Commission has stated that the "role of UDP is critically important" and that "the UDP bears ultimate responsibility for establishing, maintaining and promoting a culture of compliance and ethical behaviour within the firm."[10]

On the Application being otherwise objectionable

42. In the case of *Re Sawh*, the Commission held that the following approach should be taken to defining "otherwise objectionable":

> In our view, a purposive approach should be taken to the analysis of the concept, that is to say, we should consider whether registration would be "otherwise objectionable" in light of the Commission's mandate, as expressed in section 1.1 of the Act … (a) to provide protection to investors from unfair, improper or fraudulent practices; and (b) to foster fair and efficient capital markets and confidence in capital markets.[11]

43. Prior OSC decisions have also held that registration is "otherwise objectionable" if it is determined, with reference to the purposes of the Act, that it is not in the public interest for the person or company to be registered[12]. It has also been held that where "in exercising its public interest jurisdiction, the Commission must act in a protective and preventative manner."[13]

44. If Ms Bouji is registered as UDP of the Global Applicants, she will be challenged to ensure that her father does not have an improper role in their business. The evidence is that he continues to be actively involved, apparently sometimes operating at a senior decision making level. As I have noted, this gives rise to concerns about ethical behavior and the culture of compliance at the Global Applicants. I think there is also the potential for one or both of the firms to become non-compliant with securities law[14] as a result of Mr. Bouji's continuing influence. With all due respect to Mr. Prestwich and the independent directors who have expressed confidence in Ms Bouji, I do not think she can reasonably be expected to carry out the duties of UDP without undue influence from Mr. Bouji in the present circumstances.

45. Ms Bouji has no business experience outside the Global Applicants. While she has held the positions of chair of their respective boards of directors and senior officer titles with each of Global Applicants, Mr. Bouji has been allowed to have a level of involvement in their business operations that I find troubling in view of the reasons for the Order and its evident intent that any ongoing involvement that he might have at this time should be limited in scope.

46. I do not believe it would be in the public interest to register Ms Bouji as the UDP of the Global Applicants at this time. I do not believe that to do so would be consistent with investor protection or would foster confidence in the capital

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[9] National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, section 5.1.

[10] *Re Argosy Securities Inc. and Keybase Financial Group Inc*., (2016) 39 O.S.C.B. 4040 at para. 171; *see also Re Northern Securities Inc.* (2014) 37 O.S.C.B. 8535 at para. 168, and *Re Sterling Grace & Co. Ltd. and Casale*, (2014) 37 O.S.C.B. 8298 ("***Re Sterling Grace***") at para. 255.

[11] *Re Sawh,* (2012) 35 O.S.C,.B. 7431at paragraph 289. *See also Re Sterling Grace*.

[12] For example, *see Re Mithras Management Ltd.,* (1990), 13 O.S.C.B. 1600.

[13] *Re Paul Donald*, (2013) 36 O.S.C.B. 1449.

[14] This would include compliance with the Order (I make no finding as to whether the Global Applicants or Mr. Bouji are in compliance with it at this time, and do not think it necessary that I do so). Subsection 32(1) of the Act states that "Every person and company registered under this Act shall comply at all times with Ontario securities law …" Subsection 1(1) provides that " 'Ontario securities law' means … (c) in respect of a person or company, a decision of the Commission or a Director to which the person or company is subject." Subsection 1(1) also provides that "a 'decision' means, in respect of a decision of the Commission … [an] order … made under a power … conferred by this Act …" The Order cites subsections 127(1), 127(2) and section 127.1 of the Act as the provisions that grant the necessary powers to the Commission.

markets. Therefore, the proposed registration of Ms Bouji as UDP of the Global Applicants is otherwise objectionable, and it is my decision that the Application should be refused.

"Kevin Fine"
Director, Derivatives Branch
Ontario Securities Commission

June 22, 2017

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

THERE IS NOTHING TO REPORT THIS WEEK.

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order	Date of Lapse

THERE IS NOTHING TO REPORT THIS WEEK.

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
Performance Sports Group Ltd.	19 October 2016	31 October 2016	31 October 2016		

Company Name	Date of Order	Date of Lapse
CHC Student Housing Corp.	05 May 2017	
Stompy Bot Corporation	04 May 2017	

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Chapter 6

Request for Comments

6.1.1 Proposed Amendments to National Instrument 45-102 Resale of Securities, Proposed Changes to Companion Policy 45-102CP to National Instrument 45-102 Resale of Securities, Proposed Consequential Amendments to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, and Proposed Consequential Changes to National Policy 11-206 Process for Cease to be a Reporting Issuer Applications

Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Notice and Request for Comment

Proposed Amendments to National Instrument 45-102 Resale of Securities

Proposed Changes to Companion Policy 45-102CP to National Instrument 45-102 Resale of Securities

Proposed Consequential Amendments to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations

and

Proposed Consequential Changes to National Policy 11-206 Process for Cease to be a Reporting Issuer Applications

June 29, 2017

Introduction

The Canadian Securities Administrators (the CSA or we) are publishing, for a **90-day** comment period, proposed amendments to National Instrument 45-102 *Resale of Securities* (NI 45-102) and proposed changes to Companion Policy 45-102CP to National Instrument 45-102 *Resale of Securities* (45-102CP) (collectively, the proposed amendments).

We are also proposing consequential amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) and consequential changes to National Policy 11-206 *Process for Cease to be a Reporting Issuer Applications* (NP 11-206).

The text of the proposed amendments is contained in Annexes A through D of this notice and will also be available on websites of CSA jurisdictions, including:

www.bcsc.bc.ca
www.albertasecurities.com
www.fcaa.gov.sk.ca
www.mbsecurities.ca
www.osc.gov.on.ca
www.lautorite.qc.ca
www.fcnb.ca
nssc.novascotia.ca

Substance and Purpose

The proposed amendments relate to section 2.14 of NI 45-102, the resale provisions for non-reporting issuers.

Section 2.14 of NI 45-102 (the existing 2.14 exemption) provides a prospectus exemption for the resale of securities (and underlying securities) where the issuer is not a reporting issuer in any jurisdiction of Canada provided that

- the resale is on an exchange, or a market, outside of Canada or to a person or company outside of Canada, and

- residents of Canada own not more than 10% of the outstanding securities of the issuer and represent not more than 10% of the total number of security holders (the ownership conditions).

If adopted, the proposed amendments would

- provide a new prospectus exemption (the proposed exemption) for the resale of securities (and underlying securities) where the issuer is not a reporting issuer in any jurisdiction of Canada if

  - the resale is on an exchange, or a market, outside of Canada or to a person or company outside of Canada, and

  - the issuer is incorporated or organized outside of Canada unless certain circumstances suggest that the issuer does not have a minimal connection to Canada (that is, the issuer has a presence in Canada); and

- repeal the existing 2.14 exemption.

The proposed amendments are intended to address feedback we received that the ownership conditions in the existing 2.14 exemption have become an impediment to participation by certain market participants in prospectus-exempt offerings by foreign issuers.

We have prioritized the proposed amendments in response to this feedback and in response to the number of applications for exemptive relief we received in connection with the existing 2.14 exemption. We are also reviewing the resale regime in NI 45-102 in its entirety to determine whether the existing regime continues to be relevant in today's markets and to assess the impact of alternative regulatory approaches.

Background

The securities regulatory approach to distributions of securities in Canada, except in Manitoba, relies on the "closed system". All distributions of securities must be made under a prospectus or an exemption from the prospectus requirement.

The objective of the "closed system" is to prevent the free trading of securities where there is no disclosure record about the issuer. Publicly available information on the issuer and its securities is essential to enable investors to make informed investment decisions.

Most securities that are distributed using prospectus exemptions are subject to the resale restrictions in NI 45-102. The resale restrictions are intended to ensure that investors have publicly available information about the issuer and its securities, and to allow the market sufficient time to absorb information before the securities become freely trading.

NI 45-102 includes two types of resale restrictions:

- a "restricted period" where the purchaser must hold securities for at least four months from the distribution date, provided the issuer of the securities is and has been a reporting issuer for the four months immediately preceding the trade;

- a "seasoning period" where the purchaser must hold securities until the issuer of the securities is and has been a reporting issuer for the four months immediately preceding the trade.

The rationale for the existing 2.14 exemption is that it is not necessary to restrict the resale of securities over a foreign market or to a person or company outside Canada if the issuer has a minimal connection to Canada and there is little or no likelihood of a market for the securities to develop in Canada. The purpose of the ownership conditions is to measure whether the issuer has a minimal connection to Canada.

Since the adoption of NI 45-102, there have been a number of changes to securities regulation and information accessibility, and a greater access to securities markets worldwide. Canadian investors, particularly institutional investors, are increasingly acquiring securities of foreign issuers to participate in global market growth by investing in a broadly diversified global portfolio. The securities are acquired either through private placements or on foreign exchanges.

As Canadian investors continue to acquire securities of foreign issuers, we have heard the following concerns about the ownership conditions:

1. *Difficult and time consuming to determine*

   Some foreign issuers decide not to offer their securities in Canada to avoid the work necessary to determine if the ownership conditions will be met. Others will only offer their securities on a "buyer beware" basis. Canadian investors cannot determine whether the ownership conditions have been met without information from the issuer. This reduces the opportunities for Canadian investors to participate in private placements with foreign issuers.

2. *Solutions are uncertain and costly*

   If the ownership conditions are exceeded, or if the investor has no means of determining whether the ownership conditions are met, then Canadian investors will have to hold the securities for an indefinite period. There are a number of options to address the indefinite hold period, such as using a prospectus exemption for the resale or applying for exemptive relief. However, these options are uncertain, time consuming and costly. Investors may be prevented from realizing on their investment at an opportune time in the foreign market.

3. *No longer an appropriate measure of minimal connection to Canada*

   Many foreign issuers, without any other connection to Canada, are finding they have exceeded the ownership conditions, perhaps through Canadians purchasing their securities on foreign markets. In other cases, the ownership conditions are exceeded when a Canadian institutional investor wants to take a significant position in the foreign issuer's private placement. The increased globalization of the markets may mean it is no longer appropriate to determine a foreign issuer's connection to Canada based solely on Canadian security holdings.

Exemptive relief granted

We have granted relief to foreign issuers or investors of foreign issuers that were unable to rely on the existing 2.14 exemption in the following circumstances:

- the ownership conditions were exceeded due to a large position held by one or several Canadian institutional investors;

- the ownership conditions were exceeded after excluding the position of Canadian institutional investors but the applicant was able to provide sufficient evidence that the foreign issuer had a minimal connection to Canada and that there was no market for the securities in Canada.

When considering the applications for resale relief, the number of Canadian security holders and the size of their holdings were not solely determinative of whether the issuer had a minimal connection to Canada or whether a market existed or was likely to develop in Canada. We considered other factors such as whether the location of the assets and revenues and the issuer's mind and management were in Canada.

AMF blanket orders

The Autorité des marchés financiers (the AMF) published on June 30, 2016 two local blanket orders (the foreign issuer blanket order and Canadian issuer blanket order) and an accompanying AMF Notice relating to *Regulation 45-102 respecting Resale of Securities* (the AMF Notice). The AMF's objective in granting the blanket orders was to respond to concerns raised by market participants and provide deal certainty to market participants in their investment decisions on a market outside of Canada. The AMF Notice and the blanket orders are available on the AMF's website at www.lautorite.qc.ca.

Foreign issuer blanket order

The foreign issuer blanket order exempts Canadian institutional investors from the prospectus requirement for the resale of securities of a foreign non-reporting issuer acquired under a prospectus exemption in Canada. The exemption is available if the foreign issuer is not a reporting issuer in a jurisdiction of Canada on the date of resale and the securities are sold on an exchange or a market outside of Canada, or to a person or company outside of Canada.

The AMF's rationale for granting the foreign issuer blanket order was that there is little or no likelihood of a market for the securities of a foreign issuer to develop in Canada, based on the issuer having a minimal connection to Canada.

Canadian issuer blanket order

The Canadian issuer blanket order exempts Canadian institutional investors from the prospectus requirement for the resale of securities of a Canadian issuer acquired under a prospectus exemption in Canada. The exemption applies in situations where the securities were distributed under a concurrent prospectus offering outside of Canada only and the Canadian institutional investor acquired the securities at the same financial consideration as investors under the prospectus offering.

The exemption is available if the securities of the Canadian issuer are only traded on an exchange or market outside Canada and the Canadian issuer is a reporting issuer in a jurisdiction of Canada at the date of resale. The securities can only be resold through an exchange, or a market, outside of Canada, or to a person or company outside of Canada.

Proposed OSC Rule 72-503

On June 30, 2016, the Ontario Securities Commission (the OSC) published for comment proposed OSC Rule 72-503 *Distributions Outside of Canada* (the 2016 Proposed OSC Rule). The comment period ended September 28, 2016.

The 2016 Proposed OSC Rule puts forward exemptions from the prospectus requirement in respect of a distribution, including a deemed distribution on resale, of securities to a person or company outside of Canada in certain circumstances. The substance and purpose of the 2016 Proposed OSC Rule was to provide certainty to participants in cross-border transactions by providing explicit exemptions that respond to the challenges that issuers and intermediaries face in determining whether a prospectus must be filed or an exemption from the prospectus requirement must be relied on in connection with a distribution of securities to investors outside of Canada.

The 2016 Proposed OSC Rule was intended to set out a regime for the distribution and resale of securities outside of Canada. Because the proposed amendments to NI 45-102 address many of the concerns expressed by market participants regarding the resale of securities outside of Canada under the existing 2.14 exemption, the OSC has decided to remove the resale provisions from the 2016 Proposed OSC Rule in the interests of harmonizing the resale of securities outside of Canada across the CSA. Concurrent with the publication of the proposed amendments for comment, the OSC is republishing for comment an amended version of the 2016 Proposed OSC Rule.

Summary of the Proposed Amendments

The policy rationale for the existing 2.14 exemption is that it is not necessary to restrict the resale of securities over a foreign market or to a person or company outside of Canada if the issuer has a minimal connection to Canada and little or no likelihood that a market for the securities to develop in Canada. This policy rationale forms the basis for the proposed amendments.

1. Proposed new exemption for foreign non-reporting issuers

The proposed exemption would allow Canadian investors to resell outside of Canada securities of a foreign issuer acquired under a prospectus exemption.

Definition of foreign issuer

We propose to introduce a definition of foreign issuer which will limit the availability of the proposed exemption to the securities of issuers having minimal connection to Canada. In this sense, the definition of foreign issuer is a replacement for the ownership conditions under the existing 2.14 exemption. Under the proposed exemption, a foreign issuer would be an issuer that is not incorporated or organized under the laws of Canada, or a jurisdiction of Canada, unless one or more of the following apply:

- the issuer has its head office in Canada;
- the majority of the executive officers or directors of the issuer ordinarily reside in Canada;
- the majority of the consolidated assets of the issuer are located in Canada.

In our view, the proposed definition provides an appropriate proxy for assessing an issuer's connection to Canada. In addition, we think that these factors would be easier to determine by either the issuer or the investor than the ownership conditions.

Other conditions to the exemption

The proposed exemption has the following conditions:

1. *the issuer is a foreign issuer at the distribution date*

   The foreign issuer status would be determined at the distribution date. We are proposing that the determination be made at this date because, in our view, it provides certainty to the investor at the time of the initial purchase as to whether the proposed exemption will be available for the subsequent resale of the securities. Also, this timing makes it easier for investors to obtain the information necessary from the issuer to determine whether the issuer is a foreign issuer.

2. *the foreign issuer was not a reporting issuer in any jurisdiction of Canada at the distribution date, or is not a reporting issuer in any jurisdiction of Canada at the date of the trade*

   This condition is equivalent to the requirement that must be satisfied under the existing 2.14 exemption. We are proposing to carry it forward as we believe that it remains appropriate. We are not aware of any concerns pertaining to this aspect of the existing 2.14 exemption.

3. *the trade is made through an exchange, or a market, outside of Canada, or to a person or company outside of Canada*

   This condition is equivalent to the requirement that must be satisfied under the existing 2.14 exemption. We are proposing to carry it forward as we believe that it remains appropriate. We are not aware of any concerns pertaining to this aspect of the existing 2.14 exemption.

4. *if the selling security holder is an insider of the foreign issuer, no unusual effort is made to prepare the market or to create a demand in Canada for the security that is the subject of the trade*

   This is a new condition that is meant to address potential policy concerns where an investor is an insider of the foreign issuer and, as a result, may have a greater opportunity or incentive to prepare the market or create a demand in Canada for the securities of the foreign issuer.

2. Proposed repeal of existing 2.14 exemption

Based on feedback received from market participants regarding the uncertainty and lack of availability of the existing 2.14 exemption, we propose repealing this exemption because it may no longer be necessary. We propose to replace it with the proposed exemption. We recognize that the existing 2.14 exemption applies to the securities of all non-reporting issuers that meet the ownership conditions while the proposed exemption applies to the resale of securities of non-reporting foreign issuers.

3. Transition provisions

Transition provisions will be considered for the final publication.

Consequential Amendments

We propose a consequential amendment to section 8.16 of NI 31-103 and a consequential change to section 14 of NP 11-206 to replace the reference to the existing 2.14 exemption with a reference to the proposed exemption. We propose a further change to section 14 to remove the obligation to ascertain the number of Canadian security holders.

Local Matters

Annex E to this notice outlines the proposed consequential amendments to local securities legislation and includes additional text, as required, to respond to local matters in a local jurisdiction. Each jurisdiction that is proposing local amendments will publish an Annex E.

Unpublished Materials

In developing the proposed amendments, we have not relied on any significant unpublished study, report or other written materials.

Request for Comments

We welcome your comments on the proposed amendments and the consequential amendment and changes. We also invite comments on the following specific questions:

1. We have proposed a definition of "foreign issuer" for the purposes of the proposed exemption.

    a. Are the proposed elements of the definition of foreign issuer appropriate for purposes of establishing that an issuer has a minimal connection to Canada? If not, please explain which elements of the proposed definition of foreign issuer are not appropriate and why.

    b. Are there other elements we should incorporate into the proposed definition of foreign issuer that would be a more appropriate indicator of whether an issuer has a minimal connection to Canada? If so, which ones and why.

    c. Would investors be able to easily determine whether the majority of the consolidated assets of the issuer are located in Canada for purposes of the new foreign issuer definition? Please explain the reasons for your views.

    d. Are there other aspects of the proposed definition of foreign issuer that would be difficult to determine and should be removed? Please explain which aspects and why.

    e. In practice, will investors be able to obtain sufficient information from the issuer at the date of distribution to enable them to determine whether the issuer meets the definition of foreign issuer? If not, could investors easily make this determination on their own without assistance from the issuer? Please explain the reasons for your views.

2. Under the proposed exemption, the determination of whether an issuer is a foreign issuer is made at the distribution date. We are proposing that the determination be made at this date because, in our view, it provides certainty to the investor at the time of the initial purchase as to whether the proposed exemption will be available for the subsequent resale of the securities. Also, it enables the investor to ask the issuer to make representations as to its foreign issuer status at the time of distribution.

    a. Do you agree with our analysis? If not, please explain why.

    b. Do you believe that the date of trade is a more appropriate time to determine foreign issuer status? If so, please explain why.

    c. Do you believe we should allow a choice as to whether the determination of the foreign issuer status is made at either the distribution date or the date of trade? Please explain the reasons for your views.

3. Under the proposed exemption, the determination of the non-reporting issuer status is made at either the distribution date or the date of trade.

    a. Do you agree with this approach?

    b. Do you believe that determination should be made at only one of these dates? If so, which date? Please explain the reasons for your views.

4. We have stipulated as a condition to the proposed exemption that if the selling security holder is an insider of the issuer, then no unusual efforts can be made by the selling security holder to prepare the market or to create a demand in Canada for the security that is the subject of the trade.

    a. Do you think that such a condition is appropriate? Please explain why or why not?

    b. Would a different condition be more appropriate to address potential concerns about selling security holders that are insiders preparing the market or creating a demand in Canada for the foreign issuer's securities? Please explain and provide examples.

    c. Do you think we should be concerned that security holders that are insiders may prepare the market or create a demand in Canada for the foreign issuer's securities? Please explain the reasons for your views.

5. Under the proposed amendments, we are proposing to repeal the existing 2.14 exemption. The existing 2.14 exemption applies to the securities of non-reporting issuers that satisfy the ownership conditions whereas the proposed exemption applies to the securities of non-reporting issuers that are foreign issuers.

   a. Are you aware of non-reporting issuers that use the existing 2.14 exemption and would not qualify as foreign issuers under the proposed exemption? Please provide examples.

   b. Are there other circumstances where an issuer would be able to use the existing 2.14 exemption but not the proposed exemption? Please provide examples.

   c. Do you foresee any other issues if we repeal the existing 2.14 exemption? Please provide examples.

6. The proposed exemption would not be available for the resale outside of Canada of securities of an issuer incorporated or organized in Canada because such issuers do not fall within the definition of foreign issuer.

   a. In your view, should we consider a similar exemption for the resale outside of Canada of securities of a Canadian issuer distributed under a prospectus exemption if the securities of the Canadian issuer are only listed on an exchange, or market, outside of Canada? Please explain the reasons for your views.

   b. What conditions, if any, would you suggest we include in a similar exemption? Please explain the reasons for your suggestions.

How to provide your comments

Please provide your comments in writing by **September 27, 2017**. Please provide your comments in Microsoft Word format.

Please address your submissions to all members of the CSA as follows:

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

Please send your comments only to the addresses below. Your comments will be distributed to the other participating CSA 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
Email: consultation-en-cours@lautorite.qc.ca

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 2S8
Fax: 416-593-2318
Email: comments@osc.gov.on.ca

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of the written comments received during the comment period. All comments received will be posted on the websites of each of the Alberta Securities Commission at www.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.

Contents of Annexes

This notice contains the following annexes:

Annex A – Proposed amendment to National Instrument 45-102 *Resale of Securities*

Annex B – Proposed changes to Companion Policy 45-102 to National Instrument 45-102 *Resale of Securities*

Annex C – Proposed amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*

Annex D – Proposed changes to National Policy 11-206 *Process for Cease to be a Reporting Issuer Applications*

Annex E – Local Matters

Questions

Please refer your questions to any of the following:

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ANNEX A

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 45-102 *RESALE OF SECURITIES*

1. National Instrument 45-102 Resale of Securities is amended by this Instrument.

2. Section 1.1 is amended by adding the following definitions in alphabetical order:

"executive officer" means, for an issuer, an individual who is

(a) a chair, vice-chair or president,

(b) a chief executive officer or a chief financial officer,

(c) a vice-president in charge of a principal business unit, division or function including sales, finance or production, or

(d) performing a policy-making function in respect of the issuer;

“foreign issuer” means an issuer that is not incorporated or organized under the laws of Canada, or a jurisdiction of Canada, unless one or more of the following apply:

(a) the issuer has its head office in Canada;

(b) the majority of the executive officers or directors of the issuer ordinarily reside in Canada;

(c) the majority of the consolidated assets of the issuer are located in Canada;***.***

3. Section 2.14 is repealed.

4. The Instrument is amended by adding the following section:

2.14.1 First Trades in Securities of a Non-Reporting Foreign Issuer Distributed under a Prospectus Exemption

(1) The prospectus requirement does not apply to the first trade of a security distributed under an exemption from the prospectus requirement if all of the following apply:

(a) the issuer of the security was a foreign issuer on the distribution date;

(b) the issuer of the security

(i) was not a reporting issuer in any jurisdiction of Canada on the distribution date, or

(ii) is not a reporting issuer in any jurisdiction of Canada on the date of the trade;

(c) the trade is made

(i) through an exchange, or a market, outside of Canada, or

(ii) to a person or company outside of Canada;

(d) if the selling security holder is an insider of the issuer of the security, no unusual effort is made to prepare the market or to create a demand in Canada for the security that is the subject of the trade.

(2) The prospectus requirement does not apply to the first trade of an underlying security if all of the following apply:

(a) the convertible security, exchangeable security or multiple convertible security that, directly or indirectly, entitled or required the holder to acquire the underlying security was distributed under an exemption from the prospectus requirement;

(b) the issuer of the underlying security was a foreign issuer on the distribution date;

(c) the issuer of the underlying security

(i) was not a reporting issuer in any jurisdiction of Canada on the distribution date, or

(ii) is not a reporting issuer in any jurisdiction of Canada on the date of trade;

(d) the trade is made

(i) through an exchange, or a market, outside of Canada, or

(ii) to a person or company outside of Canada;

(e) if the selling security holder is an insider of the issuer of the underlying security, no unusual effort is made to prepare the market or to create a demand in Canada for the security that is the subject of the trade.***.***

5. Appendix D is amended by adding the following in section 1 after "as well as the following local exemptions from the prospectus requirement***":***

- section 2.4 of Ontario Securities Commission Rule 72-503 *Distributions Outside of Canada*;***.***

6. This Instrument comes into force on ****.

ANNEX B

PROPOSED CHANGES TO COMPANION POLICY 45-102 TO NATIONAL INSTRUMENT 45-102 *RESALE OF SECURITIES*

1. Companion Policy 45-102CP to National Instrument 45-102 Resale of Securities is changed by this Document.

2. The title of the Companion Policy is simplified to read as follows:

COMPANION POLICY 45-102 RESALE OF SECURITIES

3. Subsection 1.2(3) is changed by replacing, in the second and third sentences, the words "section 2.14***" with the words "***section 2.14.1***".***

4. Section 1.9 is changed by replacing the words ", and 2.8(2)***" with the words "***, 2.8(2), 2.14.1(1) and 2.14.1(2)***".***

5. Section 1.15 is changed by replacing it with the following:

1.15 Resales of Securities of a Non-Reporting Foreign Issuer

(1) The purpose of the exemptions in subsections 2.14.1(1) and (2) is to permit the resale of securities of foreign issuers in *bona fide* trades outside of Canada. These exemptions are each subject to a condition that the trade is made through an exchange or market outside of Canada, or to a person or company outside of Canada. In our view, a trade that is pre-arranged with a buyer that is a resident of Canada but settled on an exchange or market outside of Canada would not be a trade made through an exchange for the purposes of subparagraphs 2.14.1(1)(c)(i) or 2.14.1(2)(d)(i).

(2) There is no requirement to place a legend on the securities in order to rely on the exemption in section 2.14.1 of NI 45-102.

6. Section 1.16 is changed by deleting the words "in the jurisdiction of the issuer's principal regulator under National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions****".***

7. These changes become effective on ****.

ANNEX C

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 31-103 *REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS*

1. National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations is amended by this Instrument.

2. Paragraph 8.16(3)(b) is amended by replacing "**2.14**" with "**2.14.1**".

3. This Instrument comes into force on *****.

ANNEX D

PROPOSED CHANGES TO NATIONAL POLICY 11-206 *PROCESS FOR CEASE TO BE A REPORTING ISSUER APPLICATIONS*

1. National Policy 11-206 Process for Cease to be a Reporting Issuer Applications is changed by this Document.

2. The third paragraph of section 14 is changed,:

(a) by replacing the words "the number of Canadian securityholders who purchased securities pursuant to a prospection exemption and***" with the words "***whether Canadian security holders who purchased securities pursuant to a prospectus exemption***";***

(b) by replacing the words "section 2.14***" with the words "***section 2.14.1***".***

3. These changes become effective on ****.

ANNEX E

LOCAL MATTERS

1. Introduction

The CSA are publishing for a 90-day comment period:

- proposed amendments to National Instrument 45-102 *Resale of Securities* (NI 45-102),
- consequential proposed changes to Companion Policy 45-102 *Resale of Securities* (45-102CP), and
- a proposed consequential amendment to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103).

The purpose of this Annex is to cover, to the extent not already covered in the main body of the CSA Notice, matters required by subsections 143.2(2) and 143.8(2) of the *Securities Act* (Ontario).

2. Authority for proposed amendments to NI 45-102 and NI 31-103

Paragraph 20 of subsection 143(1) of the Act authorizes the Ontario Securities Commission to make rules prescribing most matters referred to in Part XVII (Exemptions from Prospectus Requirements) as required by the regulations or prescribed by or in the regulations. This authorizes the proposed amendments to NI 45-102.

The proposed amendment to NI 31-103 is consequential to the NI 45-102 amendments. Paragraph 8 of subsection 143(1) of the Act authorizes the Ontario Securities Commission to make rules prescribing most matters referred to in Part XII (Exemptions from Registration Requirements) as required by the regulations or prescribed by or in the regulations. This authorizes the proposed amendment to NI 31-103.

3. Changes to 45-102CP

The purpose of the proposed changes to 45-102CP is to update the 45-102CP in light of the proposed amendments to NI 45-102.

4. Alternatives considered

For reasons set out in the main body of the CSA Notice, the status quo is not satisfactory. The only alternative considered was to amend NI 45-102 as described.

5. Unpublished materials

In publishing the proposed amendments and changes, we have not relied on any significant unpublished study, report or other written materials.

6. Anticipated costs and benefits of the proposed amendments

Anticipated Costs

The OSC does not anticipate that the proposed amendments will impose undue costs on issuers, investors or other market participants.

Anticipated Benefits

Certain market participants, in particular institutional investors, face uncertainty regarding the availability of the existing 2.14 exemption. This contributes to lost foreign investment opportunities because investors cannot resell securities acquired in a private placement at an opportune time in the trading market outside of Canada. Additionally, some foreign issuers may decide not to offer their securities in Canada to avoid the work necessary to determine if the ownership conditions will be met.

The benefits of the proposed amendments are intended to address the potential uncertainty discussed above that the ownership conditions in the existing 2.14 exemption have become an impediment to participation by certain market participants in prospectus-exempt offerings by foreign issuers.

7. Anticipated impact on investors

The proposed amendments are expected to facilitate the resale of securities of foreign issuers outside of Canada.

6.1.2 Proposed OSC Rule 72-503 Distributions Outside Canada and Proposed Companion Policy 72-503 Distributions Outside Canada

SECOND NOTICE AND REQUEST FOR COMMENT

PROPOSED OSC RULE 72-503 *DISTRIBUTIONS OUTSIDE CANADA* AND PROPOSED COMPANION POLICY 72-503 *DISTRIBUTIONS OUTSIDE CANADA*

June 29, 2017

Introduction

On June 30, 2016, the Ontario Securities Commission (**we** or the **Commission**), published the following for comment:

- Proposed Ontario Securities Commission Rule 72-503 *Distributions Outside of Canada* (the **2016 Proposed Rule**), including proposed Form 72-503F *Report of Distributions Outside of Canada* (the **2016 Proposed Form**), and

- Proposed Companion Policy 72-503 *Distributions Outside of Canada* (the **2016 Proposed Companion Policy**)

(together, the **2016 Proposal**)

The 2016 Proposal was intended to replace "Interpretation Note 1 *Distributions of Securities Outside Ontario*"[1] (**Interpretation Note**) and to provide a regime for the distribution and resale of securities outside Canada. The comment period expired on September 28, 2016, and we received 15 comment letters.

Subsequent to the publication for comment of the 2016 Proposal, the Canadian Securities Administrators (the **CSA**) decided to publish for comment proposed amendments to National Instrument 45-102 *Resale of Securities* and proposed changes to Companion Policy 45-102 *Resale of Securities* (the **Proposed 45-102 Amendments**).

The Proposed 45-102 Amendments address many of the concerns expressed by market participants regarding the resale of securities outside Canada under section 2.14 of NI 45-102. In the interests of harmonizing resale regimes across the CSA for outbound securities, we are proposing to remove the resale provisions from the 2016 Proposed Rule. We have also proposed a number of additional changes in response to comments that we received on the 2016 Proposal.

2017 Proposal

Concurrent with the CSA's publication of the Proposed 45-102 Amendments, we are publishing the following for a comment period of 90 days:

- Revised Proposed Ontario Securities Commission Rule 72-503 *Distributions Outside Canada* (the **2017 Proposed Rule**), which includes Proposed Form 72-503F *Report of Distributions Outside Canada* (the **2017 Proposed Form**),

- Revised Proposed Companion Policy 72-503 *Distributions Outside Canada* (the **2017 Proposed Companion Policy**), and

- Consequential Amendment to OSC Rule 11-501 *Electronic Delivery of Documents To The Ontario Securities Commission* (the **Consequential Amendment**)

(together, the **2017 Proposal**)

The 2017 Proposal is intended to modernize and replace the Interpretation Note, bringing greater certainty to cross-border activities in Ontario. The 2017 Proposed Companion Policy provides updated interpretive guidance and re-articulates key aspects of the Interpretation Note regarding when the prospectus requirement does not apply to a distribution of securities to an investor outside Canada. For those seeking greater certainty, the 2017 Proposed Rule provides explicit exemptions that are intended to: (i) preserve current cross-border practices; and (ii) respond to the challenges that issuers and intermediaries face in determining whether a prospectus must be filed or an exemption from the prospectus requirement must be relied on in connection with a distribution of securities to an investor outside Canada.

[1] Interpretation Note 1 was published in connection with the Notice of Repeal of OSC Policy 1.5 *Distribution of Securities Outside of Ontario,* (March 25, 1983) 6 OSCB 226.

Authority for the 2017 Proposed Rule and the Consequential Amendment

The following provisions of the *Securities Act* (Ontario) (the **Act**) provide the Commission with authority to adopt the 2017 Proposed Rule:

- Paragraph 143(1)8 authorizes the Commission to make rules providing for exemptions from the registration requirements under the Act and for the removal of exemptions from those requirements.
- Paragraph 143(1)20 authorizes the Commission to make rules providing for exemptions from the prospectus requirements under the Act and for the removal of exemptions from those requirements.
- Paragraph 143(1)48 authorizes the Commission to specify the conditions under which any particular type of trade that would not otherwise be a distribution shall be a distribution.

Paragraph 143(1)39 authorizes the Commission to make rules respecting the media, format and preparation of all documents governed by the Act. This provides the authority for the Consequential Amendment.

Alternatives Considered

The Commission considered the options of:

- maintaining the Interpretation Note,
- amending the Interpretation Note, or
- adopting the 2016 Proposal.

In light of comments received on the 2016 Proposal, together with the CSA's publication of the Proposed 45-102 Amendments, we believe that the 2017 Proposal will improve the efficiency of Ontario participants' cross-border capital raising activities.

Unpublished Materials

In proposing the 2017 Proposal, the Commission has not relied on any significant unpublished study, report, decision or other written materials.

Anticipated Costs and Benefits

The principal benefit of the 2017 Proposed Rule and the 2017 Proposed Companion Policy will be to provide regulatory certainty to Ontario market participants. The Commission anticipates that this regulatory certainty will reduce overall costs for Ontario issuers seeking to raise capital outside Ontario. The costs associated with the 2017 Proposed Rule and the 2017 Proposed Companion Policy will be

- the costs of analyzing the new exemptions and guidance provided to determine whether or not an Ontario prospectus or reliance on another prospectus exemption is required,
- the costs of preparing and filing the 2017 Proposed Form for outbound private placements.

In the view of the Commission, the benefits of the 2017 Proposed Rule, including the 2017 Proposed Form, and the 2017 Proposed Companion Policy outweigh the costs.

Annexes

This Notice contains the following Annexes:

- Annex A – list of commenters, summary of comments and responses
- Annex B – the 2017 Proposed Rule, which includes the 2017 Proposed Form
- Annex C – the 2017 Proposed Companion Policy
- Annex D – the Consequential Amendment

Request for Comments

The Commission welcomes your comments on the 2017 Proposed Rule, including the 2017 Proposed Form, and the 2017 Proposed Companion Policy.

How to Provide Your Comments

You must provide your comments in writing by September 27, 2017. If you are not sending your comments by email, you should also send an electronic file containing the submissions (in Windows format, Microsoft Word).

Please send your comments to the following address:

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

The Commission will publish written comments received unless the Commission approves a commenter's request for confidentiality or the commenter withdraws its comment before the comment's publication.

Questions

Please refer your questions to:

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ANNEX A

PROPOSED OSC RULE 72-503 *DISTRIBUTIONS OUTSIDE CANADA*

LIST OF COMMENTERS AND SUMMARY OF COMMENTS AND RESPONSES

No.	Commenter	Date
1.	Dentons Canada LLP	September 21, 2016
2.	Irish Stock Exchange	September 27, 2016
3.	Stikeman Elliot LLP	September 28, 2016
4.	Torys LLP	September 28, 2016
5.	Canada Pension Plan Investment Board, OMERS Administration Corporation and Ontario Teachers' Pension Plan Board	September 28, 2016
6.	Blake, Cassels & Graydon LLP	September 28, 2016
7.	Investment Industry Association of Canada	September 28, 2016
8.	Davies Ward Phillips & Vineberg LLP	September 28, 2016
9.	Alternative Investment Management Association	September 28, 2016
10.	Borden Ladner Gervais LLP	September 28, 2016
11.	Invesco Canada Ltd.	September 28, 2016
12.	Osler Hoskin & Harcourt LLP	September 28, 2016
13.	AUM Law	September 28, 2016
14.	The Securities Industry & Financial Markets Association	October 5, 2016
15.	Private Capital Markets Association of Canada	October 7, 2016

No.	Subject	Summarized Comment	Response
GENERAL COMMENTS			
1	Necessity of the 2016 Proposed Rule	Thirteen of fifteen comment letters received were generally supportive of change and expressed the view that a new framework is necessary. For example, one commenter stated that the 2016 Proposed Rule "will provide much greater certainty for market participants and represents a practical regulatory framework which will facilitate Ontario based issuers conducting legitimate capital raising activities outside of Canada". Another stated that the 2016 Proposed Rule addresses many of their concerns with the offshore distributions regime and is "a vast improvement" over the current regime. However, all thirteen commenters recommended various modifications and amendments to the 2016 Proposed Rule, which are further addressed in this summary. One commenter suggested that the 2016 Proposed Rule may not be necessary because the commenter had not experienced challenges applying the Interpretation Note. This commenter expressed the view that section 127 of the *Securities Act* (Ontario) provides sufficient latitude	We thank all commenters for their input. We agree with most commenters that a new framework is necessary and recognize the opportunity to make improvements to the 2016 Proposed Rule. The 2017 Proposed Rule published for comment by the Commission reflects many of the modifications and amendments suggested by the commenters.

No.	Subject	Summarized Comment	Response
		for the Commission to regulate transactions taking place outside Ontario.	
2	Application to other Canadian jurisdictions	Three commenters suggested that exemptions in the 2016 Proposed Rule should apply to any trade outside Ontario, not just outside Canada. This would help address the continued uncertainty regarding the application of Ontario securities law to distributions of securities to investors resident in another Canadian province or territory.	Extending the application of the proposed exemptions to any trade outside of Ontario, not just outside Canada, raises issues in connection with the operation of the passport system and the Canadian Securities Administrators' (**CSA**) approach to multi-jurisdictional distributions. As such, the suggested change is beyond the scope of this OSC-only initiative.
3	Harmonization	Three commenters recommended that the 2016 Proposed Rule be adopted as a National Instrument so as to harmonize offshore offering regimes across Canada.	We are balancing the need to bring greater certainty to Ontario's offshore offering regime with the importance of harmonization across Canada. While the CSA continues to take different approaches to the application of the prospectus requirement to primary distributions of securities outside Canada, the CSA is in the process of revisiting the resale regime under National Instrument 45-102 *Resale of Securities* (**NI 45-102**). Concurrent with the publication for comment of the 2017 Proposed Rule, the CSA is publishing for comment proposed amendments that relate to section 2.14 of NI 45-102. Although the proposed NI 45-102 amendments are not as broad as the selling security holder exemptions that we had proposed under sections 2.3 and 2.4 of the 2016 Proposed Rule, we believe the CSA amendments address many market participant concerns with the application of section 2.14 of NI 45-102. We have removed the resale provisions from sections 2.3 and 2.4 of the 2017 Proposed Rule in support of the goal of harmonizing resale regimes across Canada. The proposed amendments to NI 45-102 includes a proposed amendment to Appendix D of NI 45-102 to add an exemption from the prospectus requirement under section 2.4 of the 2017 Proposed Rule.
4	Co-existence with the proposed Cooperative Capital Markets Regulatory System	Three commenters raised the issue of what would happen to the 2016 Proposed Rule in the context of the Cooperative Capital Markets Regulatory System (**CCMRS**) initiative. One commenter sought clarification as to whether the Cooperative Capital Markets Regulatory Authority would adopt proposed CMRA Policy 71-601 *Distribution of Securities to Persons Outside CMR Jurisdictions* (**Proposed CMR 71-601**) or whether CMR 71-601 would be amended to follow the approach of the 2016 Proposed Rule.	While we recognize commenters' preferences, we are not in a position to comment on the instruments that may be adopted under the CCMRS initiative. We anticipate that all comments received in response to Proposed CMR 71-601, the 2016 Proposed Rule and the 2017 Proposed Rule will be considered under the CCMRS initiative.

No.	Subject	Summarized Comment	Response
		Four commenters noted that the 2016 Proposed Rule is much more consistent with the current practice of Ontario market participants than is CMR 71-601. These commenters expressed the view that the 2016 Proposed Rule should form the basis of any regulation addressing foreign distributions under the CCMRS.	
5	Application to investment funds	One commenter stated that the 2016 Proposed Rule should not apply to investment funds. Fund units are typically purchased and redeemed directly from the fund so the commenter reasoned that there would be little chance of "flow back". The commenter further suggested it was unnecessary to bring foreign distributions by funds into the ambit of 2016 Proposed Rule because funds conduct all their activities through investment fund managers who are already registered with the OSC.	We agree that trades by conventional mutual funds to foreign investors would not generally trigger concerns regarding "flow back" to Ontario investors where the foreign investor's only source of liquidity is a right to redeem the security back to the investment fund. However, we have not carved out investments funds from the application of the 2017 Proposed Rule. The 2017 Proposed Rule does not deem any particular issuances to be distributions, but rather provides codified exemptions to market participants that need more certainty in connection with a particular transaction. We believe it is appropriate to make these cross border exemptions available to fund managers that wish to use them.
PART 1 OF 2016 PROPOSED RULE			
6	s. 1.1 – "designated foreign jurisdiction"	Three commenters did not object to limiting the exemptions in sections 2.1 and 3.1 to a list of foreign jurisdictions, but were critical of using the definition of "designated foreign jurisdiction" in National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*. That list is under-inclusive, out of date and could be expanded without negatively impacting the integrity of Ontario's capital markets as it excludes many jurisdictions which have similar prospectus disclosure regimes to Canada. In addition to EU member states, commenters specifically suggested including the following jurisdictions: Austria, Belgium, Brazil, China, Denmark, Iceland, India, Israel, Liechtenstein, Luxembourg, Norway, Republic of Ireland, South Korea, Switzerland, and Thailand. One commenter suggested that a list is unnecessary because it is not the Commission's role to ensure that foreign investors receive the same disclosure as investors within Ontario. One commenter suggested that an issuer would be unlikely to subject itself to equivalent prospectus requirements simply for the purposes of conducting indirect distributions into Canada. The commenter suggested adding guidance to the 2016 Proposed Companion Policy clarifying that the list is not intended to be limited only to those jurisdictions whose disclosure requirements meet a minimum standard.	We have replaced the definition of "designated foreign jurisdiction" with the definition of "specified foreign jurisdiction". In doing so, we have added member countries of the European Union to the definition. We have not reflected all of the commenters' suggestions in Appendix A of the 2017 Proposed Rule and currently only list those jurisdictions in the definition of "designated foreign jurisdiction" and any other member country of the European Union. We are comfortable with the jurisdictions listed at this time. We note that any distributions to a person or company in a jurisdiction not listed in Appendix A may be effected in reliance on the exemption in subsection 2.3 of the 2017 Proposed Rule (if the issuer is a reporting issuer) or the exemption in subsection 2.4(1) of the 2017 Proposed Rule (if the issuer is not a reporting issuer). If the issuer is not a reporting issuer, the only difference is that the first trade of the securities will be a deemed distribution under Appendix D of NI 45-102. We have also added guidance to the 2017 Proposed Companion Policy that we would be prepared to consider applications for exemptive relief in respect of distributions in foreign jurisdictions not listed in Appendix A of the 2017 Proposed Rule. We may consider amendments to Appendix A of the 2017 Proposed Rule in the future.

No.	Subject	Summarized Comment	Response
PART 2 OF 2016 PROPOSED RULE			
7	Co-existence with NI 45-102	Two commenters expressed concern that Part 2 of the 2016 Proposed Rule is inconsistent with the resale rules in NI 45-102. One commenter asked the OSC to make it clear that trades exempt under the 2016 Proposed Rule would similarly be exempt under NI 45-102.	We have removed the exemptions for selling security holders from the sections 2.3 and 2.4 of the 2017 Proposed Rule. Please refer to our response to comment 3, above.
8	Meaning of "to a person or company outside of Canada"	One commenter recommended recasting the requirement to sell to "a person or company outside of Canada" as a requirement that the Canadian resident selling security holder has no reason to believe that the buyer is a Canadian person or company.	We have added guidance to the 2017 Proposed Companion Policy that we think an issuer or selling security holder meets the requirement to sell to "a person or company outside Canada" if the issuer or selling security holder has no reason to believe that the purchaser is a Canadian person or company.
9	Sales over foreign exchanges	Several commenters recommended that trades executed on foreign exchanges that are not pre-arranged should be deemed to be made "to a person or company outside of Canada". Given that the identity of the buyer is often not readily ascertainable, the provision would be unduly burdensome as drafted. Several commenters suggested section 2.4 be revised to provide that the first trade of securities distributed under section 2.4 (1) would not be deemed a distribution if made through an exchange or a market located outside Canada. This would align with section 2.14 of NI 45-102 and reflect the reality that most purchasers on foreign exchanges may be presumed to be located outside Canada. One commenter stated that it is inconsistent to allow unrestricted resale of securities initially acquired in offshore offerings without allowing for unrestricted resales in corresponding circumstances by Canadian investors. As such, first trades of securities initially acquired by Canadian investors under an exemption should not be considered a distribution if the trade is to a person outside Canada, if the trade has not been pre-arranged with a buyer in Ontario and less than 45% of the trading in that class of security over the prior fiscal year took place on or through the facilities of a designated Canadian exchange. One commenter noted that the 2016 Proposed Rule does not address the issues faced by institutional investors who wish to dispose of foreign securities pursuant to section 2.14 of NI 45-102, due to the 10% Canadian ownership threshold. The exemption in section 2.4 of the 2016 Proposed Rule is not sufficient as currently drafted due to the imposition of resale restrictions contemplated by subsection 2.4(2). An additional exemption should be added to the 2016 Proposed Rule to allow trades in securities of an issuer	We have added section 2.5 to the 2017 Proposed Rule to provide that a distribution made on or through the facilities of an exchange or market outside Canada is a distribution to a person or company outside Canada if neither the seller nor any person acting on its behalf has reason to believe that the distribution has been pre-arranged with a buyer. Please refer to our response to comment 3, above.

No.	Subject	Summarized Comment	Response
		incorporated or organized under the laws of a foreign jurisdiction to a person or company outside Canada or through a foreign exchange, provided that the issuer is not a reporting issuer in any jurisdiction of Canada.	
10	Compliance with foreign laws	Two commenters characterized the condition that an issuer or selling security holder complies with foreign laws as the extra-territorial application of Ontario securities law and advocated for complete removal of the condition. Three commenters expressed concerns with the application of the requirement in practice. Two commenters noted the difficulty in confirming compliance with foreign securities law, which would require costly legal opinions or due diligence. One commenter noted that minor, technical breaches could disqualify an issuer or selling security holder from relying on the exemption. One commenter suggested that the exemptions should be conditioned on the issuer or selling security holder being subject to foreign securities law. Another commenter suggested that the exemptions should be conditioned on the distribution being effected pursuant to foreign securities law. Another commenter suggested that the exemptions should be conditioned on the issuer's actual knowledge at the time of the distribution that reasonable steps had been taken to ensure compliance with foreign securities law.	Minor or technical breaches of foreign securities law should not result in the unavailability of the 2017 Proposed Rule's exemptions. However, material non-compliance with the requirements of foreign law in connection with a distribution effected pursuant to foreign securities law would undermine a key rationale for the exemptions in the 2017 Proposed Rule and may impugn the integrity of Ontario capital markets. We have revised the exemptions to clarify that the condition requires "material" compliance with foreign securities law. We have also added guidance to the 2017 Proposed Companion Policy that an issuer or selling security holder will have materially complied with the requirements of a foreign securities law if the issuer or selling security holder has taken reasonable steps to ensure the distribution is effected in accordance with the securities laws of the foreign jurisdiction.
11	s. 2.1 (b) – Distribution Under Public Offering Document in Foreign Jurisdictions	Two commenters suggested changes to the condition in paragraph 2.1(b) of the 2016 Proposed Rule that the issuer has filed a document "similar to a final prospectus". One commenter suggested removing the language because it could be interpreted to mean that the foreign offering document must meet the standard of an Ontario prospectus. In the alternative, the commenter suggested adding guidance to the 2016 Proposed Companion Policy that the offering document must be a document that is publicly filed and that a private offering document that is not publicly filed would not qualify for the exemption. The other commenter thought that the language may be interpreted to require the issuer to undertake an analysis of whether the foreign offering document meets the standard of an Ontario prospectus. The commenter suggested adding guidance to the 2016 Proposed Companion Policy that the language means a "public offering document" and, so long as "a receipt or similar acknowledgement of approval has been obtained" from the foreign jurisdiction, the foreign offering document is presumed to be "similar to a final prospectus." One commenter proposed adding issuers who have filed a document similar to a final prospectus with a stock exchange in a designated foreign jurisdiction for which approval has been obtained.	We have revised the condition in paragraph 2.1(b) of the 2017 Proposed Rule to state that the issuer has filed, and if applicable, a receipt or similar acknowledgement of approval or clearance has been obtained for, an offering document that qualifies, registers, or permits, as applicable, the public offering of those securities in accordance with the securities laws of a "specified foreign jurisdiction".

No.	Subject	Summarized Comment	Response
		As such, the following language should be added: "or permitting the distribution of the securities in the designated foreign jurisdiction".	
12	s. 2.2 (b) – Concurrent Distribution under Final Prospectus in Ontario	One commenter suggested that this section of the 2016 Proposed Rule is unnecessary, because if an issuer files a prospectus in Ontario to qualify the distribution of securities to an investor outside Canada, then the issuer would be complying with the prospectus requirement anyway. The commenter further stated it was unclear whether an underwriter would be required to sign such a prospectus.	The condition under paragraph 2.2(b) of the 2017 Proposed Rule requires the filing of a prospectus in Ontario in connection with a distribution in Ontario that is concurrent with the foreign distribution to which the exemption in section 2.2 applies. If, for example, an issuer files an initial public offering prospectus in Ontario and, concurrently, sells the same class of securities under a private placement in the United States, the exemption in section 2.2 of the 2017 Proposed Rule could apply to the U.S. private placement. In this case, the prospectus filed in Ontario would not qualify the securities distributed to foreign purchasers in reliance on the exemption in section 2.2.
13	s. 2.3 – Distributions by Reporting Issuers	One commenter questioned why an issuer would have to be a reporting issuer for four months preceding a distribution, other than to substantiate the basis on which the subsequent resale of those securities is permitted back into Canada. The commenter suggested that if that was the intention, then section 2.3 should be removed and a new paragraph (c) added to section 2.4, which would allow resale of securities distributed pursuant to subsection 2.4(1). This new paragraph (c) should also state that the first trade of securities distributed pursuant to subsection 2.4(1) is not a distribution if the issuer of the securities is and has been a reporting issuer for the 4 months preceding the date of the trade.	Rather than make the changes suggested by the commenter, we have revised the condition in paragraph 2.3(b) of the 2017 Proposed Rule, which in the 2016 Proposed Rule required the issuer to have been a reporting issuer in a jurisdiction for the four months immediately preceding the distribution. The condition now only requires that the issuer is a reporting issuer at the time of the distribution.
14	s. 2.4 – co-existence with s. 2.6 of NI 62-104	One commenter suggested that a first trade of securities distributed under section 2.4 should not be deemed a distribution if it is made in the normal course as per section 2.6 of National Instrument 62-104 *Take-Over Bids and Issuer Bids* (**NI 62-104**).	We have removed the resale exemptions from the 2017 Proposed Rule and refer commenters to the CSA's proposed amendments relating to section 2.14 of NI 45-102.
15	s. 2.4 – application of "safe harbor" rule	One commenter requested that we add a fifth exemption based on Rule 904 of Regulation S in the *Securities Act of 1933* of the United States of America (the "safe harbor" rule).	Please refer to our response to comment 9, above.
PART 3 OF 2016 PROPOSED RULE			
16	General comments	Several commenters expressed the view that Part 3 should be deleted in its entirety because it is unnecessary and will cause uncertainty. One commenter suggested that Part 3 implies Ontario registration requirements apply when non-Canadian dealers exclusively trade with investors resident outside Canada. This may deter these dealers from undertaking such activity.	The exemptions in Part 3 have been included to address situations where i) an issuer takes the position that the sale of securities to foreign purchasers is a distribution for the purposes of Ontario securities law, and ii) where a foreign dealer involved in the distribution maintains an office or place of business in Ontario or otherwise conducts significant activities in connection with the distribution in Ontario.

No.	Subject	Summarized Comment	Response
		One commenter proposed that Part 3 be amended to reference other analogous foreign requirements as some foreign jurisdictions do not have dealer registration requirements. One commenter requested that the language be broadened so that an entity relying on a registration exemption in a specified foreign jurisdiction can also rely on the exemption in section 3.1 of the 2016 Proposed Rule. Words to the effect of "the person or company is registered, exempt from registration, or otherwise permitted, under the securities legislation" should be added to paragraphs 3.1(b) and (c).	The policy rationale for these exemptions is similar to the policy rationale underlying the exemptions in Ontario Securities Commission Rule 32-505 *Conditional Exemption from Registration for United States Broker-Dealers and Advisers Servicing U.S. Clients from Ontario* (**OSC Rule 32-505**). We have amended the exemption in section 3.1 so that an entity that is exempt from registration in the United States of America or a specified foreign jurisdiction may also rely on the exemption. As stated in the 2017 Proposed Companion Policy, the provision of exemptions in the 2017 Proposed Rule is not, by itself, determinative of whether Ontario securities law would otherwise apply to a distribution outside Canada or activities related to the distribution.
17	Application to investment fund managers	One commenter expressed the view that Part 3 implies investment fund managers would be required to comply with its obligations as a dealer for all foreign investors in its domestic funds irrespective of any dealer requirements and obligations which may be in place in the foreign jurisdiction in which an investor resides. The Commission should clarify this.	Unless an exemption is otherwise available, registered firms and registered individuals in Ontario are expected to comply with the requirements of Ontario securities law applicable to registrants regardless of where the investor is located. The know-your-client and suitability obligations in Part 13 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) are principles-based and require a registrant to take reasonable steps to know the client and make a suitability determination. A registrant's determination of how to satisfy these obligations may include a consideration of the comparable requirements, if any, that may apply in the investor's home jurisdiction and the investor's reasonable expectations in this regard.
18	Corresponding issuer exemption	One commenter recommended that we add a corresponding issuer exemption as per section 8.5 of NI 31-103. Without this an issuer may be deemed to have triggered the registration requirement in Ontario if it distributes its securities outside Canada through a person or company that is not registered or exempt from registration in Canada, but is otherwise registered or exempt in the non-Canadian jurisdiction where the issuer makes the distribution. The same commenter suggested that we should not impose a registration requirement on issuers that directly distribute their securities in a non-Canadian jurisdiction without market intermediaries, such as dealers or advisers, provided that the issuer is complying with the non-	We have added a new exemption in section 3.2 of the 2017 Proposed Rule for an issuer that might otherwise be considered to be in the business of trading (through, for example, frequent offerings) if the offering is made in accordance with the dealer and underwriter registration requirements of the investor's jurisdiction and the issuer is not otherwise registered in any jurisdiction in Canada in the category of dealer. As noted in the responses above and below, Ontario registration requirements apply to registerable activity conducted in Ontario, regardless of where the investor is located. In our view, the new exemption for issuers in section 3.2 of the 2017 Proposed Rule

No.	Subject	Summarized Comment	Response
		Canadian jurisdiction's registration and prospectus requirements. The commenter requests that the OSC provide guidance on the interaction between the Ontario business trigger and local registration requirements.	should address any concerns with the application of duplicative Canadian and foreign requirements.
19	Co-existence with OSC Rule 32-505	One commenter stated that Ontario registration requirements should not apply when an Ontario-registered dealer acts on behalf of a foreign market participant who is in compliance with foreign requirements. Absent market integrity concerns, the foreign jurisdiction should be responsible for foreign investor protection and Ontario registration requirements should not apply. This should take a form similar to OSC Rule 32-505.	Unless an exemption is otherwise available, registered firms and registered individuals in Ontario are expected to comply with the requirements of Ontario securities law applicable to registrants regardless of where the investor is located. Many of the requirements in NI 31-103 are principles-based and require a registrant to take reasonable steps to comply with these requirements. In these cases, a registrant's determination of how to satisfy these requirements may include a consideration of the comparable requirements, if any, that may apply in the investor's home jurisdiction and the investor's reasonable expectations in this regard. Other requirements, such as books and records requirements, should apply to a registrant regardless of the location of the investor.
20	Registration requirements of designated foreign jurisdictions	One commenter requested that paragraph (a) be deleted and paragraph (c) be amended to refer to the registration requirements of any foreign jurisdiction, not just designated jurisdictions. This would be consistent with the rest of the 2016 Proposed Rule and would not unduly limit an issuer's choice of dealer or underwriter in the foreign jurisdiction. Two commenters proposed that the registration exemption be extended to dealers registered in any foreign country, not just "designated foreign jurisdictions". This would put it in line with the international dealer exemption in paragraph 8.18(2)(a) of NI 31-103. Two commenters expressed the view that the exemption should not be limited to the jurisdictions in NI 71-102 as the purpose of NI 71-102 is to assess the adequacy of continuous disclosure regimes, not dealer registration regimes. Two commenters stated that requiring foreign dealers to be in compliance with all applicable dealer requirements is a highly exacting standard and could lead to unintended results. As such, a requirement for "sufficient compliance" should be inserted instead.	As noted above, we have replaced the definition of "designated foreign jurisdiction" with the definition of "specified foreign jurisdiction". We have reflected the commenters' suggestions in Appendix A of the 2017 Proposed Rule. A rationale for the exemption from the dealer and underwriter registration requirement is that the person or company is in material compliance with the dealer and underwriter requirements in the investor's home jurisdiction. Although the definition of designated foreign jurisdiction in NI 71-102 may have originally been based on an assessment of foreign jurisdictions that that have adequate continuous disclosure regimes, the securities regulatory regimes in these jurisdictions also generally contemplate certain basic registration and business conduct regimes for intermediaries. The international dealer exemption in paragraph 8.18(2)(a) of NI 31-103 includes a number of conditions that are not included in the 2017 Proposed Rule, including a condition that the international dealer deal only with permitted clients (institutional investors). We have not included these additional conditions in the Rule and believe that it would be more appropriate to align the exemptions in Part 3 with the exemptions in Part 2.

No.	Subject	Summarized Comment	Response
			We have changed references to "compliance" to "material compliance". Please refer to our response to comment 10, above.
PART 4 OF 2016 PROPOSED RULE			
21	Necessity of reporting requirement	Several commenters proposed that the reporting requirement be eliminated as it may increase compliance costs without providing any material benefit: the information will be available to the Commission via continuous disclosure documentation.	We note that issuers that are not subject to continuous disclosure obligations may rely on the 2017 Proposed Rule's exemptions. The data reportable on the 2017 Proposed Form is limited in scope and is intended to provide the Commission with information regarding cross-border activities that will help inform efficient and effective policy-making in the future.
22	Certification requirement	Several commenters expressed concern that dealers may refuse to act as dealers on reportable distributions if the certification language is not clear that a signing individual is doing so in his or her official capacity without personal liability.	We have changed the certification language in the 2017 Proposed Form. The CSA has proposed amendments to the report of exempt distribution in NI 45-106. The revised certification language in the 2017 Proposed Form is consistent with those proposed amendments. The certificates in the 2017 Proposed Form will be aligned with the approach ultimately adopted by the CSA under NI 45-106.
23	Application to investment funds	Three commenters recommended that funds be excluded from the 2016 Proposed Rule's reporting requirement as it is unnecessary and would result in onerous duplication. Under National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**) funds are currently permitted to file reports of exempt distributions on an annual basis that reflect distributions in all jurisdictions. Further, as investment fund managers are already registered by the Commission, the Commission could request this information on an as-needed basis.	We have added subsection 4.2(2) to the 2017 Proposed Rule to provide that an issuer that is an investment fund may file the report not later than 30 days after the calendar year. We have also added section 4.3 to the 2017 Proposed Rule to provide that an issuer that is an investment fund may also satisfy the reporting requirement by filing a consolidated Form 45-106F1 that includes the information required by the 2017 Proposed Form.
24	Co-existence with NI 45-106	One commenter questioned the policy rationale for reporting trades which, if they had taken place in Ontario, would not need to be reported. An exemption should be available in circumstances where an issuer is required to report an offshore distribution on the 2016 Proposed Form without a corresponding report under NI 45-106. One commenter requested that the Commission clarify whether it considers the exemptions in the 2016 Proposed Rule to be the only exemptions that may be applicable to distributions outside Ontario.	We have not made the suggested change. An issuer may choose to rely on an applicable exemption under NI 45-106 as an alternative to the exemptions in the 2017 Proposed Rule in connection with a distribution outside Canada. An issuer is not required to file the 2017 Proposed Form if it is relying on, and satisfies any applicable conditions of, another exemption from the prospectus requirement.
25	Obligation of issuer not dealer	One commenter stated that the reporting obligation should be an obligation of the issuer and not the foreign dealer.	Under section 4.1 of the 2017 Proposed Rule, an issuer, not the foreign dealer, is subject to the requirement to file the 2017 Proposed Form.
26	Disclosure of purchaser information	One commenter stated that in no circumstance should the final version of the 2016 Proposed Form require disclosure of purchaser information.	The 2017 Proposed Form does not require disclosure of purchaser information.

No.	Subject	Summarized Comment	Response
27	Filing fees	One commenter stated that a filing fee for the 2016 Proposed Form would be inappropriate.	We have not proposed to add the 2017 Proposed Form to OSC Rule 13-502 Fees and thus a fee will not be payable when filing the 2017 Proposed Form.
PART 1 OF 2016 PROPOSED COMPANION POLICY			
28	Distributions made in accordance with the Interpretation Note	Two commenters requested we add a fourth paragraph to the Statement of Principle confirming that distributions which would have been in accordance with the Interpretation Note would also be in accordance with the Statement of Principle. This would ensure that there is no disruption of current Ontario market practice resulting from the adoption of the 2016 Proposed Rule.	We have not made the suggested change. Please refer to our response to comment 30, below.
29	Connecting factors to Ontario	One commenter stated that only connecting factors with Ontario that bear on flow back risk are relevant in assessing whether an offshore trade is a distribution. Clarifying language to this effect should be included in the Statement of Principle. This is because Ontario's prospectus requirement is for the protection of Ontario investors not foreign investors. Another commenter stated that the jurisdiction of the purchaser's residence should be the most significant connecting factor in determining whether prospectus exemptions apply to a distribution. This will result in the highest degree of predictability and the fairest application of investor protection as well as reducing the scope for regulatory arbitrage.	We have not made the suggested change. The "connecting factors" and "real and substantial connection" tests are judicial tests that are applied by courts and tribunals to determine questions of jurisdiction and the parameters of jurisdiction. We are of the view that determination of the Commission's jurisdiction should be left to the courts and tribunals, applying relevant case law to the facts of a particular transaction. Please also refer to our response to comment 30, below.
30	Continuing uncertainty - Generally	Two commenters expressed the view that the guidance in the 2016 Proposed Companion Policy suggests that issuers still need to determine whether the sale of securities outside Canada constitutes a "distribution" and does not provide any greater certainty or clarity for issuers than the Interpretation Note did. The Commission should provide additional guidance to assist market participants in determining when a distribution would occur. A second commenter expressed concern that the certainty provided by having specific exemptions under the 2016 Proposed Rule is compromised by language in the 2016 Proposed Companion Policy which implies that compliance with the conditions of the exemptions may not be sufficient in all cases. A third commenter supported the need for a "bright line rule" and opposed the reintroduction of the Interpretation Note language throughout the 2016 Proposed Companion Policy; in particular, language suggesting that issuers must still take "reasonable steps" to ensure there is no "flow back" of securities to Ontario undermines the certainty which comes with a "bright line rule". In the absence of certainty there is a risk that some	We have made certain revisions to the Statement of Principle in the 2017 Proposed Companion Policy in response to commenters' concerns. In particular, we have clarified that the Statement of Principle and guidance regarding whether securities have "come to rest" outside Canada do not constitute conditions to the availability of the exemptions from the prospectus requirement in the 2017 Proposed Rule. The Statement of Principle articulates the Commission's view of when the Ontario prospectus requirement applies to a distribution of securities outside Canada. Market participants do not need to rely on the exemptions in the 2017 Proposed Rule if they conclude that the Ontario prospectus requirement does not apply to a distribution of securities outside Canada because the securities have come to rest outside Canada. To assist in applying the Statement of Principle, we have added some illustrative examples of reasonable steps that participants may take to ensure the securities come to rest outside Canada.

No.	Subject	Summarized Comment	Response
		market participants will fall back on the Interpretation Note for guidance.	Market participants who have difficulty in applying the Statement of Principle or choose not to conduct an analysis may instead rely on the 2017 Proposed Rule exemptions, provided that the distribution is not part of a plan or scheme to avoid the prospectus requirement in connection with a distribution to a person or company in Canada.
31	"Come to rest" and "flow back"	Three commenters recommended we remove the guidance on "come to rest" from the 2016 Proposed Companion Policy and distance the policy underlying the 2016 Proposed Rule from the guidance on "flow back" in the Interpretation Note. These terms are based on concepts which many market participants struggled with under the Interpretation Note. These terms do not make sense in the context of exemptions which are premised on the existence of factors that are intended to mitigate any harm to Ontario investors if the securities do "flow back". The policy goal of the 2016 Proposed Rule should be to ensure sufficient disclosure to act as a substitute for a Canadian prospectus rather than to prevent "flow back". In any event, the risk of "flow back" is small.	Please refer to our response to comment 30, above.
32	"Reasonable Steps"	Almost all commenters expressed concerns regarding the "reasonable steps" language in the 2016 Proposed Companion Policy. Many commenters suggested the term be deleted because it could significantly limit the utility of 2016 Proposed Rule by reintroducing uncertainty. Other commenters contrasted the 2016 Proposed Companion Policy language with the Interpretation Note and stated that the 2016 Proposed Companion Policy does not list any examples of "reasonable steps" nor does it provide any connecting factors that may determine what would be "reasonable" in a given circumstance. These commenters also thought that the term introduces uncertainty but, rather than removing the term, recommended that a set of guiding examples or principles should be included. Three commenters suggested that the term is inconsistent with sections 2.1, 2.2, and 2.3 of the 2016 Proposed Rule because these provisions allow for resale of securities without a prospectus requirement. Several commenters recommended that the term be deleted and replaced with suitable anti-avoidance language.	Please refer to our response to comment 30, above. We have added section 2.6 to the 2017 Proposed Rule, which provides that the prospectus exemptions in sections 2.1 through 2.4 are not available with respect to any transaction or series of transactions that is part of a plan or scheme to avoid the prospectus requirements in connection with a distribution to a person or company in Canada. We have also added guidance to the 2017 Proposed Companion Policy that the Commission expects market participants will not use the 2017 Proposed Rule's exemptions as a means to intentionally circumvent the application of Ontario prospectus requirements through indirect distributions into a jurisdiction of Canada. The 2017 Proposed Rule's exemptions are intended only for distributions being made in good faith outside Canada, and not as part of a plan or scheme to conduct an indirect distribution to a person or company in Canada.

No.	Subject	Summarized Comment	Response
PART 2 OF 2016 PROPOSED COMPANION POLICY			
33	General comments	According to two commenters, the Commission's ability to address possible abuses of the 2016 Proposed Rule's exemptions is adequately covered by "The Integrity of the Ontario Capital Markets and the Jurisdiction of the Commission" in Part 1 of the 2016 Proposed Companion Policy.	Please refer to our responses to comments 30 and 32, above.
34	Concurrent Distribution under Final Prospectus in Ontario	One commenter recommended we delete the second and third paragraphs in this section of the 2016 Proposed Companion Policy because the paragraphs suggest that an Ontario-filed prospectus could qualify an offering of securities to a foreign investor. This commenter expressed the view that an Ontario prospectus filed in respect of an offshore offering would qualify any flow back of securities into Ontario, but would not qualify the initial offering to foreign investors because the initial offering would not itself be a "distribution" under Ontario securities laws. To allow an issuer to file an Ontario prospectus qualifying an offshore distribution, additional exemptions and guidance is necessary. One commenter stated that Ontario issuers and underwriters should not be required to extend the protections of Ontario securities law to foreign purchasers. The commenter also pointed out that it was unclear whether the use of an Ontario prospectus would require a dealer in a foreign jurisdiction to sign a certificate of underwriter. According to another commenter, the 2016 Proposed Companion Policy should make it clear that the number or amount of securities referred to in an Ontario-filed prospectus may include securities that are concurrently being offered to investors outside Ontario and are therefore not qualified by the Ontario filed prospectus.	While the 2017 Proposed Rule exempts an issuer or selling security holder from the requirement to file an Ontario prospectus qualifying an offering to foreign purchasers, it does not prevent them from doing so. That is, an issuer or selling security holder may choose to file a prospectus in Ontario to qualify such a distribution and provide the statutory protections of Ontario securities law to foreign investors. If an issuer chooses to file a prospectus in Ontario to qualify the distribution of securities to an investor outside Canada, the prospectus should clearly state whether or not it also qualifies the distribution of securities to an investor outside Canada, recognizing that purchasers of Ontario prospectus-qualified securities may be entitled to certain rights and investor protections under the Act. An investor should be able to readily ascertain at the time of purchase whether they are acquiring securities under the prospectus and are therefore entitled to statutory rights for the purposes of Ontario securities law. Accordingly, if an issuer does not intend the prospectus to qualify the distribution of securities to purchasers outside Canada, the prospectus should include a statement to this effect.
35	Statutory Protection for Foreign Investors	Several commenters expressed concern that the 2016 Proposed Companion Policy implies statutory protection will be extended to foreign investors. Language to this effect should be removed as it is not clear that the Commission has the legal authority to do so. Two commenters suggested that extending statutory rights to foreign investors would conflict with the multijurisdictional disclosure system (**MJDS**) and could have significant implications for both public offerings under the MJDS and foreign private placements.	In our view, an issuer or selling security holder may elect to file a prospectus in Ontario to qualify a distribution to foreign purchasers and to provide the statutory protections of Ontario securities law to foreign investors. See also our response to comment 34, above. Nothing in the 2017 Proposed Rule or the 2017 Proposed Companion Policy is intended to affect the guidance in section 4.3 of Companion Policy 71-101CP to National Instrument 71-101 *The Multijurisdictional Disclosure System*.

ANNEX B

PROPOSED ONTARIO SECURITIES COMMISSION RULE
72-503 *DISTRIBUTIONS OUTSIDE CANADA*

The text box in this Rule located above section 2.4 refers to National Instrument 45-102 Resale of Securities. This text box does not form part of this Rule.

PART 1
DEFINITIONS

Definitions

1.1 In this Rule,

"distribution date" has the same meaning as in National Instrument 45-102 *Resale of Securities*;

"FINRA" means the self-regulatory organization in the United States of America known as the Financial Industry Regulatory Authority; and

"specified foreign jurisdiction" means a jurisdiction listed in Appendix A of this Rule.

PART 2
EXEMPTIONS FROM THE PROSPECTUS REQUIREMENT

Distribution Under Public Offering Document in Foreign Jurisdictions

2.1 The prospectus requirement does not apply to a distribution of securities to a person or company outside Canada if, prior to the issuance or resale of the securities, one or both of the following apply:

(a) the issuer has filed a registration statement in accordance with the 1933 Act registering the securities in connection with the distribution, and that registration statement has become effective;

(b) the issuer has filed an offering document that qualifies, registers, or permits the public offering of those securities in accordance with the securities laws of a specified foreign jurisdiction and, if required, a receipt or similar acknowledgement of approval or clearance has been obtained for the offering document in the specified foreign jurisdiction.

Concurrent Distribution under Final Prospectus in Ontario

2.2 The prospectus requirement does not apply to a distribution of securities to a person or company outside Canada if,

(a) in connection with the distribution, the issuer of those securities or the selling security holder has materially complied with the securities law requirements of the jurisdiction outside Canada; and

(b) prior to the issuance or resale of the securities, the issuer of those securities has filed with the Commission, and a receipt has been issued for, a final prospectus qualifying a concurrent distribution of the same class, series or type of securities to purchasers in Ontario in accordance with Ontario securities law.

Distributions by Reporting Issuers

2.3 The prospectus requirement does not apply to a distribution by an issuer of a security of its own issue to a person or company outside Canada if,

(a) in connection with the distribution, the issuer has materially complied with the securities law requirements of the jurisdiction outside Canada; and

(b) the issuer is a reporting issuer in a jurisdiction of Canada immediately preceding such distribution.

Distributions by Non-Reporting Issuers

Refer to Appendix D of National Instrument 45-102 **Resale of Securities*****. First trades are subject to a restricted period on resale.***

2.4 The prospectus requirement does not apply to a distribution by an issuer that is not a reporting issuer in a jurisdiction of Canada of a security of its own issue to a person or company outside Canada if, in connection with the distribution, the issuer has materially complied with the securities law requirements of the jurisdiction outside Canada.

Exchange or Market Outside Canada

2.5 For the purposes of sections 2.1, 2.2, 2.3 and 2.4, a distribution made on or through the facilities of an exchange or market outside Canada is a distribution to a person or company outside Canada if neither the seller nor any person acting on its behalf has reason to believe that the distribution has been pre-arranged with a buyer.

Anti-avoidance

2.6 The prospectus exemptions in sections 2.1, 2.2, 2.3 and 2.4 are not available with respect to any transaction or series of transactions that is part of a plan or scheme to avoid the prospectus requirements in connection with a distribution to a person or company in Canada.

PART 3
EXEMPTION FROM THE DEALER AND UNDERWRITER REGISTRATION REQUIREMENTS

Exemption from the Dealer and Underwriter Registration Requirements

3.1 The dealer registration requirement and the underwriter registration requirement do not apply to a person or company in connection with a distribution of securities to a person or company outside Canada that is qualified by a prospectus filed in a jurisdiction of Canada or that is exempt from the prospectus requirement under Part 2 of this Rule or another exemption from the prospectus requirement under Ontario securities law if all of the following apply:

(a) the head office or principal place of business of the person or company is in the United States of America, a specified foreign jurisdiction or a jurisdiction of Canada;

(b) if the distribution is to a purchaser located in the United States of America,

(i) the person or company is registered as a broker-dealer with the SEC, is a member of FINRA and materially complies with all applicable conduct and other regulatory requirements of U.S. federal securities law, state securities law of the United States of America and FINRA rules in connection with the distribution; or

(ii) the person or company is exempt from registration as a broker-dealer with the SEC and materially complies with all applicable regulatory requirements of U.S. federal securities law in connection with the distribution;

(c) if the distribution is to a purchaser located in a specified foreign jurisdiction,

(i) the person or company

(A) is registered under the securities legislation of the specified foreign jurisdiction in a category of registration that permits it to carry on the activities in that jurisdiction that registration as a dealer would permit it to carry on in Ontario, and

(B) materially complies with all applicable dealer registration requirements and other broker-dealer regulatory requirements of the specified foreign jurisdiction in connection with the distribution; or

(ii) the person or company is exempt from registration in the specified foreign jurisdiction and materially complies with all applicable securities regulatory requirements of the specified foreign jurisdiction in connection with the distribution;

(d) the person or company does not carry on business as a dealer or underwriter from an office or place of business in Ontario except in accordance with Ontario Securities Commission Rule 32-505 *Conditional Exemption from Registration for United States Broker-Dealers and Advisers Servicing U.S. Clients from Ontario,* an exemption from the registration requirement in this Rule or another exemption from the registration requirement under Ontario securities law;

(e) the person or company is not registered in any jurisdiction of Canada in the category of dealer.

Issuer Exemption from the Dealer and Underwriter Registration Requirements

3.2 The dealer registration requirement does not apply to an issuer in connection with a distribution of securities to a person or company outside Canada that is qualified by a prospectus filed in a jurisdiction of Canada or that is exempt from the prospectus requirement under Part 2 of this Rule or another exemption from the prospectus requirement under Ontario securities law if one or both of the following apply:

(a) the trade is made through or to a person or company that is relying on the exemption in section 3.1 or another exemption from registration under Ontario securities law;

(b) the trade is made in accordance with the dealer and underwriter registration requirements of the investor's jurisdiction and the issuer is not otherwise registered in any jurisdiction in Canada in the category of dealer.

PART 4
REPORT OF DISTRIBUTION OUTSIDE CANADA

Report of Distribution outside Canada

4.1 An issuer that relies on an exemption in section 2.2, 2.3 or 2.4 must electronically file a report of trade with respect to that exempt distribution. The electronic filing must include the information required by Form 72-503F *Report of Distributions Outside Canada* and its instructions.

4.2 Filing Deadline

(1) An issuer, other than an investment fund, must file the report required under section 4.1 on or before the tenth day after the distribution date.

(2) An issuer that is an investment fund must file the report required under section 4.1 not later than 30 days after the end of the calendar year in which the distribution occurred.

Investment Funds

4.3 An issuer that is an investment fund is not required to file the report under section 4.1 if the seller electronically files a Form 45-106F1 not later than 30 days after the end of the calendar year in which the distribution occurred that also includes the required information set forth in Form 72-503F *Report of Distributions Outside Canada* and its instructions.

PART 5
EXEMPTION

Exemption

5.1 The Director may grant an exemption from Part 4, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

PART 6
EFFECTIVE DATE

Effective Date

6.1 This Rule comes into force on ●.

APPENDIX A – SPECIFIED FOREIGN JURISDICTIONS

1. Australia
2. France
3. Germany
4. Hong Kong
5. Italy
6. Japan
7. Mexico
8. The Netherlands
9. New Zealand
10. Singapore
11. South Africa
12. Spain
13. Sweden
14. Switzerland
15. United Kingdom of Great Britain and Northern Ireland
16. Any other member country of the European Union

FORM 72-503F
REPORT OF DISTRIBUTIONS OUTSIDE CANADA

Instructions:

1. An issuer that is required to complete this Form must do so through the online e-form available at http://www.osc.gov.on.ca.

2. Security codes: Wherever this form requires disclosure of the type of security, use the following security codes:

Security code	Security type
BND	Bonds
CER	Certificates *(including pass-through certificates, trust certificates)*
CMS	Common shares
CVD	Convertible debentures
CVN	Convertible notes
CVP	Convertible preferred shares
DEB	Debentures
FTS	Flow-through shares
FTU	Flow-through units
LPU	Limited partnership units
NOT	Notes *(include all types of notes except convertible notes)*
OPT	Options
PRS	Preferred shares
RTS	Rights
UBS	Units of bundled securities *(such as a unit consisting of a common share and a warrant)*
UNT	Units *(exclude units of bundled securities, include trust units and mutual fund units)*
WNT	Warrants
OTH	Other securities not included above *(if selected, provide details of security type in Item 7d)*

1. Full name, address and telephone number of the Issuer.

a) Full name of issuer

b) Head office address

Street address		Province/State	
Municipality		Postal code/Zip code	
Country		Telephone number	

2. Type of security, the aggregate number or amount distributed and the aggregate purchase price.

Types of securities distributed

Provide the following information for all distributions of securities relying on an exemption from section 2.2, 2.3 or 2.4 of the Rule on a per security basis. Refer to section 2 of the Instructions for how to indicate the security code. If providing the CUSIP number, indicate the full 9-digit CUSIP number assigned to the security being distributed.

Security code			CUSIP number (if applicable)	Description of security	Number of securities	Canadian $		
						Single or lowest price	Highest price	Total amount

Details of rights and convertible/exchangeable securities

If any rights (e.g. warrants, options) were distributed, provide the exercise price and expiry date for each right. If any convertible/exchangeable securities were distributed, provide the conversion ratio and describe any other terms for each convertible/exchangeable security.

Security code			Underlying Security code			Exercise price (Canadian $)		Expiry date (YYYY-MM-DD)	Conversion ratio	Describe other terms (if applicable)
						Lowest	Highest			

3. Date of distribution(s).

Distribution date

State the distribution start and end dates. If the report is being filed for securities distributed on only one distribution date, provide the distribution date as both the start and end dates. If the report is being filed for securities distributed on a continuous basis, include the start and end dates for the distribution period covered by the report.

Start date			End date		
YYYY	MM	DD	YYYY	MM	DD

4. State the name and address of any person acting as dealer or underwriter (including an underwriter that is acting as agent) in connection with the distribution(s) of the securities.

Dealer and underwriter information			
Full legal name			
Street address			
Municipality		Province/State	
Country		Postal code/Zip code	
Telephone number		Website	*(if applicable)*

5. Certification

Certification
Provide the following certification and business contact information of an officer, director or agent of the issuer. If the issuer is not a company, an individual who performs functions similar to that of a director or officer may certify the report. For example, if the issuer is a trust, the report may be certified by the issuer's trustee. If the issuer is an investment fund, a director or officer of the investment fund manager (or, if the investment fund manager is not a company, an individual who performs similar functions) may certify the report if the director or officer has been authorized to do so by the investment fund. *The certification may be delegated, but only to an agent that has been authorized by an officer or director of the issuer to prepare and certify the report on behalf of the issuer.* *The signature on the report must be in typed form rather than handwritten form. The report may include an electronic signature provided the name of the signatory is also in typed form.*

Securities legislation requires an issuer that makes a distribution of securities under certain prospectus exemptions to file a completed report of exempt distribution.

By completing the information below, I certify, on behalf of the issuer/investment fund manager, to the securities regulatory authority or regulator, as applicable, that I have reviewed this report and to my knowledge, having exercised reasonable diligence, the information provided in this report is true and, to the extent required, complete.

Name of issuer/investment fund manager/agent

Full legal name			
	Family name	First given name	Secondary given names

Title

Telephone number

Email address

Signature

Date			
	YYYY	MM	DD

ANNEX C

PROPOSED COMPANION POLICY 72-503 *DISTRIBUTIONS OUTSIDE CANADA*

PART 1 APPLICATION AND PURPOSE

This Policy sets out how the Ontario Securities Commission (the **Commission** or the **OSC**) interprets and applies section 53 of the *Securities Act* (Ontario) (the **Act**), the provisions of OSC Rule 72-503 *Distributions of Securities Outside Canada* (the **Rule**) and section 25 of the Act in the context of distributions outside Canada.

Statement of Principle

The Commission takes the view that an investor outside Canada will ordinarily expect to rely on the prospectus, registration statement or similar protections of the securities laws of the foreign jurisdiction in which the investor is located. The Commission recognizes that compliance with the prospectus requirement or conditions of a prospectus exemption under Ontario securities law may be unnecessarily duplicative of these protections and will generally not be necessary to fulfill the purposes of the Act.

Accordingly, the Commission does not interpret the Ontario prospectus requirement as applying to a distribution of securities outside Canada that is made in compliance with the securities laws of the foreign jurisdiction in which the investor is located. However, the Commission would expect the issuer, a selling security holder, an underwriter and other participants in the distribution to take reasonable steps to ensure that the offered securities come to rest outside Canada and are not redistributed back into Canada. The following are factors that participants may consider and examples of reasonable steps they may take in support of their reliance on this Statement of Principle:

(1) A restriction in the underwriting, banking group or selling group agreement that prohibits the sale of securities to any person or company in Canada, except pursuant to a Canadian prospectus or prospectus exemption;

(2) Clear statements in the offering document that the securities: (i) have not been qualified for distribution by prospectus in Canada, and (ii) may not be offered or sold in Canada during the course of their distribution except pursuant to a Canadian prospectus or prospectus exemption;

(3) The class or series of securities being distributed have an existing trading market outside Canada that would not be materially less advantageous for investors outside Canada than making resales on any exchange or market in Canada on which the securities may also be traded;

(4) The distribution is conducted as a broad-based public offering in one or more countries outside Canada and, if there is no existing trading market outside of Canada, it is reasonable to expect that a trading market for the offered securities outside Canada will develop;

(5) Purchasers outside Canada provide representations and warranties, or are given notice that their purchase of the securities will be deemed to constitute a representation and warranty, that they are purchasing with investment intent and not for the purpose of making an immediate resale; and

(6) Purchasers outside Canada provide representations and warranties, or are given notice that their purchase of the securities will constitute a representation and warranty, that they will not resell the security to a person they actually know to be located in Canada or through the facilities of an exchange or market in Canada, for a period of 90 days from the date of their purchase.

This list of factors and examples of reasonable steps is provided for illustrative purposes, and is not intended to be a definitive list of any or all of the factors or steps that participants may take into account in order to conclude that reasonable steps have been taken to ensure that securities have come to rest outside Canada. Furthermore, the list is intended to assist in determining whether the prospectus requirement applies to a distribution, and is not intended to have a bearing on the ability of market participants to rely on the Rule's exemptions. As the Rule's exemptions are intended to provide greater certainty for market participants, the Commission would not view reliance or purported reliance on an exemption, itself, as determinative that the Ontario prospectus requirement would otherwise apply to a distribution outside Canada or to activities related to the distribution.

The Integrity of the Ontario Capital Markets and the Jurisdiction of the Commission

The Rule's exemptions are intended only for distributions being made in good faith outside Canada, and not as part of a plan or scheme to conduct an indirect distribution to a person or company in Canada.

Neither the Rule nor this Policy impacts the jurisdiction of the Commission. Where the Commission becomes aware of conduct that may bring the reputation of Ontario's capital markets into disrepute or otherwise impair its mandate, the Commission may

assert its jurisdiction and exercise its powers to take appropriate action against issuers, underwriters and other persons, including in connection with distributions of securities to an investor outside Canada. The Commission may exercise its discretionary authority to cease trade securities, make orders to prevent conduct contrary to the public interest, and make regulations to foster fair and efficient capital markets and confidence in capital markets irrespective of whether there is a "distribution" in Ontario in breach of section 53 of the Act.

PART 2 EXEMPTIONS FROM THE PROSPECTUS REQUIREMENT

General

The prospectus exemptions under Part 2 of the Rule are intended to facilitate cross-border offerings by removing the potentially duplicative application of Ontario prospectus requirements where offerings to an investor outside Canada are made in material compliance with the securities laws of the foreign jurisdiction.

An issuer or selling security holder meets the requirement to sell to "a person or company outside Canada" if the issuer or selling security holder has no knowledge, and no reason to believe, that the purchaser is a person or company resident in Canada. Further, section 2.5 of the Rule provides that a distribution made through the facilities of an exchange or market outside Canada will qualify as a distribution outside Canada if neither the seller, nor any person acting on its behalf, has reason to believe the distribution has been pre-arranged with a buyer. Where the transaction has been pre-arranged, the exemption from the prospectus requirement will only be available if the pre-arranged buyer is in fact a person or company outside Canada.

An issuer or selling security holder will have "materially complied with the securities law requirements of a jurisdiction outside Canada" if the issuer or selling security holder has taken reasonable steps to ensure the distribution is effected in accordance with the securities laws of the foreign jurisdiction.

Concurrent Distribution under Final Prospectus in Ontario

An issuer or selling security holder distributing securities to an investor outside Canada may concurrently distribute securities to purchasers in Ontario provided that the distribution of securities to an investor in Ontario is qualified by a prospectus filed under the Act, or is conducted in reliance on an exemption from the prospectus requirement. The condition under paragraph 2.2(b) of the Rule therefore requires the filing of a prospectus in Ontario in connection with a concurrent distribution in Ontario. The prospectus exemption under section 2.2 of the Rule may be relied on for purposes of the distribution to an investor outside Canada only.

If an issuer or selling security holder files a prospectus to qualify a concurrent distribution to a person or company in Ontario, the issuer may choose to file a prospectus in Ontario to qualify the distribution of securities to an investor outside Canada, rather than rely on the exemption in section 2.2 of the Rule. Any prospectus filed in such circumstances should clearly state whether or not it also qualifies the distribution of securities to an investor outside Canada, recognizing that purchasers of Ontario prospectus-qualified securities may be entitled to certain rights and investor protections under the Act even if the investor is outside Canada.

If there is no concurrent distribution in Ontario but the issuer files an Ontario prospectus in connection with the distribution of securities to an investor outside Canada, the securities being distributed outside Canada will be qualified by the Ontario prospectus. In this case, the issuer or selling security holder would not be relying on the exemption from the prospectus requirement in section 2.2 of the Rule because a prospectus in Ontario is qualifying the distribution.

Resale

Securities distributed under an exemption from the prospectus requirement in section 2.1, 2.2, or 2.3 of the Rule are free trading.

The first trade of securities distributed under an exemption from the prospectus requirement in section 2.4 of the Rule is subject to a restricted period on resale. Refer to Appendix D of National Instrument 45-102 *Resale of Securities*.

The Multijurisdictional Disclosure System

Nothing in the Rule is intended to affect the guidance in section 4.3 of Companion Policy 71-101CP To National Instrument 71-101 *The Multijurisdictional Disclosure System*. An issuer relying on an exemption from the prospectus requirement in paragraph 2.1(a) of the Rule may file a Form F-10 in connection with a distribution solely in the United States of America under the multijurisdictional disclosure system adopted by the SEC, select Ontario as the review jurisdiction, file the registration statement filed with the SEC with the Commission contemporaneously with the filing of the registration statement with the SEC, obtain notification of clearance from the Commission and advise the SEC of the issuance of the notification of clearance. In this situation, the exemption in paragraph 2.1(a) of the Rule will be available once the Form F-10 has become effective.

PART 3 EXEMPTIONS FROM THE REGISTRATION REQUIREMENT

Section 25 of the Act and National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) set out the general requirements for registration as well as certain exemptions from these requirements. The Companion Policy to NI 31-103 provides guidance to issuers and intermediaries on how to apply the triggers for registration as well as interpret the exemptions from these requirements.

Part 3 of the Rule provides an exemption from the dealer and underwriter registration requirements in Ontario securities law for certain foreign dealers (including dealers acting as underwriters) with respect to distributions to investors outside Canada that are made under a prospectus filed in Ontario or made in reliance on a prospectus exemption available under Ontario securities law, including the exemptions in Part 2 of the Rule. The registration exemption in section 3.1 may also be relied on by an entity that has its head office in Canada, is not registered as a dealer in Canada but is registered as a dealer (or exempt from registration) in the United States of America or a specified foreign jurisdiction. The exemption includes entities that have their head office in Canada to address the situation of certain foreign broker-dealer affiliates of Canadian firms that have no foreign offices and share space and personnel with the affiliated Canadian dealer.

The Commission reminds market participants that registration in Ontario is generally required (unless an exemption is otherwise available) where registerable activities are provided to investors in Ontario or where registerable activities are otherwise conducted within Ontario, regardless of the location of the investors.

The Commission recognizes that, in the case of a distribution of securities by an Ontario issuer to purchasers outside Canada, there may be a question as to whether foreign dealers or underwriters that participate in the distribution are subject to the dealer and underwriter registration requirements of Ontario securities law. The Commission has introduced the exemption in section 3.1 of the Rule to provide greater certainty to market participants and to help address the challenges that foreign dealers and underwriters may face in determining whether the dealer and underwriter registration requirements apply to their activities. The provision of these exemptions is not determinative of whether Ontario securities law would otherwise apply to the activities of the foreign dealer or underwriter related to the distribution. Foreign dealers and advisers may also wish to consider the registration exemptions in OSC Rule 32-505 *Conditional Exemption from Registration for United States Broker-Dealers and Advisers Servicing U.S. Clients from Ontario*.

The registration exemption in section 3.2 is intended to parallel the existing registration exemption in section 8.5 of NI 31-103 [*Trades to or through a registered dealer*], but broaden it to apply in circumstances where that exemption may not be available because it requires the trades to occur through a dealer that is registered (rather than relying on an exemption from registration). Issuers that distribute securities with regularity and for a business purpose may in certain circumstances be required to be registered. The companion policy to NI 31-103 provides guidance to issuers on how to apply the registration business trigger.

PART 4 FORM 72-503F

Issuers are required to file the information required by Form 72-503F *Report of Distributions Outside Canada* (the **Form**) electronically through the Commission's Electronic Filing Portal. The electronic filing requirement applies to all issuers that are subject to the Form's disclosure requirements. Please see OSC Rule 11-501 *Electronic Delivery of Documents to the Ontario Securities Commission* for further information.

APPENDIX A

The Commission is prepared to consider applications for exemptive relief in respect of distributions in a jurisdiction outside Canada that is not listed as a specified foreign jurisdiction in Appendix A of the Rule.

ANNEX D

PROPOSED AMENDMENTS TO
ONTARIO SECURITIES COMMISSION RULE 11-501
ELECTRONIC DELIVERY OF DOCUMENTS
TO THE ONTARIO SECURITIES COMMISSION

1. Ontario Securities Commission Rule 11-501 Electronic Delivery of Documents to the Ontario Securities Commission is amended by this Instrument.

2. The second row below is added, immediately after the row containing "**71-101F1", to Appendix A:***

Document Reference	**Description of Document**
72-503F	Form 72-503F *Report of Distributions Outside Canada*

3. This Instrument comes into force on •.

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

INVESTMENT FUNDS

Issuer Name:
Cambridge U.S. Dividend US$ Fund
Principal Regulator – Ontario
Type and Date:
Amendment #3 to the Amended and Restated Simplified Prospectus dated June 23, 2017
Received on June 23, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
CI Investments Inc.
Project #2494270

Issuer Name:
Morningstar Strategic Canadian Equity Fund
Greystone Global Equity Fund
Lazard Global Low Volatility Fund
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Simplified Prospectus dated June 23, 2017
Received on June 23, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Brandes Investment Partners & Co.
Project #2596252

Issuer Name:
Canoe North American Monthly Income Class
Principal Regulator – Alberta
Type and Date:
Amendment #1 to Final Simplified Prospectus dated June 22, 2017
Received on June 23, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2629214

Issuer Name:
Evolve Active Canadian Preferred Share ETF
Evolve Active Floating Rate Loan ETF
Evolve Active Short Duration Bond ETF
Evolve Active US Core Equity ETF
Principal Regulator – Ontario
Type and Date:
Preliminary Long Form Prospectus dated June 22, 2017
NP 11-202 Preliminary Receipt dated June 22, 2017
Offering Price and Description:
Unhedged Units & Hedged Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Evolve Funds Group Inc.
Project #2642578

Issuer Name:
First Asset Cambridge Core Canadian Equity ETF
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Long Form Prospectus dated June 22, 2017
Received on June 22, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
FIRST ASSET INVESTMENT MANAGEMENT INC.
Project #2515653

Issuer Name:
First Asset Tech Giants Covered Call ETF
Principal Regulator – Ontario
Type and Date:
Amendment #2 to Final Long Form Prospectus dated June 20, 2017
Received on June 20, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
First Asset Investment Management Inc.
Project #2486985

Issuer Name:
Horizons Managed Multi-Asset Momentum ETF
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Long Form Prospectus dated June 22, 2017
Received on June 22, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
ALPHAPRO MANAGEMENT INC.
Project #2571759

Issuer Name:
MM Fund
Principal Regulator – Ontario
Type and Date:
Preliminary Simplified Prospectus dated June 20, 2017
NP 11-202 Preliminary Receipt dated June 22, 2017
Offering Price and Description:
Series A, Series D and Series F Units @ net asset value
Underwriter(s) or Distributor(s):
Spartan Fund Management Inc.
Promoter(s):
-
Project #2609016

Issuer Name:
CWB Core Equity Fund
CWB Core Fixed Income Fund
CWB Onyx Balanced Solution
CWB Onyx Canadian Equity Fund
CWB Onyx Conservative Solution
CWB Onyx Diversified Income Fund
CWB Onyx Global Equity Fund
CWB Onyx Growth Solution
Principal Regulator – Alberta
Type and Date:
Final Simplified Prospectus dated June 19, 2017
NP 11-202 Receipt dated June 20, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
CWB Wealth Management Ltd.
Promoter(s):
CWB Wealth Management Ltd
Project #2627621

Issuer Name:
Dynamic Money Market Class
Principal Regulator – Ontario
Type and Date:
Amendment #5 2017 to Final Simplified Prospectus dated June 19, 2017
NP 11-202 Receipt dated June 21, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
1832 Asset Management L.P.
GCIC Ltd.
Promoter(s):
1832 Asset Management L.P.
Project #2540701

Issuer Name:
European Dividend Growth Fund
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated June 23, 2017
NP 11-202 Receipt dated June 26, 2017
Offering Price and Description:
Maximum: $150,000,000 – 15,000,000 Units @ $15/unit
Minimum:
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
GMP Securities L.P.
Raymond James Ltd.
Canaccord Genuity Corp.
Desjardins Securities Inc.
Echelon Wealth Partners Inc.
Haywood Securities Inc.
Industrial Alliance Securities Inc.
Mackie Research Capital Corp.
Promoter(s):
Brompton Funds Limited
Project #2633998

Issuer Name:
First Asset Canadian Buyback Index ETF
First Asset Canadian Dividend Low Volatility Index ETF
First Asset U.S. Buyback Index ETF
First Asset U.S. Equity Multi-Factor Index ETF
First Asset U.S. Tactical Sector Allocation Index ETF
First Asset U.S. TrendLeaders Index ETF
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated June 22, 2017
NP 11-202 Receipt dated June 23, 2017
Offering Price and Description:
units @ net asset value
Underwriter(s) or Distributor(s):
-
Promoter(s):
First Asset Investment Management Inc.
Project #2632751

Issuer Name:
HSBC AsiaPacific Fund
HSBC BRIC Equity Fund
HSBC Canadian Balanced Fund
HSBC Canadian Bond Fund
HSBC Canadian Money Market Fund
HSBC Chinese Equity Fund
HSBC Dividend Fund
HSBC Emerging Markets Debt Fund
HSBC Emerging Markets Fund
HSBC Equity Fund
HSBC European Fund
HSBC Global Corporate Bond Fund
HSBC Global Equity Fund
HSBC Global Equity Volatility Focused Fund
HSBC Indian Equity Fund
HSBC Monthly Income Fund
HSBC Mortgage Fund
HSBC Small Cap Growth Fund
HSBC U.S. Dollar Money Market Fund
HSBC U.S. Dollar Monthly Income Fund
HSBC U.S. Equity Fund
HSBC World Selection Diversified Aggressive Growth Fund
HSBC World Selection Diversified Balanced Fund
HSBC World Selection Diversified Conservative Fund
HSBC World Selection Diversified Growth Fund
HSBC World Selection Diversified Moderate Conservative Fund
Principal Regulator – British Columbia
Type and Date:
Final Simplified Prospectus dated June 20, 2017
NP 11-202 Receipt dated June 22, 2017
Offering Price and Description:
Investor Series, Advisor Series, Premium Series, Manager Series and Institutional Series units @ Net Asset Value
Underwriter(s) or Distributor(s):
HSBC Investment Funds (Canada) Inc.
Promoter(s):
HSBC Global Asset Management (Canada) Limited
Project #2622000

Issuer Name:
iShares Core High Quality Canadian Bond Index ETF
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Long Form Prospectus dated June 13, 2017
NP 11-202 Receipt dated June 21, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
BlackRock Asset Management Canada Limited
Promoter(s):
-
Project #2620760

Issuer Name:
iShares Core Canadian Universe Bond Index ETF
iShares Core Canadian Short Term Bond Index ETF
iShares Short Term High Quality Canadian Bond Index ETF
iShares S&P/TSX Composite High Dividend Index ETF
Principal Regulator – Ontario
Type and Date:
Amendment #2 to Final Long Form Prospectus dated June 13, 2017
NP 11-202 Receipt dated June 21, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
BlackRock Asset Management Canada Limited
Promoter(s):
-
Project #2587867

Issuer Name:
Middlefield Healthcare & Life Sciences Dividend Fund
Principal Regulator – Alberta
Type and Date:
Final Long Form Prospectus dated June 23, 2017
NP 11-202 Receipt dated June 26, 2017
Offering Price and Description:
Units
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
TD Securities Inc.
Canaccord Genuity Corp.
GMP Securities L.P.
National Bank Financial Inc.
Raymond James Ltd.
Manulife Securities Incorporated
Echelon Wealth Partners Inc.
Mackie Research Capital Corporation
Middlefield Capital Corporation
Promoter(s):
Middlefield Limited
Project #2631705

Issuer Name:
Palos Equity Income Fund
Principal Regulator – Quebec
Type and Date:
Final Simplified Prospectus dated June 19, 2017
NP 11-202 Receipt dated June 20, 2017
Offering Price and Description:
Series A and Series F
Underwriter(s) or Distributor(s):
-
Promoter(s):
Palos Management Inc.
Project #2633415

Issuer Name:
Sentry All Cap Income Fund (formerly, Sentry Diversified Income Fund)
Sentry Alternative Asset Income Fund
Sentry Balanced Income Portfolio (formerly, Sentry Income Portfolio)
Sentry Balanced Yield Private Pool Class
Sentry Canadian Bond Fund (formerly Sentry Bond Plus Fund)
Sentry Canadian Core Fixed Income Private Trust
Sentry Canadian Equity Income Private Pool Class
Sentry Canadian Equity Income Private Trust
Sentry Canadian Fixed Income Private Pool
Sentry Canadian Income Class (formerly Sentry Select Canadian Income Class)
Sentry Canadian Income Fund (formerly Sentry Select Canadian Income Fund)
Sentry Canadian Resource Class (formerly Sentry Select Canadian Resource Class)
Sentry Conservative Balanced Income Class
Sentry Conservative Balanced Income Fund (formerly Sentry Select Conservative Income Fund)
Sentry Conservative Income Portfolio
Sentry Conservative Monthly Income Fund (formerly, Sentry Income Advantage Fund)
Sentry Corporate Bond Class (formerly, Sentry Enhanced Corporate Bond Class)
Sentry Corporate Bond Fund (formerly, Sentry Enhanced Corporate Bond Fund)
Sentry Defensive Income Portfolio
Sentry Diversified Equity Class (formerly Sentry Diversified Total Return Class)
Sentry Diversified Equity Fund (formerly Sentry Diversified Total Return Fund)
Sentry Energy Fund (formerly, Sentry Energy Growth and Income Fund)
Sentry Energy Private Trust
Sentry Global Balanced Yield Private Pool Class
Sentry Global Core Fixed Income Private Trust
Sentry Global Equity Income Private Pool Class
Sentry Global Growth and Income Class (formerly Sentry Global Dividend Class)
Sentry Global Growth and Income Fund (formerly Sentry Global Dividend Fund)
Sentry Global High Yield Bond Class (formerly, Sentry Tactical Bond Class)
Sentry Global High Yield Bond Fund (formerly, Sentry Tactical Bond Fund)
Sentry Global High Yield Fixed Income Private Trust
Sentry Global Infrastructure Fund (formerly, Sentry Infrastructure Fund)
Sentry Global Infrastructure Private Trust
Sentry Global Investment Grade Private Pool Class
Sentry Global Mid Cap Income Fund
Sentry Global Monthly Income Fund (formerly, Sentry Global Balanced Income Fund)
Sentry Global Real Estate Private Trust
Sentry Global REIT Class (formerly, Sentry REIT Class)
Sentry Global REIT Fund (formerly, Sentry REIT Fund)
Sentry Global Tactical Fixed Income Private Pool
Sentry Growth and Income Fund (formerly Sentry Select Growth & Income Fund)
Sentry Growth and Income Portfolio
Sentry Growth Portfolio
Sentry International Equity Income Private Pool Class
Sentry International Equity Income Private Trust
Sentry Money Market Class (formerly Sentry Select Money Market Class)
Sentry Money Market Fund (formerly Sentry Select Money Market Fund)
Sentry Precious Metals Class (formerly, Sentry Precious Metals Growth Class)
Sentry Precious Metals Fund (formerly, Sentry Precious Metals Growth Fund)
Sentry Precious Metals Private Trust
Sentry Real Growth Pool Class
Sentry Real Income 1941-45 Class
Sentry Real Income 1946-50 Class
Sentry Real Income 1951-55 Class
Sentry Real Long Term Income Pool Class
Sentry Real Long Term Income Trust
Sentry Real Mid Term Income Pool Class
Sentry Real Mid Term Income Trust
Sentry Real Short Term Income Pool Class
Sentry Real Short Term Income Trust
Sentry Small/Mid Cap Income Class
Sentry Small/Mid Cap Income Fund (formerly Sentry Small Cap Income Fund)
Sentry U.S. Equity Income Currency Neutral Private Pool Class
Sentry U.S. Equity Income Private Pool Class
Sentry U.S. Equity Income Private Trust
Sentry U.S. Growth and Income Class
Sentry U.S. Growth and Income Currency Neutral Class
Sentry U.S. Growth and Income Fund
Sentry U.S. Monthly Income Fund (formerly, Sentry U.S. Balanced Income Fund)
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated June 20, 2017
NP 11-202 Receipt dated June 22, 2017
Offering Price and Description:
Series A, Series T4, Series T5, Series T6, Series T7, Series T8, Series B, Series B4, Series B5, Series B6, Series B7, Series B8, Series F, Series FT4, Series FT5, Series FT6, Series FT7, Series FT8, Series O, Series O8, Series I, Series S and Series Z securities @ Net Asset Value
Underwriter(s) or Distributor(s):
Sentry Investments Inc.
Promoter(s):

Sentry Investments Inc.
Project #2622242

Issuer Name:
Sentry Canadian Resource Class
Principal Regulator – Ontario
Type and Date:
Amendment #7 to the AIF dated June 15, 2017
NP 11-202 Receipt dated June 20, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Sentry Investments Inc.
Promoter(s):
Sentry Investments Inc.
Project #2475733

Issuer Name:
VPI Canadian Balanced Pool
VPI Canadian Equity Pool
VPI Foreign Equity Pool
VPI Income Pool
VPI Mortgage Pool
VPI Value Pool
Principal Regulator – Manitoba
Type and Date:
Final Simplified Prospectus dated June 22, 2017
NP 11-202 Receipt dated June 22, 2017
Offering Price and Description:
Series A Units, Series B Units, Series F Units and Series O Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Value Partners Investments Inc.
Project #2630401

NON-INVESTMENT FUNDS

Issuer Name:
Canada Goose Holdings Inc.
Principal Regulator – Ontario
Type and Date:
Amended and Restated Preliminary Short Form Prospectus dated June 26, 2017
NP 11-202 Preliminary Receipt dated June 26, 2017
Offering Price and Description:
US$* – 12,500,000 Subordinate Voting Shares
Price: US$* per subordinate voting share
Underwriter(s) or Distributor(s):
CIBC WORLD MARKETS INC.
CREDIT SUISSE SECURITIES (CANADA), INC.
GOLDMAN SACHS CANADA INC.
RBC DOMINION SECURITIES INC.
MERRILL LYNCH CANADA INC.
MORGAN STANLEY CANADA LIMITED
BARCLAYS CAPITAL CANADA INC.
BMO NESBITT BURNS INC.
TD SECURITIES INC.
WELLS FARGO SECURITIES CANADA, LTD.
CANACCORD GENUITY CORP.
Promoter(s):
-
Project #2639872

Issuer Name:
Canada Goose Holdings Inc.
Principal Regulator – Ontario
Type and Date:
Amendment dated to Preliminary Short Form Prospectus dated June 13, 2017
Received on June 26, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
CIBC WORLD MARKETS INC.
CREDIT SUISSE SECURITIES (CANADA), INC.
GOLDMAN SACHS CANADA INC.
RBC DOMINION SECURITIES INC.
MERRILL LYNCH CANADA INC.
MORGAN STANLEY CANADA LIMITED
BARCLAYS CAPITAL CANADA INC.
BMO NESBITT BURNS INC.
TD SECURITIES INC.
WELLS FARGO SECURITIES CANADA, LTD.
CANACCORD GENUITY CORP.
Promoter(s):
-
Project #2639872

Issuer Name:
CCL Industries Inc.
Principal Regulator – Ontario
Type and Date:
Preliminary Short Form Prospectus dated June 21, 2017
NP 11-202 Preliminary Receipt dated June 21, 2017
Offering Price and Description:
$333,250,000.00 – 5,000,000 Class B Non-Voting Shares
Price: $66.65 per Offered Share
Underwriter(s) or Distributor(s):
SCOTIA CAPITAL INC.
BMO NESBITT BURNS INC.
TD SECURITIES INC.
CIBC WORLD MARKETS INC.
MERRILL LYNCH CANADA INC.
BARCLAYS CAPITAL CANADA INC.
GMP SECURITIES L.P.
LAURENTIAN BANK SECURITIES INC.
MACQUARIE CAPITAL MARKETS CANADA LTD.
Promoter(s):
-
Project #2640749

Issuer Name:
Gilla Inc.
Type and Date:
Preliminary Long Form Prospectus dated June 19, 2017
(Preliminary) Receipted on June 20, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2641487

Issuer Name:
ProMetic Life Sciences Inc.
Principal Regulator – Quebec
Type and Date:
Preliminary Short Form Prospectus (NI 44-101) dated June 20, 2017
NP 11-202 Preliminary Receipt dated June 21, 2017
Offering Price and Description:
$53,125,000.00 – 31,250,000 Common Shares
Price: $1.70 per Common Share
Underwriter(s) or Distributor(s):
CANTOR FITZGERALD CANADA CORPORATION
RBC DOMINION SECURITIES INC.
NATIONAL BANK FINANCIAL INC.
SCOTIA CAPITAL INC.
DESJARDINS SECURITIES INC.
ECHELON WEALTH PARTNERS INC.
Promoter(s):
-
Project #2640827

Issuer Name:
Titan Medical Inc.
Principal Regulator – Ontario
Type and Date:
Amendment dated June 20, 2017 to Preliminary Short Form Prospectus dated June 8, 2017
NP 11-202 Preliminary Receipt dated June 21, 2017
Offering Price and Description:
Maximum: CDN 22,870,600.00 – 152,470,666 Units
Minimum: CDN 11,369,200.00 – 75,794,666 Units
Price: CDN $0.15 per Unit
Underwriter(s) or Distributor(s):
Bloom Burton Securities Inc.
Promoter(s):
-
Project #2638747

Issuer Name:
Automotive Finco Corp. (formerly, Augyva Mining Resources Inc.)
Principal Regulator – Ontario
Type and Date:
Final Short Form Prospectus dated June 20, 2017
NP 11-202 Receipt dated June 20, 2017
Offering Price and Description:
6.75% Convertible Senior Unsecured Debentures due June 30, 2022
$10,003,500.00 – 3,705,000 Common Shares
Price: $1000.00 per Debenture
$2.70 per Offered Share
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
RAYMOND JAMES LTD.
ALTACORP CAPITAL INC.
DESJARDINS SECURITIES INC.
Promoter(s):
Kuldeep Billan
Project #2633354

Issuer Name:
Brookfield Infrastructure Partners L.P.
Principal Regulator – Ontario
Type and Date:
Final Shelf Prospectus dated June 22, 2017
NP 11-202 Receipt dated June 22, 2017
Offering Price and Description:
US$4,000,000,000.00 – Limited Partnership Units
Class A Preferred Limited Partnership Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2639949

Issuer Name:
CARS and PARS Programme
Principal Regulator – Ontario
Type and Date:
Final Shelf Prospectus dated June 20, 2017
NP 11-202 Receipt dated June 20, 2017
Offering Price and Description:
Strip Coupons, Strip Residuals and Strip Packages (including packages of Strip Coupons and PARS) derived by RBC Dominion Securities Inc., BMO Nesbitt Burns Inc.,
CIBC World Markets Inc., Desjardins Securities Inc., National Bank Financial Inc.,
Scotia Capital Inc. and TD Securities Inc.
from up to Cdn $5,000,000,000 of Debt Obligations of Various Canadian Corporations, Trusts and Partnerships
Underwriter(s) or Distributor(s):
RBC DOMINION SECURITIES INC.
BMO NESBITT BURNS INC.
CIBC WORLD MARKETS INC.
DESJARDINS SECURITIES INC.
NATIONAL BANK FINANCIAL INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
Promoter(s):
RBC DOMINION SECURITIES INC.
BMO NESBITT BURNS INC.
CIBC WORLD MARKETS INC.
DESJARDINS SECURITIES INC.
NATIONAL BANK FINANCIAL INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
Project #2635920

Issuer Name:
Eclipse Residential Mortgage Investment Corporation
Principal Regulator – Ontario
Type and Date:
Final Shelf Prospectus dated June 23, 2017
NP 11-202 Receipt dated June 26, 2017
Offering Price and Description:
$150,000,000.00 – Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2622540

Issuer Name:
Firm Capital Mortgage Investment Corporation
Principal Regulator – Ontario
Type and Date:
Final Short Form Prospectus dated June 20, 2017
NP 11-202 Receipt dated June 20, 2017
Offering Price and Description:
5.30% Convertible Unsecured Subordinated Debentures due August 31, 2024
Price: $1,000 per Debentures
Underwriter(s) or Distributor(s):
TD SECURITIES INC.
CIBC WORLD MARKETS INC.
SCOTIA CAPITAL INC.
CANACCORD GENUITY CORP.
NATIONAL BANK FINANCIAL INC.
RBC DOMINION SECURITIES INC.
DESJARDINS SECURITIES INC.
GMP SECURITIES L.P.
INDUSTRIAL ALLIANCE SECURITIES INC.
ECHELON WEALTH PARTNERS INC.
Promoter(s):
-
Project #2638319

Issuer Name:
Glorious Creation Limited
Principal Regulator – British Columbia
Type and Date:
Final Long Form Prospectus dated June 20, 2017
NP 11-202 Receipt dated June 22, 2017
Offering Price and Description:
Minimum Offering: $1,410,000.00 or 4,700,000 Shares (the “Minimum Offering”)
Maximum Offering: $2,400,000.00 or 8,000,000 Shares (the “Maximum Offering”)
Underwriter(s) or Distributor(s):
Mackie Research Capital Corporation
Promoter(s):
Kong Yuk Kan
Project #2608548

Issuer Name:
Industrial Alliance Insurance and Financial Services inc.
Principal Regulator – Quebec
Type and Date:
Final Shelf Prospectus dated June 22, 2017
NP 11-202 Receipt dated June 22, 2017
Offering Price and Description:
$2,000,000,000.00 * Debt Securities, Class A Preferred Shares, Common Shares, Subscription Receipts, Warrants, Share Purchase Contracts, Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2625564

Issuer Name:
Nemaska Lithium Inc.
Principal Regulator – Quebec
Type and Date:
Final Short Form Prospectus dated June 22, 2017
NP 11-202 Receipt dated June 22, 2017
Offering Price and Description:
$50,001,000.00 – 47,620,000 Common Shares
Price: $1.05 per Common Share
Underwriter(s) or Distributor(s):
NATIONAL BANK FINANCIAL INC.
ECHELON WEALTH PARTNERS INC.
CORMARK SECURITIES INC.
EIGHT CAPITAL
CIBC WORLD MARKETS INC.
CANACCORD GENUITY CORP.
INDUSTRIAL ALLIANCE SECURITIES INC.
LAURENTIAN BANK SECURITIES INC.
Promoter(s):
-
Project #2639460

Issuer Name:
Nexus Real Estate Investment Trust
Principal Regulator – Ontario
Type and Date:
Final Short Form Prospectus dated June 20, 2017
NP 11-202 Receipt dated June 20, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
DESJARDINS SECURITIES INC.
NATIONAL BANK FINANCIAL INC.
ECHELON WEALTH PARTNERS INC.
GMP SECURITIES L.P.
TD SECURITIES INC.
CANACCORD GENUITY CORP.
INDUSTRIAL ALLIANCE SECURITIES INC.
MANULIFE SECURITIES INCORPORATED
LAURENTIAN BANK SECURITIES INC.
Promoter(s):
-
Project #2637718

Issuer Name:
Park Lawn Corporation
Principal Regulator – Ontario
Type and Date:
Final Short Form Prospectus dated June 20, 2017
NP 11-202 Receipt dated June 20, 2017
Offering Price and Description:
3,685,000 Common Shares
Price: $19.00 per Common Share
Underwriter(s) or Distributor(s):
NATIONAL BANK FINANCIAL INC.
CLARUS SECURITIES INC.
CORMARK SECURITIES INC.
ACUMEN CAPITAL FINANCE PARTNERS LIMITED
TD SECURITIES INC.
PARADIGM CAPITAL INC.
RAYMOND JAMES LTD.
Promoter(s):
-
Project #2638273

Issuer Name:
Rye Patch Gold Corp.
Principal Regulator – British Columbia
Type and Date:
Final Short Form Prospectus dated June 20, 2017
NP 11-202 Receipt dated June 21, 2017
Offering Price and Description:
$10,002,200.00 – 38,470,000 Common Shares Price:
$0.26 per Offered Share
Underwriter(s) or Distributor(s):
PI FINANCIAL CORP.
CANACCORD GENUITY CORP.
INDUSTRIAL ALLIANCE SECURITIES INC.
Promoter(s):
-
Project #2637915

Issuer Name:
Spectra7 Microsystems Inc.
Principal Regulator – Ontario
Type and Date:
Final Short Form Prospectus dated June 22, 2017
NP 11-202 Receipt dated June 22, 2017
Offering Price and Description:
$4,000,000.00 – 10,000,000 Units. Price: $0.40 per Unit
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
EIGHT CAPITAL
ECHELON WEALTH PARTNERS INC.
Promoter(s):
-
Project #2637169

Issuer Name:
Sprott Inc.
Principal Regulator – Ontario
Type and Date:
Final Short Form Prospectus dated June 21, 2017
NP 11-202 Receipt dated June 22, 2017
Offering Price and Description:
$41,140,000.00 – 18,700,000 Common Shares
Underwriter(s) or Distributor(s):
TD SECURITIES INC.
Promoter(s):
-
Project #2638571

Issuer Name:
TransCanada Corporation
Principal Regulator – Alberta
Type and Date:
Final Shelf Prospectus dated June 23, 2017
NP 11-202 Receipt dated June 23, 2017
Offering Price and Description:
$1,000,000,000.00 – Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2639738

Issuer Name:
Enerdynamic Hybrid Technologies Corp.
Principal Jurisdiction – Ontario
Type and Date:
Preliminary Shelf Prospectus dated May 15, 2017
Withdrawn on June 23, 2017
Offering Price and Description:
$10,000,000.00 – COMMON SHARES, WARRANTS ,
UNITS
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2627003

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Voluntary Surrender	Renvest Mercantile Bancorp. Inc.	Exempt Market Dealer	June 21, 2017

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Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.1 SROs

13.1.1 MFDA – Revised Proposed Requirements Relating to the Disclosure of MFDA Membership – Request for Comment

REQUEST FOR COMMENT

MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA)

REVISED PROPOSED REQUIREMENTS RELATING TO THE DISCLOSURE OF MFDA MEMBERSHIP

The MFDA is re-publishing for public comment revisions to proposed requirements relating to the disclosure of MFDA Membership under proposed MFDA Rule 2.13 (Disclosure of MFDA Membership) and proposed MFDA Policy No. 10 (Disclosure of MFDA Membership). The proposed Rule and Policy would require Members to disclose to clients, on the account statement and on the Member's website, that they are regulated by the MFDA. The intent of the proposed Rule and Policy is to promote greater client awareness of the regulatory oversight exercised by the MFDA in respect of MFDA Members and their Approved Persons. Proposed requirements relating to the disclosure of MFDA Membership were originally published on June 18, 2015, under proposed amendments to MFDA Rule 5.3.2.

A copy of the MFDA Notice including the proposed Rule and Policy is published on our website at www.osc.gov.on.ca. The comment period ends on September 27, 2017.

13.1.2 IIROC – Rule Amendments to Facilitate the Investment Industry's Move to T+2 Settlement – Notice of Commission Approval

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

RULE AMENDMENTS TO FACILITATE THE INVESTMENT INDUSTRY'S MOVE TO T+2 SETTLEMENT

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission has approved proposed amendments to IIROC's Universal Market Integrity Rules, Dealer Member Rules, and Form 1 (the **Amendments**) regarding the investment industry's move from a trade date plus three business days (**T+3**) settlement cycle to a trade date plus two business days (**T+2**) settlement cycle. The Amendments will facilitate the investment industry's move to a standard T+2 settlement cycle, which is expected to take place on September 5, 2017 (the same date that the markets in the United States plan to transition to T+2).

In addition, the Alberta Securities Commission, the Autorité des marchés financiers, the British Columbia Securities Commission, the Financial and Consumer Affairs Authority of Saskatchewan, the Financial and Consumer Services Commission of New Brunswick, the Manitoba Securities Commission, the Nova Scotia Securities Commission, the Office of the Superintendent of Securities, Service Newfoundland and Labrador, and the Prince Edward Island Office of the Superintendent of Securities Office have approved or not objected to the Amendments.

Among other things, the Amendments are intended to ensure that the transition to a T+2 settlement cycle in Canada is harmonized with the move to a T+2 settlement cycle in the United States, given the close connections between the markets in both countries. The move to a T+2 settlement cycle will align the settlement cycle standard in the North American markets with those in other major markets (e.g., Europe, Hong Kong, Australia, and New Zealand), which have transitioned to a T+2 settlement cycle.

The Amendments were published for public comment on July 28, 2016, and IIROC received one comment letter. The Amendments are expected to become effective on September 5, 2017, at the same time as the North American markets migrate to a T+2 settlement cycle. A copy of the IIROC Notice of Implementation, including the adopted Amendments together with a summary of the comments received and IIROC's responses, can be found at http://www.osc.gov.on.ca. IIROC has made certain non-substantive changes to the proposed amendments published for comment last year.

13.2 Marketplaces

13.2.1 Liquidnet Canada Inc. – Significant Changes to Trading Functionality – Notice of Approval

LIQUIDNET CANADA INC.

NOTICE OF APPROVAL – SIGNIFICANT CHANGES TO TRADING FUNCTIONALITY

On June 23, 2017 the OSC has approved Liquidnet Canada Inc.'s (Liquidnet) proposed amendments to Form 21-101F2 (the Proposed Amendments) related to proposals that will:

1) Increase minimum order size for broker block orders and allow additional order flow from broker participants;

2) Offer conditional order functionality to Canadian equities; and

3) Add automated routing customers as participants on Liquidnet.

The Proposed Amendments were published for comment on April 6, 2017 in accordance with the *Process for the Review and Approval of Rules and the Information Contained in Form 21-101F2 and the Exhibits Thereto* (the ATS Protocol). No comments were received.

Liquidnet is expected to communicate to all its participants the intended implementation date of the approved changes.

13.2.2 Nasdaq CXC Limited – Proposed Access to Nasdaq Fixed Income Trading System – Request for Comment

NASDAQ CXC LIMITED

NOTICE OF PROPOSED CHANGES AND REQUEST FOR COMMENT

ACCESS TO NASDAQ FIXED INCOME TRADING SYSTEM

Nasdaq CXC Limited (Nasdaq CXC) is publishing proposed amendments to the Nasdaq CXC trading system in accordance with the *Process for the Review and Approval of Rules and the Information Contained in Form 21-101F2 and the Exhibits Thereto*.

Nasdaq CXC is proposing to provide Canadian "permitted clients" as defined in National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* access to the Nasdaq Fixed Income trading system operated by its U.S. affiliate Execution Access, LLC for purposes of trading non-Canadian fixed income securities.

A copy of the Nasdaq CXC notice and request for comment, which includes the proposed changes, is published on our website at www.osc.gov.on.ca. The comment period ends on July 31, 2017.

13.2.3 NEX SEF Limited – Notice of Commission Order – Application for Exemptive Relief

NEX SEF LIMITED
(“Applicant”)

APPLICATION FOR EXEMPTIVE RELIEF

NOTICE OF COMMISSION ORDER

On June 23, 2017, the Commission issued an order (**Order**) to the Applicant pursuant to section 147 of the *Securities Act* (Ontario) exempting the Applicant from the requirement to be recognized as an exchange under section 21 of the OSA.

A copy of the Order is published in Chapter 2 of this Bulletin.

The Commission published the Applicant’s application and draft exemption order for comment on May 18, 2017 on the OSC website at www.osc.gov.on.ca and provided notice of the application and order in the OSC Bulletin.[1] No comments were received and no changes were made to the draft exemption order.

[1] (2017), 40 OSCB 4558.

13.2.4 TriAct Canada Marketplace LP – Changes to the MATCHNow Trading System – Notice of Proposed Changes and Request for Comment

TRIACT CANADA MARKETPLACE LP

NOTICE OF PROPOSED CHANGES AND REQUEST FOR COMMENT

CHANGES TO THE MATCHNOW TRADING SYSTEM

TriAct Canada Marketplace LP (**TriAct** also known as **MATCHNow**) has announced plans to implement the changes described below 90 days following approval by the Ontario Securities Commission (the **OSC**). MATCHNow is publishing this Notice of Proposed Changes in accordance with the "Process for the Review and Approval of Rules and the Information Contained in Form 21-101F2 and the Exhibits Thereto". Market participants are invited to provide the OSC with comments on the proposed changes.

Feedback on the proposed changes should be in writing and submitted by **July 31, 2017** to:

Market Regulation Branch
Ontario Securities Commission
22nd Floor
20 Queen Street West
Toronto, Ontario M5H 3S8
Fax: (416) 595-8940
e-mail: marketregulation@osc.gov.on.ca

And to:

Kuno Tucker
Chief Compliance Officer
TriAct Canada Marketplace LP
The Exchange Tower
130 King Street West, Suite 1050
Toronto, Ontario M5X 1B1
Fax: (416) 874-0690
e-mail: kuno.tucker@matchnow.ca

Feedback received will be made public on the OSC website. Upon completion of the review by OSC staff, and in the absence of any regulatory concerns, notice will be published to confirm the completion of OSC staff's review and to specify the intended implementation date of the changes.

If you have any questions concerning the information below, please contact Kuno Tucker, Chief Compliance Officer for MATCHNow, at (416) 874-0830.

1. Trade Message Fee Marker

A. Detailed description of the proposed change to the MATCHNow trading system

MATCHNow intends to provide Subscribers with the benefit of having the option of a notification of their trading fee message attached to their executions. Currently, Subscribers only see their trading fees when they receive their daily trade diary (T+1) or on their monthly invoice. With this change, MATCHNow will send a new FIX Tag and tag value inside a Subscriber's partial fill or fill messages. The feature will initially only be available on drop copy FIX sessions. In a second phase, MATCHNow will provide an option on the order entry FIX session.

Using a FIX tag, Subscribers will be able to map the trading fees to a specified value to be determined, which will allow Subscribers to see their MATCHNow trading fees intraday. The value sent back in the new tag will reflect how a client will be billed for that particular trade.

Example: A value of 'E' might mean that the client was a passive supplier of MP liquidity in a small cap stock. The Subscriber can then reference our fee schedule, and at their will can map that trade to a dollar amount.

B. Expected implementation date

The proposed change is expected to be implemented 90 days after approval by the OSC.

C. Rationale for the proposed change and any supporting analysis

This proposed change will permit Subscribers to monitor their trading costs on MATCHNow in real time. This feature has been requested by multiple Subscribers.

D. The expected impact of the proposed change on market structure, subscribers, and, if applicable, investors and capital markets

This change should not have any impact on market structure or Subscribers.

E. Expected impact of the proposed change on MATCHNow's compliance with Ontario securities law, including the requirements of fair access and the maintenance of fair and orderly markets

The impact of the proposed change will be to maintain MATCHNow's compliance with Ontario securities law, including fair access and the maintenance of fair and orderly markets.

F. If the Significant Change will require subscribers or service vendors to modify their systems after implementation of the Change, the expected impact of the Change on the systems of subscribers and service vendors together with 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

MATCHNow notes that making use of the feature that the proposed change will create is voluntary. We do not know how much work will be needed by Subscribers and vendors to implement this change, and we could not make a reasonable estimate of the time needed for Subscribers and vendors to modify their own systems as a result of this change.

G. If applicable, whether the proposed change would introduce a feature that currently exists on other Canadian marketplaces

Not applicable. This is a unique feature for Canadian equity marketplaces.

2. Echo Back Tag

A. Detailed description of the proposed change to the MATCHNow trading system

MATCHNow proposes to offer an optional Echo Back tag for those Subscribers that find it useful to track their order messages. With this change, MATCHNow would allow Subscribers to send any value inside a dedicated Alpha-Numeric FIX tag. This value would then be "echoed back" on all following FIX reports. This will enable Subscribers to improve their internal tracking capabilities. Vendors and Subscribers will likely have to do some work to support this new FIX tag.

B. Expected implementation date

The proposed change is expected to be implemented 90 days after approval by the OSC.

C. Rationale for the proposed change and any supporting analysis

Some Subscribers have requested this in order to duplicate the entire lifecycle of an order for internal purposes. This will allow Subscribers, if they elect to do so, to have a duplicate copy of all their messages, which they can use for internal purposes.

D. The expected impact of the proposed change on market structure, subscribers, and, if applicable, investors and capital markets

This change should not have any impact on market structure or Subscribers.

E. Expected impact of the proposed change on MATCHNow's compliance with Ontario securities law, including the requirements of fair access and the maintenance of fair and orderly markets

The impact of the proposed change will be to maintain MATCHNow's compliance with Ontario securities law, including fair access and the maintenance of fair and orderly markets.

F. If the Significant Change will require subscribers or service vendors to modify their systems after implementation of the Change, the expected impact of the Change on the systems of subscribers and service vendors together with 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

MATCHNow notes that making use of the feature that the proposed change will create is voluntary. We do not know how much work will be needed by Subscribers and vendors to implement this change, and we could not make a reasonable estimate of the time needed for Subscribers and vendors to modify their own systems as a result of this change.

G. If applicable, whether the proposed change would introduce a feature that currently exists on other Canadian marketplaces

This feature is not novel to Canadian marketplaces. The TSX currently offers this optional feature.

3. Multicast Market Data (MD)

A. Detailed description of the proposed change to the MATCHNow trading system

MATCHNow intends to move to the increasingly common standard of offering MD (market data) in a Multicast manner. MATCHNow wants to simplify our MD offering while simultaneously bringing it in line with the more common manner of Multicast MD delivery.

This proposed change would mean that MATCHNow will build a new market data environment that distributes our public trade data via a multicast network in the well-recognized and widely used ITCH format. ITCH is a registered service mark of the NASDAQ OMX Group, but unlike FIX Protocol, there is no industry body which publishes an ITCH standard. ITCH is commonly used by Canadian and other marketplaces.

Currently, MATCHNow offers three ways of getting public market data: (1) via TMX Datalinx's Real Time Market Data (RTMD) feed; (2) directly from MATCHNow via a FIX feed; and (3) via TMXIP's CDF and CLS feeds. Once this proposed change is implemented, the TMX RTMD offering will be discontinued, as will the MATCHNow FIX feed. The TMXIP offering, however, will stay in place.

B. Expected implementation date

The proposed change is expected to be implemented 90 days after approval by the OSC.

C. Rationale for the proposed change and any supporting analysis

Using Multicast MD should improve MD performance for all Subscribers.

D. The expected impact of the proposed change on market structure, subscribers, and, if applicable, investors and capital markets

This change should not have any impact on market structure or Subscribers.

E. Expected impact of the proposed change on MATCHNow's compliance with Ontario securities law, including the requirements of fair access and the maintenance of fair and orderly markets

The impact of the proposed change will be to maintain MATCHNow's compliance with Ontario securities law, including fair access and the maintenance of fair and orderly markets.

F. If the Significant Change will require subscribers or service vendors to modify their systems after implementation of the Change, the expected impact of the Change on the systems of subscribers and service vendors together with 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

MATCHNow notes that making use of the feature that the proposed change will create is voluntary. We do not know how much work will be needed by Subscribers and vendors to implement this change, and we could not make a reasonable estimate of the time needed for Subscribers and vendors to modify their own systems as a result of this change.

G. If applicable, whether the proposed change would introduce a feature that currently exists on other Canadian marketplaces

Several marketplaces already offer Multicast MD and use ITCH.

4. Cancel residual portions with minimum quantity

A. Detailed description of the proposed change to the MATCHNow trading system

MATCHNow proposes to give Subscribers the option to override the current behaviour and force any residual quantities that fall below the MINQTY size, to be rejected back. This feature will be available at the traderID level and can be turned on by default upon request.

Example:

An order to buy 900 shares of stock ABC with a MinFill of 300 shares has 700 shares executed, leaving 200 shares residual unfilled; the MinFill now becomes the residual amount of 200 shares.

Currently, the way MATCHNow handles orders that have residual quantities that fall below the original MINQTY value, is to resize the MINQTY to be that same size as the residual.

Example:

Order to buy 900 shares of stock ABC with a MinFill of 300 gets 700 shares completed 200 shares will be rejected back to the client.

B. Expected implementation date

The proposed change is expected to be implemented 90 days after approval by the OSC.

C. Rationale for the proposed change and any supporting analysis

This will allow Subscribers, if they elect to do so, to cancel residual portions of less than their minimum quantity.

D. The expected impact of the proposed change on market structure, subscribers, and, if applicable, investors and capital markets

This change should not have any impact on market structure or Subscribers.

E. Expected impact of the proposed change on MATCHNow's compliance with Ontario securities law, including the requirements of fair access and the maintenance of fair and orderly markets

The impact of the proposed change will be to maintain MATCHNow's compliance with Ontario securities law, including fair access and the maintenance of fair and orderly markets.

F. If the Significant Change will require subscribers or service vendors to modify their systems after implementation of the Change, the expected impact of the Change on the systems of subscribers and service vendors together with 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

MATCHNow notes that making use of the feature that the proposed change will create is voluntary. We do not know how much work will be needed by Subscribers and vendors to implement this change, and we could not make a reasonable estimate of the time needed for Subscribers and vendors to modify their own systems as a result of this change.

G. If applicable, whether the proposed change would introduce a feature that currently exists on other Canadian marketplaces

This proposed change is novel to marketplaces.

5. Provide currency on drop copy

A. Detailed description of the proposed change to the MATCHNow trading system

MATCHNow currently offers a drop copy that is a separate private FIX session to the Order Entry session. This drop copy carries copies of reports (fills, cancels, corrections) that were originally sent down the order entry session. Subscribers use these sessions to plug relevant messages into post-trade systems or monitoring systems. MATCHNow proposes to add a tag which includes the currency, so that Subscribers will have this information when MATCHNow sends fills into a system where currency is mandatory, for example in a ticketing system.

Subscribers and vendors will have to accept Tag 15 on any existing drop copy feed, but 15 is a standard FIX tag.

B. Expected implementation date

The proposed change is expected to be implemented 90 days after approval by the OSC.

C. Rationale for the proposed change and any supporting analysis

The proposed change will aid Subscribers when they ticket to have the proper currency.

D. The expected impact of the proposed change on market structure, subscribers, and, if applicable, investors and capital markets

This change should not have any impact on market structure or Subscribers.

E. Expected impact of the proposed change on MATCHNow's compliance with Ontario securities law, including the requirements of fair access and the maintenance of fair and orderly markets

The impact of the proposed change will be to maintain MATCHNow's compliance with Ontario securities law, including fair access and the maintenance of fair and orderly markets.

F. If the Significant Change will require subscribers or service vendors to modify their systems after implementation of the Change, the expected impact of the Change on the systems of subscribers and service vendors together with 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

MATCHNow notes that making use of the feature that the proposed change will create is voluntary. We do not know how much work will be needed by Subscribers and vendors to implement this change, and we could not make a reasonable estimate of the time needed for Subscribers and vendors to modify their own systems as a result of this change.

G. If applicable, whether the proposed change would introduce a feature that currently exists on other Canadian marketplaces

This feature is not novel; it is provided by the TSX.

6. Use of MinFill by the Odd Lot destination

A. Detailed description of the proposed change to the MATCHNow trading system

MATCHNow intends to continue to use the existing MinFill order type, but will now include it in the existing Odd Lot trade book destination. This is a logical extension of the existing MinFill feature, now allowing for the Odd Lot portion of orders to respect a Subscriber's request to fill an order only where it meets a minimum requirement.

MATCHNow will make a change to allow for the Odd Lot destination to recognize any MinFill size placed on the incoming order, whether it is part of a mixed-lot order or a stand-alone Odd Lot.

Example 1:

MainBook Liquidity = 100 shares
Odd Lot Liquidity = 500 shares

Incoming active order to Buy 550 shares of ABC @ MKT with MINQTY = 200 shares.

Action: NO TRADE

Why: No liquidity is available in the main book or the Odd Lot book without breaching the MinFill size.

Example 2:

MainBook Liquidity = 200 shares
Odd Lot Liquidity = 500 shares

Incoming active order to Buy 550 ABC @ MKT with MINQTY = 200 shares.

Action: TRADE 250 shares

Why: Enough liquidity is available in the main book to satisfy MinQty; with MinQty satisfied, the Odd Lot portion is free to trade without restriction.

Currently, the Odd Lot destination does not recognize the MinFill feature. Any MinFill value is ignored when interacting with Odd Lot liquidity, regardless of whether the order was part of a mixed-lot or a stand-alone Odd Lot.

Example:

MainBook Liquidity = 100 shares
Odd Lot Liquidity = 500 shares

Incoming active order to Buy 550 shares of ABC @ Market ("MKT") with a Minimum Quantity ("MINQTY") = 200 shares

Action: TRADE 50 shares:

Why: No liquidity is available in the main book because it is honouring the MinFill, but it will trade with Odd Lot liquidity that does NOT honour MinFill.

This proposed change will give all Subscribers better fill ratios, without requiring any changes on the Subscriber's end.

B. Expected implementation date

The proposed change is expected to be implemented 90 days after approval by the OSC.

C. Rationale for the proposed change and any supporting analysis

As noted above, this proposed change will give all Subscribers better fill ratios, without requiring any changes on the Subscriber's end.

D. The expected impact of the proposed change on market structure, subscribers, and, if applicable, investors and capital markets

This change should not have any impact on market structure or Subscribers.

E. Expected impact of the proposed change on MATCHNow's compliance with Ontario securities law, including the requirements of fair access and the maintenance of fair and orderly markets

The impact of the proposed change will be to maintain MATCHNow's compliance with Ontario securities law, including fair access and the maintenance of fair and orderly markets.

F. If the Significant Change will require subscribers or service vendors to modify their systems after implementation of the Change, the expected impact of the Change on the systems of subscribers and service vendors together with 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

This proposed change is not expected to require any changes by Subscribers or vendors to their systems.

G. If applicable, whether the proposed change would introduce a feature that currently exists on other Canadian marketplaces

This feature is not novel; it is provided by the TSX.

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Chapter 25

Other Information

25.1 Approvals

25.1.1 Level 3 Investment Management Inc. – s. 213(3)(b) of the LTCA

Headnote

Clause 213(3)(b) of the Loan and Trust Corporations Act – application by manager, with no prior track record acting as trustee, for approval to act as trustee of pooled funds and future pooled funds to be established and managed by the applicant and offered pursuant to a prospectus exemption.

Statutes Cited

Loan and Trust Corporations Act, R.S.O. 1990, c. L.25, as am., s. 213(3)(b).

June 13, 2017

AUM Law Professional Corporation
175 Bloor St E., Suite 303, South Tower
Toronto, Ontario M4W 3R8

Attention: Jennifer Jeffrey

Dear Sirs/Mesdames:

Re: Level 3 Investment Management Inc. (the "Applicant")

Application pursuant to clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario) for Approval to act as trustee

Application #2017/0230

Further to your application dated April 18, 2017 (the "**Application**") filed on behalf of the Applicant, and based on the facts set out in the Application and the representation by the Applicant that assets of Level 3 Total Return Opportunities Fund (the "**Original Fund**") and any other mutual fund trusts that the Applicant may establish and manage from time to time (together with the Original Fund, the "**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 company, the Ontario Securities Commission (the "**Commission**") makes the following order:

Pursuant to the authority conferred on the Commission in clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario), the Commission approves the proposal that the Applicant act as trustee of the Original Fund and any other future mutual fund trusts which may be established and managed by the Applicant from time to time, the securities of which will be offered pursuant to prospectus exemptions.

Yours truly,

"Timothy Moseley"
Commissioner

"Garnet Fenn"
Commissioner

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