The Ontario Securities Commission

OSC Bulletin

January 22, 2010

Volume 33, Issue 3

(2010), 33 OSCB

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

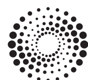
The Ontario Securities Commission
Cadillac Fairview Tower
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

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

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

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

Contact Centre - Inquiries, Complaints:	Fax: 416-593-8122
Market Regulation Branch:	Fax: 416-595-8940
Compliance and Registrant Regulation Branch	
- Compliance:	Fax: 416-593-8240
- Registrant Regulation:	Fax: 416-593-8283
Corporate Finance Branch	
- Team 1:	Fax: 416-593-8244
- Team 2:	Fax: 416-593-3683
- Team 3:	Fax: 416-593-8252
- Insider Reporting:	Fax: 416-593-3666
- Mergers and Acquisitions:	Fax: 416-593-8177
Enforcement Branch:	Fax: 416-593-8321
Executive Offices:	Fax: 416-593-8241
General Counsel's Office:	Fax: 416-593-3681
Office of the Secretary:	Fax: 416-593-2318


THOMSON REUTERS

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

Subscriptions are available from Carswell at the price of $649 per year.

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

U.S.	$175
Outside North America	$400

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

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

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

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

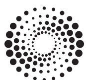
Claims from *bona fide* subscribers for missing issues will be honoured by Carswell up to one month from publication date.

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

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the publisher.

The publisher is not engaged in rendering legal, accounting or other professional advice. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

© Copyright 2010 Ontario Securities Commission
ISSN 0226-9325
Except Chapter 7 ©CDS INC.


THOMSON REUTERS

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

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

Table of Contents

Chapter 1 Notices / News Releases 599
1.1 Notices 599
1.1.1 Current Proceedings before the Ontario Securities Commission 599
1.1.2 OSC Staff Notice 33-733 – Report on Focused Reviews of Investment Funds, September 2008 – September 2009 604
1.1.3 Notice of Ministerial Approval of Amendments to NI 21-101 Marketplace Operation and NI 23-101 Trading Rules 605
1.2 Notices of Hearing.. 605
1.2.1 Nest Acquisitions and Mergers et al. – ss. 37, 127, 127.1 605
1.3 News Releases 609
1.3.1 Peter Robinson Sentenced to Four Months in Jail for Contempt.............................. 609
1.3.2 OSC Reports on Focused Reviews of Investment Funds... 609
1.4 Notices from the Office of the Secretary 610
1.4.1 New Life Capital Corp. et al............................. 610
1.4.2 Coventree Inc. et al. 610
1.4.3 W.J.N. Holdings Inc. et al. 611
1.4.4 Abel Da Silva... 611
1.4.5 Shallow Oil & Gas Inc. et al. 612
1.4.6 Nest Acquisitions and Mergers et al. 612

Chapter 2 Decisions, Orders and Rulings 613
2.1 Decisions 613
2.1.1 Meritas Financial Inc. et al................................ 613
2.1.2 Counsel Portfolio Services Inc. et al. 615
2.1.3 Goodman & Company, Investment Counsel Ltd. and Dynamic Venture Opportunities Fund Ltd. 618
2.1.4 I.C.T.C. Holdings Corporation – s. 1(10) 619
2.1.5 Mecachrome International Inc. 620
2.1.6 Claymore Investments, Inc. et al. 622
2.1.7 Roxmark Mines Limited – s. 1(10).................... 628
2.1.8 Canadian Zinc Corporation............................... 629
2.1.9 Verenex Energy Inc. – s. 1(10)......................... 631
2.1.10 Gazit America Inc. 632
2.2 Orders... 634
2.2.1 New Life Capital Corp. et al. – s. 127... 634
2.2.2 Coventree Inc. et al. – s. 127........................... 636
2.2.3 W.J.N. Holdings Inc. et al. – ss. 127(1), 127(8) 636
2.2.4 Abel Da Silva – ss. 127, 127.1 637
2.2.5 Shallow Oil & Gas Inc. et al. – ss. 127(1), 127(8) 639
2.2.6 Borealis International Inc. et al. 641
2.3 Rulings .... (nil)

Chapter 3 Reasons: Decisions, Orders and Rulings .... (nil)
3.1 OSC Decisions, Orders and Rulings .... (nil)
3.2 Court Decisions, Order and Rulings .... (nil)

Chapter 4 Cease Trading Orders 643
4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders........................... 643
4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders 643
4.2.2 Outstanding Management & Insider Cease Trading Orders 643

Chapter 5 Rules and Policies 645
5.1.1 Notice of National Instrument 55-104 Insider Reporting Requirements and Exemptions and Related Companion Policy 55-104CP and Repeal of Related Predecessor Instruments 645
5.1.2 OSC Rule 13-502 Fees and Companion Policy 13-502CP Fees.................. 721
5.1.3 OSC Rule 13-503 (Commodity Futures Act) Fees and Companion Policy 13-503CP (Commodity Futures Act) Fees.. 776
5.1.4 Amendments to NI 21-101 Marketplace Operation, NI 23-101 Trading Rules and Companion Policy 23-101CP Trading Rules 787

Chapter 6 Request for Comments .... (nil)

Chapter 7 Insider Reporting 805

Chapter 8 Notice of Exempt Financings................. 917
Reports of Trades Submitted on Forms 45-106F1 and 45-501F1................ 917

Chapter 9 Legislation.. (nil)

Chapter 11 IPOs, New Issues and Secondary Financings.. 625

Chapter 12 Registrations.. 933
12.1.1 Registrants.. 933

Chapter 13 SROs, Marketplaces, and Clearing Agencies... 935
13.1 SROs.. 935
13.1.1 MFDA Sets Hearing Dates in the Matter of The Investment House of Canada Inc., Sanjiv Sawh and Vlad Trkulja 935
13.1.2 MFDA Hearing Panel Issues Reasons for Decision with Respect to Douglas St. Arnault Settlement Hearing 935

13.1.3 MFDA Issues Notice of Hearing Regarding Connor Financial Corporation and Joel Gerrett (Gerry) Connor....................... 936
13.1.4 MFDA Sets Date for Luc Laverdiere Hearing in Vancouver, British Columbia........... 938
13.1.5 MFDA Hearing Panel Makes Findings Against Daniel Moyaert 938
13.1.6 MFDA Sets Dates for ASL Direct Inc. and Adrian Leemhuis Hearing on the Merits... 939
13.2 Marketplaces.. 940
13.2.1 TSX Inc. – Proposed Changes to the Operations of TSX Inc. to Introduce Two New Order Features: Post Only Order and Self-Trade Prevention – Notice and Request For Feedback................... 940
13.2.2 TSX Inc. – Notice of Proposed Changes........................ 941
13.2.3 Notice and Request for Feedback – Proposed Changes to the Operations of Alpha ATS L.P., Passive Only Order Type, Odd Lot Orders and Bypass Cross......... 945
13.2.4 Alpha ATS L.P. – Notice of Proposed Changes........................ 946
13.3 Clearing Agencies .... (nil)

Chapter 25 Other Information.................................... 949
25.1 Consents.. 949
25.1.1 JG Capital Corp. – s. 4(b) of the Regulation 949
25.2 Approvals.. 950
25.2.1 Northern Rivers Capital Management Inc. – s. 213(3)(b) of the LTCA......................... 950

Index 951

Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

JANUARY 22, 2010

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

\- -

Unless otherwise indicated in the date column, all hearings will take place at the following location:

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

Telephone: 416-597-0681 Telecopier: 416-593-8348

CDS **TDX 76**

Late Mail depository on the 19th Floor until 6:00 p.m.

\- -

THE COMMISSIONERS

W. David Wilson, Chair	—	WDW
James E. A. Turner, Vice Chair	—	JEAT
Lawrence E. Ritchie, Vice Chair	—	LER
Sinan Akdeniz	—	SA
James D. Carnwath	—	JDC
Mary G. Condon	—	MGC
Margot C. Howard	—	MCH
Kevin J. Kelly	—	KJK
Paulette L. Kennedy	—	PLK
David L. Knight, FCA	—	DLK
Patrick J. LeSage	—	PJL
Carol S. Perry	—	CSP
Charles Wesley Moore (Wes) Scott	—	CWMS

SCHEDULED OSC HEARINGS

January 25-29, 2010 10:00 a.m. March 22, 2010 10:00 a.m.	**Rene Pardo, Gary Usling, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited** s. 127 M. Britton/J.Feasby in attendance for Staff Panel: JDC/KJK
January 25 – February 1; February 3-12, 2010 10:00 a.m. February 2, 2010 2:30 p.m.	**Borealis International Inc., Synergy Group (2000) Inc., Integrated Business Concepts Inc., Canavista Corporate Services Inc., Canavista Financial Center Inc., Shane Smith, Andrew Lloyd, Paul Lloyd, Vince Villanti, Larry Haliday, Jean Breau, Joy Statham, David Prentice, Len Zielke, John Stephan, Ray Murphy, Alexander Poole, Derek Grigor and Earl Switenky** s. 127 and 127.1 Y. Chisholm in attendance for Staff Panel: PJL/PLK
January 25-26, 2010 10:00 a.m.	**Lehman Cohort Global Group Inc., Anton Schnedl, Richard Unzer, Alexander Grundmann and Henry Hehlsinger** s. 127 H. Craig in attendance for Staff Panel: JEAT/CSP/SA
January 28, 2010 10:00 a.m.	**Nest Acquisitions and Mergers, IMG International Inc., Caroline Myriam Frayssignes, David Pelcowitz, Michael Smith, and Robert Patrick Zuk** s. 37, 127 and 127.1 C. Price in attendance for Staff Panel: CSP

February 1; February 3-12; February 17-26, 2010 10:00 a.m.	**Irwin Boock, Stanton Defreitas, Jason Wong, Saudia Allie, Alena Dubinsky, Alex Khodjiaints Select American Transfer Co., Leasesmart, Inc., Advanced Growing Systems, Inc., International Energy Ltd., Nutrione Corporation, Pocketop Corporation, Asia Telecom Ltd., Pharm Control Ltd., Cambridge Resources Corporation, Compushare Transfer Corporation, Federated Purchaser, Inc., TCC Industries, Inc., First National Entertainment Corporation, WGI Holdings, Inc. and Enerbrite Technologies Group** s. 127 and 127.1 H. Craig in attendance for Staff Panel: TBA
February 2, 2010 2:30 p.m.	**Paladin Capital Markets Inc., John David Culp and Claudio Fernando Maya** s. 127 C. Price in attendance for Staff Panel: DLK
February 3, 2010 9:00 a.m.	**Peter Robinson and Platinum International Investments Inc.** s. 127 M. Boswell in attendance for Staff Panel: DLK
February 3, 2010 10:00 a.m.	**Uranium308 Resources Inc., Uranium308 Resources PLC., Michael Friedman, George Schwartz, Peter Robinson, Alan Marsh Shuman and Innovative Gifting Inc.** s. 127 M. Boswell in attendance for Staff Panel: DLK
February 3, 2010 11:00 a.m.	**Paul Iannicca** s. 127 H. Craig in attendance for Staff Panel: DLK
February 5, 2010 10:00 a.m.	**Hillcorp International Services, Hillcorp Wealth Management, Suncorp Holdings, 1621852 Ontario Limited, Steven John Hill, John C. McArthur, Daryl Renneberg and Danny De Melo** s. 127 A. Clark in attendance for Staff Panel: CSP
February 8-12, 2010 10:00 a.m.	**Goldbridge Financial Inc., Wesley Wayne Weber and Shawn C. Lesperance** s. 127 J. Feasby in attendance for Staff Panel: DLK/MCH
February 16, 2010 9:00 a.m.	**New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc., 1660690 Ontario Ltd., L. Jeffrey Pogachar, Paola Lombardi and Alan S. Price** s. 127 S. Kushneryk in attendance for Staff Panel: JEAT
February 17 – March 1, 2010 10:00 .m.	**M P Global Financial Ltd., and Joe Feng Deng** s. 127(1) M. Britton in attendance for Staff Panel: DLK/MCH
February 17, 2010 10:00 a.m.	**Maple Leaf Investment Fund Corp. and Joe Henry Chau** s. 127 J. Superina in attendance for Staff Panel: TBA
February 22-24, 2010 10:00 a.m.	**Barry Landen** s. 127 H. Craig in attendance for Staff Panel: TBA

Date	Matter
February 25, 2010 10:00 a.m.	**Tulsiani Investments Inc. and Sunil Tulsiani** s. 127 J. Superina in attendance for Staff Panel: JEAT
March 1; March 3-8, 2010 10:00 a.m. March 2, 2010 2:30 p.m.	**Teodosio Vincent Pangia** s. 127 J. Feasby in attendance for Staff Panel: TBA
March 3, 2010 10:00 a.m.	**Brilliante Brasilcan Resources Corp., York Rio Resources Inc., Brian W. Aidelman, Jason Georgiadis, Richard Taylor and Victor York** s. 127 S. Horgan in attendance for Staff Panel: TBA
March 10, 2010 10:00 a.m.	**Global Energy Group, Ltd. And New Gold Limited Partnerships** s. 127 H. Craig in attendance for Staff Panel: TBA
March 25-26, 2010 10:00 a.m.	**Gold-Quest International, 1725587 Ontario Inc. carrying on business as Health and Harmoney, Harmoney Club Inc., Donald Iain Buchanan, Lisa Buchanan and Sandra Gale** s. 127 H. Craig in attendance for Staff Panel: TBA
March 25-26, 2010 10:00 a.m.	**W.J.N. Holdings Inc., MSI Canada Inc., 360 Degree Financial Services Inc., Dominion Investments Club Inc., Leveragepro Inc., Prosporex Investment Club Inc., Prosporex Investments Inc., Prosporex ltd., Prosporex Inc., Networth Financial Group Inc., Networth Marketing Solutions, Dominion Royal Credit Union, Dominion Royal Financial Inc., Wilton John Neale, Ezra Douse, Albert James, Elnonieth “Noni” James, David Whitely, Carlton Ivanhoe Lewis, Mark Anthony Scott, Sedwick Hill, Trudy Huynh, Dorlan Francis, Vincent Arthur, Christian Yeboah, Azucena Garcia, Angela Curry and Prosporex Forex SPV Trust** s. 127 H. Daley in attendance for Staff Panel: TBA
March 29; March 31 – April 1; April 6-9, 2010 10:00 a.m. March 30, 2010 2:30 p.m.	**Shane Suman and Monie Rahman** s. 127 and 127(1) C. Price in attendance for Staff Panel: JEAT/PLK
April 12, 2010 10:00 a.m.	**Abel Da Silva** s. 127 M. Boswell in attendance for Staff Panel: DLK
April 13, 2010 2:30 p.m.	**Axcess Automation LLC, Axcess Fund Management, LLC, Axcess Fund, L.P., Gordon Alan Driver and David Rutledge, Steven M. Taylor and International Communication Strategies** s. 127 M. Adams in attendance for Staff Panel: TBA

May 3-10; May 12-21; May 26-28, 2010 10:00 a.m.	**Sextant Capital Management Inc., Sextant Capital GP Inc., Sextant Strategic Opportunities Hedge Fund L.P., Otto Spork, Robert Levack and Natalie Spork** s. 127 S. Kushneryk in attendance for Staff Panel: TBA
May 31 – June 4, 2010 10:00 a.m.	**Lyndz Pharmaceuticals Inc., James Marketing Ltd., Michael Eatch and Rickey McKenzie** s. 127(1) and (5) J. Feasby in attendance for Staff Panel: TBA
June 21, 2010 10:00 a.m.	**Rezwealth Financial Services Inc., Pamela Ramoutar, Chris Ramoutar, Justin Ramoutar, Tiffin Financial Corporation, Daniel Tiffin, 2150129 Ontario Inc. and Sylvan Blackett** s. 127(1) and (5) A. Heydon in attendance for Staff Panel: TBA
June 28, 2010 10:00 a.m.	**Shallow Oil & Gas Inc., Eric O'Brien, Abel Da Silva, Gurdip Singh Gahunia aka Michael Gahunia and Abraham Herbert Grossman aka Allen Grossman** s. 127(7) and 127(8) M. Boswell in attendance for Staff Panel: TBA
June 29, 2010 10:00 a.m.	**Oversea Chinese Fund Limited Partnership, Weizhen Tang and Associates Inc., Weizhen Tang Corp., and Weizhen Tang** s. 127 and 127.1 M. Britton in attendance for Staff Panel: TBA
March 7, 2011 10:00 a.m.	**Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton** s. 127 H. Craig in attendance for Staff Panel: TBA
TBA	**Yama Abdullah Yaqeen** s. 8(2) J. Superina in attendance for Staff Panel: TBA
TBA	**Microsourceonline Inc., Michael Peter Anzelmo, Vito Curalli, Jaime S. Lobo, Sumit Majumdar and Jeffrey David Mandell** s. 127 J. Waechter in attendance for Staff Panel: TBA
TBA	**Frank Dunn, Douglas Beatty, Michael Gollogly** s. 127 K. Daniels in attendance for Staff Panel: TBA
TBA	**Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fund and Roy Brown (a.k.a. Roy Brown-Rodrigues)** s. 127 and 127.1 D. Ferris in attendance for Staff Panel: TBA
TBA	**Merax Resource Management Ltd. carrying on business as Crown Capital Partners, Richard Mellon and Alex Elin** s. 127 H. Craig in attendance for Staff Panel: TBA

TBA

Gregory Galanis

s. 127

P. Foy in attendance for Staff

Panel: TBA

TBA

Franklin Danny White, Naveed Ahmad Qureshi, WNBC The World Network Business Club Ltd., MMCL Mind Management Consulting, Capital Reserve Financial Group, and Capital Investments of America

s. 127

C. Price in attendance for Staff

Panel: TBA

TBA

Biovail Corporation, Eugene N. Melnyk, Brian H. Crombie, John R. Miszuk and Kenneth G. Howling

s. 127(1) and 127.1

J. Superina, A. Clark in attendance for Staff

Panel: TBA

TBA

Global Partners Capital, Asia Pacific Energy Inc., 1666475 Ontario Inc. operating as "Asian Pacific Energy", Alex Pidgeon, Kit Ching Pan also known as Christine Pan, Hau Wai Cheung, also known as Peter Cheung, Tony Cheung, Mike Davidson, or Peter McDonald, Gurdip Singh Gahunia also known as Michael Gahunia or Shawn Miller, Basis Marcellinius Toussaint also known as Peter Beckford, and Rafique Jiwani also known as Ralph Jay

s. 127

M. Boswell in attendance for Staff

Panel: TBA

TBA

FactorCorp Inc., FactorCorp Financial Inc. and Mark Twerdun

s. 127

C. Price in attendance for Staff

Panel: TBA

TBA

MRS Sciences Inc. (formerly Morningside Capital Corp.), Americo DeRosa, Ronald Sherman, Edward Emmons and Ivan Cavric

s. 127 and 127(1)

D. Ferris in attendance for Staff

Panel: TBA

TBA

Imagin Diagnostic Centres Inc., Patrick J. Rooney, Cynthia Jordan, Allan McCaffrey, Michael Shumacher, Christopher Smith, Melvyn Harris and Michael Zelyony

s. 127 and 127.1

J. Feasby in attendance for Staff

Panel: TBA

TBA

Gold-Quest International, Health and Harmoney, Iain Buchanan and Lisa Buchanan

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA

Goldpoint Resources Corporation, Lino Novielli, Brian Moloney, Evanna Tomeli, Robert Black, Richard Wylie and Jack Anderson

s. 127(1) and 127(5)

M. Boswell in attendance for Staff

Panel: TBA

TBA

Sulja Bros. Building Supplies, Ltd. (Nevada), Sulja Bros. Building Supplies Ltd., Kore International Management Inc., Petar Vucicevich and Andrew DeVries

s. 127 and 127.1

M. Britton in attendance for Staff

Panel: TBA

TBA **Coventree Inc., Geoffrey Cornish and Dean Tai**

s. 127

J. Waechter in attendance for Staff

Panel: TBA

TBA **IBK Capital Corp. and William F. White**

s. 127

M. Vaillancourt in attendance for Staff

Panel: TBA

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

S. B. McLaughlin

Livent Inc., Garth H. Drabinsky, Myron I. Gottlieb, Gordon Eckstein, Robert Topol

Portus Alternative Asset Management Inc., Portus Asset Management Inc., Boaz Manor, Michael Mendelson, Michael Labanowich and John Ogg

Maitland Capital Ltd., Allen Grossman, Hanouch Ulfan, Leonard Waddingham, Ron Garner, Gord Valde, Marianne Hyacinthe, Diana Cassidy, Ron Catone, Steven Lanys, Roger McKenzie, Tom Mezinski, William Rouse and Jason Snow

Global Petroleum Strategies, LLC, Petroleum Unlimited, LLC, Aurora Escrow Services, LLC, John Andrew, Vincent Cataldi, Charlotte Chambers, Carl Dylan, James Eulo, Richard Garcia, Troy Gray, Jim Kaufman, Timothy Kaufman, Chris Harris, Morgan Kimmel, Roger A. Kimmel, Jr., Erik Luna, Mitch Malizio, Adam Mills, Jenna Pelusio, Rosemary Salveggi, Stephen J. Shore and Chris Spinler

LandBankers International MX, S.A. De C.V.; Sierra Madre Holdings MX, S.A. De C.V.; L&B LandBanking Trust S.A. De C.V.; Brian J. Wolf Zacarias; Roger Fernando Ayuso Loyo, Alan Hemingway, Kelly Friesen, Sonja A. McAdam, Ed Moore, Kim Moore, Jason Rogers and Dave Urrutia

Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boultbee and Peter Y. Atkinson

1.1.2 OSC Staff Notice 33-733 – Report on Focused Reviews of Investment Funds, September 2008 – September 2009

OSC Staff Notice 33-733 – *Report on Focused Reviews of Investment Funds, September 2008 – September 2009* is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Report.

OSC Staff Notice 33-733

2010

Report on Focused Reviews of Investment Funds, September 2008 – September 2009

Contents

Executive summary **4**

Background **7**

Overview of the focused reviews **10**

1. **Phase one – money market funds** **14**
   - 1.1 Compliance with NI 81-102 restrictions 14
   - 1.2 Portfolio holdings 15
   - 1.3 Redemption risk 16
   - 1.4 Valuation of portfolio securities 17
   - 1.5 Change in fees and expenses 17
2. **Phase two – non-conventional investment funds** **19**
   - 2.1 Response to the market turmoil 19
   - 2.2 Counterparty, credit and financial sector exposure 20
   - 2.3 Level and valuation of illiquid assets 20
   - 2.4 Investor communication and continuous disclosure 21
3. **Phase three – hedge funds** **25**
   - 3.1 Custody 25
   - 3.2 Portfolio holdings 26
   - 3.3 Leverage usage and monitoring 28
   - 3.4 Prime broker / counterparty exposure 29
   - 3.5 Monitoring of funds of hedge funds 30
   - 3.6 Liquidity or viability issues 31
   - 3.7 Fund valuation 32
   - 3.8 Use of service providers 33
   - 3.9 Offering document disclosure 34
   - 3.10 Other regulatory compliance matters 36
   - 3.11 Comparison of fund manager practices to best practices suggested by AIMA........ 36

Appendix A: Statistics on fund managers who completed our questionnaire and who received a site visit **37**

Appendix B: Hedge fund managers' practices against AIMA's suggested best practices **38**

Executive Summary

ONTARIO SECURITIES COMMISSION

Executive Summary

This report summarizes the compliance review work conducted by staff of the Compliance and Registrant Regulation Branch (Compliance Team) and the Investment Funds Branch of the Ontario Securities Commission (OSC) in response to concerns emerging from the market turmoil experienced by the global financial services industry. Beginning in September 2008, the Compliance Team and the Investment Funds Branch conducted extensive reviews through a three-phased approach, focusing on major segments of the Canadian investment fund industry, namely money market funds, non-conventional investment funds and hedge funds.

Our primary focus in all three phases was to assess fund managers' compliance with Ontario securities laws. We did not assess the merits of the investment products covered by our reviews. We gathered information about the funds' portfolio holdings, exposure to distressed and/or illiquid assets, valuation methodologies, and how the managers managed the risk of large redemptions during the market downturn.

This report summarizes the findings from our questionnaire responses and the observations from our on-site visits, and includes further reporting on our review of money market funds and non-conventional investment funds in more detail than was previously provided in OSC Staff Notice 33-732 *2009 Compliance Team Annual Report*. It also includes some suggested practices. We encourage fund managers to use this report as a self-assessment tool to strengthen their compliance with Ontario securities laws and to improve their systems of internal controls and supervision.

In phase one, the review of money market funds, our focus was to determine if Canadian money market funds faced issues similar to those faced by U.S. money market funds relating to exposure to financial institutions having financial difficulties, illiquid securities or redemption risk. We observed that during the review period all funds were able to meet redemption requests, no investments held by the funds defaulted or were written down, and most funds were in compliance with the securities laws regulating money market funds.

In phase two, we reviewed non-conventional investment funds which include open-end and closed-end funds listed and traded on the Toronto Stock Exchange (TSX). We observed that some of these funds adopted more protective investment strategies as a result of the market turmoil and maintained higher levels of cash. Some fund managers reorganized some of their

funds. Fund managers monitored redemption levels closely and provided additional disclosure to their investors on the impact of the market turmoil.

In phase three, we reviewed hedge funds which are sold primarily to high-net-worth individuals and institutional investors by way of an offering memorandum. We observed that hedge fund assets were held with independent custodians, fund portfolios were fairly liquid, well-diversified and securities were valued appropriately.

Despite the overall market downturn and its impact on the returns of many of these products during our review period, we did not observe any industry-wide compliance issues. We noted some instances of non-compliance during our on-site visits which we addressed separately with each individual fund manager.

Background

OSC

ONTARIO
SECURITIES
COMMISSION

Background

The global financial markets have experienced a period of market turmoil. The subprime mortgage crisis in the U.S., which began in the summer of 2007, is generally viewed as the triggering event. Due to a significant increase in the default and foreclosure rates for subprime mortgages, structured-finance products (such as mortgage-backed securities, asset-backed commercial paper (ABCP) and collateralized debt obligations (CDOs)) performed poorly. Investor confidence weakened, causing the resale market for some of these products to collapse and liquidity to evaporate. The weakening of the market for these products also led to valuation problems for those holding these products.

In Canada, the market turmoil led to the freezing of the then $35 billion market for non-bank sponsored ABCP in August 2007. Some retail mutual funds were invested in non-bank sponsored ABCP when it froze. Mutual fund managers or other related entities of these mutual funds voluntarily bought all of the frozen ABCP from the funds at par plus accrued interest. This ensured that retail mutual fund investors would not incur losses from these investments.[1]

The market turmoil continued into 2008 creating significant liquidity challenges. Balance sheets were under pressure as a result of the near shutdown of the securitization markets. Lending between banks came to a halt, essentially freezing the credit markets. With the near failure of Bear Stearns in the spring of 2008 and the collapse of Lehman Brothers in September of that year, broker-dealers became less willing to extend credit to their counterparties, including hedge funds. Also, in September 2008 a money market fund in the U.S. known as the Reserve Primary Fund "broke the buck". Some hedge funds were also put under redemption pressure and were forced to liquidate assets as financing terms tightened. As a group, beginning in late summer 2008, their performance deteriorated sharply which led to further investor redemptions.

In response to the concerns emerging from these market events, the OSC executed a three-phased review initiative to assess the impact of the market turmoil in major segments of the Canadian investment fund industry. The three phases focused on fund managers that manage (1) money market funds; (2) non-conventional investment funds; and (3) hedge funds.

Given the events affecting the money market fund industry in the U.S. and liquidity concerns over the short-term debt market, we initiated a focused review of Ontario-based money market funds in September 2008. Our focus, in phase one, was to determine if our money market funds faced

---

[1] The impact of market turmoil on non-bank sponsored ABCP and mutual funds was discussed in the CSA Consultation Paper - *Securities Regulatory Proposals Stemming from the 2007-08 Credit Market Turmoil and its Effect on the ABCP Market in Canada* dated October 2008.

issues similar to those faced by U.S. money market funds relating to exposure to financial institutions having financial difficulties, illiquid securities or redemption risk.

In phase two, we extended our work to non-conventional investment funds. Our initial concerns were liquidity, credit risk and counterparty risk stemming from the credit crisis.

In phase three, we focused on hedge funds. The hedge fund industry has become an increasingly important component of Ontario's capital markets. Hedge funds offer flexibility in investment style and diversification benefits to investors. These benefits may also bring challenges and risks which were magnified when the global markets came under tremendous pressure in the second half of 2008.

Overview of the focused reviews

OSC ONTARIO SECURITIES COMMISSION

Overview of the focused reviews

The Compliance Team and the Investment Funds Branch began the market turmoil focused reviews in September 2008 and completed them in September 2009. We executed our work in a three-phased approach. In all three phases, we focused on funds that were offered to Ontario investors and managed by fund managers based in Ontario. Over the course of the year, we sent out approximately 200 questionnaires, conducted meetings with senior management of selected fund managers and executed 56 on-site visits. Appendix A summarizes information relating to the fund managers that completed the questionnaires and those that received a site visit.

The comments in this report relate only to our observations of those fund managers that completed our questionnaires and those that were subject to an on-site visit. These observations are also limited to the scope of our reviews.

Phase one – money market funds

Investors generally view money market funds as safe and liquid investment vehicles. Portfolios held by these funds are generally more liquid because money market funds in Canada are subject to a number of investment restrictions in National Instrument 81-102 *Mutual Funds* (NI 81-102). A common feature of money market funds in Canada is that they strive to maintain a constant net asset value (NAV) of $10. However, there is no guarantee that the NAV will remain at $10.

Phase one, the review of money market funds, began in September 2008. We sent a questionnaire to 50 fund managers offering open-ended mutual funds in Ontario. These 50 managers had money market fund assets under management of approximately $67 billion, representing approximately 93% of the total money market fund assets[2]. We risk-ranked the questionnaires and selected 18 fund managers that would receive an on-site visit. The period reviewed was from August 1, 2007 to September 19, 2008.

We also completed further follow-up work on the money market funds subsequent to the on-site visits. We sent a follow-up questionnaire in May 2009 to the same fund managers of money market funds to assess whether any material changes had occurred since our review in September 2008.

[2] Money market fund assets under management was $72 billion as at January 2009: Investment Funds Institute of Canada.

Phase two – non-conventional investment funds

The focus of phase two was non-conventional investment funds listed and traded on the TSX. These include split share companies[3], actively managed funds, index tracking funds and structured products based on credit related derivatives[4]. Non-conventional investment funds have some of the following characteristics:

- *Product complexity*. Because non-conventional investment funds are generally subject to fewer regulatory investment restrictions than conventional mutual funds, they are able to employ more complex investment strategies and use leverage.
- *Illiquid assets*. Some non-conventional investment funds may have significant exposure to illiquid assets, which can lead to valuation issues.
- *Market risk*. Volatile markets can affect exchange-traded investment funds by lowering the value of their portfolio holdings. The trading value of the investment fund's own units or shares can also be negatively affected.
- *Sector exposure.* Some funds may have significant exposure to the foreign financial sector, senior loan markets and mortgage-backed securities.
- *Redemption risk*. Most non-conventional investment funds allow an annual (or more frequent) redemption at NAV. The risk of arbitrage for these funds can be increased if the discount between NAV and the listed price of the securities widens.

Phase two, the review of non-conventional investment funds, began in October 2008. We sent questionnaires to 27 Ontario-based managers of non-conventional investment funds. These managers had assets under management of approximately $36 billion, representing 84% of the industry total[5]. Based on the information reported in the questionnaires, staff selected six fund managers that would receive an on-site visit. The period reviewed was from August 1, 2007 to September 30, 2008.

Our review of non-conventional investment funds also included continuous disclosure reviews of certain investment fund issuers that received our questionnaire but were not selected for an on-site visit. We also performed a review of disclosure provided by linked note issuers and monitored information provided in the media by non-conventional investment funds. This included reviewing press releases relating to non-conventional investment funds. We focused on announcements of

---

[3] A split share company, for the purposes of our review, is an investment fund that acquires a fixed portfolio of securities and issues two classes of shares (preferred shares and capital shares) to investors.

[4] Structured products based on credit related derivatives, for the purposes of our review, are funds that invest in credit default securities or derivatives whose performance is based on credit events of specified issuers.

[5] Non-conventional fund assets under management, measured by market capitalization, was $43 billion as at March 2008: TMX Group.

any suspension of redemptions, deferrals of or reductions to expected distributions, re-organizations or credit rating downgrades.

Phase three – hedge funds

Hedge funds in Ontario are typically pooled funds that are sold primarily to sophisticated or high-net-worth investors by way of an offering memorandum. They are not subject to certain securities laws and are generally required to provide less disclosure to potential investors. They are also subject to fewer investment restrictions as compared to traditional mutual funds. Hedge fund managers, however, are subject to Ontario securities laws which require investment fund managers to exercise their duties honestly, in good faith and in the best interests of their investment funds and the investors who have invested their money in their funds.

Issues affecting hedge funds include:

- *Valuation*. Many hedge funds hold complex, over-the-counter or illiquid financial instruments. The valuation of these instruments can be difficult as they may not have a verifiable market value.
- *Leverage*. While hedge funds employ leverage with the objective of magnifying potential returns, the use of leverage also magnifies losses suffered by investors and lenders in the event that the hedge fund incurs losses. In addition, leverage magnifies fluctuations in securities prices.
- *Liquidity*. Some hedge funds may experience redemption pressure because of illiquid markets and limited credit.
- *Transparency.* Many hedge fund managers are reluctant to disclose their investment holdings for competitive reasons. This lack of transparency creates concerns as to whether investors have adequate information to assess the investment risks of a particular hedge fund.

The review of hedge funds began in February 2009. We sent a questionnaire to approximately 90 hedge fund managers in Ontario. After risk ranking the responses, we selected 32 fund managers for an on-site visit. The period reviewed was from July 1, 2007 to December 31, 2008. These fund managers managed 192 funds, totalling $16 billion in assets under management as at December 31, 2008. Of these funds, 93 funds, totalling $8.9 billion, were funds of hedge funds, and 99 funds, totalling $7.1 billion, were standalone funds.

1. Phase one – money market funds

Our review of money market funds focused on the following areas:

1.1 Compliance with NI 81-102 restrictions

1.2 Portfolio holdings

1.3 Redemption risk

1.4 Valuation of portfolio securities

1.5 Change in fees and expenses

1. Phase one – money market funds

1.1 Compliance with NI 81-102 restrictions

Securities laws require money market funds to restrict their investments to a diversified portfolio of short-term debt instruments of a specific credit quality.

Observations

- Most money market funds complied with the investment restrictions under section 1.1 of NI 81-102[6] and with the concentration restrictions under section 2.1 of NI 81-102[7]. Fund managers had adequate monitoring procedures to ensure compliance with these restrictions.
- Where fund managers outsourced their fund administrative functions to an external service provider, they generally had good oversight procedures over the service provider.
- We noted some instances of non-compliance with the dollar-weighted average term to maturity requirement and with the 10% concentration restriction under NI 81-102. The instances of non-compliance were not material and were addressed with each individual fund manager.

Suggested practices

- Perform daily monitoring of compliance with the investment restrictions and concentration restrictions under NI 81-102 as money market funds are bought and sold daily.
- Include bankers' acceptances and bearer deposit notes in monitoring concentration restrictions under NI 81-102.
- Develop appropriate procedures to identify non-compliance with the investment restrictions and concentration restrictions under NI 81-102.
- Fund managers should ensure that the portfolio managers:
  - are familiar with all applicable regulatory requirements
  - monitor compliance on a frequent basis
  - report any instances of non-compliance immediately to the fund manager
  - rectify any non-compliance immediately

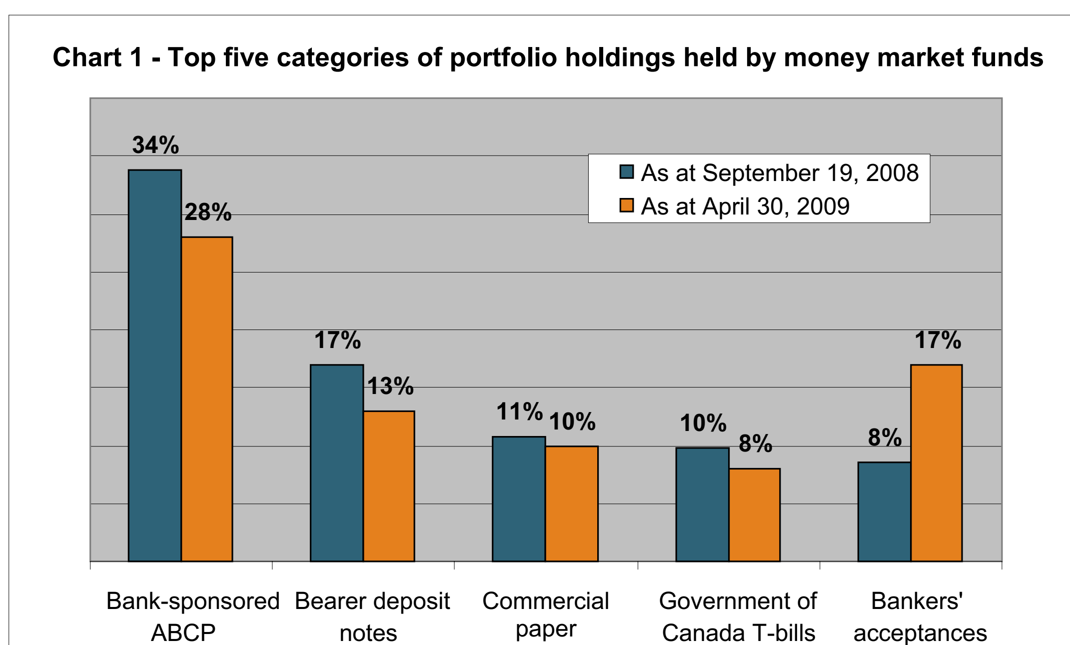
[6] Money market funds are required to comply with the investment restrictions under section 1.1 of NI 81-102, including (i) all of the assets must be invested in cash, cash equivalents, debt with a term to maturity of no more than 365 days and/or floating rate debt; (ii) dollar-weighted average term to maturity should not exceed 90 days; (iii) not less than 95% of the assets must be invested in the currency in which the NAV of the fund is calculated; and (iv) not less than 95% of the assets must be invested in cash, cash equivalents or evidence of indebtedness of issuers, provided that the commercial paper of the issuer has an approved credit rating.

[7] Under section 2.1 of NI 81-102, a mutual fund is prohibited from purchasing securities of an issuer if, after the purchase, more than 10% of its net assets would be invested in any one issuer.

1.2. Portfolio holdings

Observations

- Fund managers generally performed adequate and regular reviews of fund portfolios to ensure compliance with securities laws and with the funds' investment mandates.
- Chart 1 below shows the top five categories of portfolio holdings held by money market funds as at September 19, 2008 and April 30, 2009. The portfolio holdings are shown as a percentage of total portfolio holdings held by money market funds that completed our questionnaire. The top five categories of portfolio holdings as at April 30, 2009, based on responses from the follow-up questionnaire, did not change.



- Most funds were only exposed to Canadian issuers of money market securities. A small number of funds were also exposed to issuers in the U.S. and in Europe.
- None of the funds had exposure to illiquid assets.
- None of the fund managers wrote down any securities.
- The level of cash held in funds increased as a means to meet an increase in redemptions. In many cases, the term to maturity of the portfolios became shorter.
- ABCP held by the funds was bank-sponsored and had global-style liquidity support. Where the fund manager was also the portfolio manager, the fund manager performed adequate due diligence prior to investing in ABCP, and monitored the quality of the holdings on a continuous basis.

Suggested practices

- Monitor concentration risk by:
  - calculating and monitoring exposure to a single issuer at least on a daily basis
  - calculating exposure to a single issuer by including bank deposits with securities issued by that issuer
  - aggregating and monitoring exposure to an issuer and its related issuers
- Document procedures for monitoring credit quality of issuers, including:
  - frequency of review of credit ratings
  - procedures to deal with situations where inappropriate credit risk in a security or issuer is identified
  - ongoing credit monitoring procedures
  - record keeping (i.e. retain information to document the monitoring of credit risk)

1.3 Redemption risk

Observations

- Fund managers did not have issues in meeting redemption requests by fund investors. In addition, they did not foresee issues in meeting future redemption requests given the high level of liquidity of their portfolios.
- Fund managers put a number of mechanisms in place to manage redemption requests. We noted that:
  - fund managers generally maintained a more liquid portfolio and decreased the weighted average term to maturity of the fund portfolios
  - some fund managers monitored the holdings of individual unitholders so as to monitor the risk of having a single large unitholder redeem
  - some fund managers used a large unitholder agreement to restrict further purchases, to require a minimum holding period, or to require a longer notice period for a large redemption

Suggested practices

- Review daily sales and redemptions reports along with investments by maturity to manage cashflows effectively
- Monitor the holdings of individual unitholders to monitor the risk of having a single large unitholder redeem

1.4 Valuation of portfolio securities

Observations

- All fund managers valued their money market instruments in their money market funds at amortized cost, i.e. at cost plus accrued interest, based on their conclusion that amortized cost approximated fair market value.
- A number of fund managers also calculated the market value of their fund's portfolio which they compared to the amortized cost of the portfolio to confirm that amortized cost remained a valid approximation of fair market value.

Suggested practices

- Where amortized cost is used, ensure compliance with National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106) which requires that the fund's portfolio be valued at market. The valuation of the fund's portfolio should be performed as often as the NAV of the fund is calculated.

1.5 Change in fees and expenses

Observations

- In light of the current low interest rate environment, nearly all of the fund managers reviewed had reduced or waived management fees and certain expenses to ensure that their money market funds continued to have a positive yield.
- Some managers chose to reduce trailer fees paid to dealers on money market funds held in the dealers' client accounts.
- Many fund managers disclosed the fee changes to their investors by issuing a press release, providing the information on the fund manager's website or filing an amendment to the fund's simplified prospectus.

Suggested practices

- Fund managers should ensure that information regarding fee changes is disclosed to their investors on a timely basis.
- Any waivers or absorptions of fees are required to be disclosed in the fund's financial statements and management reports of fund performance.

2. Phase two – non-conventional investment funds

Our review of non-conventional investment funds focused on the following areas:

2.1 Response to the market turmoil

2.2 Counterparty, credit and financial sector exposure

2.3 Level and valuation of illiquid assets

2.4 Investor communication and continuous disclosure

2. Phase two – non-conventional investment funds

2.1 Response to the market turmoil

Observations

- Fund managers monitored market conditions and assessed the impact on their funds on a continual basis. They worked with portfolio managers, dealers and other stakeholders in devising action plans aimed at protecting their funds, within the parameters of the constating documents of each fund. These plans included suspension of redemptions, decreases in distributions, equity offerings, rights offerings, changes to investment objectives and strategies, and fund mergers.
- Within the limits of each fund's investment restrictions, funds adopted more protective strategies, such as holding a higher proportion of the fund's portfolio in cash, or writing covered call options.
- Fund mergers were used to consolidate assets of non-conventional investment funds in order to provide unitholders with better liquidity and economies of scale. Some fund managers had different policies for mergers of non-conventional funds than for mergers of conventional funds that they also manage.
- Where an investment fund has a fund manager, administrator, portfolio manager, sub-advisors and valuation agent, the division of duties and obligations between them may overlap. In responding to the market turmoil, some fund managers needed additional time to determine which of the other service providers should be involved in particular decisions and to collect relevant information from them.

Suggested practices

- The investment restrictions followed by the fund are material information that investors use when making their investment decisions. Changes to the investment restrictions should be publicly disclosed in a timely manner.
- Fund managers should bear the cost of merging their non-conventional investment funds. While a fund merger may benefit unitholders, fund managers also benefit from mergers by maintaining assets under management. The policy rationale underlying the rules applicable to conventional mutual fund mergers applies equally, in staff's view, to mergers of non-conventional investment funds.
- When functions are delegated to third-party service providers, fund managers should maintain appropriate oversight and have the ability to review the accuracy and quality of the services provided in a timely manner. Even if delegating to service providers, fund managers

maintain the ultimate responsibility for the operations of the fund. Fund managers should always be aware of the issues affecting their funds, such as potential counterparty risks or the valuation of illiquid assets.

2.2 Counterparty, credit and financial sector exposure

Observations

- Some non-conventional investment funds were exposed to the foreign financial sector, certain debt markets (that were under stress) and complex credit derivatives, but this exposure was limited in comparison to the overall number and size of all non-conventional investment funds in the industry.
- Many structured products offered leverage exposure to the financial sector that was not expected to be volatile. The downturn in the financial sector had a severe impact on some of these structured products, which triggered protection events in favour of the debt holders, so that equity investors would be unable to participate in any future market recovery.
- Most of the non-conventional investment funds we reviewed were exposed to Canadian counterparties, which did not result in elevated counterparty risk. A small number of non-conventional investment funds were using foreign counterparties, but the level of exposure to the foreign entity was relatively small.

Suggested practices

- In addition to complying with the existing continuous disclosure requirements, managers of sector or specialized investment funds should provide updated and timely information to investors so that investors can understand and assess the impact of the market conditions to their fund. For example, for a complex investment structure, a sensitivity analysis may be helpful.

2.3 Level and valuation of illiquid assets

Observations

- Some funds invested a substantial portion of their assets in illiquid investments, creating liquidity issues and valuation issues. These funds were generally trading at a significant discount to their NAV, as investors made their own assessment of the value of the illiquid assets.

- Fund managers incorporated the market developments into their valuation methodology for illiquid assets, but not always to the same degree. For some illiquid securities, the changes in valuation did not fully reflect the overall change in value in the particular sector. In some cases, fund managers remained more optimistic about the future value of certain portfolio holdings.
- Some fund managers provided additional disclosure to investors regarding the level and valuation of illiquid assets in their fund.
- In at least one case, previous fund mergers resulted in the continuing fund facing challenges with respect to the combined level of illiquid assets.

Suggested practices

- The valuation of illiquid assets is inherently difficult and subject to numerous variables. Each NAV calculation should take into consideration all available information at the time the calculation is being made to properly reflect the fund's current value, not the manager's anticipation of the fund's value at a future point in time.

2.4 Investor communication and continuous disclosure

Observations – continuous disclosure reviews

- Fund managers were active in communicating with investors during the market turmoil. In most cases, the impact of the market turmoil was discussed in the funds' management report of fund performance.
- In addition to required regulatory filings, fund managers used their websites to update investors regarding the funds' investment exposure. One fund manager managing credit linked investment products used sensitivity analyses to show what the impact would be if certain credit events materialized.
- Investment funds based on credit related derivatives were generally structured as passive vehicles employing limited discretionary portfolio management. When these investment funds were under stress, fund managers responded differently. Most managers did not intervene to modify the fund's strategy. However, one fund manager actively implemented a defensive strategy by securitizing distribution payments in return for the ability of the fund to absorb further unfavourable credit events.

Observations – linked notes

- Linked notes had become increasingly popular and available to retail investors. However, these investments are usually complex and the exposure they offer can have features similar to certain embedded derivatives.
- Linked note issuers provided necessary information during the pre-clearance process.[8] However, as linked notes are not investment funds, they do not file financial statements and management reports of fund performance (they are included in the issuer's own disclosure filings). The primary source of continuous disclosure information specific to the linked note is the issuer's website.
- The impact of the market turmoil on the current value of the linked notes appeared to be in line with our expectations based on the underlying assets the notes were linked to.
- Linked notes have many key terms and conditions, including mitigating control features based on market disruption events. During the period of market turmoil, the interpretation of certain key terms was subject to additional scrutiny, raising questions of how certain linked note features should operate (for example, determining if a "market disruption event" had occurred which would trigger the need for an independent valuation agent).

Observations – media surveillance

- There was an increase in the number of press releases and filings during the period we examined.
- Many non-conventional investment funds announced that they were deferring or suspending scheduled distribution payments in order to preserve their net asset value. Some also gave advance notice that they would not be accepting redemption requests if they were close to an upcoming redemption date.
- Many non-conventional investment funds announced restructurings, including mergers, and capital raising initiatives (such as rights offerings). In addition to regulatory filings, fund managers were actively issuing press releases to clarify issues, including exposure to ABCP, specific investment exposure, as well as more details regarding material holdings of illiquid assets.

Suggested practices

- Information should be provided to investors in a manner designed to help them understand the impact of unusual market events on their investment. Fund managers should use their websites as effectively as possible to provide timely information to investors.

[8] See CSA Staff Notice 44-304 *Linked Notes Distributed Under Shelf Prospectus System* for a description of linked notes and the pre-clearance process.

- The interpretation and applicability of key terms and conditions of linked notes, such as the market disruption clause, knock-out and knock-in events, should be stated in a clear and easily understood manner so that investors can better understand when certain events will trigger each of them.

3. Phase three – hedge funds

Our review of hedge funds focused on the following areas:

3.1 Custody
3.2 Portfolio holdings
3.3 Leverage usage and monitoring
3.4 Prime broker / counterparty exposure
3.5 Monitoring of funds of hedge funds
3.6 Liquidity or viability issues
3.7 Fund valuation
3.8 Use of service providers
3.9 Offering document disclosure
3.10 Other regulatory compliance matters
3.11 Comparison of fund manager practices to best practices suggested by Alternative Investment Management Association (AIMA)

3. Phase three – hedge funds

3.1 Custody

Observations

- Fund portfolio assets were segregated and held with independent, reputable custodians. We verified the existence of fund assets by reviewing custodial statements on a sample basis and did not note any issues.
- Most fund managers performed reconciliations to the custodian's reported holdings on a regular basis.
- A few managers used the same bank account to process investors' transactions and corporate activities.

Suggested practices

- Maintain separate banking accounts to process investors' transactions and corporate activities. Effective September 28, 2009, section 14.6 of National Instrument 31-103 – *Registration Requirements and Exemptions* requires all registered firms to segregate and hold in trust client assets.
- Reconcile securities positions to the custodian's reported holdings on a regular basis. Follow up any discrepancies in a timely manner.

Other statistics

- 93% of the fund managers used a third-party custodian; 7% of the fund managers used an affiliate as the custodian.
- 95% of the fund managers used a member firm of Investment Industry Regulatory Organization of Canada for prime brokerage and custodial services.
- 75% of the fund managers used affiliates of Canadian Schedule 1 banks for prime brokerage and custodial services.
- The top four prime brokers and custodians used by the fund managers were affiliates of Canadian Schedule 1 banks.

3.2 Portfolio holdings

Observations

- The majority (83% based on assets under management) of the standalone hedge funds held a diversified portfolio (i.e. not more than 10% of the fund's net assets invested in any single holding).
- Hedge funds managed in Ontario had fairly liquid portfolios. The majority (91% based on assets under management) of the funds held less than 10% of the fund's net assets in private or illiquid holdings.
- Fund managers performed adequate and regular reviews of fund portfolios to ensure compliance with the funds' investment objectives, and to monitor portfolio risk and the liquidity level of each of their funds. A few large fund managers/portfolio managers also had an independent committee, separate from the portfolio management team, to oversee and manage portfolio risk and liquidity risk of the funds.
- Five hedge funds in our sample did not comply with the prohibited investment restrictions under subsection 111(2)(b) of the Act[9], which prohibits a mutual fund from making an investment in a company in which it is a substantial security holder. This subsection applies to hedge funds that meet the definition of a mutual fund under the *Securities Act* (Ontario).
- Six hedge fund managers, who were also the portfolio manager for their funds, did not comply with subsections 118(2)(a) and 118(2)(b) of the Act[10].
- Five hedge fund managers were providing investment advice without registration as a Portfolio Manager with the OSC.
- In each case of non-compliance with securities laws, we addressed the specific issues with the individual fund managers.

Suggested practices

- Have a strong and independent compliance function appropriate to the size and complexity of the operations. The individual(s) responsible for the compliance function should possess adequate regulatory knowledge and industry experience to establish and maintain a strong compliance system and to ensure compliance with securities laws.

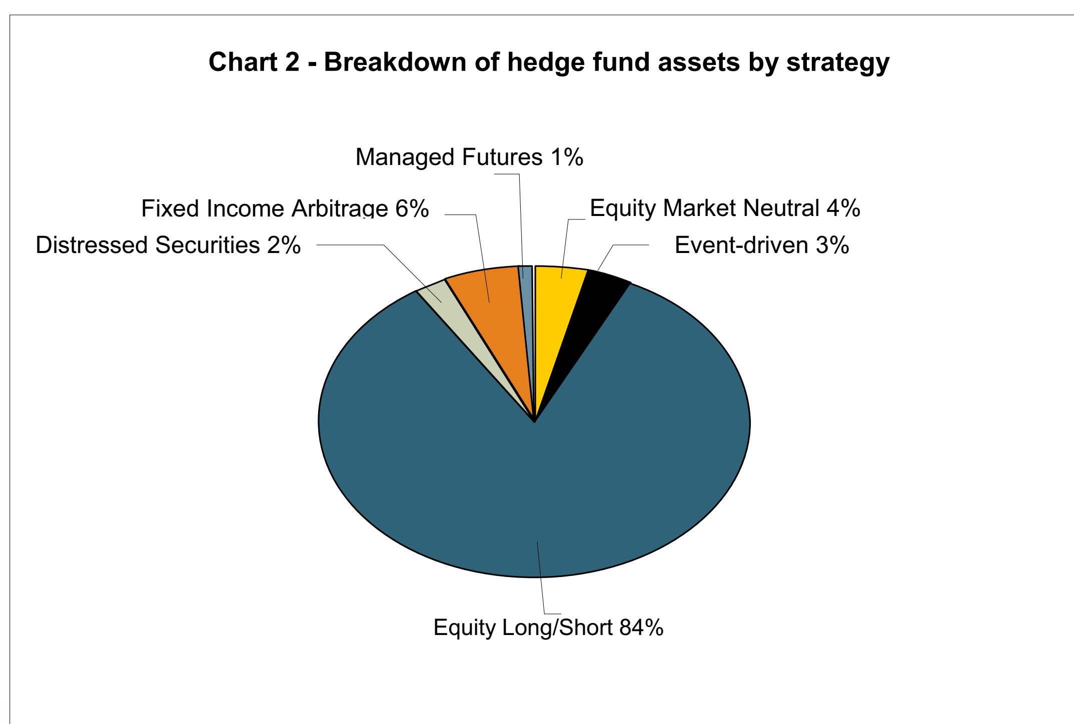
[9] Subsection 111(2)(b) of the Act prohibits a mutual fund from making an investment in any person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial security holder, i.e. owning more than 20% of the voting securities.

[10] Subsection 118(2)(a) of the Act prohibited a portfolio manager from investing in an issuer in which a responsible person is an officer or director. Subsection 118(2)(b) of the Act prohibited a portfolio manager from cross trading between two accounts. With the implementation of National Instrument 31-103 – *Registration Requirements and Exemptions* (NI 31-103), section 118 of the Act was repealed. Section 13.5 of NI 31-103 contains prohibitions on certain managed account transactions and captures the same type of transactions that were prohibited under section 118 of the Act.

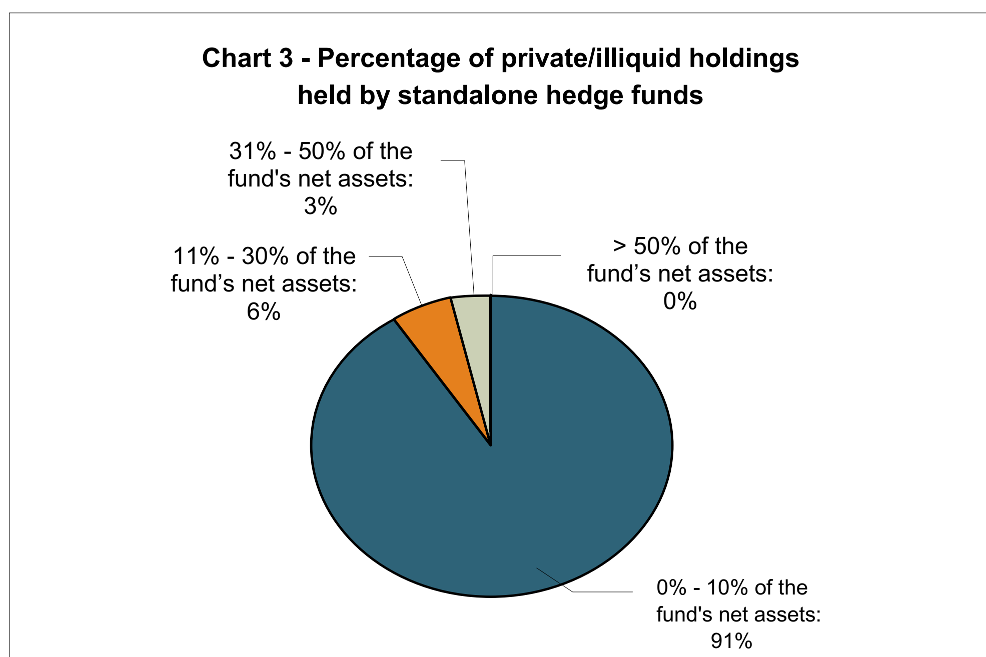
- Develop policies and procedures to prevent and detect conflicts of interest. Such policies and procedures should include, but are not limited to:
  - review ownership percentage in each investment held by a hedge fund on a regular basis
  - monitor outside business activities of responsible persons and their associates and create a list of related issuers that the funds cannot invest in
  - prohibit cross trading between accounts of a responsible person, an associate of a responsible person or the portfolio manager
  - have officers and directors sign an undertaking to report their holdings

Other statistics

- The majority (81%) of the hedge fund managers (or their affiliates) were also the portfolio manager to their funds.
- The majority (75%) of the hedge fund managers (or their affiliates) were also the distributor of their funds.
- Funds of hedge funds represented about 42% of total hedge fund assets.
- Two funds had a combined exposure of $8 million to Madoff, which was a large ponzi scheme uncovered in the U.S.
- Equity long/short strategy dominated our marketplace. Chart 2 below shows a breakdown by strategy of the standalone hedge fund assets as at December 31, 2008.



- Chart 3 illustrates the percentage of the funds' net assets invested in private or illiquid holdings as at December 31, 2008. For example, 3% of the funds reviewed (based on net assets) held between 31% to 50% of their net assets in private or illiquid holdings.



3.3 Leverage usage and monitoring

As with the other statistics in this report, we reviewed the use of leverage at a specific point in time (December 31, 2008). We did not collect data on leverage embedded in derivatives or underlying investments held by hedge funds.

Observations

- Hedge funds borrowed from prime brokers on a collateralized basis through margining, short selling and use of credit facilities. The level of borrowing is often quoted as a ratio of assets to capital or equity (e.g. 3: 1 or 3 times capital)[11].
- We observed that the majority of hedge funds employed a very low level of borrowing (1 to 1.1 times capital) as at December 31, 2008. This finding represented a snapshot at a point in

[11] There are several ways borrowing is measured in the industry. Some common measures are:
- gross market exposure, measured by the total of long and short positions, divided by capital
- net market exposure, measured by long positions less short positions, divided by capital

The majority of the fund managers quoted borrowing on a gross market exposure basis.

time and appeared to be consistent with the tight lending conditions and general conservative investment style at that time.

- As at December 31, 2008, the highest level of borrowing was 12 times capital. This represented about 1% of the hedge fund assets.
- We observed that fund managers had adequate monitoring procedures over the level of leverage of their funds. This included daily or weekly reviews of fund valuation, leverage calculations and margin reports from prime brokers.

Suggested practices

- Monitor leverage level regularly. Depending on the level of leverage, this may require daily or weekly monitoring.
- Stress tests should be done to assess the appropriateness of the level of leverage under both normal and exceptional circumstances (for example, an increased level of redemptions, drop in market values, changing spreads).

3.4 Prime broker / counterparty exposure

Observations

- The majority of the fund managers used prime brokers that are affiliates of Canadian Schedule 1 banks.
- The majority of the hedge fund managers used counterparties that are major banks in Canada or the U.S.
- Most fund managers monitored the creditworthiness of their counterparties informally. Some fund managers had formal procedures in place to monitor their counterparty exposure. Procedures included setting a minimum credit rating requirement, monitoring the credit rating of counterparties on a regular basis, and reviewing aggregate exposure to each counterparty.

Suggested practices

- Monitor, on a regular basis, the financial stability and credit risk of all counterparties including prime brokers by assessing the fund's aggregate exposure to each counterparty regularly, checking the credit rating of counterparties regularly, and maintaining regular contact with the counterparties.
- Diversify counterparty risk, where possible.

3.5 Monitoring of funds of hedge funds

This section relates only to those fund managers who were also acting as the portfolio manager.

Observations

- The majority of the fund of hedge fund managers performed adequate due diligence before making an investment in an underlying hedge fund. We observed fund managers having well-documented and traceable procedures for selecting underlying hedge funds based on both qualitative and quantitative characteristics of the funds and the fund manager.
- The majority of the fund managers received an in-person meeting with the underlying fund manager. They reviewed the most recent audited financial statements of the underlying fund and made appropriate enquiries in considering whether the liquidity level of the underlying fund was appropriate and sufficient for the fund of hedge funds to meet its redemption obligations.
- Some fund managers would only invest in an underlying hedge fund if an external fund administrator performed the valuation function.
- The majority of the fund of hedge fund managers had regular communication (usually weekly) with the underlying fund managers to evaluate fund performance, portfolio composition and the financial condition of the underlying funds.
- Some fund of hedge fund managers did not have full transparency of the underlying fund holdings at any time. Some managers only had full transparency on an infrequent basis.

Suggested practices

- Before making an investment decision, a fund of hedge fund manager should make reasonable enquiries to ensure that:
  - the underlying portfolio manager possesses adequate expertise, experience and qualifications
  - assets of the underlying fund are held by an independent, reputable custodian
  - the underlying fund is audited by an independent, reputable auditor at least annually
  - the underlying fund manager has well-established systems and controls in place to administer their funds. If any functions are outsourced to a service provider, assess that there is adequate oversight of the service provider
  - the valuation function is performed independently
  - the underlying fund manager will provide adequate information on the fund's activities on

a regular basis; this information should include information on fund holdings, leverage level, financial results, and significant events
    - the liquidity level of the underlying fund is appropriate and sufficient for the fund of hedge funds to meet its redemption obligations
    - it has considered the liquidity of the types of instruments held by the underlying fund and is aware of any limitations on redemption privileges that can be imposed by the underlying fund manager
- Document due diligence performed when selecting the underlying hedge funds.
- Obtain and review the most recent audited financial statements of the underlying funds prior to investing. Subsequent to that, obtain and review the audited financial statements at least annually.
- Have full transparency of the underlying fund holdings at all times in order to manage the fund portfolio and assess risks at the aggregate fund level.
- Collect leverage information from each underlying fund and assess overall leverage at the portfolio level.

3.6 Liquidity or viability issues

Observations

- Most fund managers increased cash balances during the market turmoil in anticipation of heavier than normal redemptions. This, along with the low percentage in private or illiquid holdings in general (as noted under Portfolio Holdings section above), enabled most fund managers to not have to exercise their right to suspend redemptions.
- Redemption restrictions imposed by the fund managers in our sample were carried out as permitted by the funds' offering documents. We did not note any incidences where preferential treatment was given to some unitholders allowing them to redeem their holdings prior to the fund manager deciding to suspend or restrict redemptions of a fund.
- Fund managers took appropriate steps to distribute assets of funds that were in the process of winding up in an equitable manner.

Suggested practices

- Monitor unitholder activities and liquidity requirements on a regular basis
- Communicate major events to investors in a timely manner
- Consider the interests of all unitholders when dealing with redemption requests

Other statistics

- 21 (0.9% based on assets under management) hedge funds had been wound up or were in the process of winding up, primarily as a result of market conditions.
- 16 (0.7% based on assets under management) hedge funds suspended redemptions during our review period. 12 (0.5% based on assets under management) of those that suspended redemptions were in the process of winding up during our review period.

3.7 Fund valuation

Observations

- The majority of fund managers used an independent third-party service provider to perform the valuation function.
- We observed fund managers using appropriate valuation methodologies to value portfolio securities. They applied their valuation methodologies consistently, and maintained adequate documentation to support any manually-priced securities and write-downs.
- Fund managers reviewed pricing of hard-to-value securities frequently (usually weekly) to determine if a revaluation was warranted. Some fund managers had individuals who were independent of the portfolio management function (for example, an independent valuation committee or a compliance officer) review and approve securities revaluation.
- Some fund managers valued restricted stocks at the market value of the freely traded underlying stock price and failed to apply a discount to reflect the illiquidity of these investments.
- Some fund managers valued warrants at the intrinsic value rather than the fair value. These fund managers did not have a process in place to ensure that the intrinsic value and the fair value were not materially different.
- Some fund managers did not have adequate written policies and procedures in the following areas:
    - valuation methodologies and processes to be followed for private, illiquid or restricted securities
    - processes for making manual price adjustments
    - review and approval processes for NAV calculations
    - processes to rectify NAV errors

Suggested practices

- Develop and implement written policies and procedures that include, at a minimum, the following:
  - valuation methodologies for all types of securities held in the funds' portfolios
  - valuation processes for securities that do not have readily available market prices
  - procedures to review and approve each NAV calculation, and to detect non-compliance with internal guidelines
  - procedures to investigate price variances over a pre-determined tolerance level
  - procedures for the identification, rectification and accounting treatment for NAV errors
- Disclose valuation policies and procedures, the role of third parties, and procedures for mitigating potential conflicts of interest during valuation.
- Apply valuation policies and procedures consistently.
- For hard-to-value securities, the fund manager may be involved in pricing the securities. The fund manager should provide the external fund administrator with sufficient supporting documentation.
- Ensure that responsibilities between the portfolio management function and the valuation function are segregated.
- Where it is necessary to use estimates in a fund of hedge fund structure to calculate NAV, develop appropriate procedures to review and adjust the NAV for any differences between the actual and the estimated NAV of the underlying funds.

3.8 Use of service providers

Observations

- The majority of the fund managers used a third-party fund administrator to perform administrative functions, including fund valuation. These fund managers maintained adequate controls over key functions, and adequate oversight over their service providers. They reviewed NAV calculations, fee calculations and reconciliations prepared by their service provider, and reconciled their own records with those of the service provider.
- Some fund managers did not maintain adequate books and records evidencing their oversight of the service provider. They did not maintain evidence of review or approval of NAV calculations, fee calculations and reconciliations prepared by the service provider.
- Three fund managers delegated their fund administration responsibility to a service provider but did not enter into a written service level agreement outlining the roles and responsibilities of the service provider in administering their funds.

Suggested practices

- Fund managers should maintain appropriate oversight and have the ability to review the accuracy and quality of the services provided in a timely manner. Even if delegating to service providers, fund managers maintain the ultimate responsibility for the operations of the fund.
- Enter into agreements that clearly outline the service providers' roles and responsibilities.
- Review service providers' processes, information flows, NAV and fee calculations, and ensure that adequate operational controls are maintained by the service providers.
- When the valuation of certain instruments can only be done by the manager, it is important that the external fund administrator also maintains documentation supporting the valuation.
- Assess service quality of all service providers at least annually, considering issues encountered and errors made by the service providers.
- Establish guidelines on how to monitor each outsourced function. This would include the types and frequency of reports to be provided by service providers, the types of issues that should be escalated to the fund manager; maintain evidence of the reviews of the outsourced functions.
- Maintain effective internal controls, checks and balances and segregation of duties. For example, require dual signatures to approve significant transactions, and reconcile cash and securities positions to the service provider's records regularly.

3.9 Offering document disclosure

Hedge funds are sold primarily to high-net-worth individuals and institutional investors by way of an offering memorandum.

Observations

- Overall, hedge fund managers in our sample provided adequate and clear disclosure in their funds' offering documents in most areas, except as noted below:
  - six fund managers did not adequately disclose risk factors associated with investing in their funds, including:
    - counterparty risk
    - credit risk
    - interest rate risk

        - risk of using derivatives
        - risk of using leverage
    - five fund managers did not fully disclose the fees and expenses incurred by their funds, including:
        - personnel and office space expenses
        - administrative fees
        - legal, audit and custodian fees
    - five fund managers did not disclose the material contracts they entered into on behalf of their funds, including with service providers
    - seven fund managers provided inconsistent, incorrect or outdated information in the offering documents of their funds

Suggested practices

- Fund managers should disclose all material information consistently and accurately in the fund's offering document. Such information should include, at a minimum, the following:
    - investment objectives, strategies and restrictions, including the use of leverage and derivatives
    - material risk factors
    - valuation policies and procedures
    - types of fees and expenses incurred by the fund
    - material contracts, including the use of service providers
    - conflicts of interest and procedures to identify and address them
    - subscription and redemption policies
- Fund managers should provide investors with adequate information throughout the life of their investment to allow them to monitor the investment over time. Such information should include, at a minimum, the following:
    - semi-annual and annual financial statements
    - periodic performance information
    - regular investor communication, reporting on significant events, any changes in the fund's risk profile, etc.

3.10 Other regulatory compliance matters

- Four fund managers distributed units of their hedge funds without being registered as an Exempt Market Dealer (formally Limited Market Dealer) with the OSC. Firms that are in the business of distributing hedge fund securities pursuant to a prospectus exemption must be registered as an Exempt Market Dealer.
- If the hedge fund meets the definition of a mutual fund, NI 81-106, which contains continuous disclosure requirements, applies. Sections 2.1 and 2.3 of NI 81-106 describe the filing requirements, and section 2.11 exempts certain funds from these filing requirements if certain criteria are met. One of these criteria requires the delivery of the fund's financial statements to unitholders within a specified time period. Six hedge fund managers did not deliver the annual and semi-annual financial statements of their funds to their unitholders within 90 days after the year-end and within 60 days after the end of a semi-annual period. These instances of non-compliance were addressed with each individual fund manager.

3.11 Comparison of fund manager practices to best practices suggested by Alternative Investment Management Association (AIMA)

AIMA published *Guide to Sound Practices for Hedge Fund Administrators* in September 2009. We compared the practices of the fund managers visited against some of the key suggested best practices by AIMA. The results are shown in Appendix B.

Appendix A: Statistics on fund managers who completed our questionnaire and who received a site visit

	Information gathering stage	Site visit stage	% visited
Money market funds			
No. of fund managers	36[12]	18	50%
Total net assets[13]	$67 billion	$63 billion	94%
No. of money market funds	89	61	69%
Non-conventional investment funds			
No. of fund managers	27	6	22%
Total market capitalization [14]	$36 billion	$23 billion	64%
No. of non-conventional investment funds	265	99	37%
Hedge funds			
No. of fund managers	88	32	36%
Total net assets[15]	$26 billion	$16 billion	62%
Total net assets with Ontario investors[16]	$8.4 billion	$6 billion	71%
No. of hedge funds[17]	312	192	62%
No. of hedge funds with Ontario investors[18]	233	132	57%

[12] 50 fund managers received our questionnaire, but only 36 of them managed money market fund(s).
[13] As at September 19, 2008.
[14] Total market capitalization as at March 2008: TMX Group.
[15] This represents the total net assets of the hedge funds managed by the hedge fund managers as at December 31, 2008, which includes fund assets held by Canadians and non-Canadians.
[16] This represents the portion of total net assets held by Ontario investors as at December 31, 2008.
[17] This represents the total number of hedge funds managed by the hedge fund managers as at December 31, 2008, which includes funds offered to Canadians and non-Canadians.
[18] This represents the number of hedge funds with investors residing in Ontario.

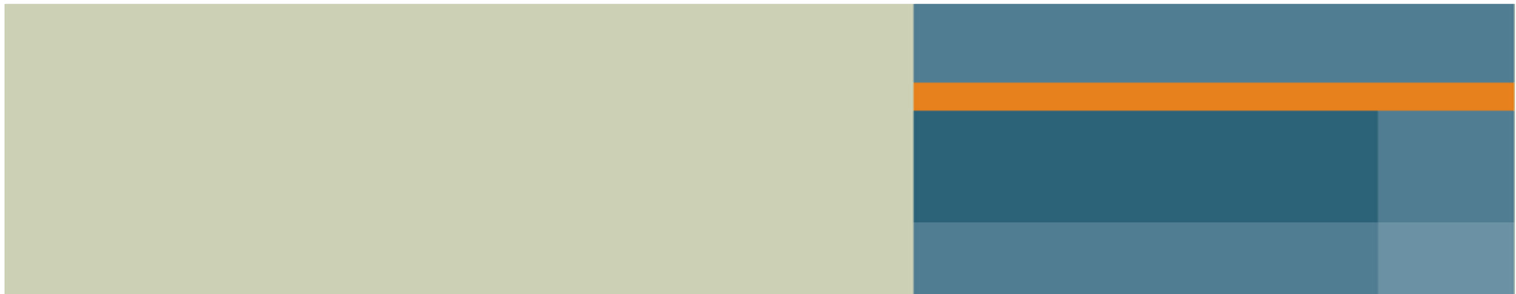
Appendix B: Hedge fund managers' practices against AIMA's suggested best practices[19]

Legend
○ performed by more than 70% of hedge fund managers
● performed by 50-70% of hedge fund managers
◙ performed by less than 50% of hedge fund managers

AIMA's key suggested best practices	Hedge fund managers visited
Have an independent valuation function, or have adequate segregation of duties between the valuation function and the investment management function.	○
Have a detailed valuation policy document, approved by the governing body, which is usually the board of directors, or the general partner.	●
Apply the valuation policy consistently. Any deviations from the policy should be approved by the governing body.	○
Use multiple price sources to verify the valuation of a fund's portfolio.	●
Any pricing models used by the fund manager should be independently tested and verified.	◙
Accrue fund expenses accurately and on a timely basis in order to strike an accurate NAV.	○
Reconcile cash and securities positions to prime broker or custodian statements.	○
Set out clearly the roles and responsibilities of the fund administrator in an administration agreement and/or a service level agreement.	○
Choose a fund administrator that can offer the necessary technology and staff expertise to support the fund's operating model.	○
Ensure that all fund offering documents are accurate and disclose all relevant information, including the role of the administrator, valuation provisions and subscription/redemption procedures.	●
Disclose the party who performs the NAV calculation function.	●

.

[19] Alternative Investment Management Association, Guide to Sound Practices for Hedge Fund Administrators, September 2009.



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

Felicia Tedesco
Assistant Manager, Compliance
E-mail: ftedesco@osc.gov.on.ca
Phone: 416-593-8273

Darren McKall
Assistant Manager, Investment Funds
E-mail: dmckall@osc.gov.on.ca
Phone: 416-593-8118

Raymond Chan
Senior Accountant, Investment Funds
E-mail: rchan@osc.gov.on.ca
Phone: 416-593-8128

Maria Carelli
Accountant, Compliance
E-mail: mcarelli@osc.gov.on.ca
Phone: 416-593-2380

Jessica Leung
Accountant, Compliance

January 19, 2010

As the regulatory body responsible for overseeing the capital markets in Ontario, the Ontario Securities Commission administers and enforces the provincial Securities Act, the provincial Commodity Futures Act and administers certain provisions of the provincial Business Corporations Act. The OSC is a self-funded Crown corporation accountable to the Ontario Legislature through the Minister of Finance.

1.1.3 Notice of Ministerial Approval of Amendments to NI 21-101 Marketplace Operation and NI 23-101 Trading Rules

**NOTICE OF MINISTERIAL APPROVAL
OF AMENDMENTS TO
NATIONAL INSTRUMENT 21-101
MARKETPLACE OPERATION AND
NATIONAL INSTRUMENT 23-101 TRADING RULES**

On January 12, 2010, the Minister of Finance approved amendments (Amendments) to National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules* (together the "Marketplace Rules"). The Commission has also adopted amendments to Companion Policy 21-101CP and Companion Policy 23-101CP (the "Companion Policies").

The amendments to the Marketplace Rules and the Companion Policies not related to the Order Protection Rule[1], including the prohibition on locked and crossed markets and the update of systems requirements applicable to marketplaces, previously published in the Bulletin on December 18, 2009, will come into force in Ontario on January 28, 2010. The amendments to the Marketplace Rules and the Companion Policies related to the Order Protection Rule will come into force on February 1, 2011. A CSA staff notice that outlines expected milestone dates regarding the implementation of the Order Protection Rule will be published shortly. The Amendments are published in Chapter 5 of the Bulletin. As well, an unofficial consolidated version of the Marketplace Rules and Companion Policies may be found online at www.osc.gov.on.ca.

[1] For a description of the Order Protection Rule, please see the CSA Notice published on November 13, 2009.

1.2 Notices of Hearing

1.2.1 Nest Acquisitions and Mergers et al. – ss. 37, 127, 127.1

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

AND

**IN THE MATTER OF
NEST ACQUISITIONS AND MERGERS,
IMG INTERNATIONAL INC.,
CAROLINE MYRIAM FRAYSSIGNES,
DAVID PELCOWITZ, MICHAEL SMITH, AND
ROBERT PATRICK ZUK**

**NOTICE OF HEARING
(Sections 37, 127 and 127.1)**

TAKE NOTICE THAT the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to sections 37, 127 and 127.1 of the Ontario *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "*Act*"), at the offices of the Commission at 20 Queen Street West, 17th Floor Hearing Room on Thursday, January 28, 2010 at 10 a.m., or as soon thereafter as the hearing can be held,

TO CONSIDER whether, in the opinion of the Commission, it is in the public interest, pursuant to ss. 127 and 127.1 of the *Act* to order that:

(a) trading in any securities by the respondents cease permanently or for such period as is specified by the Commission, pursuant to s. 127(1)2 of the *Act*;

(b) the acquisition of any securities by the respondents is prohibited permanently or for such other period as is specified by the Commission, pursuant to s. 127(1)2.1 of the *Act;*

(c) any exemptions contained in Ontario securities law do not apply to the respondents permanently or for such period as is specified by the Commission, pursuant to s. 127(1)3 of the *Act*;

(d) the respondents be reprimanded, pursuant to s. 127(1)6 of the *Act*;

(e) Smith resign one or more positions that he holds as a director or officer of any issuer pursuant to s. 127(1)7 of the *Act*;

(f) the individual respondents be prohibited from becoming or acting as a director or officer of any issuer pursuant to s. 127(1)8 of the *Act*;

(g) the individual respondents be prohibited from becoming or acting as a director or officer of a registrant or investment fund manager, pursuant to ss. 127(1)8.2 and 8.4 of the *Act*;

(h) the individual respondents be prohibited from becoming or acting as a registrant, an investment fund manager, or promoter, pursuant to s. 127(1)8.5 of the *Act*;

(i) the respondents pay an administrative penalty of not more than $1 million for each failure by that respondent to comply with Ontario securities law, pursuant to s. 127(1)9 of the *Act*;

(j) the respondents disgorge to the Commission any amounts obtained as a result of non-compliance by that respondent with Ontario securities law, pursuant to s. 127(1)10 of the *Act*;

(k) the respondents be ordered to pay the costs of the Commission investigation and the hearing, pursuant to s. 127.1 of the *Act*; and

(l) such other orders as the Commission may deem appropriate.

AND TO CONSIDER whether, in the opinion of the Commission, an order should be made pursuant to section 37 of the *Act* that the respondents cease permanently to telephone from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or any class of securities; and

BY REASON OF the allegations as set out in the Statement of Allegations dated January 18, 2010 and such further additional allegations as counsel may advise and the Commission may permit;

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

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

DATED at Toronto this 18th day of January 2010.

"Daisy Aranha"
per: John Stevenson
Secretary to the Commission

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

AND

IN THE MATTER OF
NEST ACQUISITIONS AND MERGERS,
IMG INTERNATIONAL INC.,
CAROLINE MYRIAM FRAYSSIGNES,
DAVID PELCOWITZ, MICHAEL SMITH, AND
ROBERT PATRICK ZUK

STATEMENT OF ALLEGATIONS
OF STAFF OF THE
ONTARIO SECURITIES COMMISSION

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

I. OVERVIEW

1. This proceeding centres on the solicitation of various residents of the United Kingdom (the "U.K. Residents") by Nest Acquisitions and Mergers ("Nest A&M") and IMG International Inc. (a.k.a "Investors Marketing Group International Inc", collectively, "IMG") in respect of the sale of securities.

2. Staff allege that the respondents' course of conduct spanned the period from August 14, 2008 to June 11, 2009 (the "Material Time").

II. BACKGROUND

A. The Individual Respondents

3. None of the individual respondents were registered in any capacity with the Commission during the Material Time.

4. Caroline Myriam Frayssignes ("Frayssignes") is a resident of Oakville, Ontario. Frayssignes is the sole proprietor of a business called "Nest". Frayssignes is one of two signatories to a bank account she set up in the name of Nest at a Royal Bank of Canada branch in Oakville, Ontario (the "Nest Account").

5. David Paul Pelcowitz ("Pelcowitz") is a former registrant in various capacities, who was last registered as a trading officer, director and supervisory procedures officer. His registration with the Commission ended on June 27, 2000. Pelcowitz is a resident of Thornhill, Ontario.

6. Michael Smith (a.k.a "Micheal") ("Smith") is the sole director and officer of IMG and resides at an unknown address.

7. Robert Patrick Zuk ("Zuk") is a resident of Oakville, Ontario and is Frayssignes' boyfriend. He is the other signatory to the Nest Account. Zuk was the subject of an order of the Commission to, among other things, cease trading in securities for a period of 15 years from March 1,

2007 (the "Zuk Order"). Zuk was registered with the Commission in the category of salesperson from February 13, 1987 to November 15, 1990.

B. The Corporate Respondents

8. None of the corporate respondents were registrants in Ontario during the Material Time.

9. IMG was incorporated in Ontario on June 17, 2008. Smith was the sole director and officer of IMG during the Material Time.

10. Nest A&M is a fictitious business, purporting to be based in St. Vincent and the Grenadines.

III. THE ADVANCED-FEE SCHEMES

A. The Solicitations

11. The U.K. Residents received unsolicited phone calls from representatives of Nest A&M or IMG and were told that Nest A&M or IMG had buyers for securities already held by the U.K. Residents.

12. The U.K. Residents were then told that they would have to pay "performance bonds", "non-resident taxes" and/or fees to remove "share restrictions" to Nest A&M or IMG before Nest A&M or IMG could complete the sale of the securities.

13. Pelcowitz provided documents to the U.K. Residents on behalf of Nest A&M and IMG, which provided details of the proposed sale of the securities, including that the U.K. Residents would received significant premiums to the value of the securities held by them. The documents also detailed the wire-transfer information for, in the case of Nest A&M, the Nest Account, and, in the case of IMG, the U.K. Residents were instructed to send funds to a bank account in the name of IMG at the Parama Lithuanian Credit Union located in Toronto, Ontario (the "IMG Account").

14. The U.K. Residents sent their "performance bond" or other advance-fee funds via wire transfer to the Nest Account or the IMG Account.

15. The U.K. Residents were subsequently approached and advised they would have to pay further fees so that the transactions could proceed. When the U.K. Residents refused to send further funds to either the Nest Account or the IMG Account, they stopped receiving communications from representatives of Nest A&M or IMG.

16. None of the transactions for which the U.K. Residents wired funds to the Nest Account or the IMG Account have been completed.

17. During the Material Time, Smith, Pelcowitz, Zuk and Frayssignes misappropriated the funds obtained from the U.K. Residents.

18. The respondents participated in acts, solicitations, conduct, or negotiations directly or indirectly in furtherance of the sale or disposition of securities for valuable consideration, in circumstances where there were no exemptions available to the respondents under the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act").

B. Fraudulent Conduct

19. During the Material Time, Smith, Pelcowitz and other employees, representatives or agents of Nest A&M or IMG provided information to the U.K. Residents that was false, inaccurate and/or misleading, including, but not limited to, the following:

(a) that Nest A&M or IMG could arrange to sell securities held by the U.K. Residents for significant premiums over the current market value of the securities;

(b) that Nest A&M or IMG had received funds from the purported purchasers of the securities held by the U.K. Residents and that these funds were being "sequestered in our Trust Account";

(c) that within three business days of the U.K. Residents providing advance fees they would receive all of the funds for the sale of their securities;

(d) that the funds were "fully refundable"; and

(e) that certain U.K. Residents were offered a five percent discount on a "non-resident tax" because the U.K. Residents were over sixty-five years old.

20. The false, inaccurate and misleading representations were made with the purported intention of effecting trades in the securities belonging to the U.K. Residents.

21. Once funds were wire transferred by the U.K. Residents to the Nest Account or the IMG Account the funds were withdrawn as cash or cheques, which were primarily payable or provided to Pelcowitz, Zuk, Frayssignes, David O'Brien Professional Legal Corp., and others.

22. The respondents and other employees, representatives or agents of Nest A&M or IMG engaged in a course of conduct relating to securities that they knew or reasonably ought to have known would result in a fraud on persons.

IV. MISLEADING STATEMENTS MADE TO THE COMMISSION

23. Frayssignes gave evidence to Commission Staff appointed to investigate this matter on July 16, 2009, which

contained materially misleading and/or untrue statements, contrary to s. 122(1)(a) of the *Act*, relating to the following:

(a) the source of funds received into the Nest Account;

(b) the disposition of funds received into the Nest Account; and

(c) whether she had received instructions to purchase securities of an Over-The-Counter issuer called Church and Crawford.

24. Zuk gave evidence to Commission Staff appointed to investigate this matter on November 12, 2009, which contained materially misleading and/or untrue statements, contrary to s. 122(1)(a) of the *Act*, relating to the following:

(a) the source of funds received into the Nest Account;

(b) the disposition of funds received into the Nest Account; and

(c) his knowledge concerning Church and Crawford and whether he instructed Frayssignes to purchase its securities.

V. CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND CONTRARY TO THE PUBLIC INTEREST

25. The specific allegations advanced by Staff are:

(a) During the Material Time, the respondents traded in securities without being registered to trade in securities, contrary to section 25(1)(a) of the*Act*;

(b) During the Material Time, the respondents engaged or participated in acts, practices or courses of conduct relating to securities that the respondents knew or reasonably ought to have known perpetrated a fraud on persons, contrary to section 126.1(b) of the *Act*;

(c) During the Material Time, Smith, being the sole director and officer of IMG, did authorize, permit or acquiesce in the commission of the violations of sections 25 and 126.1 of the *Act*, as set out above, by IMG or by the employees, agents or representatives of IMG, pursuant to section 129.2 of the *Act*;

(d) Frayssignes gave evidence to Commission Staff appointed to investigate this matter on July 16, 2009, which contained materially misleading and/or untrue statements, contrary to s. 122(1)(a) of the *Act*;

(e) Zuk gave evidence to Commission Staff appointed to investigate this matter on November 12, 2009, which contained materially misleading and/or untrue statements, contrary to s. 122(1)(a) of the *Act*;

(f) During the Material Time, Zuk breached the Zuk Order by trading in securities, contrary to section 122(1)(c) of the *Act*; and

(g) The above-described conduct of the respondents was contrary to the public interest.

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

DATED AT TORONTO this 18th day of January 2010.

1.3 News Releases

1.3.1 Peter Robinson Sentenced to Four Months in Jail for Contempt

FOR IMMEDIATE RELEASE
January 15, 2010

PETER ROBINSON SENTENCED TO FOUR MONTHS IN JAIL FOR CONTEMPT

TORONTO – An Ontario Superior Court judge has sentenced Peter Robinson to four months in jail for contempt as a result of his failure to comply with Ontario Securities Commission summonses and with Court orders.

Mr. Robinson was a respondent in an Application, initiated by the OSC, in the Ontario Superior Court of Justice. In this matter, the OSC sought a finding that Mr. Robinson was in contempt.

Mr. Justice Frank Newbould found Mr. Robinson in contempt on October 27, 2009 for failing to attend at the OSC as lawfully required to answer questions in connection with three investigations. At that time, Mr. Robinson was ordered by the court to attend at the OSC and answer questions on specified dates in November 2009. Mr. Robinson failed to attend on those dates.

On January 7, 2010, a hearing was held for Mr. Robinson to show cause why he should not be subject to one or more sanctions for contempt. On January 14, 2010, Mr. Justice Donald R. Cameron of the Superior Court of Justice sentenced Mr. Robinson to four months in jail for his contempt.

The mandate of the OSC is to provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets. Investors are urged to check the registration of any person or company offering an investment opportunity and to review the OSC investor materials available at www.osc.gov.on.ca.

For media inquiries:

Wendy Dey
Director, Communications & Public Affairs
416-593-8120

Theresa Ebden
Senior Communications Specialist
416-593-8307

Robert Merrick
Senior Communications Specialist
416-593-2315

For investor inquiries:

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

1.3.2 OSC Reports on Focused Reviews of Investment Funds

FOR IMMEDIATE RELEASE
January 19, 2010

OSC REPORTS ON FOCUSED REVIEWS OF INVESTMENT FUNDS

TORONTO – The Ontario Securities Commission (OSC) today issued Staff Notice 33-733 *Report on Focused Reviews of Investment Funds, September 2008 – September 2009*, which summarizes compliance review work conducted by staff of the OSC's Compliance and Registrant Regulation Branch and Investment Funds Branch.

The publication of this notice follows the September 2009 completion of a three-phase review of investment funds. The report describes our observations from the last phase, a review of Ontario-based hedge funds, and provides further reporting from the money market funds and non-conventional investment funds reviews previously reported on in OSC Staff Notice 33-732 *2009 Compliance Team Annual Report*.

Staff Notice 33-733 includes suggested practices for fund managers to strengthen their compliance with Ontario securities laws and to improve their systems of internal controls and supervision. The suggested practices cover a broad spectrum of issues, including: fund valuations, portfolio holdings, use of service providers, and offering document disclosure.

Staff Notice 33-733 *Report on Focused Reviews of Investment Funds, September 2008 – September 2009* is available on the OSC website, www.osc.gov.on.ca.

For media inquiries:

Wendy Dey
Director, Communications & Public Affairs
416-593-8120

Theresa Ebden
Senior Communications Specialist
416-593-8307

Robert Merrick
Senior Communications Specialist
416-593-2315

For investor inquiries:

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

1.4 Notices from the Office of the Secretary

1.4.1 New Life Capital Corp. et al.

FOR IMMEDIATE RELEASE
January 14, 2010

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

AND

IN THE MATTER OF
NEW LIFE CAPITAL CORP.,
NEW LIFE CAPITAL INVESTMENTS INC.,
NEW LIFE CAPITAL ADVANTAGE INC.,
NEW LIFE CAPITAL STRATEGIES INC.,
1660690 ONTARIO LTD.,
L. JEFFREY POGACHAR,
PAOLA LOMBARDI AND ALAN S. PRICE

TORONTO – The Commission issued an Order in the above named matter which provides that the hearing is adjourned to February 16, 2010 at 9:00 a.m. at which time the matter of scheduling the hearing on the merits will be spoken to.

A copy of the Order dated January 13, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries:

Wendy Dey
Director, Communications & Public Affairs
416-593-8120

Theresa Ebden
Senior Communications Specialist
416-593-8307

Robert Merrick
Senior Communications Specialist
416-593-2315

For investor inquiries:

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

1.4.2 Coventree Inc. et al.

FOR IMMEDIATE RELEASE
January 15, 2010

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

AND

IN THE MATTER OF
COVENTREE INC., GEOFFREY CORNISH AND
DEAN TAI

TORONTO – The Commission issued an Order which provides that this matter is adjourned to a confidential pre-hearing conference to be held on February 10, 2010.

A copy of the Order dated January 14, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries:

Wendy Dey
Director, Communications & Public Affairs
416-593-8120

Theresa Ebden
Senior Communications Specialist
416-593-8307

Robert Merrick
Senior Communications Specialist
416-593-2315

For investor inquiries:

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

1.4.3 W.J.N. Holdings Inc. et al.

FOR IMMEDIATE RELEASE
January 18, 2010

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

AND

IN THE MATTER OF
W.J.N. HOLDINGS INC., MSI CANADA INC., 360 DEGREE FINANCIAL SERVICES INC., DOMINION INVESTMENTS CLUB INC., LEVERAGEPRO INC., PROSPOREX INVESTMENT CLUB INC., PROSPOREX INVESTMENTS INC., PROSPOREX LTD., PROSPOREX INC., PROSPOREX FOREX SPV TRUST, NETWORTH FINANCIALGROUP INC., NETWORTH MARKETING SOLUTIONS, DOMINION ROYAL CREDIT UNION, DOMINION ROYAL FINANCIAL INC., WILTON JOHN NEALE, EZRA DOUSE, ALBERT JAMES, ELNONIETH "NONI" JAMES, DAVID WHITELY, CARLTON IVANHOE LEWIS, MARK ANTHONY SCOTT, SEDWICK HILL, TRUDY HUYNH, DORLAN FRANCIS, VINCENT ARTHUR, CHRISTIAN YEBOAH, AZUCENA GARCIA, AND ANGELA CURRY

TORONTO – The Commission issued an Order in the above matter which provides that (1) the Temporary Order is extended to March 26, 2010; and (2) a hearing in this proceeding will take place commencing on March 25, 2010 at 10:00 a.m. and continuing on March 26, 2010, as may be required.

A copy of the Order dated January 15, 2010 is available at **www.osc.gov.on.ca**.

For media inquiries:

Wendy Dey
Director, Communications & Public Affairs
416-593-8120

Theresa Ebden
Senior Communications Specialist
416-593-8307

Robert Merrick
Senior Communications Specialist
416-593-2315

For investor inquiries:

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

1.4.4 Abel Da Silva

FOR IMMEDIATE RELEASE
January 18, 2010

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

AND

IN THE MATTER OF
ABEL DA SILVA

TORONTO – Following a hearing held today, the Commission issued an Order today which provides that the hearing with respect to the Notice of Hearing dated October 21st, 2008 and Staff's Statement of Allegations dated October 20th, 2008 is adjourned to April 12th, 2010 at 10:00 a.m.

A copy of the Order dated January 12, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries:

Wendy Dey
Director, Communications & Public Affairs
416-593-8120

Theresa Ebden
Senior Communications Specialist
416-593-8307

Robert Merrick
Senior Communications Specialist
416-593-2315

For investor inquiries:

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

1.4.5 Shallow Oil & Gas Inc. et al.

FOR IMMEDIATE RELEASE
January 18, 2010

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

AND

IN THE MATTER OF
SHALLOW OIL & GAS INC., ERIC O'BRIEN,
ABEL DA SILVA, GURDIP SINGH GAHUNIA
ALSO KNOWN AS MICHAEL GAHUNIA,
ABRAHAM HERBERT GROSSMAN
ALSO KNOWN AS ALLEN GROSSMAN,
MARCO DIADAMO, GORD McQUARRIE,
KEVIN WASH, AND WILLIAM MANKOFSKY

TORONTO – The Commission issued an Order in the above noted matter which provides that the hearing with respect to the Notice of Hearing dated June 11, 2008 and Staff's Statement of Allegations dated June 10, 2008 is adjourned to June 28, 2010 at 10:00 a.m. for the purpose of a status hearing.

A copy of the Order dated January 12, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries:

Wendy Dey
Director, Communications & Public Affairs
416-593-8120

Theresa Ebden
Senior Communications Specialist
416-593-8307

Robert Merrick
Senior Communications Specialist
416-593-2315

For investor inquiries:

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

1.4.6 Nest Acquisitions and Mergers et al.

FOR IMMEDIATE RELEASE
January 19, 2010

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

AND

IN THE MATTER OF
NEST ACQUISITIONS AND MERGERS,
IMG INTERNATIONAL INC.,
CAROLINE MYRIAM FRAYSSIGNES,
DAVID PELCOWITZ, MICHAEL SMITH, AND
ROBERT PATRICK ZUK

TORONTO – The Office of the Secretary issued a Notice of Hearing setting the matter down to be heard on January 28, 2010 at 10:00 a.m. or as soon thereafter as the hearing can be held in the above named matter.

A copy of the Notice of Hearing dated January 18, 2010 and Statement of Allegations of Staff of the Ontario Securities Commission dated January 18, 2010 are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries:

Wendy Dey
Director, Communications & Public Affairs
416-593-8120

Theresa Ebden
Senior Communications Specialist
416-593-8307

Robert Merrick
Senior Communications Specialist
416-593-2315

For investor inquiries:

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

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Meritas Financial Inc. et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted to mutual funds for extension of lapse date of prospectus for 53 days – Lapse date extended to after completion of acquisition and amalgamation of the manager – Extension of lapse date will not affect the currency or accuracy of the information contained in the prospectus – Securities Act (Ontario).

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 62(5).

January 5, 2010

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
MERITAS FINANCIAL INC.
(the "Filer")

AND

IN THE MATTER OF
MERITAS MONEY MARKET FUND,
MERITAS CANADIAN BOND FUND,
MERITAS BALANCED PORTFOLIO FUND,
MERITAS MONTHLY DIVIDEND
AND INCOME FUND,
MERITAS JANTZI SOCIAL INDEX® FUND,
MERITAS U.S. EQUITY FUND AND
MERITAS INTERNATIONAL EQUITY FUND
(collectively, the "Funds")

DECISION

Background

The securities regulatory authority or regulator in Ontario (the "Decision Maker") has received an application from the Filer on behalf of the Funds for a decision under the securities legislation of the Jurisdiction (the "Legislation") that the time limits for the renewal of the simplified prospectus and annual information form of the Funds dated February 6, 2009 (the "Prospectus") be extended to those time limits that would be applicable if the lapse date of the Prospectus was March 31, 2010 (the "Exemption Sought").

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

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

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

Interpretation

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

Representations

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

1. The Filer is the manager of the Funds, with its head office located in Kitchener, Ontario. The Filer and the Funds are not in default of any of the requirements of the Legislation.

2. The Funds are open-ended mutual funds and are reporting issuers under the Legislation. Securities of the Funds are currently qualified for distribution in each of the provinces and territories of Canada under the Prospectus, as amended.

3. The lapse date for the distribution of securities of the Funds under the Prospectus is February 6, 2010 (the "Lapse Date").

4. Pursuant to the Legislation, provided a pro forma simplified prospectus is filed not less than 30 days before February 6, 2010, a final simplified prospectus is filed by February 16, 2010, and a receipt for the final simplified prospectus is issued by the securities regulatory authorities by February 26, 2010, the securities of the Funds may be distributed after the Lapse Date during this prospectus renewal period.

5. On December 2, 2009, the Filer announced by press release the signing of a definitive agreement for the acquisition by Qtrade Canada Inc. ("Qtrade") of all of the issued and outstanding shares of the Filer subject to regulatory approvals and other conditions as set out in the agreement. A corresponding material change report and amendments to the Prospectus and annual information form of the Funds were filed on SEDAR. It is contemplated that the share sale and acquisition will close on March 31, 2010 and will be followed by the amalgamation of the Filer with two other wholly-owned subsidiaries of Qtrade, Qtrade Fund Management Inc. and OceanRock Capital Partners Inc. The combined entity will continue under the name Qtrade Fund Management Inc.

6. The acquisition and amalgamation (together, the "Transaction") will be effected in accordance with applicable requirements of the Legislation, including National Instrument 81-102 *Mutual Funds*, National Instrument 81-106 *Investment Fund Continuous Disclosure* and National Instrument 31-103 *Registration Requirements and Exemptions*.

7. In order to reduce the cost of renewing the Prospectus in February and then subsequently amending and restating the Prospectus in April following the proposed Transaction, the Filer wishes to extend the Lapse Date to March 31, 2010 so that the renewal simplified prospectus can be filed by April 10, 2010, following completion of the proposed Transaction.

8. If the Exemption Sought is not granted, the Legislation requires that the Funds file the renewal simplified prospectus by February 16, 2010, within 43 days of the proposed Transaction. Requiring the Funds to file a renewal simplified prospectus and then amend the renewal simplified prospectus within such a short period of time would lead to increased costs borne by the Funds (and ultimately by investors in the Funds).

9. Since February 6, 2009, the date of the Prospectus, there have been no material changes in respect of the Funds other than those for which amendments to the Prospectus have been filed. Accordingly, the Prospectus contains all material facts regarding the Funds.

10. The extension requested will not affect the currency or accuracy of the information contained in the Prospectus, as amended, and, accordingly, will not be prejudicial to the public interest.

Decision

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

The decision of the Decision Maker under the Legislation is that the Exemption Sought is granted.

"Darren McKall"
Assistant Manager, Investment Funds
Ontario Securities Commission

2.1.2 Counsel Portfolio Services Inc. et al.

Headnote

NP 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Approval of Mutual Fund Mergers – approval required because the 3 proposed mergers do not meet the criteria for pre-approval – fee structures of terminating funds and corresponding continuing funds not substantially similar.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 5.5(1)(b), 5.6(1)(a)(ii).

January 7, 2010

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

AND

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

AND

**IN THE MATTER OF
COUNSEL PORTFOLIO SERVICES INC.
(THE "FILER")**

AND

**IN THE MATTER OF
COUNSEL SELECT CANADA,
COUNSEL SELECT AMERICA AND
COUNSEL SELECT INTERNATIONAL
(each a "TERMINATING FUND" and collectively,
the "TERMINATING FUNDS")**

AND

**IN THE MATTER OF
COUNSEL CANADIAN GROWTH,
COUNSEL U.S. GROWTH AND
COUNSEL INTERNATIONAL GROWTH**

**(each a "CONTINUING FUND" and collectively,
the "CONTINUING FUNDS")**

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the Terminating Funds for a decision under the securities legislation of the Jurisdiction (the "**Legislation**") approving the Proposed Mergers (as defined below) of the Terminating Funds into the corresponding Continuing Funds (the Terminating Funds and the Continuing Funds are referred to as the "**Funds**" and each referred to as a "**Fund**") pursuant to subsection 5.5(1)(b) of National Instrument 81-102 *Mutual Funds* ("**NI 81-102**") (the "**Approval 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 ("**Principal Regulator**"); and

(b) The Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* ("**MI 11-102**") is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador, Prince Edward Island, Northwest Territories, Nunavut and Yukon (together with the Principal Regulator, the "**Decision Makers**").

Interpretation

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

Representations

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

1. The Filer is a corporation governed by the laws of Ontario and is registered as a portfolio manager in Ontario.

2. The Filer is the manager and trustee of the Funds, each of which is an open-ended mutual fund trust governed under the laws of Ontario.

3. Series A, D, and I units of the Terminating Funds and Series A, D, E, F, I and P units of the Continuing Funds are available and offered for sale in all provinces and territories of Canada other than Quebec under a simplified prospectus and annual information form dated October 22, 2009, as amended.

4. The Funds are reporting issuers under the applicable securities legislation of each province and territory of Canada other than Quebec and are not in default of securities legislation in any of these Canadian provinces or territories.

5. Each of the Funds follows the standard investment restrictions and practices in NI 81-102, except pursuant to the terms of any exemption that has been previously obtained in respect of that Fund.

6. The net asset value for each series of securities of the Funds is calculated on a daily basis on each

day the Toronto Stock Exchange is open for trading.

7. The Filer proposes to merge the Terminating Funds into the Continuing Funds as follows (each a "**Proposed Merger**" or collectively, the "**Proposed Mergers**"):

Terminating Fund	Continuing Fund
Counsel Select Canada	Counsel Canadian Growth
Counsel Select America	Counsel U.S. Growth
Counsel Select International	Counsel International Growth

8. The investment objectives of the Terminating Funds are compatible with those of the corresponding Continuing Funds.

9. Approval of the Proposed Mergers is required because the Proposed Mergers do not satisfy all of the criteria for pre-approved reorganizations and transfers set out in section 5.6 of NI 81-102 because contrary to subsection 5.6(1)(a)(ii) of NI 81-102, a reasonable person could consider that the fee structures of the Terminating Funds are not "substantially similar" to their corresponding Continuing Funds.

10. Except as noted above, the Proposed Mergers will otherwise comply with all other criteria for pre-approved reorganizations and transfers set out in section 5.6 of NI 81-102.

11. As required by National Instrument 81-107 *Independent Review Committee for Investment Funds*, an Independent Review Committee (the "**IRC**") has been appointed for the Funds. The Filer presented the terms of the Proposed Mergers to the IRC for a recommendation. The IRC reviewed the Proposed Mergers and recommended that it be put to unitholders of the Terminating Funds and Counsel U.S. Growth for their consideration on the basis that the Proposed Mergers would achieve a fair and reasonable result for the Terminating Funds and Counsel U.S. Growth.

12. At the special meetings ("**Special Meetings**") of unitholders to be held on or about January 25, 2010, unitholders of all mutual funds managed by the Filer (the "**Counsel Funds**") will be asked to vote on a proposal ("**Administration Fee Proposal**") to change the basis of calculating the operating expenses of Counsel Funds to a fixed rate administration fee ("**Fixed Administration Fee**").

13. At the Special Meetings, unitholders of the Terminating Funds and Counsel U.S. Growth will be asked to approve the Proposed Mergers. For each Proposed Merger that is approved, following the merger, unitholders in each Terminating Fund will become unitholders in its corresponding Continuing Fund and adopt the Continuing Fund's investment objectives, strategies, and fee structure (i.e. if unitholders voted *in favour of* the Administration Fee Proposal for the Continuing Fund, then the Continuing Fund will adopt the Fixed Administration Fee structure. If unitholders voted *against* the Administration Fee Proposal for the Continuing Fund, then the Continuing Fund will adopt the current operating expense methodology structure). For each Proposed Merger that is approved, unitholders will receive the corresponding series of units of the Continuing Funds in exchange for their units of the Terminating Funds.

14. The Filer will pay the costs of holding the Special Meetings and solicitation of proxies in connection with the Proposed Mergers.

15. As at December 7, 2009, Counsel U.S. Growth had net assets of approximately $13.31 million and Counsel Select America had net assets of approximately $157.93 million. Since Counsel U.S. Growth is substantially smaller than Counsel Select America, the Filer has decided to also convene a meeting of unitholders of Counsel U.S. Growth to consider and vote on the Proposed Merger of Counsel Select America into Counsel U.S. Growth. However, the Filer does not consider the Proposed Merger of Counsel Select America into Counsel U.S. Growth to be a "material change" to Counsel U.S. Growth.

16. If the approval of unitholders of a Terminating Fund or Counsel U.S. Growth is not received in its Special Meeting, then that Proposed Merger will not proceed.

17. Subject to the required approvals of the Decision Makers and the unitholders of the Funds, the Proposed Mergers will be implemented on or about February 5, 2010 (the "**Effective Date**").

18. Terminating Fund unitholders will continue to have the right to redeem their securities or exchange their securities for securities of any other Counsel Fund at any time up to the close of business on the business day immediately preceding the Effective Date. Terminating Fund unitholders who switch their units for units of other Counsel Funds will not incur any charges. Unitholders who redeem units may be subject to redemption charges.

19. A tailored prospectus, which consists of the current Part A and the Part B of the simplified prospectus of the Continuing Funds, and a

management information circular describing the Proposed Mergers and how a Terminating Fund investor can access or obtain the most recent interim and annual financial statements of a corresponding Continuing Fund was filed on SEDAR and was mailed to unitholders of record of the Terminating Funds and Counsel U.S Growth, as at December 18, 2009, on or before January 4, 2010.

20. Following the Proposed Mergers, the Continuing Funds will continue as publicly offered open-ended mutual funds.

21. Following the Proposed Mergers, material change reports and an amendment to the simplified prospectus and annual information form of the Funds will be filed.

22. The Filer submits that the Proposed Mergers will result in the following benefits:

    a) Lower management fees: The management fee of each Continuing Fund is lower than the management fee of the corresponding Terminating Fund.

    b) Larger net assets: Counsel Canadian Growth and Counsel International Growth have significantly larger net assets than Counsel Select Canada and Counsel Select International, respectively. Following the Proposed Mergers, the Filer expects that Counsel U.S. Growth will have significantly larger net assets than its current net assets. As such, the Filer expects that after the Proposed Mergers, unitholders of Counsel Select Canada and Counsel Select International may enjoy enhanced portfolio diversification and liquidity, and Counsel Select America will continue to enjoy these benefits.

    c) Similar investment objectives: For each Proposed Merger, both the Terminating Fund and the Continuing Fund operate using similar investment objectives: (i) Counsel Select Canada and Counsel Canadian Growth both invest in Canadian equity and fixed income securities; (ii) Counsel Select America and Counsel U.S. Growth both invest in U.S. equity securities; and (iii) Counsel Select International and Counsel International Growth both invest in international equity securities.

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 Approval Sought is granted.

"Darren McKall"
Assistant Manager
Ontario Securities Commission

2.1.3 Goodman & Company, Investment Counsel Ltd. and Dynamic Venture Opportunities Fund Ltd.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted for extension of lapse date of prospectus for 2 days – Lapse date extended due to Filer's error in calculating the timelines per section 62(2) of the Securities Act (Ontario).

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 62(5).

January 8, 2010

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

AND

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

AND

**IN THE MATTER OF
GOODMAN & COMPANY, INVESTMENT COUNSEL LTD.
(the "Manager")**

AND

**DYNAMIC VENTURE OPPORTUNITIES FUND LTD.
(the "Fund")**

DECISION

Background

The Principal Regulator (as defined below) in the Principal Jurisdiction has received an application from the Manager on behalf of the Fund for a decision under Subsection 62(5) of the *Securities Act* (Ontario) (the "**Act**") and the equivalent provisions contained in the securities legislation of the other Jurisdictions (as defined below) that the lapse date of the long form prospectus of the Fund dated January 9, 2009 (the "**Current Prospectus**") be extended to January 11, 2010 and that the time limits prescribed by Subsection 62(2) of the Act and of the equivalent provisions in the securities legislation of the other Jurisdictions be extended accordingly (the "**Relief Sought**").

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

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

(b) the Manager 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 all other provinces and territories of Canada (collectively, the "**Jurisdictions**").

Interpretation

Defined terms contained in National Instrument 14-101 – *Definitions* and MI 11-102 have the same meanings in this decision ("**Decision**") unless they are otherwise defined in this Decision.

Representations

This Decision is based on the following facts represented by the Manager:

1. The Manager is the manager and portfolio advisor of the Fund.

2. The Fund filed a final prospectus dated January 9, 2009 (the Current Prospectus) for which it obtained a receipt and under which it has been distributing its securities since the date of the Current Prospectus.

3. The lapse date (the "**Lapse Date**") for the Current Prospectus is January 9, 2010 and accordingly to qualify for the timelines stipulated by subsection 62(2) of the Act (and the equivalent in the other Jurisdictions) a *pro forma* prospectus should have been filed no later than December 9, 2009.

4. The Fund filed a prospectus on December 11, 2009 (the "**Pro Forma Prospectus**") in connection with the continuous public offering of the securities of the Fund to the public beyond the Lapse Date.

5. Subsection 62(5) of the Act (and the equivalent in the other Jurisdictions) provides that "the Commission may, upon an application of a reporting issuer, extend, subject to such terms and conditions as it may impose, the time provided by subsection (2) where in its opinion it would not be prejudicial to the public interest to do so".

6. If the Relief Sought is not granted, the Fund will no longer distribute its securities in the Jurisdictions pursuant to the Current Prospectus following January 9, 2010.

7. The Manager filed the Pro Forma Prospectus on December 11, 2009 in reliance on its interpretation that the lapse date of the Current Prospectus was in fact January 11, 2010. Its interpretation was based on the definition of "lapse date" at subsection 62(1) of the Act where in it

refers to a date that is 12 months "after" the date of the most recent prospectus.

8. The Manager represents that it was a reasonable mistake in interpretation and accepts that January 9, 2010 is the correct lapse date.

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.

"Darren McKall"
Assistant Manager, Investment Funds Branch
Ontario Securities Commission

2.1.4 I.C.T.C. Holdings Corporation – s. 1(10)

Headnote

Application for an order that the issuer is not a reporting issuer.

Ontario Statutes

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

January 14, 2010

I.C.T.C. Holdings Corporation
c/o Jennifer Traub
Cassels Brock & Blackwell LLP
40 King Street West
Scotia Plaza, Suite 2100
Toronto, Ontario
M5H 3C2

Dear Sir or Madam:

Re: I.C.T.C. Holdings Corporation (the "Applicant") – Application for a decision under the securities legislation of Ontario (the "Jurisdiction") that the Applicant is not a reporting issuer

The Applicant has applied to the Ontario Securities Commission (the "Decision Maker") for a decision under the securities legislation (the "Legislation") of the Jurisdiction that the Applicant is not a reporting issuer.

As the Applicant has represented to the Decision Maker that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in Ontario and fewer than 51 security holders in total in Canada;

(b) no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;

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

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

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

"Naizam Kanji"
Deputy Director, Corporate Finance

2.1.5 Mecachrome International Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Issuer is not a reporting issuer – Issuer has no publicly held securities following CCAA proceedings.

Applicable Legislative Provisions

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

January 15, 2010

Translation

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

AND

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

AND

**IN THE MATTER OF
MECACHROME INTERNATIONAL INC.
(the "Filer")**

DECISION

Background

The securities regulatory authority or regulator of the Jurisdictions (the "Decision Maker") has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Filer is not a reporting issuer in the Jurisdictions (the "Exemptive Relief Sought").

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

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

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

Interpretation

Terms defined in *Regulation 14-101 respecting Definitions* have the same meaning if used in this decision, unless otherwise defined.

Representations

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

1. The Filer is a corporation organized under the *Canada Business Corporations Act* (the "CBCA") with its head office in Montréal, Québec.

2. The Filer is a reporting issuer in the Jurisdictions.

3. On December 12, 2008, the Filer obtained an order of protection from the Québec Superior Court (the "Court") granting *inter alia* a stay of proceedings by its creditors pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA"). The stay of proceedings has been extended from time to time by the Court and will currently expire on January 18, 2010.

4. On August 26, 2009, the Filer's creditors approved its proposed plan of reorganization and compromise dated August 4, 2009 (the "Plan").

5. On September 1, 2009, the Filer obtained an order from the Court sanctioning the Plan pursuant to the CCAA and Section 191 of the CBCA.

6. On December 16, 2009, pursuant to the Plan, the Filer filed an amended and restated plan (the "Amended Plan").

7. Immediately prior to the effective date of the Amended Plan the authorized share capital of the Filer consisted of an unlimited number of multiple voting shares (the "Multiple Voting Shares"), an unlimited number of subordinate voting shares (the "Subordinate Voting Shares") and an unlimited number of preferred shares issuable in series.

8. Immediately prior to the effective date of the Amended Plan the Filer had 7,509,532 Multiple Voting Shares, 16,264,972 Subordinate Voting Shares and no preferred shares were issued and outstanding.

9. Immediately prior to the effective date of the Amended Plan the Filer had €200 million aggregate principal amount of unsecured Senior Subordinated Notes bearing interest at the annual rate of 9%, due in 2014 that were issued and outstanding (the "Notes").

10. On December 17, 2009, the Amended Plan became effective.

11. As provided in the Amended Plan, the following actions occurred, amongst others:

    a) the amendment of the share capital of the Filer to create the following new classes of shares: (i) a class of redeemable non-voting preferred shares (the "Preferred Shares"); (ii) a class of voting common shares (the "Common Shares"); (iii) a class of multiple voting redeemable common shares (the "MVRCS"); and (iv) a class of subordinate voting redeemable common shares (the "SVRCS");

    b) the Multiple Voting Shares were exchanged for MVRCS;

    c) the Subordinate Voting Shares were exchanged for SVRCS;

    d) in consideration of a subscription amount of approximately €43,595,095 paid by Mecadev S.A.S. to the Filer, Macadev S.A.S. was issued 43,594,995 Preferred Shares and 100 Common Shares of the Filer;

    e) the MVRCS and the SVRCS were redeemed by the Filer and cancelled;

    f) the amendment of the share capital of the Filer to amend and cancel the Multiple Voting Shares and the Subordinate Voting Shares; and

    g) the Notes were cancelled in accordance with the Amended Plan.

12. As a result, as at the effective date of the Amended Plan, Mecadev S.A.S. became the sole security holder of the Filer.

13. The Filer contravened its obligations under the Legislation as a reporting issuer, due to the fact that it did not file:

    a) its annual financial statements, annual management's discussion and analysis and annual information form for the year ended December 31, 2008, as required pursuant to sections 4.1, 4.2, 5.1, 6.1 and 6.2 of *Regulation 51-102 respecting Continuous Disclosure Obligations* (the "Regulation 51-102");

    b) its annual certificates for the year ended December 31, 2008, as required pursuant to Part 4 of *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings* (the "Regulation 52-109");

    c) its interim financial statements and interim management's discussion and analysis for the interim periods ended March 31, 2009, June 30, 2009 and September 30, 2009, as required pursuant to sections 4.3, 4.4 and 5.1 of Regulation 51-102; and

    d) its interim certificates for the interim periods ended March 31, 2009, June 30, 2009 and September 30, 2009, as required pursuant to Part 5 of Regulation 52-109.

14. The Filer did not surrender its status as a reporting issuer in British Columbia pursuant to British Colombia Instrument 11-502 *Voluntary Surrender of Reporting Issuer Status* (the "BC Instrument") in order to avoid the 10-day waiting period under the BC Instrument.

15. As a result of representations 13 and 14, the Filer is not eligible to use the simplified procedure under CSA Staff Notice 12-307 *Applications for a Decision that an Issuer is not a Reporting Issuer* in order to apply for the Exemptive Relief Sought.

16. The Filer's has regularly filed its bi-weekly default status reports as required pursuant to Section 4.4 of *Policy Statement 12-203 respecting Cease Trade Orders for Continuous Disclosure Defaults*.

17. The securities of the Filer are not the object of a cease trade order in any of the Jurisdictions.

18. The Filer's Subordinate Voting Shares were delisted from the Toronto Stock Exchange as at the close of business on January 23, 2009.

19. The Notes of the Filer were delisted from the Luxembourg Stock Exchange as at the close of business on December 18, 2009.

20. The Filer has no shares or other securities listed on any stock exchange or marketplace as defined in *Regulation 21-101 respecting Marketplace Operation*.

21. The Filer has no current intention of distributing its securities in any jurisdiction in Canada through a public or private offering.

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

23. The Filer has applied for a decision that it is not a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer.

Decision

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

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

"Alida Gualtieri"
Manager, Continuous Disclosure
Autorité des marchés financiers

2.1.6 Claymore Investments, Inc. et al.

Headnote

MP 11-102 and NP 11-203 – exemption granted from s. 6.1(2), s. 6.1(3)(b), s. 6.2, s. 6.3 of NI 81-102 to permit the Fund to acquire, store and hold portfolio assets in and outside Canada through Brinks or Via Mat, for purposes other than facilitating portfolio transactions of the Fund.

Applicable Legislative Provisions

National Instrument NI 81-102 Mutual Funds, ss. 6.1(2), 6.1(3)(b), 6.2, 6.3, 19.1.

January 15, 2010

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
CLAYMORE INVESTMENTS, INC.
(the "Filer")

AND

IN THE MATTER OF
CLAYMORE GOLD BULLION ETF
(the "ETF")

AND

IN THE MATTER OF
THE BANK OF NOVA SCOTIA
(the "Custodian")

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the ETF for a decision under the securities legislation of the Jurisdiction (the "**Legislation**") for a decision that exempts the ETF from:

1. Section 6.1(2) of National Instrument 81-102 – *Mutual Funds* ("**NI 81-102**") to permit the ETF's gold bullion to be acquired, stored and held outside of Canada by a custodian or sub-custodian for purposes other than facilitating portfolio transactions of the ETF outside of Canada;

2. Section 6.1(3)(b) of NI 81-102 to permit the Custodian to appoint an entity that is not listed in Section 6.2 of NI 81-102 to act as a sub-custodian;

3. Section 6.2 of NI 81-102 to permit an entity not listed in Section 6.2 of NI 81-102 to act as a sub-custodian for portfolio assets of the ETF held in Canada; and

4. Section 6.3 of NI 81-102 to permit an entity not listed in Section 6.3 of NI 81-102 to act as a sub-custodian for portfolio assets of the ETF held outside of Canada,

   (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 Alberta, British Columbia, Saskatchewan, Manitoba, Quebec, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Yukon, Northwest Territories and Nunavut.

Interpretation

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

The following terms shall also have the meanings ascribed below:

"**Basket of Physical Gold Bullion"** means a preset amount of gold bullion that the Filer will determine and publish on its website following the close of business on each trading day.

"Designated Brokers" means registered brokers and dealers that enter into agreements with the ETF to perform certain duties in relation to the ETF.

"Fund" means Claymore Gold Bullion Trust.

"**Prescribed Number of Units"** means the number of Units of the ETF determined by the Filer from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes.

"Units" means the hedged common units and non-hedged common units of the ETF.

"Underwriters" means registered brokers and dealers that have entered into underwriting agreements with the ETF and that subscribe for and purchase Units from the ETF, and "Underwriter" means any one of them.

"Unitholders" means beneficial and registered holders of Units.

Representations

1. This decision is based on the following facts represented by the Filer, the ETF and the Custodian.

<u>The ETF and the Filer</u>

2. On May 19, 2009, the Fund filed a (final) prospectus (the "**Prospectus**") with the securities regulatory authorities in each of the Jurisdictions to qualify the issuance of its units (the "**Initial Units**"). Each Initial Unit was comprised of one redeemable, transferable trust unit of the Fund (each, a "**Fund Unit**") and one warrant (each, a "**Warrant**"). The Initial Units separated into Fund Units and Warrants immediately upon the closing (the "**Closing Date**") of the offering (the "**Offering**"). Each Warrant entitled the holder thereof to acquire one Fund Unit at an exercise price of $10.00 at any time before 4:00 p.m. (Toronto time) on the date that was 6 months following the closing date of the Offering (the "**Expiry Time**"). Warrants not exercised by the Expiry Time expired and are void and of no value.

3. Pursuant to the Prospectus, the Fund automatically converted into an exchange traded fund if, commencing after November 28, 2009, the daily weighted average trading price of the Fund Units was greater than a discount of 2% of the net asset value per Fund Unit for that day, for a period of 10 consecutive trading days. The conversion test has been met and, effective the date of receiving a final receipt for the preliminary prospectus (the "**ETF Prospectus**") dated December 14, 2009 relating to the continuous offering of its units, the Fund Units shall convert into the Hedged Common Units (as described below).

4. After conversion, the new name of the Fund will be the "Claymore Gold Bullion ETF". Pursuant to the ETF Prospectus, the ETF will offer on a continuous distribution basis two classes of units: (i) hedged common units (the "**Hedged Common Units**") and (ii) non-hedged common units (the "**Non-Hedged Common Units**").

5. The principal offices of the Filer and the ETF are located at 200 University Avenue, 13th Floor, Toronto, Ontario, M5H 3C6.

6. Neither the Filer nor the ETF is in default of the securities legislation in any of the Jurisdictions.

The ETF's Investment Objective and Investment Restrictions

7. The investment objective of the ETF is to replicate the performance of the price of gold bullion, less the ETF's expenses and fees. The ETF is not actively managed. The ETF does not anticipate making regular distributions.

8. The ETF has been created to provide holders of Units with an exposure to physical gold bullion. The Hedged Common Units will also provide a currency hedge against the US dollar ("**USD**"). The Filer believes that the ETF will provide a secure, low-cost and convenient alternative to investors interested in holding gold bullion.

9. The ETF's investment restrictions provide that (a) the ETF will hold a minimum of 90% of its net assets in physical gold bullion in 100 or 400 troy ounce international bar sizes and (b) for working capital purposes, the ETF may hold no more than 10% of its net assets in cash and interest-bearing accounts, short-term government debt or short-term investment grade corporate debt or permitted gold certificates.

10. The assets of the ETF consist of physical gold bullion which the ETF purchases and holds in accordance with its investment objective, strategy, policies and restrictions, as well as the forward contracts relating to the currency hedge, cash and permitted gold certificates, if any.

The Units

11. The Fund Units are currently listed on the Toronto Stock Exchange ("**TSX**") under the symbol CGL.UN. The Filer, on behalf of the ETF, has applied (i) to change the name of the Fund to the "Claymore Gold Bullion ETF", (ii) to change the name of the currently traded Fund Units to "Common Units", (iii) to list the Non-Hedged Common Units on the TSX and (iv) for a supplemental listing of additional Hedged Common Units. Subject to receiving conditional approval and meeting the TSX's listing requirements with respect to the Units, the Units of the ETF will be offered on a continuous basis.

12. The only difference between the Hedged Common Units and the Non-Hedged Common Units is that the Hedged Common Units will contain a currency hedge against the USD. Accordingly, the net asset value ("**NAV**") per Unit of each class of Unit will not be the same as a result of the hedging strategy of the ETF. The attributes of the Units will be identical in all other respects.

13. The Units issued by the ETF will not be Index Participation Units within the meaning of NI 81-102. After conversion, the Fund will be generally described as an ETF and would become a "mutual fund" under applicable securities laws and accordingly, would be subject to the provisions of NI 81-102.

14. After completion of conversion of the Fund to an ETF, annual redemptions will no longer be available and Unitholders will be able to exchange and redeem their Units daily. Upon completion of the conversion, on any trading day, Unitholders may exchange the Prescribed Number of Units (or an integral multiple thereof) for Baskets of Physical Gold Bullion and cash. Also upon conversion, on any trading day, Unitholders may redeem Units of the ETF for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption.

The ETF's Bullion Custody Arrangements

15. All of the ETF's physical gold bullion is held on an allocated basis by the Bank of Nova Scotia, a Canadian Schedule I chartered bank, acting through its ScotiaMocatta division (the "**Custodian**") or an affiliate or a division thereof, or a sub-custodian. The Custodian has advised the ETF that due to physical storage capacity constraints, having regard to the amount of gold bullion which the ETF currently holds (due to both the Offering and pursuant to the exercise of the Warrants) and anticipates acquiring and holding in connection with the continuous distribution of its Units, the ETF will be required to store and hold the physical gold bullion in the vault facilities of the Custodian or an affiliate or a division thereof or a sub-custodian, in Canada, London and New York. The custody arrangements between the ETF and the Custodian are governed by the terms of a custodian agreement (the "**Custodian Agreement**").

16. As a result of the foregoing, the Custodian has advised the ETF that, in order to accommodate the objectives of the ETF, the Custodian will be required to use the services of sub-custodians. The Custodian has advised the ETF that it proposes to use The Brinks Company ("**Brinks**"), a public company listed on the NYSE (acting through a subsidiary) and Via Mat International Ltd. ("**Via Mat**") as sub-custodians for the gold bullion of the ETF held in Canada, London and New York.

17. Brinks and Via Mat are leading providers of secure logistics for valuables, including diamonds, jewellery, precious metals, securities, currency and secure data, serving banks, retailers, governments, mines, refiners, metal traders, diamantaires. Brinks and Via Mat are also authorized depositories for NYMEX/COMEX or have vault facilities that are accepted as warehouses for the London Bullion Market Association.

18. The number of entities in Canada which are eligible to act as sub-custodians for the physical storage of gold bullion is limited. Of these eligible entities, some already have exclusive relationships with other investment funds for storage purposes who have first right to any additional capacity whereas others simply do not have the excess capacity needed to store the amount of physical gold bullion that the ETF currently holds (due to both the Offering and pursuant to the exercise of the Warrants) and anticipates acquiring and holding in connection with the continuous distribution of its Units, and have advised that they would be required to secure additional space through the vaulting facilities of Brinks and/or Via Mat or such other equivalent service provider. These capacity constraints have been intensified due to the relatively recent run-up in demand for physical commodities and the corresponding need to arrange for safe-keeping.

19. In all instances, the relationship between the Custodian and either Brinks or Via Mat is primarily one whereby the Custodian is sub-contracting the vault facilities of these service providers for the purposes of storing physical gold bullion. The Custodian remains responsible for (i) ensuring that adequate safeguards are in place, including satisfactory insurance arrangements and (ii) indemnifying the ETF for any losses that may occur in connection with any material that is stored at such facilities.

20. The ETF, the Manager and the Custodian believe that both Brinks and Via Mat are appropriate sub-custodians for the gold bullion held in the Portfolio of the ETF. The activities of Brinks and Via Mat will be limited to holding the gold bullion of the ETF and the Custodian will be responsible for all cash holdings.

21. Pursuant to the Custodian Agreement, in carrying out its duties, the Custodian is required to exercise: (i) the degree of care, diligence and skill that a reasonably prudent custodian of property would exercise in the circumstances; or (ii) at least the same degree of care which it gives to its own property of a similar kind under its custody, if this is a higher degree of care than in paragraph (i) above

22. Prior to using the custody services of any sub-custodians, and periodically after engaging those services, the Custodian engages in a review of the facilities, procedures, records and creditworthiness of each sub-custodian. The ETF will not have the ability to engage in these services and relies upon the Custodian, who is in the business of precious metals storage, to satisfy itself as to the appropriateness of the use of any potential sub-custodian.

23. All of the gold purchased by the ETF will be certified either “LMBA Good Delivery List” or “COMEX Good Delivery”.

24. The ETF does not insure its gold. Allocated gold bullion owned by the ETF is stored in the vaults of the Custodian or an affiliate or a division thereof or sub-custodian once it is delivered to the Custodian or sub-custodian, as applicable. The Custodian maintains insurance as the Custodian deems appropriate against all risk of physical loss or damage except the risk of war, nuclear incident, terrorism events or government confiscation. The Custodian maintains insurance with regard to its business on such terms and conditions as it considers appropriate. The ETF is not a beneficiary of any such insurance and does not have the ability to dictate the existence, nature or amount of coverage.

25. The Custodian is one of the largest providers of precious metals trading and custodial and/or sub-custodial services in the world. The Filer has determined that the Custodian is the appropriate choice to provide custodial services to the ETF. The following are some of the factors which the Filer considered in making this determination:

    (a) The Custodian is experienced in providing gold storage and custodial services;

    (b) The Custodian is familiar with the unique requirements of ETFs as they relate to the physical handling and storage of gold bullion required in connection with the creation and redemption of Units;

    (c) In addition to the other requirements in NI 41-101 and NI 81-102 for custodian agreements, in the Custodian Agreement, the Custodian shall indemnify the ETF in respect of all direct loss, damage or expense arising out of any negligence, wilful misconduct, fraud or lack of good faith by the Custodian or any sub-custodian or sub-sub-custodian; and

    (d) The Custodian Agreement provides that the Custodian shall not cancel its insurance except upon 30 days prior written notice to the Filer.

26. The Custodian has arranged for insurance coverage on the facilities and the contents therein in which the Custodian will store physical gold bullion on behalf of the ETF and other clients of the Custodian. The Filer has discussed the level of insurance coverage generally obtained by the Custodian and believes that the level of insurance will be sufficient.

27. As it is in the gold storage business, the Custodian is in the best position, using its business judgment, to determine and obtain the appropriate level of insurance that is required for the storage of gold bullion.

28. The Filer and the ETF believe that the Custodian has obtained and currently provides adequate insurance.

29. The Custodian has also advised the ETF and the Manager that, pursuant to the terms of their existing relationship, each of Brinks and Via Mat have arranged for sufficient insurance coverage in respect of any material held by the Custodian through the facilities of these entities. The Manager has discussed with the Custodian the level of insurance coverage obtained by Brinks and Via Mat and the risks insured against by these sub-custodians and believes that the level of insurance will be sufficient.

30. The ETF's auditors will be present and will verify the physical count of all gold bullion held by the ETF at least once every year. The ETF and its auditors will have the ability, with sufficient advance notice to the Custodian and any sub-custodians, to attend at the vaults of the Custodian or any sub-custodian to verify the gold bullion held by the Custodian or any sub-custodian on behalf of the ETF.

31. The Custodian Agreement provides that, in addition to any other rights of the ETF thereunder, the Custodian shall indemnify and hold harmless the ETF in respect of all direct loss, damage or expense arising out of any negligence, wilful misconduct, fraud or lack of good faith by the Custodian or any subcustodian or sub-subcustodian in respect of the services contemplated thereunder, provided however, that the liability for any loss, damage or expense to which the above indemnity would apply shall be limited to losses, damages or expenses as follows:

    (a) in the case of the loss of gold bullion or any other property of the ETF, such gold bullion or other property shall be replaced where commercially practicable and reasonably feasible; provided, however, that, in the context of gold bullion, the replacement gold which is to be provided by the Custodian shall be of the same fineness and shall be in the same form as the allocated gold actually delivered and then held by the Custodian at the time of the incurrence of the relevant loss (and, in such respect, the Custodian's opinion shall be determinative as to such fineness and form);

    (b) where replacement of such gold bullion or other property is not commercially practicable and reasonably feasible, the ETF shall be paid the market value of such gold bullion based upon fineness and the form of the allocated gold actually delivered and then held by the Custodian at the time of the incurrence of the relevant loss (and, in such respect, the Custodian's opinion shall be determinative as to such fineness and form) or other property at the time the loss is discovered; and

    (c) in any other case, the amount of any interest or income to which the ETF is entitled, but which is not received by the ETF, shall be paid to it.

32. The Custodian Agreement provides that if the ETF suffers a loss as a result of any act or omission of a subcustodian, or of any other agent appointed by the Custodian (rather than appointed by the Manager) and if such loss is directly attributable to the failure of such agent to comply with its standard of care in the provision of any service to be provided by it under the Custodian Agreement, then the Custodian shall assume liability for such loss directly, and shall reimburse the ETF accordingly.

<u>Arrangements From and After Conversion</u>

33. From and after conversion:

    (a) Units may only be subscribed for or purchased directly from the ETF by Underwriters or Designated Brokers and orders may only be placed for Units in the Prescribed Number of Units (or an integral multiple thereof) on any day when there is a trading session on the TSX. Under Designated Broker and Underwriter agreements, the Designated Brokers and Underwriters agree to offer Units for sale to the public only as permitted by applicable Canadian securities legislation, which requires a prospectus to be delivered to purchasers buying Units as part of a distribution. Therefore, first purchasers of Units in the distribution on the TSX will receive a prospectus from the Designated Brokers and Underwriters.

    (b) The ETF will appoint Designated Brokers to perform certain functions which include standing in the market with a bid and ask price for Units of the ETF for the purpose of maintaining liquidity for the Units.

    (c) For each Prescribed Number of Units issued, a Designated Broker or Under-

writer must deliver payment consisting of, in the Filer's discretion as manager of the ETF, (i) one Basket of Physical Gold Bullion and cash in an amount sufficient so that the value of the physical gold bullion and the cash received is equal to the NAV of the Units next determined following the receipt of the subscription order; (ii) cash in an amount equal to the NAV of the Units next determined following the receipt of the subscription order; or (iii) a different combination of physical gold bullion than is represented by a Basket of Physical Gold Bullion and cash, as determined by the Filer, in an amount sufficient so that the value of the physical gold bullion and cash received is equal to the NAV of the Units next determined following the receipt of the subscription order.

(d) The net asset value per Unit of the ETF will be calculated and published daily and will be made available daily on the Filer's website.

(e) Upon notice given by the Filer from time to time and, in any event, not more than once quarterly, a Designated Broker will subscribe for Units in cash in an amount not to exceed 0.3% of the NAV of the ETF, or such other amount established by the Filer and disclosed in the prospectus of the ETF, next determined following delivery of the notice of subscription to that Designated Broker.

(f) Neither the Underwriters nor the Designated Brokers will receive any fees or commissions in connection with the issuance of Units to them. The Filer may, at its discretion, charge an administration fee on the issuance of Units to the Designated Brokers or Underwriters.

(g) Except as described in subparagraphs (a) through (f) above, Units may not be purchased directly from the ETF. Investors are generally expected to purchase Units through the facilities of the TSX. However, Units may be issued directly to Unitholders upon the reinvestment of distributions of income or capital gains and in accordance with the distribution reinvestment plan of the ETF.

(h) Unitholders that wish to dispose of their Units may generally do so by selling their Units on the TSX through a registered broker or dealer, subject to customary brokerage commissions. A Unitholder that holds a Prescribed Number of Units or an integral multiple thereof may exchange such Units for Baskets of Physical Gold Bullion and cash at an exchange price equal to the NAV per Unit on the effective day of the exchange request. Unitholders may also redeem their Units for cash at a redemption price equal to 95% of the closing price of the Units on the TSX on the date of redemption.

(i) As manager, the Filer receives a fixed annual fee from the ETF. Such annual fee is calculated as a fixed percentage of the NAV of the ETF. As manager, the Filer is responsible for all costs and expenses of the ETF except the management fee, any expenses related to the implementation and on-going operation of an independent review committee under National Instrument 81-107, brokerage expenses and commissions, income taxes, goods and services taxes, withholding and other taxes, gold settlement fees and extraordinary expenses.

(j) Unitholders will have the right to vote at a meeting of Unitholders in respect of the ETF in certain circumstances, including prior to any change in the investment objective of the ETF, any change to their voting rights and prior to any increase in the amount of fees payable by the ETF.

Decision

The principal regulator is satisfied that the decision meets the tests 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) In respect of the relief granted from sections 6.1(2), 6.1(3)(b), 6.2 and 6.3, the ETF and the Custodian are limited to using The Brinks Company and Via Mat International Ltd. and their subsidiaries as sub-custodians for the gold bullion of the ETF which will be held only in Canada, London and New York; and

(b) In respect of the compliance reports to be prepared by the Custodian pursuant to sections 6.7(1)(b), 6.7(1)(c)(ii) and 6.7(2)(c), as such sections will not be applicable given the nature of the relief granted herein, the Custodian shall include a statement in such reports in respect of the completion of the Custodian's review process for the sub-custodian of the ETF and that the Custodian is of the view that such sub-

custodians continue to be appropriate entities for the safekeeping of the ETF's gold bullion.

"Rhonda Goldberg"
Manager, Investment Funds
Ontario Securities Commission

2.1.7 Roxmark Mines Limited – s. 1(10)

Headnote

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

Applicable Legislative Provisions

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

January 19, 2010

Roxmark Mines Limited
c/o Alexander Pizale
Cassels Brock & Blackwell LLP
40 King Street West
Scotia Plaza, Suite 2100
Toronto, Ontario
M4H 3C2

Dear Sirs/Mesdames:

Re: Roxmark Mines Limited (the Applicant) application to Cease to be a Reporting Issuer under the securities legislation of Ontario and Alberta (the Jurisdictions)

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

As the Applicant has represented to the Decision Makers that:

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

(b) no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;

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

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

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

"Jo-Anne Matear"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.1.8 Canadian Zinc Corporation

Headnote

National Policy 11-203 Process For Exemptive Relief Applications in Multiple Jurisdictions – An issuer wants relief from the requirement to audit acquisition statements in accordance with Canadian or U.S. GAAS – The issuer acquired an equity interest in a business whose historical financial statements have not been audited in accordance with Canadian or U.S. GAAS; the issuer is required to include summary information in its business acquisition report (BAR) that is derived from the business's audited annual financial statements; the business's financial statements have been audited in accordance with International Standards on Auditing; for various reasons, it would be impractical to re-audit the business' financial statements in accordance with Canadian or U.S. GAAS.

Applicable Legislative Provisions

National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency, ss. 6.2, 6.3, 9.1.

August 21, 2009

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 JURISDICTIONS

AND

IN THE MATTER OF
CANADIAN ZINC CORPORATION
(the Filer)

DECISION

Background

1 The securities regulatory authority or regulator in each of the Jurisdictions (the Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) granting relief from the requirement contained in sections 6.2 and 6.3 of National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107) to have annual audited financial statements of the Acquired Company (as defined below), from which summary financial information is derived that must be included in the Filer's BAR (as defined below) in respect of the Acquisition (as defined below) under section 8.6 of National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102), audited in accordance with the prescribed form of auditing standards set out in sections 6.2 and 6.3 of NI 52-107 (the Disclosure Relief).

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; and

(b) 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 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. the Filer's head office is located at 650 West Georgia Street, Suite 1710, Vancouver, British Columbia, V6B 4N9;

2. the Filer is a corporation existing under the *Business Corporations Act* (British Columbia) and is a reporting issuer in each of the Jurisdictions;

3. the Filer is engaged in the business of mineral exploration;

4. the common shares of the Filer are listed and posted for trading on the Toronto Stock Exchange;

5. the Filer is not in default of any of its obligations as a reporting issuer under the Legislation of any of the Jurisdictions;

6. as described in a news release dated June 11, 2009, the Filer has acquired (the Acquisition) 20.01% of the outstanding shares of Vatukoula Gold Mines PLC (Vatukoula);

7. Vatukoula is a public company based in the United Kingdom whose shares are listed on the Alternative Investment Market (AIM) of the London Stock Exchange in the United Kingdom;

8. the Acquisition was a "significant acquisition" for the Filer, within the

meaning of section 8.3 of NI 51-102, such that the Filer is required to file a "business acquisition report" (BAR) in accordance with section 8.2 of NI 51-102 in respect of the Acquisition by August 24, 2009;

9. under sections 8.4 and 8.6 of NI 51-102, summary financial information (Summary Information) derived from annual audited financial statements of Vatukoula for the period ended August 31, 2008 (Annual Acquisition Statements) is required to be included in the BAR;

10. the Annual Acquisition Statements have been prepared in accordance with International Financial Reporting Standards and audited in accordance with International Standards on Auditing (ISA);

11. sections 6.2 and 6.3 of NI 52-107 do not permit the Filer to prepare the Summary Information based on Annual Acquisition Statements audited in accordance with ISA, as the Filer is not a "foreign issuer" within the meaning of NI 52-107; and

12. the Annual Acquisition Statements were audited in accordance with ISA pursuant to requirements governing publicly-traded companies in the United Kingdom, including the requirements of the Alternative Investment Market (AIM) of the London Stock Exchange in the United Kingdom; the Filer has only acquired 20.01% of the outstanding shares of Vatukoula; Vatukoula is an equity investee of CZN and the Filer will account for the Acquisition using the equity method; since the Filer does not control Vatukoula, the Filer also does not have control over the production of audited financial statements of Vatukoula or auditor's reports relating thereto; having the Annual Acquisition Statements audited a second time in accordance with Canadian GAAS or U.S. GAAS would also cause the Filer to incur substantial additional costs and management time and possibly material or indefinite delay in filing its BAR in respect of the Acquisition.

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 Disclosure Relief is granted, provided that the Annual Acquisition Statements from which the Summary Information is derived are audited in accordance with ISA.

"Martin Eady, CA"
Director, Corporate Finance
British Columbia Securities Commission

2.1.9 Verenex Energy Inc. – s. 1(10)

Headnote

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

Ontario Statutes

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

January 15, 2009

McCarthy Tétrault LLP
3300, 421 - 7 Avenue SW
Calgary, AB T2P 4K9

Attention: Paulina Tam

Dear Ms. Tam:

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

The Applicant has applied to the local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions for a decision under the securities legislation (the **Legislation**) of the Jurisdictions to be deemed to have ceased to be a reporting issuer in the Jurisdictions.

As the Applicant has represented to the Decision Makers that:

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

(b) no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;

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

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

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

"Blaine Young"
Associate Director, Corporate Finance
Alberta Securities Commission

2.1.10 Gazit America Inc.

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions - Confidentiality – Application by an issuer for a decision that certain portions of a report previously filed and made public on SEDAR be held in confidence for an indefinite period by the Commission, to the extent permitted by law – Report contains intimate financial, personal and other sensitive information, the disclosure of which would be seriously prejudicial to the interests of the issuer and other persons affected – Issuer subsequently filed and made public on SEDAR a redacted version of the report in which the intimate financial, personal and other sensitive information has been omitted or marked to be unreadable – Information redacted from the redacted version of the report does not contain information that would be material to an investor – Relief granted, subject to conditions.

Applicable Ontario Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 140(1), 140(2).

Applicable Instruments

National Instrument 51-102 Continuous Disclosure Obligations , Part 12.

January 15, 2010

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

AND

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

AND

**IN THE MATTER OF
GAZIT AMERICA 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 of the principal regulator (the **Legislation**), being subsection 140(2) of the *Securities Act* (Ontario) (the **Act**), that certain appraisal reports filed by the Filer on July 16, 2009 (the **Original Filed Reports**) on the System for Electronic Document Analysis and Retrieval (**SEDAR**) pursuant to section 9.2(a)(v) of National Instrument 41-101 *General Prospectus Requirements* (**NI 41-101**) be marked private on SEDAR (and therefore not available to the public) for an indefinite period, to the extent permitted by law (the **Exemption Sought**).

Under National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions*:

(a) The Ontario Securities Commission is the principal jurisdiction for this Application; and

(b) The Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* is intended to be relied upon in each of the provinces of Canada, other than Ontario (the **Non-Principal Passport Jurisdictions**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions* have the same meaning in this decision, unless otherwise defined.

Representations

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

1. The Filer was amalgamated under the *Business Corporations Act* (Ontario) on June 19, 2009.

2. The Filer's corporate and registered head office is in Toronto, Ontario.

3. The Filer is a reporting issuer (or equivalent) in each of the provinces of Canada and is not, to its knowledge, in default of its reporting issuer obligations under the securities legislation of any of Ontario or the Non-Principal Passport Jurisdictions.

4. The Filer filed a final long form prospectus on July 20, 2009 (the **Prospectus**) to qualify the initial public distribution of a maximum of 9,225,000 common shares in the capital of the Filer (**Common Shares**) and the Filer received a receipt for the Prospectus on that date. The Filer became a reporting issuer on July 20, 2009.

5. The Toronto Stock Exchange has approved the listing of the Common Shares on the Toronto Stock Exchange under the symbol "GAA".

6. The Prospectus contains a summary description of the Original Filed Reports. The Original Filed Reports were prepared by Altus Group Limited (the Appraiser) and relate to five medical office buildings to be acquired by the Filer from ProMed Properties (CA) Inc. (ProMed) in conjunction with, but prior to, the closing of the Filer's initial public offering. Upon completion of the purchase, ProMed will be a wholly-owned subsidiary of the Filer.

7. On July 16, 2009, the Filer filed on SEDAR the Original Filed Reports under section 9.2(a)(v) of National Instrument 41-101 *General Prospectus*

Requirements (**NI 41-101**), together with the consent of the Appraiser in accordance with section 10.1(c) of NI 41-101.

8. Thereafter, it came to the Filer's attention that the Original Filed Reports contain certain confidential information (the **Confidential Information**) that is intimate financial, personal or other information relating to tenants of ProMed and vendors and purchasers of certain investment properties and lands described in the Original Filed Reports (collectively, the **Affected Persons**) and otherwise contain commercially sensitive operational and financial information concerning ProMed and, therefore, the Filer.

9. The Filer believes that continued public access to the Confidential Information would seriously prejudice the interests of the Affected Persons and the Filer for the following reasons:

   (a) None of the Confidential Information, either individually or in the aggregate, is necessary to understand either the summary description of the appraisal reports contained in the Prospectus or the business of the Filer;

   (b) The Confidential Information is intimate personal, financial or other information of the Affected Persons and ProMed;

   (c) The disclosure of the Confidential Information would allow commercially sensitive information to be available to the general public, including competitors of ProMed and the Filer, which would be prejudicial to the Affected Persons and the Filer;

   (d) Maintaining the confidentiality of the Confidential Information is important with respect to the relations of ProMed and the Filer with current and potential tenants, vendors and purchasers and the Affected Persons and ProMed and the Filer's ability to negotiate leases and contracts with potential tenants, vendors and purchasers and the Affected Persons; and

   (e) The desirability of avoiding disclosure of the Confidential Information in the interests of the Affected Persons, ProMed and the Filer outweighs the desirability of adhering to the principle that material filed with the Commission be available to the public for inspection and the disclosure of the Confidential Information is not necessary in the public interest.

10. If the Original Filed Reports were material contracts, the Filer would be permitted to file a redacted version of the Original Filed Reports under section 9.3 of NI 41-101 as an executive officer of the Filer reasonably believes that disclosure of the Original Filed Reports would be seriously prejudicial to the interests of the Filer or would violate confidentiality provisions.

11. Following discussions with the principal regulator in the Jurisdiction on July 23, 2009, the Filer re-filed a copy of the Original Filed Reports on SEDAR with the Confidential Information redacted (the **Redacted Filed Reports**) and staff of the principal regulator in the Jurisdiction temporarily marked the Original Filed Reports private on SEDAR pending granting of this decision.

12. The portions omitted or marked so as to be unreadable from the Original Filed Reports to form the Redacted Filed Reports do not contain information in relation to the Filer or the securities of the Filer that would be material to an investor for purposes of making an investment decision.

13. As a result of the Original Filed Reports being filed and made public on SEDAR, the Original Filed Reports have also been disseminated to subscribers of the SEDAR-SCRIBE service. The Filer has been advised by representatives of CDS Inc., the administrator of the SEDAR-SCRIBE service, that subscribers of the SEDAR-SCRIBE service automatically received (i) notification that the Original Filed Reports had been made private on SEDAR, and (ii) instructions to delete the Original Filed Reports from their systems. The Filer has been advised by representatives of CDS Inc. that subscribers of the SEDAR-SCRIBE service are contractually bound to follow these instructions.

14. The Filer acknowledges that making the Original Filed Reports private on SEDAR does not guarantee that the Original Filed Reports are not available elsewhere in the public domain.

Decision

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

The decision of the principal regulator in the Jurisdiction under the Legislation is that the Exemption Sought is granted, provided that the Filer files on SEDAR a copy of the Redacted Filed Reports that will be made public by the principal regulator and posted on www.sedar.com.

"Carol S. Perry"
Ontario Securities Commission

"Margot C. Howard"
Ontario Securities Commission

2.2 Orders

2.2.1 New Life Capital Corp. et al. – s. 127

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

AND

**IN THE MATTER OF
NEW LIFE CAPITAL CORP.,
NEW LIFE CAPITAL INVESTMENTS INC.,
NEW LIFE CAPITAL ADVANTAGE INC.,
NEW LIFE CAPITAL STRATEGIES INC.,
1660690 ONTARIO LTD.,
L. JEFFREY POGACHAR,
PAOLA LOMBARDI AND ALAN S. PRICE**

**ORDER
(Section 127)**

WHEREAS the Ontario Securities Commission (the “Commission”) issued a temporary cease trade order on August 6, 2008 (the “Temporary Order”) in respect of New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc., 1660690 Ontario Ltd. (all of the corporations together, “New Life”), L. Jeffrey Pogachar (“Pogachar”), Paola Lombardi (“Lombardi”) and Alan S. Price (“Price”) (collectively, the “Respondents”);

AND WHEREAS the Temporary Order ordered that (1) pursuant to clause 2 of subsection 127(1) and subsection 127(5) of the Act, trading in securities of and by the Respondents shall cease; (2) pursuant to clause 3 of subsection 127(1) and subsection 127(5) of the Act, any exemptions contained in Ontario securities law not do not apply to any of the Respondents; and (3) the Order shall not prevent or prohibit any future payments in the way of premiums owing from time to time in respect of insurance policies which were purchased by the Respondents on or before the date of the Order;

AND WHEREAS the Commission issued a Direction on August 6, 2008 to TD Canada Trust, Branch 2492 in Grimsby, Ontario directing TD Canada Trust to retain all funds, securities or property on deposit in the names or under the control of New Life (the “Direction”);

AND WHEREAS a Notice of Hearing was issued by the Commission and a Statement of Allegations was filed and delivered to the Respondents by Staff of the Commission (“Staff”) on August 7, 2008;

AND WHEREAS the Commission varied the Direction on August 11, 2008 to permit the release of $87,743.54 from the funds that are the subject of the Direction for the purpose of certain immediate and urgent expenses (the “Varied Direction”);

AND WHEREAS on August 12, 2008 the Ontario Superior Court of Justice ordered that the Varied Direction, as varied or revoked by the Commission, is continued until final resolution of this matter by the Commission or further order of the Court;

AND WHEREAS on August 15, 2008, the Commission ordered the following exemptions to the Temporary Order: (1) Pogachar, Lombardi and Price may each hold one account to trade securities; (2) each account must be held with a registered dealer to whom this Order and any preceding Orders in this matter must be given at the time of opening the account or before any trading occurs in the account; and (3) the only securities that may be traded in each account are: (a) those listed and posted for trading on the TSX, TSX Venture Exchange, Bourse de Montreal or New York Stock Exchange; (b) those issued by a mutual fund which is a reporting issuer; or (c) a fixed income security;

AND WHEREAS the Respondents are represented by counsel and were served with the Temporary Order, the Notice of Hearing dated August 7, 2008, the Statement of Allegations dated August 7, 2008 and the Affidavit of Stephanie Collins sworn August 7, 2008 (the “Collins Affidavit”);

AND WHEREAS on August 21, 2008, Staff and counsel for the Respondents appeared before the Commission, and the Commission ordered that the Temporary Order is continued until September 22, 2008 and that the hearing is adjourned to September 19, 2008, at 2:30 p.m.;

AND WHEREAS the Respondents requested a variance to the Direction to permit outstanding expenses to be paid and additional expenses to be paid going forward and Staff consented to the Respondents' request but only with respect to certain outstanding expenses and certain minimal expenses to be paid going forward (the “Consent Expenses”);

AND WHEREAS the Respondents requested a variance to the Direction on September 19, 2008 with respect to the Consent Expenses only;

AND WHEREAS Staff delivered to counsel for the Respondents and filed a Supplementary Affidavit of Stephanie Collins sworn September 19, 2008 detailing the expenses included in the variance requested by the Respondents and consented to by Staff;

AND WHEREAS on September 19, 2008, Staff and counsel for the Respondents appeared before the Commission and the Commission ordered: (i) that the Varied Direction is further varied in order to permit the release of $46,891.35; and (ii) that the Temporary Order is continued until October 15, 2008 and the hearing is adjourned to October 14, 2008 p.m. or such other date as is agreed by Staff and the Respondents and determined by the Office of the Secretary;

AND WHEREAS on October 10, 2008, the Commission ordered that the Temporary Order is continued until October 24, 2008, and the hearing is

adjourned to October 23, 2008 at 10:00 a.m., or such other date as is agreed by Staff and the Respondents and determined by the Office of the Secretary;

AND WHEREAS on October 23, 2008 Staff, counsel for New Life and counsel for Pogachar and Lombardi attended before the Commission, New Life brought a motion to seek a variation to the Direction for certain purposes and the Commission ordered that (1) the Temporary Order is continued until November 7, 2008 and the hearing in this matter is adjourned to November 6, 2008 at 9:00 a.m.; and (2) the Direction is varied to permit the release of $60,000.00 to pay Gowling Lafleur Henderson LLP to cover unpaid accounts;

AND WHEREAS a hearing was held on November 6, 2008 at which Staff, counsel for New Life and counsel for Pogachar and Lombardi appeared and the Commission ordered that the Temporary Order was continued until December 8, 2008 and the hearing in this matter was adjourned to December 5, 2008;

AND WHEREAS a hearing was held on December 8, 2008 at which Staff and counsel for Pogachar and Lombardi attended, Staff having been advised as to the consent to proposed hearing dates by counsel for New Life and counsel for Price, and the Commission ordered that the Temporary Order is continued until the conclusion of the hearing on the merits in this matter or until further order of the Commission and the hearing is adjourned to the weeks of August 10 and 17, 2009 but for August 18, 2009;

AND WHEREAS, on application of the Commission pursuant to section 129 of the Act, on December 17, 2008, the Ontario Superior Court of Justice appointed KPMG Inc. as receiver over the property, assets and undertakings of New Life;

AND WHEREAS the Commission was not available for the hearing on the merits during the weeks of August 10 and 18, 2009 and the Commission ordered on August 10, 2009, on consent of the parties, including New Life as represented by counsel for KPMG Inc. as court-appointed receiver, that the hearing on the merits is adjourned to the weeks of January 18 and 25, 2010, and to the scheduling of a pre-hearing conference for Tuesday, October 13, 2009 at 2:30 p.m.;

AND WHEREAS Staff have advised the Commission that they obtained new documents which demonstrate a need for further investigation;

AND WHEREAS to permit investigation of the new information Staff are seeking an adjournment of the hearing on the merits scheduled to commence on January 18, 2010, and Staff will advise the Commission on February 16, 2010, what, if any, further time may be necessary to investigate and a new date for the hearing on the merits will be set;

AND WHEREAS Staff have advised the Commission that Price consents to the requested adjournment and Staff, counsel for Pogachar and Lombardi and counsel for KPMG Inc., the court-appointed receiver for New Life, appeared before the Commission today;

IT IS ORDERED that the hearing is adjourned to February 16, 2010 at 9:00 a.m. at which time the matter of scheduling the hearing on the merits will be spoken to.

DATED at Toronto this 13th day of January, 2010.

"James E. A. Turner"

2.2.2 Coventree Inc. et al. – s. 127

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

AND

IN THE MATTER OF
COVENTREE INC., GEOFFREY CORNISH AND DEAN TAI

ORDER
(Section 127)

WHEREAS the Ontario Securities Commission ("the Commission") issued a Notice of Hearing and Statement of Allegations in this matter dated December 7, 2009;

AND WHEREAS on January 14, 2010, Staff and counsel for the parties appeared before the Commission and consented to the scheduling of a confidential pre-hearing conference on February 10, 2010;

AND WHEREAS the pre-hearing conference will be confidential and the public will be excluded;

IT IS ORDERED that this matter is adjourned to a confidential pre-hearing conference to be held on February 10, 2010.

Dated at Toronto, this 14th day of January, 2010.

"James Turner"

2.2.3 W.J.N. Holdings Inc. et al. – ss. 127(1), 127(8)

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

AND

IN THE MATTER OF
W.J.N. HOLDINGS INC., MSI CANADA INC., 360 DEGREE FINANCIAL SERVICES INC., DOMINION INVESTMENTS CLUB INC., LEVERAGEPRO INC., PROSPOREX INVESTMENT CLUB INC., PROSPOREX INVESTMENTS INC., PROSPOREX LTD., PROSPOREX INC., PROSPOREX FOREX SPV TRUST, NETWORTH FINANCIALGROUP INC., NETWORTH MARKETING SOLUTIONS, DOMINION ROYAL CREDIT UNION, DOMINION ROYAL FINANCIAL INC., WILTON JOHN NEALE, EZRA DOUSE, ALBERT JAMES, ELNONIETH "NONI" JAMES, DAVID WHITELY, CARLTON IVANHOE LEWIS, MARK ANTHONY SCOTT, SEDWICK HILL, TRUDY HUYNH, DORLAN FRANCIS, VINCENT ARTHUR, CHRISTIAN YEBOAH, AZUCENA GARCIA, AND ANGELA CURRY

TEMPORARY ORDER
(Sections 127(1) and (8))

WHEREAS on March 11, 2009 the Ontario Securities Commission (the "Commission") made a Temporary Order pursuant to subsections 127(1) and (5) of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act") that (a) pursuant to clause 2 of subsection 127(1) of the Act all trading in securities of MSI Canada Inc., Prosporex Investment Club Inc. and Dominion Investment Club Inc. shall cease; (b) pursuant to clause 2 of the subsection 127(1) of the Act trading in any securities by all of the respondents shall cease; and (c) pursuant to clause 3 of subsection 127(1) of the Act any exemptions contained in Ontario securities law do not apply to the respondents (the "Temporary Order");

AND WHEREAS on March 24, 2009 the Commission ordered that the Temporary Order of March 11, 2009 be extended to July 24, 2009, subject to an exception concerning the respondent Sedwick Hill;

AND WHEREAS on July 23, 2009 the Commission extended the Temporary Order to November 25, 2009 and adjourned the hearing to November 24, 2009 at 2:30 p.m.;

AND WHEREAS on August 25, 2009 the Commission varied the Temporary Order to remove the exception that had applied to the respondent Sedwick Hill and extended the Temporary Order, as varied to November 24, 2009;

AND WHEREAS on November 24, 2009 the Commission added Prosporex Forex SVP Trust as a

respondent, extended the Temporary Order, as varied to January 18, 2010 and adjourned the hearing to January 15, 2009 at 10:00 a.m.;

AND WHEREAS the Commission held a hearing in this matter on January 15, 2010;

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

AND WHEREAS by Commission Order made August 31, 2009, pursuant to subsection 3.5(3) of the Act, each of W. David Wilson, James E. A. Turner, David L. Knight, Carol S. Perry, Patrick J. LeSage, James D. Carnwath and Mary Condon, acting alone, is authorized to make orders under subsection 127(8) of the Act;

IT IS ORDERED THAT:

(1) the Temporary Order is extended to March 26, 2010; and

(2) a hearing in this proceeding will take place commencing on March 25, 2010 at 10:00 a.m. and continuing on March 26, 2010, as may be required.

DATED at Toronto this 15th day of January, 2010.

"Carol S. Perry"

2.2.4 Abel Da Silva – ss. 127, 127.1

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

AND

IN THE MATTER OF
ABEL DA SILVA

ORDER
(Sections 127 & 127.1)

WHEREAS on October 21st, 2008 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing in this matter and scheduled a hearing to commence on November 27th, 2008 at 3:00 p.m.;

AND WHEREAS Staff of the Ontario Securities Commission ("Staff") filed a Statement of Allegations dated October 20th, 2008 with the Commission;

AND WHEREAS Staff served Abel Da Silva ("Da Silva") with a certified copy of the Notice of Hearing and Staff's Statement of Allegations as evidenced by the Affidavit of Service of Wayne Vanderlaan, sworn on November 10th, 2008, filed with the Commission;

AND WHEREAS a panel of the Commission held a hearing on November 27th, 2008 at 3:00 p.m. and Staff attended and made submissions, including advising the panel of the Commission that the disclosure was available on this matter, and Staff undertook to notify Da Silva that disclosure is available;

AND WHEREAS on November 27th, 2008, Da Silva did not appear at the hearing;

AND WHEREAS on November 27th, 2008, a panel of the Commission ordered that the hearing in this matter is adjourned to June 4th, 2009 at 11:00 a.m.;

AND WHEREAS Staff served Da Silva with a certified copy of the Order of the Commission dated November 27th, 2008 as evidenced by the Affidavit of Service of Kathleen McMillan sworn on June 3rd, 2009;

AND WHEREAS on June 4th, 2009, a status hearing was held commencing at 11:00 a.m. and Staff appeared before a panel of the Commission and provided the panel of the Commission with a status update with respect to this matter;

AND WHEREAS on June 4th, 2009, Da Silva did not attend before the panel of the Commission;

AND WHEREAS on June 4th, 2009, the panel of the Commission considered the submissions of Staff;

AND WHEREAS on June 4th, 2009, the panel of the Commission ordered that the hearing with respect to the Notice of Hearing dated October 21st, 2008 and Staff's

Statement of Allegations dated October 20th, 2008 be adjourned to September 10th, 2009 at 10:30 a.m.

AND WHEREAS on September 10th, 2009, a status hearing was held commencing at 10:30 a.m. and Staff appeared before a panel of the Commission and provided the panel of the Commission with a status update with respect to this matter;

AND WHEREAS on September 10th, 2009, the panel of the Commission ordered that the hearing with respect to the Notice of Hearing dated October 21st, 2008 and Staff's Statement of Allegations dated October 20th, 2008 be adjourned to January 12th, 2010 at 10:30 a.m.

AND WHEREAS on January 12th, 2010, a status hearing was held commencing at 10:30 a.m. and Staff appeared before a panel of the Commission and provided the panel of the Commission with a status update with respect to this matter;

AND WHEREAS on January 12th, 2010, Da Silva did not attend before the panel of the Commission despite being made aware of the hearing date;

AND WHEREAS on January 12th, 2010, the panel of the Commission considered the submissions of Staff;

IT IS HEREBY ORDERED that the hearing with respect to the Notice of Hearing dated October 21st, 2008 and Staff's Statement of Allegations dated October 20th, 2008 is adjourned to April 12th, 2010 at 10:00 a.m.

DATED at Toronto this 12th day of January, 2010.

"David L. Knight"

2.2.5 Shallow Oil & Gas Inc. et al. – ss. 127(1), 127(8)

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

AND

IN THE MATTER OF
SHALLOW OIL & GAS INC., ERIC O'BRIEN,
ABEL DA SILVA, GURDIP SINGH GAHUNIA
ALSO KNOWN AS MICHAEL GAHUNIA,
ABRAHAM HERBERT GROSSMAN
ALSO KNOWN AS ALLEN GROSSMAN,
MARCO DIADAMO, GORD McQUARRIE,
KEVIN WASH, AND WILLIAM MANKOFSKY

ORDER
(Subsections 127(1) & 127(8))

WHEREAS on January 16, 2008, the Ontario Securities Commission ("the Commission") issued a Temporary Order pursuant to subsections 127(1) and (5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") that: (i) all trading in securities by Shallow Oil & Gas Inc. ("Shallow Oil") shall cease and that all trading in Shallow Oil securities shall cease; and (ii) Eric O'Brien ("O'Brien"), Abel Da Silva ("Da Silva"), Gurdip Singh Gahunia, also known as Michael Gahunia ("Gahunia"), and Abraham Herbert Grossman, also known as Allen Grossman ("Grossman"), cease trading in all securities (the "Temporary Order");

AND WHEREAS on January 16, 2008, the Commission ordered that the Temporary Order shall expire on the 15th day after its making unless extended by order of the Commission;

AND WHEREAS on January 18, 2008, the Commission issued a Notice of Hearing to consider, among other things, the extension of the Temporary Order, such hearing to be held on January 30, 2008;

AND WHEREAS hearings to extend the Temporary Order were held on January 30 and January 31, 2008, and March 31, 2008, and the Temporary Order was extended by the Commission on January 31 and March 31, 2008;

AND WHEREAS Staff of the Commission ("Staff") filed a Statement of Allegations dated June 10, 2008 with the Commission;

AND WHEREAS on June 11, 2008, the Commission issued a Notice of Hearing for June 18, 2008 to consider, among other things:

(a) the issuance of a temporary cease trade order against Marco Diadamo ("Diadamo"), Gord McQuarrie ("McQuarrie"), Kevin Wash ("Wash"), and William Mankofsky ("Mankofsky"); and,

(b) the extension of the original Temporary Order dated January 16, 2008;

AND WHEREAS on June 18, 2008, a hearing was held and Staff and Grossman appeared, presented evidence and made submissions, and Diadamo, McQuarrie, and Mankofsky appeared before a panel of the Commission and made submissions as to the issuance of a temporary cease trade order against them;

AND WHEREAS on June 18, 2008, the panel of the Commission considered the evidence and submissions of Staff and Grossman, and the submissions of Diadamo, McQuarrie, and Mankofsky;

AND WHEREAS on June 18, 2008, the panel of the Commission ordered, pursuant to subsection 127(8) of the Act, that:

(a) the Temporary Order as against Shallow Oil, O'Brien, Da Silva, and Grossman be extended until the conclusion of the hearing on the merits in this matter; and

(b) the Temporary Order as against Gahunia be extended until November 26, 2008;

AND WHEREAS on June 18, 2008, the panel of the Commission ordered, pursuant to subsection 127(5) of the Act, that Diadamo, McQuarrie, Wash, and Mankofsky cease trading in any securities (the "Second Temporary Order"), with the following exception:

> Diadamo shall be permitted to trade in securities that are listed on a public exchange recognized by the Commission and only in his own existing trading accounts. Furthermore, any such trading by Diadamo shall be for his sole benefit and only through a dealer registered with the Commission;

AND WHEREAS on June 18, 2008, the panel of the Commission ordered, pursuant to subsection 127(8) of the Act, that the Second Temporary Order be extended until November 26, 2008 and that the hearing with respect to the Second Temporary Order in this matter be adjourned to November 25, 2008;

AND WHEREAS on November 25, 2008, a hearing was held and Staff and McQuarrie appeared before a Panel of the Commission and made submissions as to the extension of the Temporary Order and the Second Temporary Order;

AND WHEREAS on November 25, 2008, the panel of the Commission considered the submissions of Staff and McQuarrie;

AND WHEREAS on November 25, 2008, the panel of the Commission ordered, pursuant to subsection 127(8) of the Act, that:

(a) the Temporary Order is extended as against Gahunia until the conclusion of the hearing on the merits in this matter and the Second Temporary Order is extended as against Diadamo, McQuarrie, Wash, and Mankofsky until the conclusion of the hearing on the merits in this matter; and,

(b) the hearing with respect to the Notice of Hearing dated June 11, 2008 and Staff's Statement of Allegations dated June 10, 2008 is adjourned to June 4, 2009 for a status hearing;

AND WHEREAS on May 10, 2009, McQuarrie and Staff entered into a settlement agreement with respect to the allegations against McQuarrie in the Statement of Allegations dated June 10, 2008 and that agreement was subsequently approved by a panel of the Commission;

AND WHEREAS on July 17, 2009, Mankofsky and Staff entered into a settlement agreement with respect to the allegations against Mankofsky in the Statement of Allegations dated June 10, 2008 and that agreement was subsequently approved by a panel of the Commission;

AND WHEREAS on June 4 and September 10, 2009, status hearings were held before the Commission and, on each date, a panel of the Commission ordered that the hearing with respect to the Notice of Hearing dated June 11, 2008 and Staff's Statement of Allegations dated June 10, 2008 be adjourned;

AND WHEREAS on January 12, 2010, a status hearing was held commencing at 10:00 a.m. and Staff appeared before a panel of the Commission and provided the panel of the Commission with a status update with respect to this matter;

AND WHEREAS on January 12, 2010, Shallow Oil, O'Brien, Da Silva, Gahunia, Grossman, Diadamo and Wash did not appear;

AND WHEREAS on January 12, 2010, the panel of the Commission considered the submissions of Staff;

IT IS HEREBY ORDERED that the hearing with respect to the Notice of Hearing dated June 11, 2008 and Staff's Statement of Allegations dated June 10, 2008 is adjourned to June 28, 2010 at 10:00 a.m. for the purpose of a status hearing.

DATED at Toronto this 12th day of January, 2010.

"David L. Knight"

2.2.6 Borealis International Inc. et al.

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

AND

BOREALIS INTERNATIONAL INC., SYNERGY GROUP (2000) INC., INTEGRATEDBUSINESS CONCEPTS INC., CANAVISTA CORPORATE SERVICES INC., CANAVISTA FINANCIAL CENTER INC., SHANE SMITH, ANDREW LLOYD, PAUL LLOYD, VINCE VILLANTI, LARRY HALIDAY, JEAN BREAU, JOY STATHAM, DAVID PRENTICE, LEN ZIELKE, JOHN STEPHAN, RAY MURPHY, ALEXANDER POOLE, DEREK GRIGOR, EARL SWITENKY, MICHELLE DICKERSON, DEREK DUPONT, BARTOSZ EKIERT, ROSS MACFARLANE, BRIAN NERDAHL, HUGO PITTOORS AND LARRY TRAVIS

ORDER

WHEREAS on January 7, 2010, counsel for the Respondent Jean Breau, Andrew Matheson of McCarthy Tétrault LLP, brought a motion for leave to be removed as counsel for Mr. Breau, pursuant to section 1.7.4 of the Rules of Procedure,

IT IS ORDERED THAT:

1. Andrew Matheson of McCarthy Tétrault LLP is removed as counsel of record for the Respondent Jean Breau.

DATED at Toronto this 7th day of January, 2010

“Patrick J. LeSage”

This page intentionally left blank

Chapter 4

Cease Trading Orders

4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
Avalon Works Corp.	07 Jan 10	19 Jan 10		21 Jan 10

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Sprylogics International Corp.	02 June 09	15 June 09	15 June 09	20 Jan 10	

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
Sprylogics International Corp.	02 June 09	15 June 09	15 June 09	20 Jan 10	
Coalcorp Mining Inc.	07 Oct 09	19 Oct 09	19 Oct 09		
Garrison International Ltd.	29 Oct 09	10 Nov 09	10 Nov 09		
Toxin Alert Inc.	06 Nov 09	18 Nov 09	18 Nov 09		
Seprotech Systems Incorporated	30 Dec 09	11 Jan 10	11 Jan 10		

This page intentionally left blank

Chapter 5

Rules and Policies

5.1.1 Notice of National Instrument 55-104 Insider Reporting Requirements and Exemptions and Related Companion Policy 55-104CP and Repeal of Related Predecessor Instruments

NOTICE OF NATIONAL INSTRUMENT 55-104
INSIDER REPORTING REQUIREMENTS AND EXEMPTIONS
AND RELATED COMPANION POLICY 55-104CP
AND
REPEAL OF RELATED PREDECESSOR INSTRUMENTS

Introduction

We, the Canadian Securities Administrators (CSA), are adopting a new insider reporting regime set out in:

- National Instrument 55-104 *Insider Reporting Requirements and Exemptions* (the New Instrument); and

- Companion Policy 55-104CP *Insider Reporting Requirements and Exemptions* (the New Policy) (together, the New Materials).

We are also repealing or withdrawing the following predecessor instruments and policies:[1]

- National Instrument 55-101 *Insider Reporting Exemptions* (NI 55-101);

- Companion Policy 55-101CP *to National Instrument 55-101 Insider Reporting Exemptions* (55-101CP);

- Multilateral Instrument 55-103 *Insider Reporting for Certain Derivative Transactions (Equity Monetization)* (MI 55-103);

- Companion Policy 55-103CP *to Multilateral Instrument 55-103 Insider Reporting for Certain Derivative Transactions (Equity Monetization)* (55-103CP); and

- In British Columbia, BCI 55-506 *Exemption from insider reporting requirements for certain derivative transactions* (BCI 55-506) (collectively, the Current Materials).

We are also making related consequential amendments to:

- Multilateral Instrument 11-102 *Passport System*;

- National Instrument 14-101 *Definitions*; and

- National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* (NI 62-103) (together, the Consequential Amendments).

Some jurisdictions are also making other local amendments. You will find those local amendments in the version of Appendix G published in those local jurisdictions.

Additional information about the adoption processes for some jurisdictions is described in Appendix H published in that jurisdiction.

In some jurisdictions, Ministerial approval is required for these changes. Except in Ontario, provided all necessary approvals are obtained, the New Materials and Consequential Amendments will come into force on April 30, 2010 and the Current Materials will be repealed or withdrawn on this date. In Ontario, the New Materials and Consequential Amendments will come into force and the Current Materials will be repealed or withdrawn on the later of the following: (a) April 30, 2010; and (b) the date certain amendments to the *Securities Act* (Ontario) are proclaimed into force. Please see Appendix H published in Ontario for more information.

[1] MI 55-103 and 55-103CP have been adopted in all jurisdictions other than British Columbia. In British Columbia, requirements similar to those contained in MI 55-103 were introduced into the *Securities Act* (British Columbia) in 2004. Exemptions similar to those contained in MI 55-103 were introduced in BCI 55-506.

1. Substance and Purpose of the New Materials

The New Instrument sets out the main insider reporting requirements and exemptions from those requirements for insiders of reporting issuers, except in Ontario. In Ontario, the main insider reporting requirements will remain in the *Securities Act* (Ontario). Despite this difference, the substance of the requirements for insider reporting will be the same across the CSA jurisdictions.

The New Instrument consolidates the main insider reporting requirements and exemptions in a single national instrument. This will make it easier for issuers and insiders to understand their obligations and to help promote timely and effective compliance. The New Instrument also reflects changes to the insider reporting regime that we think will improve its effectiveness. Specifically, the New Instrument will, when compared to the current insider reporting regime,

- significantly reduce the number of persons required to file insider reports;
- after a six-month transition period, accelerate the filing requirement from 10 calendar days to five calendar days;
- simplify and make more consistent the reporting requirements for stock-based compensation arrangements; and
- facilitate insider reporting of stock-based compensation arrangements by allowing issuers to file an “issuer grant report” in a similar manner to the current “issuer event report”.

The New Policy provides guidance as to how we would interpret or apply certain provisions of the New Instrument.

In connection with this initiative, CSA staff will also be amending CSA Staff Notice 55-308 *Questions on Insider Reporting*, CSA Staff Notice 55-310 *Questions and Answers on the System for Electronic Disclosure by Insiders (SEDI)* and CSA Staff Notice 55-312 *Insider reporting guidelines for certain derivative transactions (equity monetization)* and withdrawing CSA Staff Notice 55-314 *Use of the terms “senior officer”, “officer”, and “insider” in National Instrument 55-101 Insider Reporting Exemptions.*

2. Prior publications

The CSA previously requested comment about some of the proposals reflected in the New Materials on two occasions. In October 2006, we published a Notice and Request for Comment relating to amendments to NI 55-101. As part of that Notice, we outlined at a high level proposals for future amendments to Canadian insider reporting requirements, including amendments that would consolidate the insider reporting requirements in a single instrument, refocus the insider reporting requirements on a smaller, core group of insiders, and accelerate the filing deadlines. We referred to these proposals as the “Phase 2 amendments”.

On December 18, 2008, we published the New Materials and Consequential Amendments for comment (the December 2008 Materials). The Notice and Request for Comment published on December 18, 2008 contains further background on the Phase 2 amendments.

3. Summary of Written Comments Received by the CSA

The comment period for the December 2008 Materials expired on March 19, 2009. We received written submissions from 27 commenters. We considered the comments received and thank all the commenters. The names of the commenters are contained in Appendix B of this notice and a summary of their comments, together with our responses, are contained in Appendix C of this notice.

4. Summary of Changes to the December 2008 Materials

After considering the comments received, we made some revisions to the December 2008 Materials that are reflected in the New Materials and Consequential Amendments. As these changes are not material, we are not republishing the New Materials or Consequential Amendments for a further comment period.

See Appendix A for a summary of key changes made to the December 2008 Materials.

5. Amendments to local rules and concurrent legislative actions

CSA members of some jurisdictions are publishing a separate local notice regarding amendments to certain local rules. These amendments include changes to local exemptions or the repeal of local exemptions that are no longer considered necessary or appropriate.

Local consequential amendments are located in Appendix G published in each jurisdiction where required. Other information required by a local jurisdiction in order to adopt the New Instrument are in Appendix H which will only be published in that jurisdiction. In addition, these notices may also include information relating to proposed proclamation dates for amendments to securities legislation that were made as part of the Highly Harmonized Securities Legislation initiative in 2006.

6. Impact on investors

The New Instrument will benefit investors by:

- focusing the insider reporting requirement on a core group of insiders with the greatest access to material undisclosed information and the greatest influence over the reporting issuer;
- making more consistent the reporting requirements for stock-based compensation arrangements; and
- after a six month transition period, accelerating the filing deadline from 10 calendar days to five calendar days, which will make this important information available to the market sooner.

7. Where to find more information

The Notice also contains the following appendices:

1. Appendix A – Summary of key changes made to the December 2008 Materials
2. Appendix B – List of commenters
3. Appendix C – Summary of comments and CSA responses
4. Appendix D – New Instrument
5. Appendix E – New Policy
6. Appendix F – Consequential and other amendments
7. Appendix G – Local Amendments
8. Appendix H – Local Information

The New Materials and Consequential Amendments are available on websites of CSA members, including:

www.lautorite.qc.ca
www.albertasecurities.com
www.bcsc.bc.ca
www.msc.gov.mc.ca
www.gov.ns.ca/nssc
www.nbsc-cvmnb.ca
www.osc.gov.on.ca
www.sfsc.gov.sk.ca

Questions

Please refer your questions to any of:

British Columbia Securities Commission

Alison Dempsey
Senior Legal Counsel, Corporate Finance
604-899-6638
adempsey@bcsc.bc.ca

Noreen Bent
Senior Legal Counsel, Manager
Corporate Finance
604-899-6741
nbent@bcsc.bc.ca

Alberta Securities Commission

Agnes Lau
Senior Advisor, Technical and Projects
403-297-8049
agnes.lau@asc.ca

Saskatchewan Financial Services Commission

Patti Pacholek
Legal Counsel, Securities Division
306-787-5871
patti.pacholek@gov.sk.ca

Manitoba Securities Commission

Chris Besko
Legal Counsel, Deputy Director
204-945-2561
chris.besko@gov.mb.ca

Ontario Securities Commission

Paul Hayward
Senior Legal Counsel, Corporate Finance
416-593-3657
phayward@osc.gov.on.ca

Colin Ritchie
Legal Counsel, Corporate Finance
416-593-2312
critchie@osc.gov.on.ca

Autorité des marchés financiers

Livia Alionte
Insider Reporting Analyst
514-395-0337, ext. 4336
livia.alionte@lautorite.qc.ca

Sylvie Lalonde
Manager Regulation
514-395-0337, ext. 4461
sylvie.lalonde@lautorite.qc.ca

New Brunswick Securities Commission

Susan Powell
Senior Legal Counsel
506-643-7697
susan.powell@nbsc-cvmnb.ca

Nova Scotia Securities Commission

Shirley Lee
Director, Policy and Market Regulation
902-424-5441
leesp@gov.ns.ca

January 22, 2010

APPENDIX A

SUMMARY OF KEY CHANGES TO THE DECEMBER 2008 MATERIALS

New Instrument

1. **Report by certain designated insiders for historical transactions** (Parts 1 and 3) – We have amended the New Instrument to narrow the class of persons required to file these reports to the CEO, CFO, COO and each director of the issuer and to require these reports to be filed on SEDI rather than SEDAR.

2. **Definition of reporting insider** (Part 1) – We have moved the definition of reporting insider to subsection 1(1) of the New Instrument and amended the definition as follows:

   (a) in paragraph (a), we replaced the terms "chief executive officer, the chief operating officer or the chief financial officer" with the terms "CEO, CFO or COO", which are defined to include an individual who holds these titles and any other individual who acts in a similar capacity for the issuer.

   (b) in paragraph (c), we deleted the reference to "a major subsidiary".

   (c) in paragraph (e) (paragraph (f) of the New Instrument), we replaced the reference to "officer" with "every CEO, CFO and COO of the management company" to narrow the class of persons at management companies who are determined to be reporting insiders. This change achieves greater consistency among the individuals at the issuer and management company level who are determined to be reporting insiders.

   (d) deleting paragraph (h) [*a person or company designated or determined to be an insider under subsection 1.2(1)*]. These individuals and companies will only be reporting insiders if they otherwise come within the definition of "reporting insider".

   (e) in paragraph (i), we deleted the reference to "major subsidiary".

3. **Transition period to precede accelerated filing deadline for insider reports** (Parts 2, 3 and 10) – We have included a transition provision for the accelerated filing deadline for subsequent insider reports that will delay its introduction by six months from the effective date of the New Instrument. This transition period provides insiders and issuers time to become familiar with the reporting requirements in the New Instrument and to make necessary arrangements with third-party service providers.

4. **Reliance on Reported Outstanding Shares (Part 1)** – We have added a new provision to Part 1 of the New Instrument based on section 2.1 of NI 62-103.

5. **Issuer Grant Report** (Part 6) – We have amended the New Instrument to permit issuers to file the issuer grant report on SEDI rather than SEDAR.

6. **Exemption for "specified dispositions" in connection with issuer grants** (Part 6) – We amended the New Instrument to include in Part 6 a similar exemption for "specified dispositions" to the one in Part 5.

7. **Reporting exemption (nil report)** (Part 9) – We amended section 9.4 to clarify that the reporting exemption is not available to a reporting insider that is a significant shareholder based on post-conversion beneficial ownership.

8. **Exemption for certain agreements, arrangements or understandings** (Part 9) – We amended section 9.7 to include an exemption analogous to the exemption in paragraph 2.2(a) of MI 55-103 and Part 3 of BCI 55-506.

New Policy

The New Policy contains expanded guidance on various topics including:

1. The term reporting insider (section 1.4);

2. Persons and companies designated or determined to be insiders (section 1.6);

3. The concept of reporting insider, including guidance relating to the interpretation of the basket criteria in paragraph (i) of the definition of "reporting insider" and the meaning of "significant influence" (section 3.1);

4. When ownership passes for the purposes of the insider reporting requirement (section 3.2);

5. The meaning of “control or direction” (section 3.3); and

6. Contravention of insider reporting requirements (section 10.1).

Consequential Amendments

We have made the following changes to the proposed consequential amendments that were part of the December 2008 Materials:

1. **Form 51-102F5 *Information Circular* of National Instrument 51-102 *Continuous Disclosure Obligations*** – We have withdrawn the proposed requirement for an issuer to disclose whether insiders have been subject to late filings fees at this time. We may re-introduce the proposal with modification in the future at which time it would be subject to a further public comment process.

2. **National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*** – We revised the proposed amendment so that an eligible institutional investor is exempt from the insider reporting requirement in the New Instrument – including the requirements relating to related financial instruments and agreements, arrangements and understandings contemplated in Part 4 of the New Instrument – if that eligible institutional investor includes similar disclosure in its early warning filings under NI 62-103.

APPENDIX B

LIST OF COMMENTERS

Company or Organization	Name of Commenter/Commenters
Aird & Berlis LLP	Jennifer A. Wainwright
Astral Media	Brigitte K. Catellier
Blakes	John M. Tuzyk
Bombardier	Alain Doré
Borden Ladner Gervais	Alfred Page and David Surat
Canadian Bankers Association	Nathalie Clark
Compton, Ryan A., Daniel Sandler, Lindsay Tedds	Ryan A. Compton, Daniel Sandler, Lindsay Tedds
C.R. Jonsson Personal Law Corporation	Carl Jonsson
Enbridge	Alison Love and Gillian Findlay
Ensign Energy Services Inc.	Glenn Dagenais
F.T.Q	Mario Tremblay, Jasmine Hinse
ICSA	H. Bruce Murray, David Petrie, Patty Orr
INK	Ted Dixon
Kenmar Associates	Ken Kivenko
MÉDAC	Claude Béland
Nexen	Rick C. Beingessner
Ogilvy Renault LLP	Christine Dubé
Ontario Bar Association	Jamie K. Trimble, Christopher Garrah
Ontario Teachers' Pension Plan	Jeff Davis
Osler, Hoskin and Harcourt LLP	Desmond Lee
Scotia Capital & Wealth Management	Cecilia Williams
Stikeman Elliott	Simon A. Romano, Ramandeep Grewal
Sun Life Financial	Dana Easthope
TransCanada	Donald J. DeGrandis
TSX Group Inc.	Richard Nadeau, John McCoach
Veritas Investment Research Corporation	Sam La Bell
Wilfred Laurier University, School of Business and Economics	William J. McNally, Brian F. Smith

APPENDIX C

SUMMARY OF COMMENTS AND CSA RESPONSES

National Instrument 55-104 *Insider Reporting Requirements and Exemptions* and National Policy 55-104CP *Insider Reporting Requirements and Exemptions*

We received 27 comment letters in response to the request for comment. We thank the commenters for their comments.

List of commenters

June 16, 2009	William J. McNally and Brian F. Smith (School of Business and Economics, Wilfrid Laurier University) in PDF
April 13, 2009	Jeff Davis (Ontario Teachers' Pension Plan) in PDF
April 9, 2009	Cecilia Williams (Scotia Capital & Wealth Management) in PDF
March 27, 2009	Sam La Bell (Veritas Investment Research Corporation) in PDF
March 19, 2009	Ted Dixon (INK Research) in PDF
March 19, 2009	Alfred Page and David Surat (Borden Ladner Gervais LLP) in PDF
March 19, 2009	Donald J. DeGrandis (TransCanada) in PDF
March 19, 2009	Nathalie Clark (Canadian Bankers Association) in PDF
March 19, 2009	Alison Love and Gillian Findlay (Enbridge) in PDF
March 19, 2009	Jennifer A. Wainwright (Aird & Berlis LLP) in PDF
March 19, 2009	Christine Dubé (Ogilvy Renault LLP) in PDF
March 19, 2009	Alain Doré (Bombardier) in PDF
March 19, 2009	Desmond Lee (Osler, Hoskin & Harcourt LLP) in PDF
March 19, 2009	Rick C. Beingessner (Nexen Inc.) in PDF
March 19, 2009	Mario Tremblay and Jasmine Hinse (F.T.Q.) (in FRENCH) in PDF
March 18, 2009	Simon A. Romano and Ramandeep K. Grewal in PDF
March 18, 2009	John M. Tuzyk (Blakes) in PDF
March 18, 2009	Dana Easthope (Sun Life Financial) in PDF
March 18, 2009	Claude Béland (MÉDAC) (in FRENCH) in PDF
March 17, 2009	Carl Jonsson (C.R. Jonsson Personal Law Corporation) in PDF
March 17, 2009	H. Bruce Murray, David Petrie and Patty Orr (ICSA) in PDF
March 16, 2009	Jamie K. Trimble and Christopher Garrah (Ontario Bar Association) in PDF
March 13, 2009	Richard Nadeau and John McCoach (TSX Group Inc.) in PDF
March 13, 2009	Brigitte K. Catellier (Astral Media) in PDF
March 10, 2009	Daniel Sandler, Lindsay Tedds and Ryan A. Compton in PDF
January 15, 2009	Glenn Dagenais (Ensign Energy Services Inc.) in PDF
December 23, 2008	Ken Kivenko (Kenmar Associates) in PDF

The comment letters are available at www.osc.gov.on.ca.

In the following summary, we refer to the authors of a comment letter as “the commenter” regardless of the number of authors.

Summary of Comments and Responses

NI 55-104 *Insider Reporting Requirements and Exemptions* (NI 55-104 or the Instrument)
and
55-104CP *Insider Reporting Requirements and Exemptions* (55-104CP or the Policy)

Comment #	Themes	Comments	Responses
Part 1 – General			
1	**General – Support for the initiative**	Eighteen commenters expressed general support for the initiative and the objective of modernizing, harmonizing and streamlining insider reporting in Canada. Many of these commenters specifically commented on the benefits of consolidating insider reporting requirements and exemptions in a single instrument and the narrowing of the reporting obligation to a core group of insiders who have routine access to material undisclosed information and significant influence over their issuers. Some commenters think that eliminating unnecessary insider reporting will provide investors with more meaningful insider information, while reducing the regulatory burden and costs for issuers and insiders.	We thank the commenters for their support.
2		One commenter noted that investors, analysts and others use insider reports as part of their decision making and that it was well established that there is a correlation with these trading patterns and company health. The commenter also noted that the timely knowledge of stock option grants (or equivalent compensation) assists investors in assessing the efficacy of corporate governance in relation to executive compensation and in conducting option backdating analysis, making this initiative very important from an investor perspective.	We thank the commenter for its support.
3		One commenter commented that, in general, it believes that Canadian regulators have made significant and impressive progress in developing Canada's insider reporting regime over the past seven years. The commenter was further encouraged that regulators are continuing to focus their attention on ensuring our reporting system remains modern and transparent, particularly in relation to competing capital markets around the world.	We thank the commenter for its support.
4	**General – Opposition**	One commenter questioned whether the initiative would achieve any improvement in the deterrence or signalling objectives of insider reporting. (a) With respect to deterrence, the commenter expressed concern over insiders effecting illicit insider trades through family members or by	We acknowledge the comments but disagree with the concerns raised by the commenter. The CSA have not previously amended the definition of "insider" to eliminate family members, associates and affiliates. In the case of family

Comment #	Themes	Comments	Responses
		associates or affiliates and suggested that previous CSA initiatives may have exacerbated this. The commenter suggested that the current initiative, by reducing the number of insiders who have to report, would remove the deterrence effect for those insiders no longer required to report. (b) With respect to signalling, the commenter questioned whether the CSA had any significant evidence that investors access insider reports or make decisions based on insider trading information. Unless this is the case, there is no point in requiring insider reports to be filed in 5 days instead of 10 days. The commenter suggested the current 10-day requirement is already very onerous. (c) The commenter also suggested that the proposed acceleration of the filing deadline to 5 days will result in increased numbers of late filings and therefore increased late filing fees collected by the regulators. The commenter suggested that the current late fee system in Ontario ($50 per day to a maximum of $1,000) is enforced rigorously, and that Ontario's enforcement is a revenue-generating scheme.	members, the CSA have included guidance in the Policy about the meaning of the term "control or direction" and clarified that a reporting insider in certain circumstances may have or share control or direction over securities held by family members. We think this guidance should help reduce the risk of insiders effecting unreported trades through family members. As explained in the Notice, we think we can improve the effectiveness of the insider reporting system by narrowing the focus to insiders who have both routine access to material undisclosed information and significant influence over the reporting issuer. We think the enhanced deterrent and signalling effect on the core group of insiders with the greatest access to material undisclosed information and the greatest influence outweighs the potential loss of these effects on insiders who are outside this core group. As to whether investors make decisions based on insider trading information, several commenters attest to the benefits for investors from insider reporting. Finally, in view of the significant reduction in the number of reporting insiders under the Instrument and the other improvements to the system, we anticipate that late filing fees will decrease.
5	**General – Carve-out for Ontario in Part 2 of NI 55-104**	Two commenters supported the initiative but expressed concern about the carve-out for Ontario in Part 2 of NI 55-104. One commenter suggested that the policy goals achieved by an insider reporting regime which results in timely, accurate and consistent disclosure of insider trading are substantially prejudiced by the principal insider reporting requirements applicable in Ontario remaining in the *Securities Act* (Ontario). The commenter urged the CSA to communicate this concern to the appropriate governmental bodies. The commenter indicated its strong preference for the insider reporting requirements in all Canadian jurisdictions to be contained in NI 55-104.	We acknowledge these comments. As explained in section 2.1 of the Policy, the insider reporting requirements set out in the Instrument and in Part XXI of the Ontario Act are substantially harmonized. CSA staff intend to publish revised staff guidance when the Instrument takes effect that will clarify any material differences.

Comment #	Themes	Comments	Responses
		The commenter also urged the CSA to clarify the numerous comments in NI 55-104 about the similarities between the insider reporting requirements in Ontario and those applicable in the balance of Canada. If it is the view of the CSA that NI 55-104 and the insider reporting requirements in Ontario provide an identical regime, the CSA should make that statement unequivocally. In the alternative, if the CSA is of the view that the regimes are not the same, the CSA should provide clear guidance on the differences. In the absence of definitive guidance, market participants will have to make this determination, and inconsistent reporting will inevitably result, neither of which will foster efficient capital markets in Canada.	
6	**General – Complexity as a result of statutory definitions overriding definitions in the Instrument**	Two commenters expressed concerns over the additional complexity arising from statutory definitions overriding definitions in the rule. One commenter stated that in order to fully understand the proposed insider reporting regime, a market participant will need to consult one or more of: (i) NI 55-104; (ii) the Act and regulations in Ontario; and (iii) the definition of terms such as “insider”, “derivative”, “economic exposure”, “economic interest”, “exchange contract” and “related financial instrument” in Canadian securities legislation of each of the relevant provinces and territories.	As explained in subsection 1.4(1) of the Policy, in the case of terms that are defined by reference to the definition in the local statute rather than the Instrument, the CSA consider the meanings given to these terms to be substantially similar in each of the CSA jurisdictions and to the definitions set out in the Instrument. CSA staff intend to publish revised staff guidance when the Instrument takes effect that will clarify any material differences.
Part 2 – Concept of “reporting insider”			
1	**Concept of “reporting insider” – Support**	Twenty commenters supported the introduction of the reporting insider concept and the proposal to limit the reporting requirement to insiders who satisfy the criteria of routine access to material undisclosed information and significant influence over the reporting issuer.	We thank the commenters for their comments.
2		One commenter was delighted to see that the CSA is proposing to significantly reduce the number of persons required to file insider reports. The commenter’s preliminary view was that the proposals would result in a 70% reduction in the number of reporting insiders for the commenter. The commenter believed that this would significantly reduce the burden of filing insider reports without negatively impacting the quality of the information available to the market. However, the commenter believed that the proposed definition of reporting insider was still overly inclusive. The commenter recommended that the CSA streamline the definition of reporting insider in the Instrument and add	As explained below, we have made a number of amendments to further streamline the definition of “reporting insider” and have added guidance to the Policy to illustrate how the CSA think the knowledge criteria should be interpreted.

Comment #	Themes	Comments	Responses
		guidance to the Policy to illustrate how the CSA think the knowledge criteria should be interpreted.	
3		One commenter agreed with the principle of generally limiting reporting requirements to persons who have routine access to material undisclosed information and significant influence over the reporting issuer but suggested it may be appropriate and clearer to amend the statutory definition of "insider" directly rather than adding a new definition of a "reporting insider".	We have not proposed an amendment to the definition of "insider" in securities legislation since the concept of "insider" is a core component of the definition of "person or company in a special relationship with a reporting issuer" in securities legislation. We do not think it is appropriate to remove from the special relationship definition (and the insider trading prohibition) insiders who may have access to material undisclosed information but who do not satisfy the routine access and significant influence criteria reflected in the definition of reporting insider.
4	**Concept of "reporting insider" – reference to clause 3.2(1)(c)** **["person or company responsible for a principal business unit, division or function of the reporting issuer or of a major subsidiary"]**	Three commenters recommended the definition of reporting insider be amended to delete clause 3.2(1)(c). One commenter stated that, given the intent to narrow the focus to a core group of insiders with the greatest access to material undisclosed information and the greatest influence, clause (c) should be removed. The commenter believed the continued inclusion of clause (c) would perpetuate the inclusion of persons with knowledge or influence over a portion of the operations or financial results of the reporting issuer but not the reporting issuer as a whole. One commenter noted that the express reference to a person responsible for a principal business unit, division or function of a major subsidiary of a reporting issuer results in a separate definition that is different from the definitions of "executive officer," "officer" or "senior officer" in securities legislation.	We have amended clause 3.2(1)(c) to delete the reference to "major subsidiary".
5	**Concept of "reporting insider" – reference to significant shareholders**	One commenter said including significant shareholders in the definition of reporting insider may, in many cases, be over-inclusive. Depending upon the reporting issuer's shareholder base, a 10% ownership interest may not provide a shareholder with any access to material undisclosed information, or significant influence over, the reporting issuer. The commenter suggested that the CSA consider including only those significant shareholders who satisfy the criteria of access and influence. Alternatively, the CSA could consider expanding the exemption in section	We have not amended the Instrument in response to this comment. Section 9.3 of the Instrument contains an exemption for a director or officer of a significant shareholder of a reporting issuer if the director or officer does not satisfy the criteria of routine access to material undisclosed information or significant influence over the issuer. We do not think it is appropriate to extend this exemption to the significant shareholder itself. We think

Comment #	Themes	Comments	Responses
		9.3 so that it applies to the significant shareholder itself, as well as its officers and directors.	that an ownership or control position representing more than 10% of a reporting issuer's voting securities will generally give rise to a level of potential access to and influence over the reporting issuer as to warrant reporting.
6	**Concept of "reporting insider" – reference to significant shareholders and major subsidiaries**	Three commenters agreed that the definition should be limited to persons who satisfied the access and influence criteria but suggested the definition was too broadly drafted and would catch persons (namely executives and directors of major subsidiaries and significant shareholders) who do not otherwise meet the access criteria. Similarly, one commenter suggested that the CSA should consider removing the concept of major subsidiaries and significant shareholders from the definition except in clause (d) of the definition since a significant shareholder itself should be an insider. The commenter suggested this is feasible since the basket provision in clause (i) captures anyone with routine access and significant influence. Similarly, one commenter suggested that the concept of reporting insider should be limited by removing the concept of "major subsidiary" from paragraphs (a), (b), (c), (e) and (i) of the definition. This would result in the reporting requirement more closely resembling the U.S. model where reporting is effectively limited to directors, executive officers and major shareholders and in general does not reach down to the directors and officers of subsidiary companies. The commenter suggested that if the concept of "major subsidiary" is removed from the definition of reporting insider, the two criteria in "basket" provision (i) would similarly prevent avoidance of the reporting requirement by other insiders who should be reporting.	We have amended clause 3.2(1)(c) and the basket provision in clause 3.2(1)(i) to delete the reference to "major subsidiary". We have also added related guidance to the Policy. We think it is appropriate to retain insider reporting by the CEO, CFO, and COO and directors at the significant shareholder or major subsidiary level and persons and companies responsible for a principal business unit, division or function of the reporting issuer as we think that these individuals will generally satisfy the policy reasons for insider reporting described in section 1.3 of 55-104CP. For example, where a subsidiary represents a significant proportion of the assets or revenues of a reporting issuer parent on a consolidated basis, information about the subsidiary may be material to the reporting issuer. This is most clearly the case with many income trusts and similar indirect offering structures, since the reporting issuer parent may have few officers and directors and all or substantially all of the issuer's assets and revenues are held at the major subsidiary level. Other officers at the significant share-holder or major subsidiary level will only be required to file insider reports if they satisfy the basket criteria in clause 3.2(1)(i).
7		Two commenters suggested that including directors of major subsidiaries, as well as persons or companies responsible for principal business units, divisions or functions of a major subsidiary, in the enumerated list of the proposed definition of reporting insiders without providing for an exemption based on lack of access to material undisclosed information could potentially increase the number of reporting insiders. The commenter suggested that directors of	We have amended clause 3.2(1)(c) and the basket provision in clause 3.2(1)(i) to delete the reference to "major subsidiary". Including directors of major subsidiaries in the enumerated list of the proposed definition of reporting insider will not increase the number of reporting insiders, when compared to the present exemptions regime contained in NI 55-101 *Insider*

Comment #	Themes	Comments	Responses
		major subsidiaries and persons or companies responsible for principal business units of major subsidiaries should be excluded from the enumerated list and be captured by the basket provision in clause 3.2(1)(i).	*Reporting Exemptions*, since such persons are currently "ineligible insiders" and therefore ineligible for the exemption in Part 2 of NI 55-101. In view of the increase of the assets and revenue thresholds in the definition of major subsidiary from 20% to 30%, the number of insiders who are reporting insiders because they are directors of major subsidiaries should decrease.
8	**Concept of "reporting insider" – inclusion of insiders at "major subsidiary" level – increase of assets and revenue thresholds from 20% to 30%**	All eight commenters who commented on the threshold question supported the amendment to the definition of "major subsidiary" (as it presently exists in NI 55-101) that would increase the assets and revenue thresholds from 20% to 30%.	We thank the commenters for their comments.
9	**Concept of "reporting insider" – inclusion of insiders at "major subsidiary" level – proposed exemption for major subsidiaries that are passive holding companies**	One commenter recommended that the definition of "major subsidiary" be modified to exclude intermediate holding companies (in contrast to operating companies). Holding companies that carry on no business (other than holding assets) and have no operations and as such, generally would have no business or functions for which to assign responsibility to insiders. As such, directors and officers of holding companies generally have no control over any business units, divisions or functions of the reporting issuer or access to material information regarding the reporting issuer by virtue of their positions with the holding company. In general, the commenter thought that individuals in this situation do not meet the thresholds of relevance or materiality underlying the policy rationale of insider reporting regulations by virtue of their positions with a holding company if the associated operating company does not itself meet the definition of 'major subsidiary', and that investors would receive no material or meaningful information from disclosure made by insiders of holding companies.	We will consider applications for an exemption from the reporting requirement for insiders in these circumstances.
10	**Concept of "reporting insider" –**	One commenter noted that subsection 3.2(1)(d) and (h) are duplicative for a significant shareholder based on post-conversion	We have amended the definition of "reporting insider" to address this comment.

Comment #	Themes	Comments	Responses
	clauses 3.2(1)(d) and (h)	beneficial ownership, given the interpretation provision set out in subsection 3.2(2) that states "reference to a significant shareholder includes a significant shareholder based on post-conversion beneficial ownership."	We have amended subsection 3.2(2) to clarify that, if a significant shareholder based on post-conversion beneficial ownership is a reporting insider, every director, CEO, CFO, and COO of the shareholder will also be reporting insiders. Please see Part 7 of the Summary for further information on this change.
11	**Concept of "reporting insider" – reporting issuer as insider of itself – clause 3.2(1)(g)**	Two commenters questioned the usefulness of including the issuer as a class of reporting insider. One commenter suggested that including a reporting issuer while it holds its own securities as a reporting insider, as subsection 3.2(1)(g) does, has always been a troublesome concept. Canadian corporate statutes generally require cancellation of repurchased shares, and result in the termination of other obligations, when an issuer acquires its own securities. Thus, an issuer acquiring its own securities should not have to report as a reporting insider. The commenter also suggested further consideration of whether the reporting requirements set out in section 3.3(b) and Part 4 would be appropriate for the issuer itself where it holds its own securities.	We have not amended the Instrument in response to this comment. The Instrument has not changed the existing reporting requirement for issuers but does include a new exemption for issuer transactions where there is other public disclosure. We have not eliminated the existing reporting requirement for issuers because we think participants would find the monthly reporting of acquisitions under a normal course issuer bid (NCIB) useful. The comment letter filed by McNally and Smith cites extensive research that suggests that issuer reporting of issuer purchases may provide valuable information to investors. Although corporate statutes generally require cancellation of purchased shares, these provisions may not apply to non-corporate issuers. In addition, as explained in Part 7 of the Policy, corporations and non-corporate issuers may also acquire their shares through affiliates.
12		One commenter suggested removing the language "for so long as it continues to hold that security" in subsection 3.2(1)(g) and in the Policy. This language could lead to ambiguity among issuers as to whether or not they need not file an insider report on SEDI if shares are immediately bought and cancelled during an NCIB. Alternatively, clear language should be added to 3.2(1)(g) to include the fact that all NCIB transactions are subject to insider reporting. The commenter opposed any initiative to move NCIB reporting onto SEDAR.	We have not amended clause 3.2(1)(g) of the definition since this language is based on the corresponding language in the definition of "insider" in Canadian securities legislation.
13		One commenter cited research that shows that executives are able to use their insider knowledge to cause the issuer to repurchase shares when they are undervalued. In so doing,	Please see response in 11.

Comment #	Themes	Comments	Responses
		they transfer wealth from selling to non-selling shareholders, including themselves. The commenter also submitted that research shows that repurchases convey valuable information to the market so release of information about repurchases should be made in a timely manner. A uniform system of timely disclosure of NCIBs through a single source like SEDI would promote greater market efficiency.	
14	**Concept of “reporting insider” – reference to significant power or influence in clause 3.2(1)(i)**	One commenter was concerned that implementing a dual criteria system may inadvertently limit the number of insiders, leaving out individuals who should remain classified as insiders. The commenter was supportive of the first criterion, routine access to material undisclosed information, but was concerned the second criterion, namely, “significant power or influence over the business, operations, capital or development of the reporting issuer” was ambiguous and open to broad interpretation. Another commenter suggested that the CSA qualify the meaning of “significant power or influence”. The commenter was concerned that, without qualification, reporting issuers will tend to err on the side of caution, diluting the intent to focus on a primary group of reporting insiders.	We have not amended the Instrument in response to this comment. We have added guidance to the Policy to clarify the interpretation of “significant influence”.
15	**Concept of “reporting insider” – inclusion of principles-based basket provision (s. 3.2(1)(i))**	One commenter recommended that the “basket” provision in subsection 3.2(1)(i) be removed from the definition of reporting insider. The commenter thinks that subsections 3.2(1)(c) and (f) will capture all the individuals that subsection 3.2(1)(i) intends to, as it is only individuals performing the roles, or having the responsibilities, set out in 3.2(1)(a) to (f) that would have access to information as to material facts or changes concerning the reporting issuer and exercise significant influence over the reporting issuer or its principal business units, divisions or functions (or those of a major subsidiary). The inclusion of the subsection could lead to inaccurate or over-reporting by issuers, in turn undermining the CSA’s attempt in the Instrument to make insider reporting data more meaningful for investors. In the alternative, if the CSA feels that the provision does add value, the commenter recommended that it be moved to the Policy so that insiders and issuers may use it as guidance.	We have not amended the Instrument in response to this comment. However, as noted above, we have added guidance to the Policy to address the concern that the concept of “significant influence” may be vague. The drafting of the definition of reporting insider represents a principles-based approach to determining which insiders should file insider reports. The basket provision articulates the fundamental principle that any insider who satisfies the criteria of routine access to material undisclosed information concerning a reporting issuer and significant influence over the reporting issuer should file insider reports. All commenters who commented on this question agreed that these were the appropriate principles for determining which insiders should be

Comment #	Themes	Comments	Responses
			required to file insider reports. The definition enumerates positions that, in our view, will generally satisfy these criteria. In the case of an insider that does not fall within the enumerated categories, the issuer and insider should consider whether the insider exercises a degree of influence over the reporting issuer that is commensurate with that of the enumerated positions and, if so, if the individual comes within the 'basket provision'.
16	**Concept of "reporting insider" – subsection 3.2(2) – reference to "significant share-holder" to include "significant shareholder based on post-conversion beneficial ownership"**	One commenter questioned whether a significant shareholder based on post-conversion beneficial ownership should be included as a reporting insider. The commenter noted that the reporting requirement in section 3.3 would likely never apply to a "reporting insider" who is a reporting insider only on account of being a "significant shareholder based on post-conversion beneficial ownership" because such reporting insider would not have either (i) direct or indirect, beneficial ownership or control, or control or direction or (ii) an interest, right or obligation associated with a related financial instrument. The same comment also applies to subsection 3.4.	We have amended the nil report exemption in section 9.4 in response to this comment. If a person or company is a reporting insider solely on account of being a "significant shareholder based on post conversion beneficial ownership", the reporting insider will still have a reportable interest. The convertible securities that give rise to reporting insider status will generally be "related financial instruments" or will be subject to the Part 4 requirements. See also the response below to comments relating to the concept of post-conversion beneficial ownership.
17	**Concept of "reporting insider" – proposal to include family members**	One commenter noted that, although the Québec *Securities Act* ("QSA") prohibits related persons from using privileged information, they are not subject to the insider reporting requirement. The commenter believed that such persons should be subject to a reporting requirement so that investors have a complete portrait of the insider situation, thereby avoiding any attempt to use these channels.	We have not amended the Instrument in response to this comment. However, we have expanded the guidance in Part 3 of the Policy to address the situation of "related persons". As explained in Part 3 of the Policy, reporting insiders must file insider reports in respect of transactions in securities over which the insider has or shares "control or direction". It will generally be a question of fact whether a reporting insider has or shares control or direction over securities held by the "related persons" referred to in the comment. However, we think that the relationships reflected in the list of related persons will generally give rise to a presumption that the insider has or shares control or direction over the

Comment #	Themes	Comments	Responses
			securities held by the related person. The reporting insider may also have or share beneficial ownership over these securities.
18	**Concept of "reporting insider" – opposition – will increase the number of insiders required to report**	One commenter suggested that limiting the reporting requirement to reporting insiders (according to the current definition) would not reduce the number of insiders required to file reports for development capital funds.	We disagree with this comment.
Part 3 – Proposal to accelerate reporting deadline from 10 calendar days to 5 calendar days			
1	**Proposal to accelerate reporting deadline from 10 calendar days to 5 calendar days – Support**	Eight commenters supported the acceleration of the reporting deadline from 10 calendar days to five calendar days for subsequent insider reports. Some commenters said that the reporting deadline should be two days. One commenter supported the change but urged the CSA to consider accelerating the filing window to, at a minimum, the two-business-day window that exists in the U.S. The commenter suggested that Canada is not immune to the backdating scandal that has unfolded in the United States in recent years. The commenter has recently published research in the Canadian Business Law Journal that demonstrates that the incidence of backdating in Canada is much broader than the few Canadian companies that have publicly announced inappropriate backdating behaviour. The commenter noted that, as a result of the Sarbanes-Oxley Act, the SEC reporting regulations now require executive stock option grants to be reported to the SEC within two business days of the grant. Recent U.S. research shows that, with the introduction of a two-day reporting period, the return pattern associated with backdating is much weaker and the percent of unscheduled grants backdated or manipulated fell dramatically. The move to a two-day rule provides a much smaller window to opportunistically backdate option grants and still meet the reporting requirements.	We thank the commenters for their comments. We have not amended the proposed filing deadline of five calendar days for subsequent insider reports.
2		One commenter noted that the proposed reduction in the reporting window from ten days to five days should reduce the ability to manipulate stock option grants in Canada,	We have not made any changes in response to this comment. We think that given the significant media attention and recent enforcement

Comment #	Themes	Comments	Responses
		although not to the same extent as the U.S. two-day window. The commenter urged the CSA to consider accelerating the filing window to, at a minimum, match that which exists in the U.S.	actions in the U.S. and Canada issuers and insiders are aware of their obligations and will act in compliance with these obligations. Issuers and insiders that do not comply could face enforcement action.
3		One commenter supported the proposal to require timely disclosure of grants of stock options and similar instruments through the insider reporting system or through the issuer filing an issuer grant report. The commenter cited U.S. research that illustrated that share prices dropped systematically before the registered date of options grants, and rose systematically after the date of the grant, something that could not have happened by chance. The pattern was most pronounced prior to 2002 when U.S. companies had until the end of the fiscal year to file their options grants, giving them ample opportunity to retroactively pick favourable grant prices. The research also found that the statistical "V" that characterized prices around the grant date all but disappeared after the 2002 introduction of the Sarbanes-Oxley requirement to file insider reports about these grants within two days. The commenter cited its own 2006 study of Canadian S&P/TSX 60 options grants showed the same "V" shaped pattern, signalling that Canada did in fact have an options problem. The commenter viewed the reduction to a five-day filing window for existing filers as a major improvement but was concerned that it did not eliminate the opportunity to backdate options created by late filings. Whatever the required filing window for transactions, the *de facto* filing window stretches to the point when the report is actually filed.	We agree timely disclosure of grants of securities and similar instruments, whether through the insider reporting system or through the issuer filing an issuer grant report, allows investors to monitor whether insiders may be causing issuers to engage in improper or unauthorized dating practices including backdating, spring-loading and bullet-dodging. Under NI 55-104, reporting insiders will generally be required to file insiders reports about grants of options and similar instruments within five days of the grant. This is generally consistent with insider reporting (section 16) requirements in the U.S., which require insiders to report grants of options, phantom share units and similar equity derivatives within two business days.
4	**Proposal to accelerate reporting deadline from 10 calendar days to five calendar days – Opposition**	Eight commenters suggested the period to file insider reports should not be shorter than five business days. This would balance the need for timely information with the administrative burden of filing insider reports. Three commenters opposed shortening the reporting deadlines from 10 days to five calendar days because they thought that a shortened time period would be difficult to comply with for some insiders. One commenter was supportive of the proposal to accelerate the reporting deadline but urged	We have not amended the proposed filing deadline of five calendar days for subsequent insider reports. However, we have amended the Instrument to include a transition provision that will delay the introduction of the accelerated filing deadline until six months after the effective date. Accordingly, issuers and insiders will have an additional six months to become familiar with the new reporting

Comment #	Themes	Comments	Responses
		the CSA to consider SEDI improvements prior to implementing the accelerated reporting deadline. The commenter noted its members have found that SEDI is unduly complicated and difficult to use which has resulted in mistakes being made and late filing fees being imposed when those mistakes are rectified. As such, the commenter was concerned that those difficulties will impede the ability of insiders to report transactions within the shorter time frame proposed by the CSA. In addition, the commenter suggested that an option of five calendar days *or three business days*, whichever is later, be provided so that reporting insiders have sufficient time to file reports where a five calendar day period includes weekends and statutory holidays. One commenter believed that it was premature to accelerate the filing deadline until the System for Electronic Disclosure by Insiders (SEDI) is made more user friendly for people required to file insider reports. In addition, the commenter noted that an insider may need to seek support from the SEDI help desk or local commission staff before completing a filing. While SEDI is available seven days a week, neither the SEDI help desk nor local securities commissions are available to provide support seven days a week. Consequently, the commenter strongly recommended that the support functions are enhanced and perhaps centralized before accelerated filings are introduced.	requirements in the Instrument and to make necessary arrangements with third-party service providers. We acknowledge the comments relating to the user friendliness of SEDI from the perspective of people required to file insider reports. As explained in the Notice and Request for Comment, we anticipate that several of the proposed substantive changes to our insider reporting regime will help address concerns raised by issuers and insiders in relation to SEDI. We are continuing to review measures to improve the user friendliness of SEDI.
5	**Proposal to retain 10 day reporting deadline for initial reports**	All commenters who commented on the issue supported the retention of the current 10-day timeline for filing initial reports to accommodate new filers.	We thank the commenters for their support.
Part 4 – Proposal to ensure consistent treatment of stock options and similar equity derivatives			
1	**Proposal to ensure consistent treatment of stock options and similar equity derivatives – Support**	Seven commenters supported the proposal to ensure that cash-settled equity derivatives that have a similar economic effect to stock options are reported in a similar manner to stock options. Several commenters also made related comments in connection with the issuer grant report proposal.	We thank the commenters for their support. As explained below, we have not made any changes to the proposal to require cash-settled equity derivatives that have a similar economic effect to stock options to be reported in a similar manner to stock options.
2		One commenter supported the proposal to require timely disclosure of grants of stock options and similar instruments through the insider reporting system.	We agree that timely disclosure of grants of stock options and similar instruments is important since it allows investors, among other things, to monitor whether issuers and insiders

Comment #	Themes	Comments	Responses
		The commenter cited its own 2006 study of Canadian S&P/TSX 60 options grants that showed that option backdating was very likely occurring in Canada. The commenter noted that if backdating is the problem, then investors and regulators should also be concerned with the proliferation of other forms of compensation linked to share prices, since these are equally prone to abuse. Otherwise, compensation will simply gravitate to forms featuring less oversight and disclosure. The commenter noted that many companies are converting their conventional options, which grant the right to buy shares at a specified price, into plans that provide a cash alternative, such as: 1. Stock Appreciation Right or SARs 2. Tandem Options 3. Deferred Share Units or DSUs or 4. Performance Share Units or PSUs. The commenter noted that some companies argue that these forms of compensation are "just like cash bonuses", and therefore should not be tracked by insider filings but instead by conventional rules for disclosing compensation. Because of their link to equity prices, these instruments are just as prone to abuse as conventional options. The commenter noted that SARs and Tandem Options can be backdated in exactly the same way as conventional options by looking backwards and setting a price lower than the current share price. The commenter also provided examples of how PSUs and DSUs are subject to gaming.	may be engaging in improper or unauthorized dating practices Under NI 55-104, reporting insiders will generally be required to file insiders reports about grants of options and similar instruments within five days of the grant. This is generally consistent with insider reporting (section 16) requirements in the U.S. that require insiders to report grants of options, phantom share units and similar equity derivatives within two business days. Part 6 of NI 55-104 contains an exemption from the insider reporting requirement for a grant of options or similar instruments under a compensation arrangement, provided the issuer has disclosed the existence and material terms of the arrangement in a public filing and filed an issuer grant report in accordance with s. 6.3. We encourage issuers to assist their insiders in complying with their insider reporting requirements by, for example, making use of the new exemption in Part 6 of NI 55-104 for issuer grant reports.
3	**Proposal to ensure consistent treatment of stock options and similar equity derivatives – Opposition**	Several commenters did not support the proposal to ensure that instruments that have a similar economic effect to stock options are reported in a similar manner to stock options. *Proposed exemption for all compensation instruments* One commenter recommended that the CSA introduce a new exemption that would exempt from the insider reporting requirements all grants of securities and equity derivatives under compensation arrangements, including stock options, restricted share units (RSUs), deferred share units (DSUs), whether settled in cash, securities acquired in the market, or shares issued from treasury. The commenter suggested that these do not provide any meaningful information relating to discrete investment decisions. These arrangements are disclosed (for certain insiders) as executive and	We have not amended the Instrument in response to these comments. Part 6 of NI 55-104 contains an exemption from the insider reporting requirement for a grant of options or similar instruments under a compensation arrangement, provided the issuer has disclosed the existence and material terms of the grant in a public filing and filed an issuer grant report in accordance with s. 6.3. We do not think it is appropriate to create a separate exemption for a grant of options or similar instruments which would eliminate timely disclosure about the grant. Similarly, we do not think it is appropriate to create a separate exemption for grants of certain types of instruments – based

Comment #	Themes	Comments	Responses
		director compensation in management proxy circulars for directors and the five key named executive officers. *Proposed exemption for PSUs and RSUs* One commenter recommended excluding from the insider reporting requirements compensation instruments such as performance share units (PSUs) and restricted share units (RSUs). The commenter noted that its insiders currently report stock options and deferred share units (DSUs) and was not suggesting any changes for these instruments. In the commenter's view, options and DSUs are fundamentally different from PSUs and RSUs because insiders are making an investment decision when they exercise options or elect to take a portion of their annual incentive compensation in the form of DSUs rather than cash. However, the commenter stated that at no time does an insider make an investment decision with respect to PSUs or RSUs. Each grant of PSUs and RSUs is a compensation decision made by the person to whom the insider reports or the board of directors. These types of compensation arrangements must be disclosed pursuant to Form 51-102F6 and therefore disclosure through SEDI seems unnecessary. *Proposed exemption for cash-settled related financial instruments* Two commenters proposed that the CSA include an exemption for awards of units to insiders under compensation arrangements in respect of which • the material terms are publicly disclosed; • the alteration to the insider's economic interest occurs as a result of a pre-established condition or criterion; and • the alteration does not involve a "discrete investment decision" by the insider. One commenter noted the proposed exemption would not cover grants of stock options or other compensation arrangements that provide for or permit a conversion of a unit into securities. The commenter noted that the plans under which such units are awarded are disclosed (for certain insiders) in other public filings, such as management information circulars. The commenter questioned the need for disclosure through SEDI and suggested that the disclosure of the number of units awarded to a particular individual would not signal anything to the market or provide meaningful information to	solely on the legal form of the instrument – which would eliminate timely disclosure about the grant. *Policy rationale for insider reporting* Timely disclosure of a grant or exercise of options or similar instruments serves all of the policy reasons for insider reporting described in section 1.3 of 55-104CP. The policy reasons apply equally to grants and exercises of stock options, instruments that provide for or permit settlement in securities (physically settled instruments) and instruments that provide for or permit a payout in cash (cash-settled instruments). First, timely disclosure of a grant performs a deterrence function since insiders may be able to profit from material undisclosed information, by, for example, timing the grant prior to the announcement of favourable information. Similarly, insider reporting of cash-settled instruments performs the same deterrence function as insider reporting of options and physically settled instruments since cash-settled instruments provide the same opportunities for insiders to profit from material undisclosed information as those instruments. Secondly, the timing of a grant (or repricing of a grant) may be highly relevant information to investors since some investors rely on information about grants in making their own investment decisions. Information about the timing or repricing of a grant may be particularly relevant if insiders participate in the decision to make the grant, since the decision may be based on material undisclosed information or reflect the insiders' views about the issuer's prospects generally. See section 5.1 of Companion Policy 55-101CP and section 5.1 of Policy 55-104CP. Thirdly, insider reporting of grants or repricings of options and similar instruments allows investors to monitor whether insiders may be causing issuers to engage in improper

Comment #	Themes	Comments	Responses
		investors. One commenter noted that there is currently an exemption in MI 55-103 *Insider Reporting for Certain Derivative Transactions (Equity Monetization)* ("MI 55-103") from the requirement to report a compensation arrangement on an insider report if the compensation arrangement is publicly disclosed. This exemption has not been continued in the Instrument. While the commenter understood the CSA's desire to create a class of reportable transactions that does not distinguish between physical and cash-settled plans, the commenter suggested that providing an exemption for certain cash-settled compensation plans would be appropriate where the award does not involve • an investment decision by the reporting insider or • an ability to influence the granting of the award by the reporting insider. *Proposed carve out from definition of "related financial instrument" for cash-settled related financial instruments* Four commenters suggested that compensation arrangements that entitle insiders solely to cash payments based on the value or growth in value of shares, such as restricted share units (RSUs) and deferred share units (DSUs), should be carved out of the definition of "related financial instrument" and excluded from the insider reporting requirements as such compensation arrangements are in fact tax-deferred bonuses and are fully disclosed in annual filings such as management information circulars. One commenter suggested that, if the purposes of insider reporting are to deter improper insider trading based on material undisclosed information and providing investors with the insiders' views of an issuer's prospects, these purposes are not achieved by requiring reporting of cash-settled compensation arrangements. These types of arrangements are generally not transferable, and therefore there is no insider trading concern. Further, the disclosure of payouts under such arrangements do not provide investors with the insiders' views of an issuer's prospects. The commenter suggested disclosure of these types of arrangements through insider reporting would be a significant burden, and would not provide meaningful information to the market.	or unauthorized dating practices including backdating, spring-loading and bullet-dodging. *U.S. insider reporting requirements* Under NI 55-104, reporting insiders will generally be required to file insiders reports about grants of options and similar instruments within five days of the grant. If an issuer files an issuer grant report within five days of the grant, the insider may report the grant on an annual basis. The five-day reporting requirement is generally consistent with insider reporting requirements in the U.S. which require insiders to report grants of options, phantom share units and similar instruments within two business days. *Executive compensation disclosure requirements* The fact that grants to some insiders may also be subject to executive compensation disclosure requirements in an annual filing such as an information circular does not obviate the need for timely disclosure of such grants to investors. The insider reporting requirements and executive compensation disclosure requirements serve different purposes. Insider reporting is a form of timely disclosure, and serves the policy reasons described above. Conversely, disclosure about a grant of options or similar instruments through an information circular may not occur until more than a year after the grant. In addition, the executive compensation disclosure requirements are generally limited to the CEO, CFO and top three Named Executive Officers. Accordingly, these disclosure requirements may not cover many insiders who routinely have access to material undisclosed information and exercise significant influence over the reporting issuer. Moreover, executive compensation disclosure requirements do not require disclosure of the grant date. Accordingly, the information reported

Comment #	Themes	Comments	Responses
			by issuers may not be sufficient to determine whether the issuer may have engaged in improper or unauthorized dating practices, such as backdating, spring-loading or bullet dodging. Several commenters cite U.S. research that indicates that abnormal return patterns to insiders associated with option grants were substantially reduced in the U.S. following the acceleration of U.S. insider reporting requirements to two business days. Accordingly, we remain of the view that the insider reporting regime is the most effective regime for investors to monitor whether issuers and insiders may be engaging in improper or unauthorized dating practices including backdating, spring-loading and bullet-dodging. *Avoidance concerns* As noted by several commenters, an insider reporting system that requires insiders to file insider reports about grants of securities and instruments that are physically settled but that exempts instruments that are cash-settled would be inconsistent and would not provide an accurate picture of an insider's true economic exposure to the insider's issuer. In addition, such an exemption may invite structuring transactions to avoid disclosure, such as substituting a cash-settled plan for a physically settled plan. At least one study has previously criticized the lack of timely disclosure about grants of cash-settled equity derivatives through SEDI as a "significant loophole".
4	**Proposed exemption for "specified dispositions" under compensation arrangements**	One commenter suggested that Part 6 of the Proposed Rules include a similar exemption to that contained in Part 5 for "specified dispositions".	We have amended the Instrument in response to this comment.
5	**Other proposed exemptions based on existing U.S.**	One commenter noted that US securities laws include exemptions from the definition of "derivative securities" (for insider reporting	In many cases, comparable exemptions already exist in the Instrument. In other cases, we will consider applications for exemptive

Comment #	Themes	Comments	Responses
	exemptions	purposes) in a number of situations.	relief where the applicant can demonstrate the policy reasons for insider reporting do not apply.
6	**Other proposed exemptions based on existing exemptions in MI 55-103/BCI 55-506**	One commenter made reference to the exemptions in subsections 2.2(a), (e), (f), (g), (h), (i) and (j) of MI 55-103, and corresponding exemptions in BCI 55-506, and suggested these exemptions should be included in the Instrument. Two other commenters said the CSA had omitted the exemption that currently exists in s. 2.2(a) of MI 55-103 and subsection 3(a) of BCI 55-506. Finally, one commenter suggested that SEDI is currently not able to accommodate the type of disclosure that the proposed disclosure of economic interests requires of insiders.	Section 9.7 of the draft version of the Instrument published for comment already included all of these exemptions, except for subsection 2.2(a). We have amended section 9.7 to include an exemption analogous to the exemption that currently exists in subsection 2.2(a) of MI 55-103 and subsection 3(a) of BCI 55-506. We are not aware of any situations where SEDI is not able to accommodate the proposed disclosure of economic interests required of insiders. We note that, prior to the adoption of MI 55-103 in 2004, several commenters raised a similar comment. Accordingly, we published CSA Staff Notice 55-312 *Insider Reporting Guidelines for Certain Derivative Transactions (Equity Monetization)* to provide examples of how such arrangements could be reported.
Part 5 – Concept of “issuer grant report”			
1	**Concept of “issuer grant report” – Overview**	Ten commenters supported the concept of the issuer grant report, subject to their comments relating to the question of whether the report should be filed on SEDAR, SEDI and the appropriate deadline for filing the report. Several commenters agreed this would encourage issuers to assist their insiders in the reporting of option grants and should reduce late insider filings. Three commenters did not support the proposal for an issuer grant report, primarily due to concerns that filing the report on SEDAR would result in fragmented insider disclosure and may result in delayed public disclosure of option grants. Four commenters did not oppose the issuer grant report but believed it would be of limited benefit. One commenter suggested that the exemption from insider reporting under the issuer grant report provisions would be of minimal benefit to significant shareholders (since the securities must continue to be disclosed under the early warning reporting regime) and may lead to inconsistent disclosure in the market.	We thank the commenters for their support. As a result of the comments received, we have amended the proposal to permit an issuer to file the issuer grant report on SEDI rather than SEDAR. The instrument would now enable, the issuer grant report to be filed in a similar manner to an “issuer event report”. Accordingly, if an issuer files an “issuer grant report” on SEDI within five days of a grant, each insider recipient of the grant will be exempt from the requirement to file an insider report within five days of the grant and may instead file an alternative report on an annual basis.

Comment #	Themes	Comments	Responses
2	**Concept of "issuer grant report" –SEDI v. SEDAR**	Two commenters agreed with the CSA's proposal that the issuer grant report be filed on SEDAR first, pending necessary changes being made to SEDI. One commenter suggested there should be a separate category created on SEDAR for purposes of filing issuer grant reports and other insider related reports. Thirteen commenters suggested the issuer grant report should be filed on SEDI rather than SEDAR.	We thank the commenters for their support. As a result of the comments received, we have decided to amend the proposal to permit an issuer to file the issuer grant report on SEDI rather than SEDAR. The instrument would now enable the issuer grant report to be filed in a similar manner to an "issuer event report". Accordingly, if an issuer files an "issuer grant report" on SEDI within five days of a grant, each insider recipient of the grant will be exempt from the requirement to file an insider report within five days of the grant and may instead file an alternative report on an annual basis.
3	**Concept of "issuer grant report" – Concern over lack of timely disclosure of option grants**	One commenter was concerned that annual reporting of grants was not sufficiently timely, particularly given the disparity that will result on SEDI profiles for such reporting insiders. The commenter supported necessary changes being made to SEDI to enable filing of the issuer grant report, to make it simpler for investors to gain a complete understanding of insider positions and to make it easier for filers to keep profiles up to date. One commenter indicated it did not intend to use an issuer grant report. Use of such a report increases the administrative burden and the delayed filing of grants issued to reporting insiders reduces the meaning and impact of the reports currently captured on SEDI. The commenter objected to the annual filing of option grants, as SEDI would no longer reflect a complete record of holdings. The filing of annual accumulations under automatic securities plans is generally immaterial, whereas stock option grants, for example, can be material.	The deadline for an issuer to file an issuer grant report is effectively within five days of the grant. This is because, in order for a reporting insider to be able to rely on the exemption in Part 6, the insider must first confirm that issuer has previously filed an issuer grant report. Accordingly, if an issuer chooses to file an issuer grant report with a view to assisting its insiders with their reporting obligations, there will continue to be timely public disclosure of the grant.
4	**Concept of "issuer grant report" – Timing – Ambiguity**	Three commenters suggested it was unclear whether the issuer grant reports needed to be filed within five days of the grant or within 90 days of the end of the calendar year.	The deadline for an issuer to file an issuer grant report is effectively within five days of the grant. This is because, in order for a reporting insider to be able to rely on the exemption in Part 6, the insider must first confirm that issuer has previously filed an issuer grant report.
5	**Concept of "issuer grant report" – Timing – Date of grant**	One commenter suggested that the onus for filing reports about stock option grants should rest on the corporation and not on the insider, and this obligation should arise on the day the	We have not amended the Instrument in response to this comment.

Comment #	Themes	Comments	Responses
		options are granted. Reporting issuers should not have the option of filing such reports, as is proposed in NI 55-104. Reporting by the corporation should be mandatory. Second, companies granting executive stock options should be required to issue a public press release on the *day of* an option grant (and any amendments to existing options). The commenter noted this is the practice currently in place for companies listed on the TSX Venture Exchange. Through this requirement, the ability to backdate should be eliminated completely and at a relatively low cost in terms of regulatory resources.	Currently, timely disclosure of grants (or repricings) of options and similar instruments is achieved through the insider reporting system. There does not currently exist a timely disclosure obligation on issuers to report grants of options or similar instruments, other than through certain exchange requirements, unless such a grant is considered a material change. So long as the reporting obligation rests with the insider recipient, it is necessary to balance the interest in investors in timely disclosure about grants or repricings with the interest in not imposing an undue burden on insiders in being able to comply with their obligations.
6	**Concept of "issuer grant report" – Timing – Proposal for annual filing only**	One commenter requested the CSA consider revising the exemption so that issuers could report option grants to insiders for the year within 90 days of the year end, instead of five days after <u>each</u> grant. The commenter believed that the <u>annual</u> reporting of option grants to insiders would be sufficiently timely as option grants are not exercisable and do not vest, generally, until at least one year after issuance. Options grants comprise a part of an individual's compensation and do not, upon award, reflect an investment decision made by the option grant recipient and do not indicate receipt of or access to insider information regarding an issuer's securities by an option grant recipient. Reporting issuers will have also made extensive disclosure regarding options grants and programs in particular and compensation in general in compliance with continuous disclosure obligations. Finally, the commenter believed the CSA should not limit the ability to file an issuer grant report to stock options. The commenter suggested that this proposal should be extended to any reportable interest that is granted from an issuer to an insider. This would harmonize the reporting requirements for different types of securities which is one of the stated aims of the Proposed Instrument.	We have not amended the Instrument in response to this comment. As explained in Part 4 above, timely disclosure of a grant of options or similar instruments serves all of the policy reasons for insider reporting described in section 1.3 of 55-104CP. The fact that grants to some insiders may also be subject to executive compensation disclosure requirements in an annual filing such as information circular does not obviate the need for timely disclosure of such grants to investors. Disclosure about a grant of securities or RFIs through an information circular may not occur until more than a year after the grant.
7	**Concept of "issuer grant report" – Timing – Filing deadline for**	Seven commenters supported retaining the current 90-day filing deadline for filing annual insider reports.	We have amended the annual filing deadline for the alternative report contemplated by Parts 5 and 6 of the Instrument to refer to a precise deadline of March 31.

Comment #	Themes	Comments	Responses
	alternative report	One commenter recommended the CSA set a precise deadline of March 31. The commenter also recommended this March 31 deadline be extended to apply to all automatic securities purchase plans.	
8	**Concept of "issuer grant report" – Proposal for aggregated disclosure**	One commenter recommended that disclosure required in an issuer grant report be amended to require disclosure on an aggregate basis only, and not with respect to each director or officer. In the case of officers, this could potentially include a very long list of people, including people who are not otherwise subject to executive compensation disclosure requirements. The reference to "acquisition of securities" in section 6.2 and section 6.4 is not clear. It should be clarified whether this is intended to apply to grants and exercises, in the case of option-based compensation arrangements, and to grants and vesting, in the case of other types of arrangements (non-option based).	We have not amended the Instrument in response to the proposal that information be provided on an aggregate basis. As noted above under Part 4, the fact that certain reporting insiders may be subject to executive compensation disclosure requirements does not obviate the need for disclosure of a grant through the insider reporting system. The reference to "acquisition of securities" in Part 6 includes both an acquisition of options or similar instruments at the time of the grant, and the acquisition of underlying securities at the time of exercise. CSA staff will include additional guidance relating to the reporting of compensation arrangements in CSA Staff Notice 55-308.
9	**Other – Require option grant terms to be set at the time of disclosure**	One commenter suggested that the insider reporting could be made more effective in one of two ways: 1) Require that option grant prices and terms be set on the date they are filed with regulators. 2) Require that option grant prices and terms be set in a public press release. Under currently proposed rules, whether 5 days or 10 days, if insiders file late then *the window for backdating is extended to the date of actual filing*, allowing a much greater opportunity for abuse. The commenter suggested that the penalties for late filing are not significant enough to dissuade this behaviour.	We have not amended the Instrument in response to the proposal. We agree that timely disclosure of grants of options and similar instruments is important since it fulfils each of the policy reasons for insider reporting described in section 1.3 of the Policy. Accordingly, we agree that the insider reporting system should seek to ensure there is timely disclosure about a grant. However, while the commenter's suggestions may have the effect of enhancing the timely disclosure of a grant, they would also interfere with the ability of an issuer set the terms of a grant. In addition, requiring that option grant prices and terms be set on the date they are filed with regulators may be inconsistent with existing tax and stock exchange requirements relating to grants.

Comment #	Themes	Comments	Responses
Part 6 – Disclosure of late insider filings in information circulars			
1	**Disclosure in shareholder meeting information circulars – Support**	Three commenters supported this proposal.	We have decided to withdraw this proposal at this time. However, we may reintroduce a modified version of this proposal in the future, at the time we publish for comment proposals that would harmonize late fees and other consequences of late insider filings. We will make a decision on whether to reintroduce this proposal based in part on consideration of other aspects of the harmonization proposals, including the proposed level of late fee and whether the proposal includes disclosure of late filers on CSA member websites, SEDI or elsewhere. We will also consider the general level of compliance by reporting insiders with the new requirements after the completion of an initial six-month transition period. If we reintroduce this proposal, it will be subject to a further public comment process.
2	**Disclosure in shareholder meeting information circulars – Opposition**	Fifteen commenters did not support this proposal. However, many of these commenters did support harmonization of the consequences of late insider filings across jurisdictions. Commenters cited the following reasons among others for their opposition: • Insider reports may be late for many reasons, many of which are innocent or inadvertent. Requiring such disclosure may imply a degree of materiality to the information which is in and of itself misleading. • Implementing this proposal effectively imposes a “sanction”. Disclosure would be required when in fact there is no substantive adjudication of wrong-doing. One result of requiring such disclosure will be to provide a significant incentive for everyone subject to a late insider reporting fee with an explanation to contest that finding, adding more cost and stress to the system, to little benefit to anyone. • This type of information will not generally come within the categories of information which meet the primary objective of the preparation and distribution of an	While we do not necessarily agree with certain of these comments, we have decided to withdraw this proposal at this time. However, we may reintroduce a modified version of this proposal in the future, at the time we publish for comment proposals that would harmonize late fees and other consequences of late insider filings. We will make a decision on whether to reintroduce this proposal based in part on consideration of other aspects of the harmonization proposals, including the proposed level of late fee and whether the proposal includes disclosure of late filers on CSA member websites, SEDI or elsewhere. We will also consider the general level of compliance by reporting insiders with the new requirements after the completion of an initial six-month transition period. If we reintroduce this proposal, we will provide more detailed responses to these comments at that time. If reintroduced, the proposal would be subject to a further public comment process.

Comment #	Themes	Comments	Responses
		information circular, which is to provide information reasonably relevant for shareholders to vote in respect of the election of directors. • It may be inefficient and unduly harsh to both impose late filing fees and to subject those same late filers to public disclosure. In other jurisdictions where there is public disclosure of late filers, late filing fees are not also imposed, and that public disclosure has been an effective deterrent. A dual penalty is not necessary to accomplish effective deterrence and the additional cost may therefore be undue. • Securities regulators in several Canadian jurisdictions already publish information about late filings, so the information is publicly available and clearly associated with each insider's name. In addition, many reporting insiders are not directors, so including this information in an information circular bears little relevance to the core function of the circular's disclosures about individuals and director elections and would serve limited use if the same information is already publicly available through regulators. • The current deterrents of fines and publication of the event by regulators are sufficient and proportionate to the problem of late filing, such that requiring disclosure of late filing details by the issuer would often be excessive. However, should publication by issuers become a requirement, only insiders who have multiple late filings in a reasonably prescribed time period should be subject to the requirement. This would avoid unduly harsh treatment where a *de minimis* late filing has occurred, for whatever reason, since filing deadlines are currently treated as a strict compliance requirement. • An individual who has received a penalty or sanction has had the opportunity to present a defence before an impartial arbiter; an individual who receives a late filing fee has no such opportunity. To elevate late filing fees to the same disclosure status as a penalty or sanction seems unduly excessive. • The issuer is responsible for the accuracy of the disclosure in its information circular. In the commenter's case, the issuer does	

Comment #	Themes	Comments	Responses
		not file insider reports for its insiders and therefore is not aware if these reports are filed late or have been subject to late filing fees. If the CSA required the issuer to disclose late filing fees in its information circular, the issuer would have to develop new processes to gather this information. Information Circulars are becoming very detailed and complex thereby running the risk of salient information being overlooked. The commenter agreed that shareholders should readily be able to find information on late filing insiders if they so choose to, and recommended that a listing of late filing insiders be filed on SEDAR by issuers, similar to the SEDAR filing currently used for an issuer's annual report on voting. Such a stand-alone SEDAR filing would be accessible and easily searchable by any shareholder wanting to find such information. Such a report could be completed annually by issuers and filed under a special report name.	
Part 7 – Specific Requests for Comment (Appendix A to the Notice and Request for Comment) not otherwise discussed			
1	**Definition of "significant shareholder" – amendment to refer to "any class" of voting securities – Support**	Five commenters suggested the significant shareholder determination should be based on "any class of the issuer's outstanding voting securities". This would be consistent with the current requirements of item 6 of Form 51-102F5. The CSA should clarify that, when determining securityholder ownership, an insider is entitled to rely on the most recent information provided by the issuer in its continuous disclosure, as permitted by section 2.1 of National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* ("NI 62-103"). One commenter argued any consideration of the insider reporting regime should include a consideration of the relationship between the insider reporting regime and early warning reporting regime. The relationship between the two regimes is of particular importance to insiders who are significant shareholders. The commenter urged the CSA to conform the calculation of the 10% threshold in the two regimes to the maximum extent possible. The commenter argued the benefits of calculations which are consistent in both regimes far outweigh policy reasons for using different tests.	We thank the commenters for their comments. We have decided it is not appropriate at this time to amend the definition of significant shareholder, and to seek legislative amendment of the corresponding provisions in the definition of insider, to replace the language "all of the issuer's outstanding voting securities" with "any class of the issuer's outstanding voting securities". We agree with the suggestion that, when determining securityholder ownership, a person or company should be entitled to rely on the most recent information provided by the issuer in its continuous disclosure, unless the person or company is aware the information is inaccurate, and have added a new provision to Part 1 of the Instrument based on section 2.1 of NI 62-103.

Comment #	Themes	Comments	Responses
2	**Definition of “significant shareholder” – amendment to refer to “any class” of voting securities – Opposition**	Seven commenters did not support amending the definition of significant shareholder to include those holding 10% of the voting rights attached to any class of the issuer’s outstanding voting securities instead of all of the issuer’s outstanding securities. Two commenters noted that control over 10% of the votes may not provide a shareholder with meaningful access to material undisclosed information of, or influence over, a reporting issuer. The proposed change would be inconsistent with the rationale of the reporting insider concept, since it expands the number of potential reporting insiders without reference to access or influence. Furthermore, depending on an issuer’s capital structure, the proposed change could include shareholders that hold an inconsequential percentage of votes of a reporting issuer on a fully diluted basis. It is more relevant to consider a person’s shareholdings within the entire structure. Given that insider reporting and the early warning system have different purposes, the commenter did not see any inconsistency in maintaining the current difference in the reporting threshold. Some commenters noted that, for early warning purposes, the test should be based on a class-by-class basis whereas it makes sense to base the insider reporting threshold on “all of the issuer’s outstanding voting securities”, since the underlying rationale of the insider reporting requirements relates to influence over the reporting issuer. Accordingly, they did not support changing the disclosure threshold for a “significant shareholder” so that it is calculated in respect of voting securities on a class-by-class basis.	We thank the commenters for their comments. We have decided it is not appropriate at this time to amend the definition of significant shareholder, and to seek legislative amendment of the corresponding provisions in the definition of insider, to replace the language “all of the issuer’s outstanding voting securities” with “any class of the issuer’s outstanding voting securities”. However, we will consider this further and may propose this amendment in the future. We agree with the suggestion that, when determining securityholder ownership, a person or company should be entitled to rely on the most recent information provided by the issuer in its continuous disclosure, unless the person or company is aware the information is inaccurate, and have added a new provision to Part 1 of the Instrument based on section 2.1 of NI 62-103.
3	**Definition of “significant shareholder” – use of the term “significant shareholder”**	Two commenters were concerned about the CSA’s use of the term “significant shareholder” because its definition in the Instrument diverges from the definition of “significant shareholder” provided in the Universal Market Integrity Rules (UMIR) and therefore may cause confusion. One commenter suggested that the CSA address this issue either by harmonizing the thresholds or changing the defined term.	We acknowledge the comment. However, we have not amended the instrument as we think the term facilitates readability and that the potential for confusion between the insider reporting regime and the UMIR regime is limited.
4	**Concept of “post-conversion beneficial ownership” – support – inclusion of 60-day**	Several commenters supported harmonization of the insider reporting regime with the early warning regime. Several commenters suggested it should be clarified that the calculation basis is the same for both regimes. In those instances where the number of shares issuable on conversion is not	We have not amended the definition of “significant shareholder based on post-conversion beneficial ownership” as we think such shareholders should have the same reporting requirements as significant shareholders. Accordingly, the test for 60-day convertibles in the early warning

Comment #	Themes	Comments	Responses
	convertibles – Support	fixed at the time of issuance of the convertibles, insider reporting may be difficult. If possible, the ability to explain the conversion feature should be added to the form of insider report without having to disclose a specific number of shares. No exemption for "out of the money" convertible securities should be provided since this would make monitoring more complicated. One commenter urged the CSA to conform the concepts of post-conversion beneficial ownership within the insider reporting and early warning reporting regimes to the maximum extent possible. One commenter supported the concept but suggested an exemption for out-of-the-money convertibles once an appropriate threshold had been identified.	regime and the insider reporting regime are substantially harmonized. We have also amended subsection 3.2(2) to clarify that, if a significant shareholder based on post-conversion beneficial ownership is a reporting insider of an issuer, every director and CEO, CFO and COO of the shareholder will also be reporting insiders for that issuer.
5	**Concept of "post-conversion beneficial ownership" – inclusion of 60-day convertibles – Opposition**	Several commenters opposed this proposal. Two commenters suggested the calculation of the 10% threshold for the definition of "significant shareholder" should not be based on the concept "post-conversion beneficial ownership". The underlying rationale of the insider reporting requirements relates to influence over the reporting issuer. A security holder holding less than 10% of an issuer's voting rights on a pre-conversion basis is generally not in a position to exercise sufficient influence until the conversion rights are exercised and further voting securities are acquired. Therefore, it is not appropriate for the security holder to be considered a "significant shareholder" until it actually has those voting rights. The commenter also suggested that it is inappropriate to include convertible securities that are significantly out of the money in making such this calculation, since it may be unlikely such conversion rights will ever be exercised. Nevertheless, a commenter acknowledged that under U.S. rules, the basis for determining whether a shareholder holds at the 10% level for early warning and insider reporting purposes is the same, and that beneficial ownership of the underlying securities includes ownership of convertible securities if they are convertible within 60 days. Accordingly, the proposal would be more consistent with U.S. rules.	Please see response in 4.
6		One commenter noted that harmonizing the determination of beneficial ownership for the purposes of insider reporting with deemed	Please see response in 4.

Comment #	Themes	Comments	Responses
		beneficial ownership in the context of the take-over bid and early warning requirements may lead to unnecessary reporting. Although the anti-avoidance rationale applies equally to insider reporting, the specific mechanisms used in the take-over bid and early-warning provisions may not be appropriate in the context of insider reporting.	
7		One commenter suggested that introducing the concept of post-conversion beneficial ownership is problematic. While used in the early warning reporting context, it causes significant problems in the case of out-of-the-money convertible securities and leads to strange results by failing to account for the entire class of subject securities on a fully diluted basis. For example, a holder of a portion of an issue of special warrants may be subject to a reporting obligation despite the fact that, if all of the special warrants are taken into account, the holder would not be a “significant shareholder.” For early warning purposes there is sufficient flexibility to explain this. SEDI filings do not allow for such explanations. In the first instance the commenter recommends against it. However, if such proposal is to go forward, the commenter would recommend permitting the calculation to be done on a fully-diluted basis and excluding counting convertible securities that are out-of-the-money. These comments apply to proposed NI 55-104, and on a broader basis, to the early warning reporting requirements as well.	Please see response in 4.
8		Regarding the CSA’s request for comment on whether convertible securities (such as options) that are significantly “out of money” should be exempted from post-conversion beneficial ownership calculation for the purposes of determining insider status, a commenter noted that the description “significantly out of money” is vague and recommends that the CSA add a definition of the term to the Proposed Instrument. If the CSA proceeds with introducing the concept of “post-conversion beneficial ownership”, the commenter agrees that convertible securities that are significantly “out of money” should be exempted. In addition, the commenter agrees that “eligible institutional investors” should be exempted from the post-conversion beneficial ownership calculation. One commenter did not believe that introducing the concept of “post-conversion beneficial ownership” from the early warning regime into	Please see response in 4.

Comment #	Themes	Comments	Responses
		the insider reporting regime is appropriate. Insider reporting is based on routine access to material undisclosed information and significant influence over a reporting issuer. Generally these thresholds are crossed by individuals who have seniority at an issuer or individuals who have access based on holding voting securities. The commenter does not feel it is appropriate for the insider reporting requirement to be triggered earlier because there is no correlation between a holding of a convertible security and routine access to material undisclosed information and significant influence over a reporting issuer.	
9		One commenter proposed that institutional investors, such as development capital funds, should be exempt from the application of this definition for insider reporting purposes. The commenter believed these new provisions would have a significant impact on the Funds. As part of its operations, the Funds purchase securities and financial instruments related to the securities of issuers and reporting issuers in which they invest, which are convertible. The conversion right attached to these securities and related financial instruments, whether automatic or exercised at the option of the Funds, is usually subject to the occurrence of an event of default or future events which are unknown at the time of purchase. The commenter does not believe it advisable to calculate the interest in an issuer taking into account the post-conversion beneficial ownership of financial instruments which may never be converted and to which no voting right is attached prior to the conversion. The commenter believes current practice is more than adequate as it requires that the convertible financial instruments held by an insider be reported without being used to determine its interest in the issuer and thereby cause it to become an insider.	As explained in the Notice, the concept of "significant shareholder based on post-conversion beneficial ownership" is based on a similar concept which exists in the early warning regime. Accordingly, development capital funds are already required to take into account the post-conversion beneficial ownership of financial instruments when determining their early warning reporting requirements.
10	**Report by certain designated insiders for certain historical transactions – Support**	One commenter supported the proposal to require designated insiders to file insider reports in accordance with the deemed insider look-back provisions in paper format on SEDAR. The commenter agreed that these filings commonly arise in a take-over bid and it makes sense for market participants to view these filing in conjunction with other filings on SEDAR relating to the take-over bid. Such filings should be made on SEDAR in a category specifically designated for insider related reports.	We have amended the deemed insider look-back provisions to limit the application of these provisions to directors and the CEO, CFO and COO. Please see subsections 1.2(2) and (3) and section 3.6 of the Instrument. In addition, we have responded to the concerns expressed by a large majority of the commenters that insider reports should be accessible in one location and amended the

Comment #	Themes	Comments	Responses
			provisions so that these reports must be made on SEDI rather than SEDAR.
11		One commenter noted that, while the CSA has reduced the number of insiders that need to file insider reports by creating the concept of a reporting insider, it does not appear that this logic has been applied to the look back provisions included in section 3.6 of the Instrument. The commenter recommended that the CSA amend the look back provision so that instead of applying to all officers, the look back only applies to the officers that are identified in the reporting insider concept. Some commenters supported the CSA's desire to harmonize the deemed look back provisions by including them in the Instrument. These commenters do not believe that filing on SEDAR is an appropriate solution. Some said that SEDAR is a proprietary system that is not web based. Consequently, insiders cannot file on SEDAR without hiring a filing agent. Several commenters think the filing must remain on SEDI. Nonetheless, it urges the CSA to continue to try to address this issue. One commenter suggested one approach might be to modify SEDI to make it clear when a look back filing is being made.	We have amended the deemed insider look-back provisions to limit the application of these provisions to directors and the CEO, CFO and COO. Please see subsections 1.2(2) and (3) and section 3.6 of the Instrument. In addition, we have amended the provisions so that these reports must be made on SEDI.
Part 8 – Consequential Amendments			
1	**Consequential Amendment to the Early Warning Regime** **NI 62-103**	One commenter disagreed with the proposal to amend NI 62-103 to exclude the supplemental insider reporting obligation from the scope of the insider reporting exemption in NI 62-103. The commenter noted this would require eligible institutional investors to report all transactions under the supplemental insider reporting obligation on SEDI within 5 days, while allowing them to report aggregate changes in direct ownership over the 2.5% thresholds on a monthly basis on SEDAR under the alternative monthly reporting system. The commenter suggested that the concern that derivative transactions may not be captured in NI 62-103 would be better addressed through conditions to the insider reporting exemption in NI 62-103.	We agree with this comment and have revised the proposed amendment to NI 62-103. As a result of this change, an eligible institutional investor will be exempt from the insider reporting requirement, including the requirements relating to related financial instruments and agreements, arrangements and understandings contemplated by Part 4 of NI 55-104, if the eligible institutional investor includes similar disclosure in its early warning filings.
2		One commenter stated he did not agree with the proposed changes to NI 62-103. The commenter suggested that, contrary to the suggestion under paragraph 9 of the request for comments, s. 2.2(c) of MI 55-103 exempts	We have amended the proposed amendments to NI 62-103 in response to this comment and the similar comment above.

Comment #	Themes	Comments	Responses
		eligible institutional investors from equity monetization reports in the same way that Part 9 of NI 62-103 exempts eligible institutional investors from the insider reporting requirement generally. This is appropriate, as the structure of the alternative monthly reporting system was designed to enable eligible institutional investors to only review their holdings on a monthly basis. A similar approach should apply under the proposed amendments as currently exists. The proposed amendments would result in imposing a requirement upon an eligible institutional investor to disclose interests covered by Part 4 of NI 55-104 even though such investor would not have any corresponding requirement to file an initial insider report outside of the alternative monthly reporting systems.	As a result of this change, an eligible institutional investor will be exempt from the insider reporting requirement, including the requirements relating to related financial instruments and agreements, arrangements and understandings contemplated by Part 4 of NI 55-104, if the eligible institutional investor includes similar disclosure in its early warning filings.
3		One commenter urged the CSA to consider the provisions contained in NI 62-103 in conjunction with its consideration of the insider reporting regime, as NI 62-103 contains an alternative reporting regime relied upon by a notable reporting segment of Canadian capital markets.	We will consider these comments as part of a broader initiative to review the early warning regime.
4	**NI 62-103 – Opposition to alternative monthly reporting system**	One commenter opposed the alternative reporting system in Part 4 of NI 62-103 part 4 and the associated exemption from the insider reporting requirement in Part 9 of NI 62-103. The commenter suggested that all significant shareholders should be required to file on SEDI and called for the elimination of the exemption in NI 62-103 for eligible institutional investors. The commenter suggested that having a dual reporting structure is costly and confusing for investors and does not promote transparency. Instead, it provides an advantage to large domestic investors who have the resources to monitor the flood of mid-month alternative report filings on SEDAR. While the interests of eligible fund holders and pension plan participants are important, the interest of transparency for all global investors is paramount.	We have not amended the Instrument in response to this comment. We will consider these comments as part of a broader initiative to review the early warning regime.
5	**Part 4 of NI 55-104 - Supplemental insider reporting requirement for derivatives**	One commenter supported Part 4 of the Instrument to the extent that only monetization transactions are covered by this new provision and assuming the provision did not include other types of trading in derivatives.	As explained in the Policy, the supplemental insider reporting requirement is consistent with the former insider reporting requirement for derivatives that previously existed in some jurisdictions under former MI 55-103. However, because Part 3 of the Instrument requires insiders, as part of the primary insider reporting

Comment #	Themes	Comments	Responses
			requirement, to file insider reports about transactions involving "related financial instruments", most transactions that were previously subject to a reporting requirement under former MI 55-103 will be subject to the primary insider reporting requirement under Part 3 of the Instrument.
Part 9 – Future Initiatives			
1	**Harmonized filing fees**	The majority of commenters who commented on this issue supported the proposed future initiative of harmonizing late filing fees. One commenter stated it makes no sense to have non-uniform rules for late filing depending on provincial jurisdiction. The commenter recommended that the fee schedule be harmonized across Canada. As regards the amount, the commenter concluded that the token amount will not be a deterrent for late filers if it offers them advantage. The CSA should also reveal how it will treat chronic late /incomplete or non-filers. One commenter believed that the current fees set out in section 274.1 of the QSA, namely, $100 per failure to report for each day during which the insider is in default up to a maximum $5,000 fine, are not high enough to deter offenders. In the commenter's opinion, this harmonization should include the most stringent penalties. In this regard, Québec is the most strict regulatory authority. The commenter suggested that the $5,000 ceiling be abolished and that wrongdoing and non-compliant conduct be punished according to how extensive it is. The commenter also recommended that late insider trading reports indicate the amount of the trades in question as well as the fees charged to offenders. One commenter urged the CSA to review late insider reporting fee requirements, especially in light of the proposed contraction of the filing requirement to five days. Because the current regime varies from jurisdiction to jurisdiction, and is variously applied, it is difficult for market participants to understand and quantify the consequences of late insider reporting. In addition, the commenter suggested it was appropriate to impose a maximum fee payable across all jurisdictions. The commenter suggested that the calculation of fees in some jurisdictions is excessive.	We thank the commenters for their comments.

<table>
<tr><th>Comment #</th><th>Themes</th><th>Comments</th><th>Responses</th></tr>
<tr><td></td><td></td><td>One commenter recommended that the CSA harmonize late filing fees across Canadian jurisdictions and eliminate the imposition of a late filing fee where the lateness only occurred as a result of rectifying an error on the original report filed within the deadline.</td><td></td></tr>
<tr><td>2</td><td>Hidden ownership and empty voting</td><td>One commenter stated that one area that has been of concern is that of empty voting by hedge funds and other entities. The commenter requested that the CSA clarify the rules surrounding securities lending and ownership/voting rights. Such votes distort the marketplace and can lead to disenfranchisement for retail investors. In particular, the commenter asked the CSA to consider rescinding the right for a mutual fund to engage in securities lending. This lending adds significant risk to fund unitholders while providing minimal benefit.

One commenter noted that this increasingly widespread use of derivatives by hedge funds in connection with proxy battles and take-over bids has encouraged, over the past year:
“over 40 New York Stock Exchange-listed US companies (to amend) their bylaws to require shareholders nominating directors for election to state their shareholdings, including any derivatives that provide the shareholder with economic exposure to the company’s shares;
“ … some US issuers (to amend) their shareholder rights plans … to expand the definition of beneficial ownership contained in such documents to include equity swap positions.”
The commenter thinks that the Canadian regulatory authorities should be more proactive.

One commenter noted (in connection with the comment re post-conversion beneficial ownership)

“We are a reporting issuer that is committed to transparency and believe that investors should be similarly committed. In fact, it is disingenuous that investors can demand full transparency from a reporting issuer while remaining largely in the shadows themselves. We want to know who our shareholders are and how we may engage them in understanding their investment.”</td><td>We thank the commenters for the comments.

As explained in the Notice, we are reviewing the recent reform proposals in other jurisdictions and are considering developing similar proposals for Canada. We will consider the comments in the course of developing these proposals.

The CSA are reviewing issues relating to empty voting and securities lending as part of a separate initiative.</td></tr>
</table>

Comment #	Themes	Comments	Responses
3	**Enforcement of insider reporting requirements**	One commenter was critical of the level of enforcement of insider reporting and other securities law requirements and stated that rules without enforcement are of little value. The commenter expected the CSA to enforce these reporting rules with vigour and to report annually on the statistics, late filing fees paid, other sanctions applied, SEDI and enforcement process improvements etc.	As explained in Part 10 of 55-104CP, it is an offence to fail to file an insider report in accordance with the filing deadlines prescribed by the Instrument or to submit information in an insider report that is materially misleading. Part 10 outlines the potential penalties, sanctions and other consequences that may result from non-compliance. The CSA expect issuers and insiders to comply with their obligations and will take enforcement action where appropriate in the case of serious or repeated non-compliance.
4		One commenter suggested the consequences (i.e., penalties) attached to a failure to comply with insider reporting requirements relating to grants of options must be sufficiently meaningful to promote compliance. The commenter cited U.S. research that shows clearly that the evidence of backdating is amplified when the report of an option grant is filed late. The commenter suggested that current CSA late filing fees do not appear to be a significant deterrent, even if rigorously enforced.	Please see response in 3.
5		One commenter was most concerned about the insider who uses complex arrangements to avoid filing and detection. In such cases, regulators must have at their disposal very harsh penalties. This would not only promote justice, but also raise the stakes for those considering undertaking nefarious activities such as hidden ownership empty and parked voting strategies and, perhaps most importantly, nominee offshore accounts.	Please see response in 3.
6	**Other – Transitional Period**	Several commenters suggested the CSA include a transitional period of 6 months to make sure insiders will be familiar with their new insider reporting requirements.	We have amended the Instrument to include a transition provision that will give insiders additional time if they need it to comply with the new insider reporting requirements. Accordingly, issuers and insiders will have an additional six months to become familiar with the new reporting requirements in the Instrument and to make necessary arrangements with third-party service providers.
7	**Other – Mutual Funds**	One commenter questioned why mutual funds are exempted from insider reporting in those cases where the fund family is a significant shareholder as a result of the cumulative ownership of shares in its many mutual funds.	Section 9.1 of the Instrument provides an exemption from the insider reporting requirement for an insider of an issuer that is a mutual fund. The exemption applies to transactions

Comment #	Themes	Comments	Responses
		To a large extent, investment funds **are** the market in Canada. They certainly have *control and direction* over the shares and bonds. In the case of the fund companies that have brokerage affiliates, banking or investment banking operations, the conflict of interest can be significant. These funds clearly have voting rights which they can and do exercise and report upon, albeit with significant delay. When they make trades, the impact can be significant to the market. Indeed the impact may be greater than any one individual insider that is required to file transactions.	involving units of the mutual fund. To the extent a mutual fund is significant shareholder of another reporting issuer, the mutual fund will be required to file insider reports relating to that reporting issuer in the normal manner.
8	**Other – Broker DRIPS**	One commenter noted the Instrument continues to define an "automatic securities purchase plan" to include, in part, issuer-established dividend reinvestment plans meeting the other requirements of the definition. Many brokerages offer "broker dividend reinvestment plans" that automatically use dividends received in the brokerage account to purchase additional securities of the issuer that made the dividend payment. Provided that such plan meets the other requirements of a "automatic securities purchase plan" set out in the definition, it is not clear why reporting insiders participating in such plans would not have the benefit of deferred reporting. The commenter recommended removing the requirement that that the plan be issuer-established in order to be eligible for deferred reporting.	We have not amended the Instrument in response to this comment. We will consider applications for relief in appropriate circumstances.
9	**Other – Sales to address margin requirements**	One commenter recommended that insiders be required to disclose purchases or sales of securities using margin arrangements with brokerages. The commenter suggested considering whether a new SEDI code should be implemented that identifies a "public market margined acquisition/disposition". This would identify at the time of purchase or sale that the insider transacted on margin. There may be better solutions to tackle this problem, but the issue needs to be addressed.	We have not amended the Instrument in response to this comment. The Canadian insider reporting regime generally does not require an insider to explain the reasons for a transaction although an insider may choose to do so through the general remarks section on SEDI or through other public disclosure.
10	**Other – Guidance re "indirect trades"**	One commenter requested additional guidance regarding the required filings for "indirect" trades by insiders through corporations. The commenter did not think the existing rules clearly enough define which partly owned corporations are insiders themselves and which trades by such partly owned corporations have to be shown as an indirect trade by the insider.	We have included guidance in the Policy relating to the meaning of the terms "beneficial ownership" and "control or direction". As explained in Part 3 of the Policy, reporting insiders must file insider reports in respect of transactions in securities over which the insider has or shares "control or direction". A person will generally have or share control or direction over securities if the person, directly or indirectly,

Comment #	Themes	Comments	Responses
			through any contract, arrangement, understanding or relationship or otherwise has or shares • voting power, which includes the power to vote, or to direct the voting of, such securities and/or • investment power, which includes the power to acquire or dispose, or to direct the acquisition or disposition of such securities.
11	**Other – definition of "economic exposure" – proposal for exemption from Part 4 based on lack of knowledge**	One commenter suggested that, if an insider is unaware that its economic exposure to the reporting issuer (or interest in its securities) has altered in particular circumstances, there should not be a requirement for the insider to file a report under NI 55-104, so long as the insider remains unaware of the alteration.	Section 9.7(d) of the Instrument contains an exemption from the Part 4 requirement for a reporting insider who did not know and, in the exercise of reasonable diligence, could not have known of the alteration to economic exposure described in section 4.1 of the Instrument. We have amended the Instrument to include an exemption from the Part 4 requirement corresponding to subsection 2.2(a) of MI 55-103 and subsection 3(a) of BCI 55-506.
12	**Other – definition of "issuer event"**	One commenter recommended that the definition of "issuer event" be amended to include issuer repurchases or that another exemption be added to address the situation where an issuer repurchases and then cancels securities under an issuer bid, with the result that an investor becomes an insider (and under the Instrument, a "significant shareholder") through no action of his, her or its own. The commenter noted that, similar to the other events listed in the definition of "issuer event," the investor may not become aware of its having become a "significant shareholder" until well after the reporting deadline. As repurchases and cancellations of securities under an issuer bid may not affect all holdings "in the same manner, on a per share basis" as set out in the definition of issuer event, the definition should be amended to expressly include repurchases by the issuer, or an equivalent exemption should be provided. The commenter noted that the equivalent exemption from the early warning requirements in s. 6.1 of NI 62-103 is not similarly limited, and applies to a broader range of reductions in outstanding securities resulting from "issuer actions," including repurchases by the issuer itself. In his view, a similar exemption should	We have added a new provision to Part 1 of the Instrument based on section 2.1 of NI 62-103. This provision provides that, when determining securityholder ownership, a person or company may rely on the most recent information provided by the issuer in its continuous disclosure, unless the person or company is aware the information is inaccurate.

Comment #	Themes	Comments	Responses
		also be available from the insider reporting requirement.	
13	**Other – Section 1.2 – Persons designated or determined to be insiders.**	One commenter suggested that subsection 1.2(1) should be amended so that it is clear that persons identified in section 1.2 are designated or determined to be insiders for the purposes of NI 55-104 only.	We have added guidance to the Policy to make it clear that persons identified in section 1.2 are designated or determined to be insiders for the purposes of NI 55-104 only. However, in many cases, persons and companies designated or determined to be insiders will also be insiders in another capacity.
14	**Other – Part 5 – Automatic securities purchase plans**	One commenter noted that automatic securities purchase plans are expressly provided for yet automatic securities disposition plans are not. While subsection 5.1(3) of the proposed Policy contemplates circumstances under which the regulators may consider granting exemptive relief for automatic securities disposition plans, the commenter suggested that consideration should be given to including an express exemption in NI 55-104 itself on the basis of the criteria for relief outlined in the Companion Policy.	We have not amended the Instrument in response to this comment. Automatic securities purchase plans may raise different considerations from automatic securities disposition plans in that the former are typically established and administered by the issuer while the latter, in many cases, are private arrangements between the reporting insider and their broker. Although the principles underlying the exemptive relief may be similar, the lack of issuer involvement in the latter may raise additional concerns. Accordingly, we will consider applications for exemptive relief on a case-by-case basis.
15	**Other – Exemptions – Section 9.5**	One commenter questioned whether subsection 9.5(b) should also include reference to reporting of interests required under Part 4 of NI 55-104.	We have not amended the Instrument in response to this comment. The exemption is available if the affiliated reporting insider has filed an insider report that discloses substantially the same information as would be contained in an insider report filed by the reporting insider. This would include information relating to interests described in Part 4 of the Instrument.
16	**Other – Exemptions – Section 9.7**	One commenter requested the exemptions in subsection (e) be clarified. The commenter also questioned whether the exemptions set out in subsection (e) or (f) are worded broadly enough to cover all reporting obligations under Part 3 and 4 of NI 55-104. For example, should references to an acquisition or disposition of a security or an interest in a security also include an interest in, or right or obligation associated with, a related financial instrument? Similarly, the interests set out in subsections (e) and (f) do not clearly apply to reporting obligations that could be triggered under Part 4. The result is	We have not amended the Instrument in response to this comment. The exemptions in subsections s. 9.7(e) and (f) are substantially consistent with the exemptions in ss. 2.2(i) and (j) of MI 55-103 and corresponding exemptions in Part 3 of BCI 55-506. We have added an exemption corresponding to s. 2.2(a) of MI 55-103 and subsection 3(a) of BCI 55-506.

Comment #	Themes	Comments	Responses
		that a person may not have a reporting requirement with respect to direct or indirect beneficial ownership, control or direction of the securities, but may still have a reporting obligation with respect to related financial instruments or agreements or arrangements covered by Part 4. Additional guidance should also be provided for the purposes of determining whether the securities form a "material component" of an investment fund's market value for the purposes of subsection (e).	We are not aware of any difficulties in applying these exemptions under the current insider reporting regime.
17	**Other – Exemptions – Section 9.7 – Proposed exemption for development capital funds**	One commenter proposed a new exemption for development capital funds. The commenter was concerned that, under the Instrument, every time a development capital fund becomes a significant shareholder of a reporting issuer as a result of an investment made in the ordinary course of business, its directors, several of its officers and other insiders would be required to file an insider report. This would impose a significant additional burden on development capital funds in terms of workload and costs.	We have not amended the Instrument in response to this comment. The consequences of a development capital fund becoming a significant shareholder, and therefore an insider, of a reporting issuer arise under current legal requirements. The Instrument significantly narrows the class of persons required to file insider reports as compared with current legal requirements. Accordingly, we expect the Instrument will significantly reduce the administrative burden associated with insider reporting. We also note that, if a development capital fund is an "eligible institutional investor" under NI 62-103, the fund may be entitled to rely on the alternative monthly reporting system contained in NI 62-103.
18	**Other – General Anti Avoidance Rule**	One commenter suggested that the CSA consider adding a General Anti-Avoidance Rule (GAAR) that would require firms and individuals to report any form of arrangement that moves equity-derived or stock-based assets or cash from the Company balance sheet to them or related parties/entities.	We do not think it is necessary to add a separate GAAR provision similar to the GAAR provision that exists in the *Income Tax Act* (Canada). As explained in Part 4 of 55-104CP, If a reporting insider enters into a transaction which satisfies one or more of the policy rationale for insider reporting, but for technical reasons it may be argued that the transaction falls outside of the primary insider reporting requirement in Part 3 of the Instrument, the insider will be required to file an insider report under Part 4 unless an exemption is available to the insider. In this way, the market can make its own determination as to the significance, if any, of the transaction in question.

APPENDIX D

NATIONAL INSTRUMENT 55-104
INSIDER REPORTING REQUIREMENTS AND EXEMPTIONS

PART 1 DEFINITIONS AND INTERPRETATION

1.1 **Definitions and interpretation**

(1) In this Instrument

"acceptable summary form" means, in relation to the alternative form of insider report described in sections 5.4 and 6.4, an insider report that discloses as a single transaction, with December 31 of the relevant year as the date of the transaction, using an average unit price of the securities,

(a) the total number of securities of the same type acquired under an automatic securities purchase plan or compensation arrangement, or under all such plans or arrangements, for the calendar year; and

(b) the total number of securities of the same type disposed of under all specified dispositions of securities under an automatic securities purchase plan or compensation arrangement, or under all such plans or arrangements, for the calendar year;

"automatic securities purchase plan" means a dividend or interest reinvestment plan, a stock dividend plan, or any other plan established by an issuer or by a subsidiary of an issuer to facilitate the acquisition of securities of the issuer if the timing of acquisitions of securities, the number of securities which may be acquired under the plan by a director or officer of the issuer or of the subsidiary of the issuer, and the price payable for the securities are established in advance by written formula or criteria set out in a plan document and not subject to a subsequent exercise of discretion;

"cash payment option" means a provision in a dividend or interest reinvestment plan under which a participant is permitted to make cash payments to purchase from the issuer, or from an administrator of the plan, securities of the issuer's own issue;

"CEO" means a chief executive officer and any other individual who acts as chief executive officer for an issuer or acts in a similar capacity for the issuer;

"CFO" means a chief financial officer and any other individual who acts as chief financial officer for an issuer or acts in a similar capacity for the issuer;

"compensation arrangement" includes, but is not limited to, an arrangement, whether or not set out in any formal document and whether or not applicable to only one individual, under which cash, securities or related financial instruments, including, for greater certainty, options, stock appreciation rights, phantom shares, restricted shares or restricted share units, deferred share units, performance units or performance shares, stock, stock dividends, warrants, convertible securities, or similar instruments, may be received or purchased as compensation for services rendered, or otherwise in connection with holding an office or employment with a reporting issuer or a subsidiary of a reporting issuer;

"convertible security" means a security of an issuer that is convertible into, or carries the right of the holder to purchase or otherwise acquire, or of the issuer to cause the purchase or acquisition of, a security of the same issuer;

"COO" means a chief operating officer and any other individual who acts as chief operating officer for an issuer or acts in a similar capacity for the issuer;

"credit derivative" means a derivative in respect of which the underlying security, interest, benchmark or formula is, or is related to or derived from, in whole or in part, a debt or other financial obligation of an issuer;

"derivative"

(a) means, other than in New Brunswick, the Northwest Territories, Nunavut, Ontario, Prince Edward Island, Québec and the Yukon Territory, an instrument, agreement, security or exchange contract, the market price, value or payment obligations of which is derived from, referenced to, or based on an underlying security, interest, benchmark or formula;

(b) in New Brunswick, the Northwest Territories, Nunavut, Ontario, Prince Edward Island and the Yukon Territory, has the same meaning as in securities legislation; and

(c) in Québec, has the same meaning as in *The Derivatives Act*;

"dividend or interest reinvestment plan" means an arrangement under which a holder of securities of an issuer is permitted to direct that the dividends, interest or distributions paid on the securities be applied to the purchase, from the issuer or an administrator of the issuer, of securities of the issuer's own issue;

"economic exposure" in relation to an issuer

(a) means, other than in Ontario, the extent to which the economic or financial interests of a person or company are aligned with the trading price of securities of the issuer or the economic or financial interests of the issuer;

(b) in Ontario, has the same meaning as in securities legislation;

"economic interest" in a security or an exchange contract

(a) means, other than in British Columbia, New Brunswick, the Northwest Territories, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and the Yukon Territory,

   (i) a right to receive or the opportunity to participate in a reward, benefit or return from a security or an exchange contract, or

   (ii) exposure to a risk of a financial loss in respect of a security or an exchange contract;

(b) in British Columbia, New Brunswick, the Northwest Territories, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and the Yukon Territory, has the same meaning as in securities legislation;

"exchange contract"

(a) means, other than in Alberta, British Columbia, New Brunswick and Saskatchewan, a futures contract or an option that meets both of the following requirements:

   (i) its performance is guaranteed by a clearing agency; and

   (ii) it is traded on an exchange pursuant to standardized terms and conditions set out in that exchange's by-laws, rules or regulatory instruments, at a price agreed on when the futures contract or option is entered into on the exchange;

(b) in Alberta, British Columbia, New Brunswick and Saskatchewan, has the same meaning as in securities legislation;

"exchangeable security" means a security of an issuer that is exchangeable for, or carries the right of the holder to purchase or otherwise acquire, or of the issuer to cause the purchase or acquisition of, a security of another issuer;

"income trust" means a trust or an entity, including corporate and non-corporate entities, the securities of which entitle the holder to net cash flows generated by an underlying business or income-producing properties owned through the trust or by the entity;

"insider report" means a report to be filed by an insider under securities legislation;

"insider reporting requirement" means

(a) a requirement to file insider reports under Parts 3 and 4;

(b) a requirement to file insider reports under any provisions of Canadian securities legislation substantially similar to Parts 3 and 4; and

(c) a requirement to file an insider profile under NI 55-102;

"investment issuer" means, in relation to an issuer, another issuer in respect of which the issuer is an insider;

"issuer event" means a stock dividend, stock split, consolidation, amalgamation, reorganization, merger or other similar event that affects all holdings of a class of securities of an issuer in the same manner, on a per share basis;

"lump-sum provision" means a provision of an automatic securities purchase plan that allows a director or officer to acquire securities in consideration of an additional lump-sum payment, and includes a cash payment option;

"major subsidiary" means a subsidiary of an issuer if

(a) the assets of the subsidiary, as included in the issuer's most recent annual audited or interim balance sheet, or, for a period relating to a financial year beginning on or after January 1, 2011, a statement of financial position, are 30 per cent or more of the consolidated assets of the issuer reported on that balance sheet or statement of financial position, as the case may be, or

(b) the revenue of the subsidiary, as included in the issuer's most recent annual audited or interim income statement, or, for a period relating to a financial year beginning on or after January 1, 2011, a statement of comprehensive income, is 30 per cent or more of the consolidated revenue of the issuer reported on that statement;

"management company" means a person or company established or contracted to provide significant management or administrative services to an issuer or a subsidiary of the issuer;

"NI 55-102" means National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)*;

"normal course issuer bid" means

(a) an issuer bid that is made in reliance on the exemption, contained in securities legislation from requirements relating to issuer bids, that is available if the number of securities acquired by the issuer within a period of twelve months does not exceed 5 per cent of the securities of that class issued and outstanding at the commencement of the period, or

(b) a normal course issuer bid as defined in the rules or policies of the Toronto Stock Exchange, the TSX Venture Exchange or an exchange that is a recognized exchange, as defined in National Instrument 21-101 *Marketplace Operation*, and that is conducted in accordance with the rules or policies of that exchange;

"operating entity" means a person or company with an underlying business or with assets owned in whole or in part by an income trust for the purposes of generating cash flow;

"principal operating entity" means an operating entity that is a major subsidiary of an income trust;

"related financial instrument"

(a) means, other than in British Columbia, New Brunswick, the Northwest Territories, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and the Yukon Territory,

  (i) an instrument, agreement, security or exchange contract the value, market price or payment obligations of which are derived from, referenced to or based on the value, market price or payment obligations of a security, or,

  (ii) any other instrument, agreement, or understanding that affects, directly or indirectly, a person or company's economic interest in a security or an exchange contract;

(b) in British Columbia, New Brunswick, the Northwest Territories, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and the Yukon Territory, has the same meaning as in securities legislation;

"reporting insider" means an insider of a reporting issuer if the insider is

(a) the CEO, CFO or COO of the reporting issuer, of a significant shareholder of the reporting issuer or of a major subsidiary of the reporting issuer;

(b) a director of the reporting issuer, of a significant shareholder of the reporting issuer or of a major subsidiary of the reporting issuer;

(c) a person or company responsible for a principal business unit, division or function of the reporting issuer;

(d) a significant shareholder of the reporting issuer;

(e) a significant shareholder based on post-conversion beneficial ownership of the reporting issuer's securities and the CEO, CFO, COO and every director of the significant shareholder based on post-conversion beneficial ownership;

(f) a management company that provides significant management or administrative services to the reporting issuer or a major subsidiary of the reporting issuer, every director of the management company, every CEO, CFO and COO of the management company, and every significant shareholder of the management company;

(g) an individual performing functions similar to the functions performed by any of the insiders described in paragraphs (a) to (f);

(h) the reporting issuer itself, if it has purchased, redeemed or otherwise acquired a security of its own issue, for so long as it continues to hold that security; or

(i) any other insider that

(i) in the ordinary course receives or has access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

(ii) directly or indirectly exercises, or has the ability to exercise, significant power or influence over the business, operations, capital or development of the reporting issuer;

"significant shareholder" means a person or company that has beneficial ownership of, or control or direction over, whether direct or indirect, or a combination of beneficial ownership of, and control or direction over, whether direct or indirect, securities of an issuer carrying more than 10 per cent of the voting rights attached to all the issuer's outstanding voting securities, excluding, for the purpose of the calculation of the percentage held, any securities held by the person or company as underwriter in the course of a distribution;

"stock dividend plan" means an arrangement under which securities of an issuer are issued by the issuer to holders of securities of the issuer as a stock dividend or other distribution out of earnings, retained earnings or capital; and

"underlying security" means a security issued or transferred, or to be issued or transferred, in accordance with the terms of a convertible security, an exchangeable security or a multiple convertible security.

(2) **Affiliate** – In this Instrument, an issuer is an affiliate of another issuer if

(a) one of them is the subsidiary of the other, or

(b) each of them is controlled by the same person or company.

(3) **Control** – In this Instrument, a person or company (first person or company) is considered to control another person or company (second person or company) if

(a) the first person or company beneficially owns or has control or direction over, whether direct or indirect, securities of the second person or company carrying votes which, if exercised, would entitle the first person or company to elect a majority of the directors of the second person or company, unless that first person or company holds the voting securities only to secure an obligation,

(b) the second person or company is a partnership, other than a limited partnership, and the first person or company holds more than 50 per cent of the interests of the partnership, or

(c) the second person or company is a limited partnership and the general partner of the limited partnership is the first person or company.

(4) **Post-conversion beneficial ownership** – In this Instrument, a person or company is considered to have, as of a given date, post-conversion beneficial ownership of a security, including an unissued security, if the person or company is the beneficial owner of a security convertible into the security within 60 days following that date or has a right or obligation permitting or requiring the person or company, whether or not on conditions, to acquire beneficial ownership of the security within 60 days, by a single transaction or a series of linked transactions.

(5) **Significant shareholder based on post-conversion beneficial ownership** – In this Instrument, a person or company is a significant shareholder based on post-conversion beneficial ownership if the person or company is not a significant shareholder but the person or company has beneficial ownership of, post-conversion beneficial ownership of, control or direction over, whether direct or indirect, or any combination of beneficial ownership of, post-conversion beneficial ownership of, or control or direction over, whether direct or indirect, securities of an issuer carrying more than 10 per cent of the voting rights attached to all the issuer's outstanding voting securities, calculated in accordance with subsections (6) and (7).

(6) For the purposes of the calculation in subsection (5), an issuer's outstanding voting securities include securities in respect of which a person or company has post-conversion beneficial ownership.

(7) For the purposes of the calculation in subsections (4) and (5), a person or company may exclude any securities held by the person or company as underwriter in the course of a distribution.

1.2 **Persons and companies designated or determined to be insiders for the purposes of this Instrument**

(1) The following persons and companies are designated or determined to be insiders of an issuer:

(a) a significant shareholder of the issuer based on post-conversion beneficial ownership of the issuer's securities;

(b) a management company that provides significant management or administrative services to the issuer or a major subsidiary of the issuer, and every director, officer and significant shareholder of the management company; and

(c) if the issuer is an income trust, every director, officer and significant shareholder of a principal operating entity of the issuer.

(2) **Issuer as insider of reporting issuer** – If an issuer (the first issuer) becomes an insider of a reporting issuer (the second issuer), the CEO, CFO, COO and every director of the first issuer are designated or determined to be an insider of the second issuer and must file insider reports in accordance with section 3.5 in respect of transactions relating to the second issuer that occurred in the previous six months or for such shorter period that the individual was a CEO, CFO, COO or director of the first issuer.

(3) **Reporting issuer as insider of other issuer** – If a reporting issuer (the first issuer) becomes an insider of another issuer (the second issuer), the CEO, CFO, COO and every director of the second issuer is designated or determined to be an insider of the first issuer and must file insider reports in accordance with section 3.5 in respect of transactions relating to the first issuer that occurred in the previous six months or for such shorter period that the individual was a CEO, CFO, COO or director of the second issuer.

1.3 **Reliance on Reported Outstanding Shares**

(1) In determining the securityholding percentage of a person or company in a class of securities for the purposes of the definition "significant shareholder" and in determining if the person or company is a significant shareholder based on post-conversion beneficial ownership, the person or company may rely upon information most recently filed by the issuer of the securities in a material change report or under section 5.4 of National Instrument 51-102 *Continuous Disclosure Obligations*, whichever contains the most recent relevant information.

(2) Subsection (1) does not apply if the person or company has knowledge both

(a) that the information filed is inaccurate or has changed; and

(b) of the correct information.

PART 2 APPLICATION

2.1 **Insider reporting requirements (insiders of Ontario reporting issuers)** – In Ontario, the insider reporting requirements in sections 3.2 and 3.3 do not apply to an insider of a reporting issuer under the *Securities Act* (Ontario).

> **Note:** In Ontario, requirements similar to the insider reporting requirements in sections 3.2 and 3.3 of this Instrument are contained in section 107 of the *Securities Act* (Ontario).

2.2 **Reporting deadline** – In Ontario, for the purposes of subsection 107(2) of the *Securities Act* (Ontario), in the case of a transaction occurring after October 31, 2010, the prescribed period is within five days of any change in the beneficial ownership of, or control or direction over, whether direct or indirect, securities of the reporting issuer or any interest in, or right or obligation associated with, a related financial instrument.

PART 3 PRIMARY INSIDER REPORTING REQUIREMENT

3.1 **Reporting requirement** – An insider must file insider reports under this Part and Part 4 in respect of a reporting issuer if the insider is a reporting insider of the reporting issuer.

3.2 **Initial report –** A reporting insider must file an insider report in respect of a reporting issuer, within 10 days of becoming a reporting insider, disclosing the reporting insider's

(a) beneficial ownership of, or control or direction over, whether direct or indirect, securities of the reporting issuer, and

(b) interest in, or right or obligation associated with, a related financial instrument involving a security of the reporting issuer.

3.3 **Subsequent report** – A reporting insider must within five days of any of the following changes file an insider report in respect of a reporting issuer disclosing a change in the reporting insider's

(a) beneficial ownership of, or control or direction over, whether direct or indirect, securities of the reporting issuer, or

(b) interest in, or right or obligation associated with, a related financial instrument involving a security of the reporting issuer.

3.4 **Reporting requirements in connection with convertible or exchangeable securities** – For greater certainty, a reporting insider who exercises an option, warrant or other convertible or exchangeable security must file, within five days of the exercise, separate insider reports in accordance with section 3.3 disclosing the resulting change in the reporting insider's beneficial ownership of, or control or direction over, whether direct or indirect, each of

(a) the option, warrant or other convertible or exchangeable security, and

(b) the common shares or other underlying securities.

3.5 **Report by certain designated insiders for certain historical transactions –** A CEO, CFO, COO or director of an issuer (the first issuer) who is designated or determined to be an insider of another issuer (the second issuer) under subsection 1.2(2) or 1.2(3) must file, within 10 days of being designated or determined to be an insider of the second issuer, the insider reports that a reporting insider of the second issuer would have been required to file under Part 3 and Part 4 for all transactions involving securities of the second issuer or related financial instruments involving securities of the second issuer, that occurred in the previous six months or for such shorter period that the individual was a CEO, CFO, COO or director of the first issuer.

PART 4 SUPPLEMENTAL INSIDER REPORTING REQUIREMENT

4.1 **Other agreements, arrangements or understandings**

(1) If a reporting insider of a reporting issuer enters into, materially amends, or terminates an agreement, arrangement or understanding described in subsection (2), the reporting insider must, within five days of this event, file an insider report in respect of the reporting issuer in accordance with section 4.3.

(2) An agreement, arrangement or understanding must be reported under subsection (1) in an insider report in respect of a reporting issuer if

(a) the agreement, arrangement or understanding has the effect of altering, directly or indirectly, the reporting insider's economic exposure to the reporting issuer;

(b) the agreement, arrangement or understanding involves, directly or indirectly, a security of the reporting issuer or a related financial instrument involving a security of the reporting issuer; and

(c) the reporting insider is not otherwise required to file an insider report in respect of this event under Part 3 or any corresponding provision of Canadian securities legislation.

4.2 **Report of prior agreements, arrangements or understandings** – A reporting insider must, within 10 days of becoming a reporting insider of a reporting issuer, file an insider report in accordance with section 4.3 in respect of the reporting issuer if

(a) the reporting insider, prior to the date the reporting insider most recently became a reporting insider, entered into an agreement, arrangement or understanding in respect of which the reporting insider would have been required to file an insider report under section 4.1 if the agreement, arrangement or understanding had been entered into on or after the date the reporting insider most recently became a reporting insider, and

(b) the agreement, arrangement or understanding remains in effect on or after the date the reporting insider most recently became a reporting insider.

4.3 **Contents of report** – An insider report required to be filed under section 4.1 or 4.2 must disclose the existence and material terms of the agreement, arrangement or understanding.

PART 5 EXEMPTION FOR AUTOMATIC SECURITIES PURCHASE PLANS

5.1 **Interpretation**

(1) In this Part, a reference to a director or officer means a director or officer who is

(a) a director or officer of a reporting issuer and a reporting insider of the reporting issuer, or

(b) a director or officer of a subsidiary of a reporting issuer and a reporting insider of the reporting issuer.

(2) In this Part, a reference to a security of a reporting issuer includes a related financial instrument involving a security of the reporting issuer.

(3) In this Part, a disposition or transfer of securities acquired under an automatic securities purchase plan is a specified disposition of securities if

(a) the disposition or transfer is incidental to the operation of the automatic securities purchase plan and does not involve a discrete investment decision by the director or officer; or

(b) the disposition or transfer is made to satisfy a tax withholding obligation arising from the distribution of securities under the automatic securities purchase plan and either

(i) the director or officer has elected that the tax withholding obligation will be satisfied through a disposition of securities, has communicated this election to the reporting issuer or the plan administrator at least 30 days before the disposition and this election is irrevocable as of the 30th day before the disposition; or

(ii) the director or officer has not communicated an election to the reporting issuer or the plan administrator and, in accordance with the terms of the plan, the reporting issuer or the plan administrator is required to sell securities automatically to satisfy the tax withholding obligation.

5.2 **Reporting exemption**

(1) The insider reporting requirement does not apply to a director or officer for an acquisition or disposition of securities described in subsection (2) if the director or officer complies with the alternative reporting requirement in section 5.4.

(2) The exemption in subsection (1) applies to

(a) an acquisition of securities of the reporting issuer under an automatic securities purchase plan, other than an acquisition of securities under a lump-sum provision of the plan; or

(b) a specified disposition of securities of the reporting issuer under an automatic securities purchase plan.

5.3 **Acquisition of options or similar securities -** The exemption in section 5.2 does not apply to an acquisition of options or similar securities granted to a director or officer.

5.4 **Alternative reporting requirement**

(1) A director or officer is exempt under section 5.2 from the insider reporting requirement if the insider files an insider report within the time period described in subsection (2) disclosing, on a transaction-by-transaction basis or in acceptable summary form, each acquisition and each specified disposition of a security under an automatic securities purchase plan that has not previously been disclosed by or on behalf of the director or officer.

(2) The deadline for filing the insider report under subsection (1) is,

(a) in the case of any securities acquired under the automatic securities purchase plan that have been disposed of or transferred, other than securities that have been disposed of or transferred as part of a specified disposition of securities, within five days of the disposition or transfer; and

(b) in the case of any securities acquired under the automatic securities purchase plan during a calendar year that have not been disposed of or transferred, and any securities that have been disposed of or transferred as part of a specified disposition of securities, on or before March 31 of the next calendar year.

(3) Subsection (1) does not apply to a director or officer if, at the time the insider report described in subsection (1) is due,

(a) the director or officer is not a reporting insider; or

(b) the director or officer is exempt from the insider reporting requirement.

PART 6 EXEMPTION FOR CERTAIN ISSUER GRANTS

6.1 **Interpretation**

(1) In this Part, a reference to a director or officer means a director or officer who is

(a) a director or officer of a reporting issuer and a reporting insider of the reporting issuer, or

(b) a director or officer of a subsidiary of a reporting issuer and a reporting insider of the reporting issuer.

(2) In this Part, a reference to a security of a reporting issuer includes a related financial instrument involving a security of the reporting issuer.

(3) In this Part, a disposition or transfer of a security acquired under a compensation arrangement is a specified disposition of a security if

(a) the disposition or transfer is incidental to the operation of the compensation arrangement and does not involve a discrete investment decision by the director or officer; or

(b) the disposition or transfer is made to satisfy a tax withholding obligation arising from the distribution of a security under the compensation arrangement and either

(i) the director or officer has elected that the tax withholding obligation will be satisfied through a disposition of securities, has communicated this election to the reporting issuer or the administrator of the compensation arrangement at least 30 days before the disposition and this election is irrevocable as of the 30th day before the disposition; or

(ii) the director or officer has not communicated an election to the reporting issuer or the administrator of the compensation arrangement and, in accordance with the terms of the arrangement, the reporting issuer or the administrator is required to sell securities automatically to satisfy the tax withholding obligation.

6.2 **Reporting exemption –** The insider reporting requirement does not apply to a director or officer for the acquisition of a security of the reporting issuer, or a specified disposition of a security of the reporting issuer, under a compensation arrangement established by the reporting issuer or by a subsidiary of the reporting issuer, if

(a) the reporting issuer has previously disclosed the existence and material terms of the compensation arrangement in an information circular or other public document filed on SEDAR;

(b) in the case of an acquisition of securities, the reporting issuer has previously filed in respect of the acquisition an issuer grant report on SEDI in accordance with section 6.3; and

(c) the director or officer complies with the alternative reporting requirement in section 6.4.

6.3 **Issuer grant report** – An issuer grant report filed under this Part in respect of a compensation arrangement must include

(a) the date the option or other security was issued or granted;

(b) the number of options or other securities issued or granted to each director or officer;

(c) the price at which the option or other security was issued or granted and the exercise price;

(d) the number and type of securities issuable on the exercise of the option or other security; and

(e) any other material terms that have not been previously disclosed or filed in a public filing on SEDAR.

6.4 **Alternative reporting requirement**

(1) A director or officer is exempt under section 6.2 from the insider reporting requirement if the insider files an insider report within the time period described in subsection (2) disclosing, on a transaction-by-transaction basis or in acceptable summary form, each acquisition and each specified disposition of a security under a compensation arrangement that has not previously been disclosed by or on behalf of the director or officer.

(2) The deadline for filing the insider report under subsection (1) is

(a) in the case of any security acquired under the compensation arrangement that has been disposed of or transferred, other than a security that has been disposed of or transferred as part of a specified disposition of a security, within five days of the disposition or transfer; and

(b) in the case of any security acquired under the compensation arrangement during a calendar year that has not been disposed of or transferred, and any security that has been disposed of or transferred as part of a specified disposition of a security, on or before March 31 of the next calendar year.

(3) Subsection (1) does not apply to a director or officer if, at the time the insider report described in subsection (1) is due,

(a) the director or officer is not a reporting insider; or

(b) the director or officer is exempt from the insider reporting requirement.

PART 7 EXEMPTIONS FOR NORMAL COURSE ISSUER BIDS AND PUBLICLY DISCLOSED TRANSACTIONS

7.1 **Reporting exemption for normal course issuer bids** – The insider reporting requirement does not apply to an issuer for an acquisition of a security of its own issue by the issuer under a normal course issuer bid if the issuer complies with the alternative reporting requirement in section 7.2.

7.2 **Reporting requirement** – An issuer who relies on the exemption in section 7.1 must file an insider report disclosing each acquisition of securities by it under a normal course issuer bid within 10 days of the end of the month in which the acquisition occurred.

7.3 **General exemption for other transactions that have been otherwise disclosed** – The insider reporting requirement does not apply to an issuer in connection with a transaction, other than a normal course issuer bid, involving a security of its own issue if the existence and material terms of the transaction have been generally disclosed in a public filing on SEDAR.

PART 8 EXEMPTION FOR CERTAIN ISSUER EVENTS

8.1 **Reporting exemption** – The insider reporting requirement in respect of a reporting issuer does not apply to a reporting insider whose beneficial ownership of, or control or direction over, whether direct or indirect, a security of the reporting issuer changes as a result of an issuer event of the reporting issuer.

8.2 **Reporting requirement** – A reporting insider who relies on the exemption in section 8.1 in respect of a reporting issuer must file an insider report, disclosing all changes in beneficial ownership of, or control or direction over, whether direct or indirect, a security of the reporting issuer as a result of an issuer event if those changes have not previously been reported by or on behalf of the insider, within the time required by securities legislation for the insider to report any other subsequent change in beneficial ownership of, or control or direction over, whether direct or indirect, a security of the reporting issuer.

PART 9 GENERAL EXEMPTIONS

9.1 **Reporting exemption (mutual funds)** – The insider reporting requirement does not apply to an insider of an issuer that is a mutual fund.

9.2 **Reporting exemption (non-reporting insiders)** – The insider reporting requirement does not apply to an insider of an issuer if the insider is not a reporting insider of that issuer.

9.3 **Reporting exemption (certain insiders of investment issuers)** – The insider reporting requirement does not apply to a director or officer of a significant shareholder, or a director or officer of a subsidiary of a significant shareholder, in respect of securities of an investment issuer or a related financial instrument involving a security of the investment issuer if the director or officer

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the investment issuer before the material facts or material changes are generally disclosed; and

(b) is not a reporting insider of the investment issuer in any capacity other than as a director or officer of the significant shareholder or a subsidiary of the significant shareholder.

9.4 **Reporting exemption (nil report)** – The insider reporting requirement does not apply to a reporting insider if the reporting insider

(a) does not have any beneficial ownership of, or control or direction over, whether direct or indirect, a security of the issuer;

(b) does not have any interest in, or right or obligation associated with, a related financial instrument involving a security of the issuer;

(c) has not entered into any agreement, arrangement or understanding as described in section 4.1; and

(d) is not a significant shareholder based on post-conversion beneficial ownership.

9.5 **Reporting exemption (corporate group**) – The insider reporting requirement does not apply to a reporting insider if

(a) the reporting insider is a subsidiary or other affiliate of another reporting insider (the affiliated reporting insider); and

(b) the affiliated reporting insider has filed an insider report in respect of the reporting issuer that discloses substantially the same information as would be contained in an insider report filed by the reporting insider, including details of the reporting insider's

(i) beneficial ownership of, or control or direction over, whether direct or indirect, securities of the reporting issuer; and

(ii) interest in, or right or obligation associated with, any related financial instrument involving a security of the reporting issuer.

9.6 **Reporting exemption (executor and co-executor)** – The insider reporting requirement does not apply to a reporting insider for a security of an issuer beneficially owned or controlled, directly or indirectly, by an estate if

(a) the reporting insider is an executor, administrator or other person or company who is a representative of the estate (referred to in this section as an executor of the estate), or a director or officer of an executor of the estate;

(b) the reporting insider is subject to the insider reporting requirement solely because of the reporting insider being an executor or a director or officer of an executor of the estate; and

(c) another executor or director or officer of an executor of the estate has filed an insider report that discloses substantially the same information as would be contained in an insider report filed by the reporting insider for securities of an issuer beneficially owned or controlled, directly or indirectly, by the estate.

9.7 **Exempt persons and transactions** – The insider reporting requirement does not apply to

(a) an agreement, arrangement or understanding which does not involve, directly or indirectly,

(i) a security of the reporting issuer;

(ii) a related financial instrument involving a security of the reporting issuer; or

(iii) any other derivative in respect of which the underlying security, interest, benchmark or formula is or includes as a material component a security of the reporting issuer or a related financial instrument involving a security of the reporting issuer;

(b) a transfer, pledge or encumbrance of a security by a reporting insider for the purpose of giving collateral for a debt made in good faith so long as there is no limitation on the recourse available against the insider for any amount payable under such debt;

(c) the receipt by a reporting insider of a transfer, pledge or encumbrance of a security of an issuer if the security is transferred, pledged or encumbered as collateral for a debt under a written agreement and in the ordinary course of business of the insider;

(d) a reporting insider, other than a reporting insider that is an individual, that enters into, materially amends or terminates an agreement, arrangement or understanding which is in the nature of a credit derivative;

(e) a reporting insider who did not know and, in the exercise of reasonable diligence, could not have known of the alteration to economic exposure described in section 4.1;

(f) the acquisition or disposition of a security, or an interest in a security, of an investment fund, provided that securities of the reporting issuer do not form a material component of the investment fund's market value; or

(g) the acquisition or disposition of a security, or an interest in a security, of an issuer that holds directly or indirectly securities of the reporting issuer, if

(i) the reporting insider is not a control person of the issuer; and

(ii) the reporting insider does not have or share investment control over the securities of the reporting issuer.

PART 10 DISCRETIONARY EXEMPTIONS

10.1 **Exemptions from this Instrument**

(1) The regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

PART 11 EFFECTIVE DATE AND TRANSITION

11.1 **Effective Date**

(1) Except in Ontario, this Instrument comes into force on April 30, 2010.

(2) In Ontario, this Instrument comes into force on the later of the following:

(a) April 30, 2010; and

(b) the day on which subsection 1(8) and sections 9 and 10 of Schedule Z.5 to Bill 151, *Budget Measures Act, 2006 (No. 2)* are proclaimed in force.

11.2 **Transition**

(1) Despite sections 3.3 and 3.4, a reporting insider may file an insider report required by either of those sections within 10 days of a change described in those sections if the change relates to a transaction that occurred on or before October 31, 2010.

(2) Despite section 4.1, a reporting insider may file an insider report required under that section within 10 days of an event described in that section if the event relates to a transaction that occurred on or before October 31, 2010.

(3) Despite paragraph 5.4(2)(a), a reporting insider may file an insider report required under that paragraph within 10 days of a disposition or transfer described in that paragraph if the disposition or transfer occurred on or before October 31, 2010.

(4) Despite paragraph 6.4(2)(a), a reporting insider may file an insider report required under that paragraph within 10 days of a disposition or transfer described in that paragraph if the disposition or transfer occurred on or before October 31, 2010.

APPENDIX E

COMPANION POLICY 55-104CP
INSIDER REPORTING REQUIREMENTS AND EXEMPTIONS

PART 1 INTRODUCTION AND DEFINITIONS

1.1 Introduction and Purpose

(1) National Instrument 55-104 *Insider Reporting Requirements and Exemptions* (the Instrument) sets out the principal insider reporting requirements and exemptions for insiders of reporting issuers.[1]

(2) The purpose of this Policy is to help you understand how the Canadian Securities Administrators (the CSA or we) interpret or apply certain provisions of the Instrument.

1.2 Background to the Instrument

(1) The Instrument consolidates the principal insider reporting requirements and most exemptions in one location. This will make it easier for issuers and insiders to locate and understand their obligations and will help promote timely and effective compliance.

(2) The focus of the Instrument is on the substantive legal insider reporting requirements rather than the procedural requirements relating to the filing of insider reports. Issuers and insiders should review National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)* (NI 55-102) in order to determine their obligations for the filing of insider reports.

(3) Although the Instrument sets out the principal insider reporting requirements and exemptions for issuers and insiders in Canada, a number of other CSA instruments also contain exemptions from the insider reporting requirements, including

(a) National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102);

(b) National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* (NI 62-103);

(c) National Instrument 71-101 *The Multijurisdictional Disclosure System* (NI 71-101); and

(d) National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (NI 71-102).

We have not included the insider reporting exemptions from these instruments in the Instrument because we think these exemptions are better situated within the context of these other instruments. Issuers and insiders therefore may wish to review these instruments in determining whether any additional exemptions from the insider reporting requirements are available.

1.3 Policy Rationale for Insider Reporting in Canada

(1) The insider reporting requirements serve a number of functions. These include deterring improper insider trading based on material undisclosed information and increasing market efficiency by providing investors with information concerning the trading activities of insiders of an issuer, and, by inference, the insiders' views of their issuer's prospects.

(2) Insider reporting also helps prevent illegal or otherwise improper activities involving stock options and similar equity-based instruments, including stock option backdating, option repricing, and the opportunistic timing of option grants (spring-loading or bullet-dodging). This is because the requirement for timely disclosure of option grants and public scrutiny of such disclosure will generally limit opportunities for issuers and insiders to engage in improper dating practices.

(3) Insiders should interpret the insider reporting requirements in the Instrument with these policy rationales in mind and comply with the requirements in a manner that gives priority to substance over form.

[1] In Ontario, the principal insider reporting requirements are set out in Part XXI of the *Securities Act* (Ontario) (the Ontario Act). See Part 2 of this Policy.

1.4 Definitions used in the Instrument

(1) **General** – The Instrument provides definitions of many terms that are defined in the securities legislation of some local jurisdictions but not others. A term used in the Instrument and defined in the securities statute of a local jurisdiction has the meaning given to it in the local securities statute unless: (a) the definition in that statute is restricted to a specific portion of the statute that does not govern insider reporting; or (b) the context otherwise requires.

This means that, in the jurisdictions specifically excluded from the definition, the definition in the local securities statute applies. However, in the jurisdictions not specifically excluded from the definition, the definition in the Instrument applies.

The provincial and territorial regulatory authorities consider the meanings given to these terms in securities legislation to be substantially similar to the definitions set out in the Instrument.

(2) **Directors and Officers** – Where the Instrument uses the term "directors" or "officers", insiders of an issuer that is not a corporation must refer to the definitions in securities legislation of "director" and "officer". The definitions of "director" and "officer" typically include persons acting in capacities similar to those of a director or an officer of a company or individuals who perform similar functions. Corporate and non-corporate issuers and their insiders must determine, in light of the particular circumstances, which individuals or persons are acting in such capacities for the purposes of complying with the Instrument.

Similarly, the terms "CEO", "CFO" and "COO" include the individuals that have the responsibilities normally associated with these positions or act in a similar capacity. This determination is to be made irrespective of an individual's corporate title or whether that individual is employed directly or acts pursuant to an agreement or understanding.

(3) **Economic Interest** – The term "economic interest" in a security is a core component of the definition of "related financial instrument" which is part of the primary insider reporting requirement in Part 3 of the Instrument. We intend the term to have broad application and to refer to the economic attributes ordinarily associated in common law with beneficial ownership of a security, including

- the potential for gain in the nature of interest, dividends or other forms of distributions or reinvestments of income on the security;

- the potential for gain in the nature of a capital gain realized on a disposition of the security, to the extent that the proceeds of disposition exceed the tax cost (that is, gains associated with an appreciation in the security's value); and

- the potential for loss in the nature of a capital loss on a disposition of the security, to the extent that the proceeds of disposition are less than the tax cost (that is, losses associated with a fall in the security's value).

For example, a reporting insider who owns securities of his or her reporting issuer could reduce or eliminate the risk associated with a fall in the value of the securities while retaining ownership of the securities by entering into a derivative transaction such as an equity swap. The equity swap would represent a "related financial instrument" since, among other things, the agreement would affect the reporting insider's economic interest in a security of the reporting issuer.

(4) **Economic Exposure** – The term "economic exposure" is used in Part 4 of the Instrument and is part of the supplemental insider reporting requirement. The term generally refers to the link between a person's economic or financial interests and the economic or financial interests of the reporting issuer of which the person is an insider.

For example, an insider with a substantial proportion of his or her personal wealth invested in securities of his or her reporting issuer will be highly exposed to changes in the fortunes of the reporting issuer. By contrast, an insider who does not hold securities of a reporting issuer (and does not participate in a compensation arrangement involving securities of the reporting issuer) will generally be exposed only to the extent of their salary and any other compensation arrangements provided by the issuer that do not involve securities of the reporting issuer.

All other things being equal, if an insider changes his or her ownership interest in a reporting issuer (either directly, through a purchase or sale of securities of the reporting issuer, or indirectly, through a derivative transaction involving securities of the reporting issuer), the insider will generally be changing his or her economic exposure to the reporting issuer. Similarly, if an insider enters into a hedging transaction that has the effect of reducing the sensitivity of the insider to changes in the reporting issuer's share price or performance, the insider will generally be changing his or her economic exposure to the reporting issuer.

(5) **Major Subsidiary** – The definition of “major subsidiary” is a key element of the definition of “reporting insider”. The determination of whether a subsidiary is a major subsidiary will generally require a backward-looking determination based on the issuer’s most recent financial statements.

If an issuer acquires a subsidiary or undertakes a reorganization, with the result that a subsidiary will come within the definition of major subsidiary once the issuer next files its financial statements, the subsidiary will not be a major subsidiary until such filing, and directors and the CEO, CFO and COO of the subsidiary will not be reporting insiders until such filing.

Although not required to do so, insiders may choose to file insider reports upon completion of the acquisition or reorganization rather than wait for the issuer to file its next set of financial statements. Similarly, if a subsidiary ceases to be a major subsidiary because of an acquisition or other reorganization by the parent issuer, but the subsidiary continues to be a major subsidiary based on information contained within the issuer’s most recently filed financial statements, the issuer or reporting insiders may wish to consider applying for an exemption from the insider reporting requirement as the reporting obligation will continue until the issuer next files its financials statements.

(6) **Related Financial Instrument** – Historically, there has been some uncertainty as to whether, as a matter of law, certain derivative instruments involving securities are themselves securities. This uncertainty has resulted in questions as to whether a reporting obligation existed or how insiders should report a derivative instrument. The Instrument resolves this uncertainty by including derivative instruments in the definition of “related financial instrument”. Under the Instrument, it is not necessary to determine whether a particular derivative instrument is a security or a related financial instrument since the insider reporting requirement in Part 3 of the Instrument applies to both securities and related financial instruments.

To the extent the following derivative instruments do not, as a matter of law, constitute securities, they will generally be related financial instruments:

- a forward contract, futures contract, stock purchase contract or similar contract involving securities of the insider’s reporting issuer;

- options issued by an issuer other than the insider’s reporting issuer;

- stock-based compensation instruments, including phantom stock units, deferred share units (DSUs), restricted share awards (RSAs), performance share units (PSUs), stock appreciation rights (SARs) and similar instruments;

- a debt instrument or evidence of deposit issued by a bank or other financial institution for which part or all of the amount payable is determined by reference to the price, value or level of a security of the insider’s reporting issuer (a linked note); and

- most other agreements, arrangements or understandings that were previously subject to an insider reporting requirement under former Multilateral Instrument 55-103 *Insider Reporting for Certain Derivative Transactions (Equity Monetization)* (MI 55-103).

(7) **Reporting insider** – We developed the term “reporting insider” specifically for the purposes of the insider reporting requirements and exemptions in the Instrument. It allows us to focus the insider reporting requirement on a core group of persons and companies who in some cases are not “insiders” as defined in securities legislation. There are additional obligations and prohibitions on ‘insiders’ as defined in our Acts, such as the important prohibition on illegal insider trading. The concept of reporting insider is discussed in section 3.1 of this Policy.

1.5 References to the term “day” in the Instrument – References in the Instrument to the term “day” mean calendar day (as opposed to business day). This is consistent with how we use this term elsewhere in securities legislation and the statutory interpretation of the term “day” in each of the CSA jurisdictions.

1.6 Persons and companies designated or determined to be insiders – Section 1.2 of the Instrument designates or determines certain persons and companies to be insiders of a reporting issuer. The Instrument uses the terms “designate” and “determine” since these are the terms used in securities legislation in different jurisdictions. The designation or determination is for the purposes of the insider reporting requirements in the Instrument only. However, in many cases, persons and companies designated or determined to be insiders will also be insiders in another capacity. For example, section 1.2 designates or determines officers and directors of a management company that provides significant management or administrative services to a reporting issuer to be insiders of that reporting issuer. These individuals may also be officers and directors of the reporting issuer under the extended definitions of “officer” and “director” which typically include persons acting in capacities similar to those of a director or an officer or

individuals who perform similar functions. The purpose of designating or determining these individuals to be insiders is to clarify these individuals' insider reporting obligations and to avoid uncertainty.

PART 2 APPLICATION

2.1 Application in Ontario – In Ontario, the insider reporting requirements are set out in Part XXI of the Ontario Act. For this reason, sections 3.2 and 3.3 of the Instrument do not apply in Ontario. However, the insider reporting requirements set out in the Instrument and in Part XXI of the Ontario Act are substantially harmonized. Accordingly, in this Policy, we omit separate references to the requirements of the Ontario Act except where it is necessary to highlight a difference between the requirements of the Instrument and the Ontario Act.

PART 3 PRIMARY INSIDER REPORTING REQUIREMENT

3.1 Concept of reporting insider

(1) **General** – Subsection 1.1(1) of the Instrument contains the definition of "reporting insider". The definition represents a principles-based approach to determining which insiders should file insider reports and enumerates a list of insiders whom we think generally satisfy both of the following criteria:

(i) the insider in the ordinary course receives or has access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

(ii) the insider directly or indirectly, exercises, or has the ability to exercise, significant power or influence over the business, operations, capital or development of the reporting issuer.

In addition to enumerating a list of insiders, the definition also includes, in paragraph (i), a "basket" provision that explicitly states these two criteria. The basket provision articulates the fundamental principle that an insider who satisfies the criteria of routine access to material undisclosed information concerning a reporting issuer and significant influence over the reporting issuer should file insider reports.

(2) **Interpreting the basket criteria** – The CSA consider that insiders who come within the enumerated list of positions in the definition of reporting insider will generally satisfy the criteria of routine access to material undisclosed information and significant influence over the reporting issuer. We recognize that this may not always be the case for certain positions in the definition and have therefore included an exemption in section 9.3 of the Instrument for directors and officers of significant shareholders based on lack of routine access to material undisclosed information.

If an insider does not fall within any of the enumerated positions, the insider should consider whether the insider has access to material undisclosed information and has influence over the reporting issuer that is reasonably commensurate with that of one or more of the enumerated positions. If the insider satisfies both of these criteria, the insider will fall within the basket provision of the reporting insider definition.

(3) **Meaning of significant power or influence** – In determining whether an insider satisfies the significant influence criterion, the insider should consider whether the insider exercises, or has the ability to exercise, significant influence over the business, operations, capital or development of the issuer that is reasonably comparable to that exercised by one or more of the enumerated positions in the definition.

Certain positions or relationships with the issuer may give rise to reporting insider status in the case of certain issuers but not others, depending on the importance of the position or relationship to the business, operations, capital or development of the particular issuer. Similarly, the importance of a position or relationship to an issuer may change over time. For example, the directors and the CEO, CFO and COO of a 20 per cent subsidiary (i.e. not a "major subsidiary", as defined in the Instrument) who are not reporting insiders for any other reason may be reporting insiders prior to and during a significant business acquisition or reorganization, or a market moving announcement.

(4) **Exercise of reasonable judgment** – The determination of whether an insider is a reporting insider based on the criteria in the basket provision will generally be a question of reasonable judgment. The CSA expect insiders to make reasonable determinations after careful consideration of all relevant facts but recognize that a reasonable determination may not always be a correct determination. The CSA recommend that insiders consult with their issuers when making this determination since confirming that the insider's conclusion is consistent with the issuer's view may help establish that a determination was reasonable. Insiders may also wish to seek professional advice or consider the reporting status of individuals in similar positions with the issuer or other similarly situated issuers.

3.2 Meaning of beneficial ownership

(1) **General** – The term "beneficial ownership" is not defined in securities legislation. Accordingly, beneficial ownership must be determined in accordance with the ordinary principles of property and trust law of a local jurisdiction. In Québec, due to the fact that the concept of beneficial ownership does not exist in civil law, the meaning of beneficial ownership has the meaning ascribed to it in section 1.4 of Regulation 14-501Q. The concept of beneficial ownership in Québec legislation is often used in conjunction with the concept of control and direction, which allows for a similar interpretation of the concept of common law beneficial ownership in most jurisdictions.

(2) **Deemed beneficial ownership** – Although securities legislation does not define beneficial ownership, securities legislation in certain jurisdictions may deem a person to beneficially own securities in certain circumstances. For example, in some jurisdictions, a person is deemed to beneficially own securities that are beneficially owned by a company controlled by that person or by an affiliate of such company.

(3) **Post-conversion beneficial ownership** – Under the Instrument, a person has "post-conversion beneficial ownership" of a security, including an unissued security, if the person is the beneficial owner of a security convertible into the security within 60 days. For example, a person who owns special warrants convertible at any time and without payment of additional consideration into common shares will be considered to have post-conversion beneficial ownership of the underlying common shares. Under the Instrument, a person who has post-conversion beneficial ownership of securities may in certain circumstances be designated or determined to be an insider and may be a reporting insider. For example, if a person owns 9.9% of an issuer's common shares and then acquires special warrants convertible into an additional 5% of the issuer's common shares, the person will be designated or determined to be an insider under section 1.2 of the Instrument and will be a reporting insider under subsection 1.1(1) of the Instrument.

The concept of post-conversion beneficial ownership of the underlying securities into which securities are convertible within 60 days is consistent with similar provisions for determining beneficial ownership of securities for the purposes of the early warning requirements in section 1.8 of Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids* and in Ontario, subsection 90(1) of the Ontario Act.

(4) **Beneficial ownership of securities held in a trust –** Under common law trust law, legal ownership is commonly distinguished from beneficial ownership. A trustee is generally considered to be the legal owner of the trust property; a beneficiary, the beneficial owner. Under the Québec civil law, a trust is governed by the Québec Civil Code.

A reporting insider who has a beneficial interest in securities held in a trust may have or share beneficial ownership of the securities for insider reporting purposes, depending on the particular facts of the arrangement and upon the governing law of the trust, whether common law or civil law. We will generally consider a person to have or share beneficial ownership of securities held in a trust if the person has or shares

(a) a beneficial interest in the securities held in the trust and has or shares voting or investment power over the securities held in the trust; or

(b) legal ownership of the securities held in the trust and has or shares voting or investment power over the securities held in the trust.

(5) **Disclaimers of beneficial ownership** – The CSA generally will not regard a purported disclaimer of a beneficial interest in, or beneficial ownership of, securities as being effective for the purposes of determining beneficial ownership under securities legislation unless such disclaimer is irrevocable and has been generally disclosed to the public.

(6) **When ownership passes** – Securities legislation of certain local jurisdictions provides that ownership is deemed to pass at the time an offer to sell is accepted by the purchaser or the purchaser's agent or an offer to buy is accepted by the vendor or the vendor's agent. The CSA is of the view that, for the purposes of the insider reporting requirement beneficial ownership passes at the same time.

3.3 Meaning of control or direction

(1) The term "control or direction" is not defined in Canadian securities legislation except in Québec, where the *Securities Act* (Québec), in sections 90, 91 and 92, defines the concept of control and deems situations where a person has control over securities. For purposes of the Instrument, a person will generally have control or direction over securities if the person, directly or indirectly, through any contract, arrangement, understanding or relationship or otherwise has or shares

(a) voting power, which includes the power to vote, or to direct the voting of, such securities and/or

(b) investment power, which includes the power to acquire or dispose, or to direct the acquisition or disposition of such securities.

(2) A reporting insider may have or share control or direction over securities through a power of attorney, a grant of limited trading authority, or a management agreement. This would also include a situation where a reporting insider acts as a trustee for an estate (or in Québec as a liquidator) or other trust in which securities of the reporting insider's issuer are included within the assets of the trust. This may also be the case if a spouse (or any other person related to the reporting insider) owns the securities or acts as trustee, but the reporting insider has or shares control or direction over the securities held in trust. In addition, this may be the case where the reporting insider is an officer or director of another issuer that owns securities of the reporting insider's issuer and the reporting insider is able to influence the investment or voting decisions of the issuer.

PART 4 SUPPLEMENTAL INSIDER REPORTING REQUIREMENT

4.1 Supplemental insider reporting requirement

(1) Part 4 of the Instrument contains the supplemental insider reporting requirement. The supplemental insider reporting requirement is consistent with the predecessor insider reporting requirement for derivatives that previously existed in some jurisdictions under former MI 55-103. However, because Part 3 of the Instrument requires insiders, as part of the primary insider reporting requirement, to file insider reports about transactions involving "related financial instruments", most transactions that were previously subject to a reporting requirement under former MI 55-103 will be subject to the primary insider reporting requirement under Part 3 of the Instrument.

(2) If a reporting insider enters into an equity monetization transaction or other derivative-based transaction that falls outside of the primary insider reporting requirement in Part 3 of the Instrument, the reporting insider must report the transaction under Part 4. For example, certain types of monetization transactions may be found to alter an insider's "economic exposure" to the insider's issuer but not alter the insider's "economic interest in a security". If a reporting insider enters into, materially amends or terminates this type of transaction, the insider must report the transaction under Part 4.

4.2 Insider reporting of equity monetization transactions

(1) **What are equity monetization transactions?** There are a variety of sophisticated derivative-based strategies that permit investors to dispose of, in economic terms, an equity position in a public company without attracting certain tax and non-tax consequences associated with a conventional disposition of such position. These strategies, which are sometimes referred to as "equity monetization" strategies, allow an investor to receive a cash amount similar to proceeds of disposition, and transfer part or all of the economic risk and/or return associated with securities of an issuer, without actually transferring ownership of or control over such securities. (The term "monetization" generally refers to the conversion of an asset (such as securities) into cash.)

(2) **What are the concerns with equity monetization transactions?** Where a reporting insider enters into a monetization transaction, and does not disclose the existence or material terms of that transaction, there is potential for harm to investors and the integrity of the insider reporting regime because

- an insider in possession of material undisclosed information, although prohibited from trading in securities of the issuer, may be able to profit improperly from such information by entering into derivative-based transactions that mimic trades in securities of the reporting issuer;

- market efficiency will be impaired since the market is deprived of important information relating to the market activities of the insider; and

- since the insider's publicly reported holdings no longer reflect the insider's true economic position in the issuer, the public reporting of such holdings (e.g., in an insider report or a proxy circular) may in fact materially mislead investors.

If a reporting insider enters into a transaction which satisfies one or more of the policy rationales for insider reporting, but for technical reasons it may be argued that the transaction falls outside of the primary insider reporting requirement in Part 3 of the Instrument, the insider will be required to file an insider report under Part 4 unless an exemption is available. In this way, the market can make its own determination as to the significance, if any, of the transaction in question.

PART 5 AUTOMATIC SECURITIES PURCHASE PLANS

5.1 Automatic Securities Purchase Plans

(1) Section 5.1 of the Instrument contains an interpretation provision that applies to Part 5. Because of this provision, directors and officers of a reporting issuer and of a major subsidiary of a reporting issuer can use the exemption in this Part for both acquisitions and specified dispositions of securities and related financial instruments under an automatic securities purchase plan (ASPP).

(2) The exemption does not apply to securities acquired under a cash payment option of a dividend or interest reinvestment plan or a lump-sum provision of a share purchase plan.

(3) The exemption does not apply to an "automatic securities disposition plan" (sometimes referred to as a "pre-arranged structured sales plan") (an ASDP) established between a reporting insider and a broker, since an ASDP is designed to facilitate dispositions not acquisitions. However, if a reporting insider can demonstrate that an ASDP is genuinely an automatic plan and that the insider cannot make discrete investment decisions through the plan, we may consider granting exemptive relief on an application basis to permit the insider to file reports on an annual basis.

(4) The exemption is not available for a grant of options or similar securities to reporting insiders, since, in many cases, the reporting insider will be able to make an investment decision in respect of the grant. If an insider is an executive officer or a director of the reporting issuer or a major subsidiary, the insider may be participating in the decision to grant the options or other securities. Even if the insider does not participate in the decision, we think information about options or similar securities granted to this group of insiders is important to the market and the insider should disclose this information in a timely manner.

5.2 Specified Dispositions of Securities

(1) Paragraph 5.1(3)(a) of the Instrument provides that a disposition or transfer of securities is a specified disposition if, among other things, it does not involve a "discrete investment decision" by the director or officer. The term "discrete investment decision" generally refers to the exercise of discretion involved in a specific decision to purchase, hold or sell a security. The purchase of a security as a result of the application of a pre-determined, mechanical formula does not generally represent a discrete investment decision (other than the initial decision to enter into the plan). For example, for an individual who holds stock options in a reporting issuer, the decision to exercise the stock options will generally represent a discrete investment decision. If the individual is a reporting insider, we think the individual should report this information in a timely fashion, since this decision may convey information that other market participants may consider relevant to their own investing decisions.

(2) The definition of "specified disposition of securities" contemplates, among other things, a disposition made to satisfy a tax withholding obligation arising from the acquisition of securities under an ASPP in certain circumstances. Under some types of ASPPs, an issuer or plan administrator may sell, on behalf of a plan participant, a portion of the securities that would otherwise be distributed to the plan participant in order to satisfy a tax withholding obligation. In such plans, the participant typically may elect either to provide the issuer or the plan administrator with a cheque to cover this liability or to direct the issuer or plan administrator to sell a sufficient number of the securities that would otherwise be distributed to cover this liability. In many cases, for reasons of convenience, a plan participant will simply direct the issuer or the plan administrator to sell a portion of the securities.

Although we think that the election as to how a tax withholding obligation will be funded contains an element of a discrete investment decision, we are satisfied that, where the election occurs sufficiently in advance of the actual disposition of securities, it is acceptable for a report of a disposition made to satisfy a tax withholding obligation to be made on an annual basis. Accordingly, a disposition made to satisfy a tax withholding obligation will be a specified disposition of securities if it meets the criteria contained in paragraph 5.1(3)(b) of the Instrument.

5.3 Alternative Reporting Requirements – If securities acquired under an ASPP are disposed of or transferred, other than through a specified disposition of securities, and the insider has not previously disclosed the acquisition of these securities, the insider report should disclose, for each acquisition of securities which the insider is now disposing of or transferring, information about the date of acquisition of the securities, the number of securities acquired and the acquisition price of such securities. The report should also disclose, for each disposition or transfer, information about each disposition or transfer of securities.

5.4 Exemption from the Alternative Reporting Requirement – The rationale underlying the alternative reporting requirement is the need for reporting insiders to periodically update their publicly disclosed holdings to ensure that their publicly disclosed holdings convey an accurate picture of their holdings. If an individual has ceased to be subject to the insider reporting requirements at the time the alternative report becomes due, the market generally would not benefit

from the information in the alternative report. Accordingly, we provided an exemption in subsection 5.4(3) of the Instrument in these circumstances.

5.5 Design and Administration of Plans

(1) Part 5 of the Instrument provides a limited exemption from the insider reporting requirement only in circumstances in which an insider, by virtue of participation in an ASPP, is not making discrete investment decisions for acquisitions under such plan. Accordingly, if it is intended that insiders of an issuer rely on this exemption for a particular plan of an issuer, the issuer should design and administer the plan in a manner that is consistent with this limitation.

(2) To fit within the definition of an ASPP, the plan must set out a written formula or criteria for establishing the timing of the acquisitions, the number of securities that the insider can acquire and the price payable. If a plan participant is able to exercise discretion in relation to these matters either in the capacity of a recipient of the securities or through participating in the decision-making process of the issuer making the grant, he or she may be able to make a discrete investment decision in respect of the grant or acquisition. We think a reporting insider in these circumstances should disclose information about the grant within the normal timeframe and not on a deferred basis.

PART 6 ISSUER GRANT REPORTS

6.1 Overview

(1) Section 6.1 of the Instrument contains an interpretation provision that applies to Part 6. Because of this provision, directors and officers of a reporting issuer or a major subsidiary of a reporting issuer who are reporting insiders of the reporting issuer can use the exemption in this Part for grants of securities and related financial instruments.

(2) A reporting insider who intends to rely on the exemption in Part 6 for a grant of stock options or similar securities must first confirm that the issuer has made the public disclosure required by section 6.3 of the Instrument. If the issuer has not made the required disclosure within the required time, the reporting insider must report the grant within the required time and in accordance with the normal reporting requirements under Part 3 of the Instrument.

6.2 Policy rationale for the issuer grant report exemption

(1) The issuer grant report exemption reduces the regulatory burden on insiders that is associated with insider reporting of stock options and similar instruments since it allows an issuer to make a single filing on SEDI. This filing provides the market with timely information about the existence and material terms of the grant, making it unnecessary for each of the affected reporting insiders to file an insider report about the grant within the ordinary time periods.

(2) The concept of an issuer grant report is generally similar to the concept of an issuer event report in that the decision to make the grant originates with the issuer. Accordingly, at the time of the grant, the issuer will generally be in a better position than the reporting insiders who are the recipients of the grant to communicate information about the grant to the market in a timely manner.

(3) There is no obligation for an issuer to file an issuer grant report for a grant of stock options or similar instruments. An issuer may choose to do so to assist its reporting insiders with their reporting obligations and to communicate material information about its compensation practices to the market in a timely manner.

(4) If an issuer chooses not to file an issuer grant report, the issuer should take all reasonable steps to notify reporting insiders of their grants in a timely manner to allow reporting insiders to comply with their reporting obligations.

(5) The concept of an issuer grant report is different from the issuer event report that an issuer is required to make under Part 2 of NI 55-102 in that an issuer is not required to file an issuer grant report.

6.3 Format of an issuer grant report – There is no required format for an issuer grant report. However, an issuer grant report must include the information required by section 6.3 of the Instrument.

PART 7 EXEMPTIONS FOR NORMAL COURSE ISSUER BIDS AND PUBLICLY DISCLOSED TRANSACTIONS

7.1 Introduction – Under securities legislation, a reporting issuer may become an insider of itself in certain circumstances and therefore subject to an insider reporting requirement in relation to transactions involving its own securities. Under the definition of "insider" in securities legislation, a reporting issuer becomes an insider of itself if it "has purchased, redeemed or otherwise acquired a security of its own issue, for so long as it continues to hold that security". In certain jurisdictions, a reporting issuer may also become an insider of itself if it acquires and holds securities of its own issue through an affiliate, because in certain jurisdictions a person is deemed to beneficially own securities beneficially

owned by affiliates. Where a reporting issuer is an insider of itself, the reporting issuer will also be a reporting insider under the Instrument.

7.2 **General exemption for transactions that have been generally disclosed** –Section 7.3 of the Instrument provides that the insider reporting requirement does not apply to an issuer in connection with a transaction, other than a normal course issuer bid, involving securities of its own issue if the existence and material terms of the transaction have been generally disclosed in a public filing made on SEDAR. Because of this exemption and the exemption for normal course issuer bids in section 7.1, a reporting issuer that is an insider of itself will not generally need to file insider reports under Part 3 or Part 4 provided the issuer complies with the alternative reporting requirement in section 7.2 of the Instrument.

PART 8 EXEMPTION FOR CERTAIN ISSUER EVENTS

8.1 [Intentionally left blank]

PART 9 EXEMPTIONS

9.1 **Scope of exemptions** – The exemptions under the Instrument are only exemptions from the insider reporting requirements contained in the Instrument and are not exemptions or defences from the provisions in Canadian securities legislation imposing liability for improper insider trading.

9.2 **Reporting Exemption** – The definition of "reporting insider" includes certain enumerated persons or companies that generally satisfy the criteria contained in subsection (i) of the definition of reporting insider, namely, routine access to material undisclosed information and significant power or influence over the reporting issuer. Although there is no general exemption for the enumerated persons or companies based on lack of routine access to material undisclosed information or lack of power or influence, we will consider applications for exemptive relief where the issuer or reporting insider can demonstrate that the reporting insider does not satisfy these criteria. This might include, for example, a situation where a foreign subsidiary may appoint a locally resident individual as a director to meet residency requirements under applicable corporate legislation, but remove the individual's powers and liabilities through a unanimous shareholder declaration.

9.3 **Reporting Exemption (certain directors and officers of insider issuers)** – The reference to "material facts or material changes concerning the investment issuer" in section 9.3 of the Instrument is intended to include information that originates at the insider issuer level but which concerns or is otherwise relevant to the investment issuer. For example, in the case of an issuer that has a subsidiary investment issuer, a decision at the parent issuer level that the subsidiary investment issuer will commence or discontinue a line of business would generally represent a "material fact or material change concerning the investment issuer". Similarly, a decision at the parent issuer level that the parent issuer will seek to sell its holding in the subsidiary investment issuer would also generally represent a "material fact or material change concerning the investment issuer." Accordingly, a director or officer of the parent issuer who routinely had access to such information concerning the investment issuer would not be entitled to rely on the exemption for trades in securities of the investment issuer.

9.4 **Exemption for a pledge where there is no limitation on recourse** – The exemption in paragraph 9.7(b) of the Instrument is limited to pledges of securities in which there is no limitation on recourse since a limitation on recourse may effectively allow the borrower to "put" the securities to the lender to satisfy the debt. The limitation on recourse may effectively represent a transfer of the risk that the securities may fall in value from the insider to the lender. In these circumstances, the transaction should be transparent to the market.

A loan secured by a pledge of securities may contain a term limiting recourse against the borrower to the pledged securities (a legal limitation on recourse). Similarly, a loan secured by a pledge of securities may be structured as a limited recourse loan if the loan is made to a limited liability entity (such as a holding corporation) owned or controlled by the insider (a structural limitation on recourse). If there is a limitation on recourse as against the insider either legally or structurally, the exemption would not be available.

9.5. **Exemption for certain investment funds –** The exemption in paragraph 9.7(f) of the Instrument is limited to situations where securities of the reporting issuer do not form a material component of the investment fund's market value. In determining materiality, similar considerations to those involved in the concepts of material fact and material change would apply.

PART 10 CONTRAVENTION OF INSIDER REPORTING REQUIREMENTS

10.1 Contravention of insider reporting requirements

(1) It is an offence to fail to file an insider report in accordance with the filing deadlines prescribed by the Instrument or to

submit information in an insider report that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

(2) A failure to file an insider report in a timely manner or the filing of an insider report that contains information that is materially misleading may result in one or more of the following

- the imposition of a late filing fee;
- the reporting insider being identified as a late filer on a public database of late filers maintained by certain securities regulators;
- the issuance of a cease trade order that prohibits the reporting insider from directly or indirectly trading in or acquiring securities or related financial instruments of the applicable reporting issuer or any reporting issuer until the failure to file is corrected or a specified period of time has elapsed; or
- in appropriate circumstances, enforcement proceedings.

(3) Members of the CSA may also consider information relating to wilful or repeated non-compliance by directors and executive officers of a reporting issuer with their insider reporting obligations in the context of a prospectus review or continuous disclosure review, since this may raise questions relating to the integrity of the insiders and the adequacy of the issuer's policies and procedures relating to insider reporting and insider trading.

PART 11 INSIDER TRADING

11.1 Non-reporting insiders – Insiders who are not reporting insiders are still subject to the provisions in Canadian securities legislation prohibiting improper insider trading.

11.2 Written disclosure policies – National Policy 51-201 *Disclosure Standards* outlines detailed best practices for issuers for disclosure and information containment and provides interpretative guidance of insider trading laws. We recommend that issuers adopt written disclosure policies to assist directors, officers, employees and other representatives in discharging timely disclosure obligations. Written disclosure policies also should provide guidance on how to maintain the confidentiality of corporate information and to prevent improper trading based on inside information. Adopting the CSA best practices may assist issuers to ensure that they take all reasonable steps to contain inside information.

11.3 Insider Lists – Reporting issuers may also wish to consider preparing and periodically updating a list of the persons working for them or their affiliates who have access to material facts or material changes concerning the reporting issuer before those facts or changes are generally disclosed. This type of list may allow reporting issuers to control the flow of undisclosed information. The CSA may request additional information from time to time, including asking the reporting issuer to prepare and provide a list of insiders and reporting insiders, in the context of an insider reporting review.

APPENDIX F

CONSEQUENTIAL AMENDMENTS

AMENDING INSTRUMENT FOR
MULTILATERAL INSTRUMENT 11-102 *PASSPORT SYSTEM*

1. ***Multilateral Instrument 11-102 Passport System is amended by this Instrument.***

2. ***Appendix D is amended by:***

   a. ***deleting all of the rows that refer to MI 55-103 Insider Reporting for Certain Derivative Transactions (Equity Monetization);***

   b. ***inserting the following two rows (see non-shaded rows below) immediately under the row containing the words "***System for electronic disclosure by insiders (SEDI)***"; and***

Provision	BC	AB	SK	MB	Que	NS	NB	PEI	NL	YK	NWT	Nun	ON
Insider reporting requirements	NI 55-104 (except as noted below)												NI 55-104 (except as noted below)
Primary insider reporting requirement	Part 3 of NI 55-104												s. 107

   c. ***deleting all of the rows under the subheading "***Insider Reporting***" and substituting the following new row (see non-shaded rows below) immediately under that subheading.***

Provision	BC	AB	SK	MB	Que	NS	NB	PEI	NL	YK	NWT	Nun	ON
Insider Reporting													
Insider reporting requirements	s. 87	s. 182	s. 116	s. 109	s. 89.3	s. 113	s. 135	s. 1 of Local Rule 55-501	s. 108	s. 1 of Local Rule 55-501	s. 2 of Local Rule 55-501	s.1 of Local Rule 55-501	s. 107

3. ***Except in Ontario, this Instrument comes into force on April 30, 2010. In Ontario, this Instrument comes into force on the later of the following: (a) April 30, 2010; and (b) the day on which subsection 1(8) and sections 9 and 10 of Schedule Z.5 to Bill 151, Budget Measures Act, 2006 (No. 2) are proclaimed in force.***

AMENDING INSTRUMENT FOR
NATIONAL INSTRUMENT 14-101 *DEFINITIONS*

1. National Instrument 14-101 Definitions is amended by this Instrument.

2. Subsection 1.1(3) is amended by striking out the definition of "*insider reporting requirement*" and substituting the following:

"insider reporting requirement" means

(a) a requirement to file insider reports under Parts 3 and 4 of National Instrument 55-104 *Insider Reporting Requirements and Exemptions*;

(b) a requirement to file insider reports under any provisions of Canadian securities legislation substantially similar to Parts 3 and 4 of National Instrument 55-104 *Insider Reporting Requirements and Exemptions*; and

(c) a requirement to file an insider profile under National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)*.

3. Except in Ontario, this Instrument comes into force on April 30, 2010. In Ontario, this Instrument comes into force on the later of the following: (a) April 30, 2010; and (b) the day on which subsection 1(8) and sections 9 and 10 of Schedule Z.5 to Bill 151, Budget Measures Act, 2006 (No. 2) are proclaimed in force.

REPEAL OF
NATIONAL INSTRUMENT 55-101 *INSIDER REPORTING EXEMPTIONS*

1. National Instrument 55-101 Insider Reporting Exemptions is repealed.

2. Except in Ontario, this Instrument comes into force on April 30, 2010. In Ontario, this Instrument comes into force on the later of the following: (a) April 30, 2010; and (b) the day on which subsection 1(8) and sections 9 and 10 of Schedule Z.5 to Bill 151, Budget Measures Act, 2006 (No. 2) are proclaimed in force.

REPEAL OF
COMPANION POLICY 55-101CP
TO NATIONAL INSTRUMENT 55-101 INSIDER REPORTING EXEMPTIONS

1. *Companion Policy 55-101CP to National Instrument 55-101 Insider Reporting Exemptions is repealed.*

2. *Except in Ontario, this Instrument comes into force on April 30, 2010. In Ontario, this Instrument comes into force on the later of the following: (a) April 30, 2010; and (b) the day on which subsection 1(8) and sections 9 and 10 of Schedule Z.5 to Bill 151, Budget Measures Act, 2006 (No. 2) are proclaimed in force.*

REPEAL OF
MULTILATERAL INSTRUMENT 55-103 *INSIDER REPORTING FOR CERTAIN DERIVATIVE TRANSACTIONS (EQUITY MONETIZATION)*

1. Multilateral Instrument 55-103 Insider Reporting for Certain Derivative Transactions (Equity Monetization) is repealed.

2. Except in Ontario, this Instrument comes into force on April 30, 2010. In Ontario, this Instrument comes into force on the later of the following: (a) April 30, 2010; and (b) the day on which subsection 1(8) and sections 9 and 10 of Schedule Z.5 to Bill 151, Budget Measures Act, 2006 (No. 2) are proclaimed in force.

REPEAL OF
COMPANION POLICY 55-103CP *TO*
MULTILATERAL INSTRUMENT 55-103 INSIDER REPORTING
FOR CERTAIN DERIVATIVE TRANSACTIONS (EQUITY MONETIZATION)

1. Companion Policy 55-103CP to Multilateral Instrument 55-103 Insider Reporting for Certain Derivative Transactions (Equity Monetization) is repealed.

2. Except in Ontario, this Instrument comes into force on April 30, 2010. In Ontario, this Instrument comes into force on the later of the following: (a) April 30, 2010; and (b) the day on which subsection 1(8) and sections 9 and 10 of Schedule Z.5 to Bill 151, Budget Measures Act, 2006 (No. 2) are proclaimed in force.

AMENDMENT INSTRUMENT FOR
NATIONAL INSTRUMENT 62-103
THE EARLY WARNING SYSTEM AND RELATED TAKE-OVER BID AND INSIDER REPORTING ISSUES

1. National Instrument 62-103 The Early Warning System and Related Take-Over Bid and Insider Reporting Issues is amended by this Instrument.

2. Subsection 1.1(1) is amended by

(a) after the definition of "**news release**" adding the following definition:

"NI 55-104" means National Instrument 55-104 *Insider Reporting Requirements and Exemptions*;

(b) after the definition of "**private mutual fund**" adding the following definition:

"related financial instrument" has the meaning ascribed to that term in NI 55-104;

(c) after the definition of "**securityholding percentage**" adding the following definition:

"significant change in a related financial instrument position" means, in relation to an entity and a related financial instrument that involves, directly or indirectly, a security of a reporting issuer, any change in the entity's interest in, or rights or obligations associated with, the related financial instrument if the change has a similar economic effect to an increase or decrease in the entity's securityholding percentage in a class of voting or equity securities of the reporting issuer by 2.5 percent or more;

3. Section 9.1 is amended by

(a) in subsection (1),

(i) striking out "**Subject to subsections (3) and (4),**" and substituting "**Subject to subsections (3), (3.1) and (4),**"; and

(ii) after paragraph (a) adding the following paragraph:

(a.1) the report referred to in paragraph (a) discloses, in addition to any other required disclosure,

(i) the eligible institutional investor's interest in any related financial instrument involving a security of the reporting issuer that is not otherwise reflected in the current securityholding percentage of the eligible institutional investor; and

(ii) the material terms of the related financial instrument;

(b) after subsection (3) adding the following subsection:

(3.1) Despite subsection (1), an eligible institutional investor that is filing reports under the early warning requirements or Part 4 for a reporting issuer may rely upon the exemption contained in subsection (1) only if the eligible institutional investor treats a significant change in a related financial instrument position as a change in a material fact for the purposes of securities legislation pertaining to the early warning requirements or section 4.6 of this Instrument.

4. Appendix A is amended by

(a) adding the following row immediately under the row that begins with "**NEWFOUNDLAND**":

NORTHWEST TERRITORIES	Paragraph (c) of the definition of "distribution" contained in subsection 1(1) of the *Securities Act* (Northwest Territories)***,***

(b) striking out "**Clause 1(b.1)(iii) of the *Securities Act* (Prince Edward Island)**" and substituting "**Subclause (iii) of the definition of "distribution" contained in clause 1(k) of the *Securities Act* (Prince Edward Island)**", and

(c) adding the following row immediately under the row that begins with "**SASKATCHEWAN**":

YUKON TERRITORY	Paragraph (c) of the definition of "distribution" contained in subsection 1(1) of the *Securities Act* (Yukon Territory).

5. Appendix D is amended by

(a) ***opposite "***NORTHWEST TERRITORIES***", striking out "***Sections 1.8 and 1.9 of MI 62-104***" and substituting "***Section 11 of the *Securities Act* (Northwest Territories) and sections 1.8 and 1.9 of MI 62-104***",***

(b) ***opposite "***PRINCE EDWARD ISLAND***", striking out "***Sections 1.8 and 1.9 of MI 62-104***" and substituting "***Section 11 of the *Securities Act* (Prince Edward Island) and sections 1.8 and 1.9 of MI 62-104***", and***

(c) ***opposite "***YUKON TERRITORY***", striking out "***Sections 1.8 and 1.9 of MI 62-104***" and substituting "***Section 11 of the *Securities Act* (Yukon Territory) and sections 1.8 and 1.9 of MI 62-104***".***

6. Except in Ontario, this Instrument comes into force on April 30, 2010. In Ontario, this Instrument comes into force on the later of the following: (a) April 30, 2010; and (b) the day on which subsection 1(8) and sections 9 and 10 of Schedule Z.5 to Bill 151, Budget Measures Act, 2006 (No. 2) are proclaimed in force.

APPENDIX G

LOCAL AMENDMENTS

Revocation of Certain Regulations

Subject to the approval of the Minister, in view of the fact that the New Instrument contains certain exemptions similar to exemptions currently contained in Ontario Regulation 1015 of the *Securities Act* (Ontario), we intend to recommend that the following regulations be revoked:

Description of Reporting Requirement	Ont. Reg. 1015	New Provision in New Instrument
Exemption based on no holdings	s. 166	s. 9.4
Report of transfer by insider	s. 167	n/a
Reporting exemption (corporate group)	s. 170	s. 9.5
Executor exemption	s. 171	s. 9.6

APPENDIX H

LOCAL INFORMATION

Notice of Commission approval

On January 5, 2010, the Commission approved the New Instrument, the Consequential Amendments and revocation instruments in connection with NI 55-101 and MI 55-103 (collectively, the New Instruments) pursuant to section 143 of the Act. Also on that day, the Commission adopted the New Policy and approved the rescission of 55-101CP and 55-103CP pursuant to section 143.8 of the Act.

The New Instruments have an effective date of April 30, 2010, assuming that the requisite provisions of the *Budget Measures Act, 2006 (No. 2)* are proclaimed in force by then.

Delivery to the Minister

The New Instruments together with related materials were delivered to the Minister of Finance on January 22, 2010. The Minister may approve or reject the New Instruments or return them for further consideration. If the Minister approves the New Instruments or does not take any further action by March 23, 2010, the New Instruments will come into force on the later of April 30, 2010 and the date the requisite provisions of the *Budget Measures Act, 2006 (No. 2)* are proclaimed in force. The New Policy will come into force on the date the New Instruments come into force.

Request for Proclamation of Related Amendments to the *Securities Act* (Ontario)

In connection with the request for approval for the New Instruments, the Commission has also requested that certain amendments made to the *Securities Act* (Ontario) relating to insider reporting be proclaimed into force.

Specifically, the Commission has requested that subsection 1(8) and sections 9 and 10 of Schedule Z.5 to *Bill 151, Budget Measures Act, 2006 (No. 2)* be proclaimed in force.

These amendments will, if proclaimed, result in the following:

- The repeal of subsection 1(8) of the Act;
- The repeal of subsection 1(9) of the Act;
- The amendment to clause 106(2)(a) of the Act described in the Schedule;
- The amendment to clause 106(2)(b) of the Act described in the Schedule;
- The repeal of clause 106(2)(c) of the Act;
- The repeal of section 107 of the Act and the substitution of the new section 107 as described in the Schedule; and
- The repeal of section 108 of the Act.

Ministry of Finance staff have recommended April 30, 2010 as the date on which the requisite provisions of the *Budget Measures Act, 2006 (No. 2)* be proclaimed in force. In which case, the New Instruments would take effect on April 30, 2010.

5.1.2 OSC Rule 13-502 Fees and Companion Policy 13-502CP Fees

NOTICE OF
AMENDMENTS TO
OSC RULE 13-502 *FEES*
AND COMPANION POLICY 13-502CP *FEES*

Introduction

On January 19, 2010, the Ontario Securities Commission (OSC, Commission or we) made amendments to OSC Rule 13-502 *Fees* and adopted a change to Companion Policy 13-502CP *Fees* under the *Securities Act* (the Act) (collectively, the Proposed Material). An earlier version of the proposed amendments to the Rule was published for a 90-day comment period on October 2, 2009. In this notice, references to the "Proposed Rule" are to the Rule as it is proposed to be amended.

Under section 143.3 of the Act, the proposed amendments to the Rule were delivered to the Minister of Finance on January 20, 2010. If the Minister approves the proposed amendments by March 19, 2010, they come into force on April 5, 2010.

Substance and purpose of the Proposed Materials

The proposed amendments to the Rule are consistent with the basic framework under the current rule. Under the current rule and the Proposed Rule, participation fees are designed to cover Commission costs that are not attributable to activities on behalf of a specific market participant. These fees are based on the market participant's size, which is used as a proxy for its use of the Ontario capital markets. Activity fees are designed to recover direct costs of the Commission of reviewing documents.

The proposed amendments to the Rule provide adjustments with regard to both participation fees and activity fees. With the exceptions noted below, all of the proposed amendments to the Rule were published for comment on October 2, 2009.

The proposed amendments to the Rule and the proposed change to the Companion Policy are summarized below.

Corporate finance participation fees

It is proposed that participation fees for reporting issuers be increased by 17% annually over three years at each tier of capitalization.

Capital markets participation fees

(i) Fee increases

It is proposed that capital markets participation fees be increased by 9% annually over three years at each tier of specified Ontario revenues. This increase was reflected in the materials published for comment on October 2, 2009. The minor technical changes described below with regard to capital markets participation fees were not.

(ii) Capital market participation fees – subsection 3.1(3)

Subsection 3.1(3) of the Rule provides an exemption from the payment of participation fees charged to unregistered investment fund managers after the end of a fiscal year, where they cease to have that status in the fiscal year (otherwise because of their registration). In the Proposed Rule, drafting changes have been made to confirm the intent of the subsection.

(iii) Disclosure of Fee Calculation – section 3.2

Subsection 3.2(1) of the Rule provides that registrant firms and unregistered exempt international firms must file a completed Form 13-502F4 by December 1 of a calendar year, showing the information required to calculate the participation fee due on December 31 of the calendar year.

Subsection 3.2(1) of the Rule does not address the situation where a firm becomes registered after December 1 in a calendar year, nor the situation where the firm is notified that it qualifies as an exempt international firm after December 1 in the calendar year.

New subsection 3.2(1.1) of the Proposed Rule provides that, in these cases, the calculation information can be filed after December 1 (as soon as practicable after registration or providing notification of status as an exempt international firm). This amendment conforms with current administrative practice. The reference to December 1 in paragraph 3.5(1)(a) of the Proposed Rule is likewise revised as a consequence of new subsection 3.2(1.1) of the Proposed Rule.

(iv) Payment to Exempt International Firms of Advisory and Sub-advisory Fees – subsection 3.4(3)

Subsection 3.4(3) of the Rule allows, in computing the specified Ontario revenues of registrant firms (other than IIROC and MFDA members) and of unregistered exempt international firms, the deduction of advisory and sub-advisory fees payable to registrant firms. The deduction of these fees can result in a firm being subject to a smaller participation fee if the deduction results in a lower relevant tier of specified Ontario revenues. Subsection 3.4(3) is designed to address the potential duplication of participation fees for parties involved in structures.

In the Proposed Rule, subsection 3.4(3) is extended to cases where the recipient of such fees is an exempt international firm. The amendment is designed to allow this measure to operate as it did before registration reform, given the new exemption for registration provided to exempt international firms as a consequence of registration reform.

(v) Form 13-502F4

In the Proposed Rule, Form 13-502F4 is amended to reflect the proposed changes in section 3.2 and subsection 3.4(3) of the Proposed Rule.

Non-substantive changes to the form has been made to improve its organization and clarify instructions provided. All of these changes are consistent with present administrative practice.

Activity fees

Where no change in an activity fee is proposed, higher costs for resources have been offset by savings from process improvements and improved quality of material submitted for review.

(i) Prospectuses

Amendments to items 1 and 3 of section A of Appendix C of the Proposed Rule would increase the fee for certain prospectus reviews from $3,000 to $3,250, reflecting the increased complexity of issues arising in these reviews and the higher costs of resources involved in their review. The same fee is also proposed under new item 5 of section A of Appendix C of the Proposed Rule with regard to the review of linked note supplements. In the case of preliminary or *pro forma* prospectus filings in Form 41-101F2 by or on behalf of certain investment funds, the new filing fee under item 4 of section A of Appendix C of the Proposed Rule would be the greater of $3,250 (up from $3,000) and $650 (up from $600) per investment fund in a prospectus.

(ii) Engineering Reports

Under the Rule, a $2,000 additional fee is charged in connection with a long-form prospectus of a resource issuer accompanied by engineering reports. Under the Proposed Rule, this additional fee would also apply in connection with the other forms of prospectus.

(iii) Applications

Under amended item 1 of section E of Appendix C of the Proposed Rule, the fee for various application reviews would increase from $3,000 to $3,250. This primarily reflects the higher costs of resources involved in their review and the increased complexity of issues arising in these reviews.

(iv) Take-over bids and issuer bids

Under amended item 1 of section G of Appendix C of the Proposed Rule, the fee for filing of a take-over bid or issuer bid circular would increase from $3,000 to $4,000, primarily reflecting the increased complexity of issues arising in these reviews and the higher costs of resources involved in their review.

(v) Pre-Filing Fees

Under section F of Appendix C of the Rule, a pre-filing fee is charged in connection with pre-filings for which fees are charged in Appendix B. This pre-filing fee, which is creditable against the corresponding filing fee, is currently equal to the lesser of $3,000 and the corresponding filing fee. The pre-filing fee is proposed to be amended so that it is simply equal to the corresponding filing fee. In the normal course of events, this pre-filing fee would be fully creditable against the corresponding filing fee.

(vi) Proficiency requirements for registration

Under the Proposed Rule, an $800 fee would be newly imposed to apply for relief from the proficiency requirements in National Instrument 31-103 Registration Requirements and Exemptions (NI 31-103) for chief compliance officers of scholarship plan

dealers and exempt market dealers and for dealing representatives of exempt market dealers. This charge reflects that these applications entail a significant use of staff resources. The new $800 fee is equal to the fee in the Current Rule charged for similar applications for relief from proficiency applications described in item 3 of section E of Appendix C.

Under the Proposed Rule, a $1,500 fee would be newly imposed to apply for relief from the proficiency requirements in NI 31-103 for chief compliance officers of investment fund managers. This charge reflects that these applications entail a significant use of staff resources. The new $1,500 fee is equal to the fee in the Current Rule charged for similar applications for relief from proficiency applications described in item 2 of section E of Appendix C.

(vii) Registrations of chief compliance officers and ultimate designated persons

Under amended item 4.1 of section H of the Proposed Rule, a $200 fee per individual would be newly imposed for registration as a chief compliance officer or ultimate designated person of a registrant firm, if the individual is not already registered as a representative on behalf of the registrant firm. This reflects a modest use of staff resources for such registrations.

(viii) Notice requirements under section 11.10 of NI 31-103

Section 11.9 of NI 31-103 provides for a notice to be provided by a registrant, generally in connection with certain acquisitions by it of control or assets of a registered firm. Section 11.10 of NI 31-103 requires a notice by a registered firm, generally in connection with the acquisition of control of that firm. No notice is required under section 11.10 in the event that section 11.9 is complied with in respect of the same transaction. The review processes contemplated by sections 11.9 and 11.10 are substantially similar.

Under the Rule, a fee is charged under section I of the Rule in connection with a notice under section 11.9 of NI 31-103. Under the Proposed Rule, this fee would be extended to notices required under section 11.10 of NI 31-103, in order to reflect resources used in connection with the review process contemplated by section 11.10.

(ix) Late fees

Under new paragraphs (f.1) to (f.4) of section A of Appendix D of the Proposed Rule, late fees would be imposed for the late filings of Forms 13-502FI, 13-502F2, 13-502F2A and 13-502F3B. Under the Current Rule and the Proposed Rule, these forms must be filed at the time that the payment of the participation fee is paid.

Companion Policy 13-502CP

The change to the Companion Policy sets out the Commission's interpretation with regard to materials required to be filed under Part 3 of the Rule, in order to clarify that this material will continue to held in confidence. This is consistent with administrative practice.

Comments received

We received comment letters from the five respondents listed below. We would like to thank everyone who took the time to provide comments. We have carefully considered the comments and have provided a summary of the comments and our responses in Table A to this Notice. Copies of the comment letters are available on the Commission's website at www.osc.gov.on.ca.

- Alternative Investment Management Association – Canada (letter dated December 22, 2009)
- IGM Financial, Inc. (letter dated December 22, 2009)
- Fidelity Investments, Canada ULC (letter dated December 24, 2009)
- Invesco Trimark (letter dated December 31, 2009)
- The Investment Funds institute of Canada (letter dated December 31, 2009)

Text of the Proposed Materials

The text of the Proposed Materials follows, together with a blackline showing how the proposed amendments would affect the consolidated version of the Rule. The proposed amendments to the Rule are set out in Annex A. The blackline is set out in Annex B. The proposed amendment to the Companion Policy is set out in Annex C.

Questions

Meenu Joshi
Accountant, Investment Funds
(416) 593-8139
mjoshi@osc.gov.on.ca

Ritu Kalra
Senior Accountant, Corporate Finance
(416) 593-8063
rkalra@osc.gov.on.ca

Gina Sugden
Project Manager, Registrant Regulation
(416) 593-8162
gsugden@osc.gov.on.ca

Felicia Tedesco
Assistant Manager, Compliance
(416) 593-8273
ftedesco@osc.gov.on.ca

January 22, 2010

Table A

Item	Issue	Commission's Response
1.1	The mutual funds industry pays a disproportionate share of fees.	We agree with the assessment that the mutual fund industry is currently paying a disproportionate share of fees. The proposed fee increases will move us toward a more appropriate balance. The average increases proposed for issuers are almost double those for registrants. The increases to fees for issuers required to completely address this issue would not be tolerable, however, we are committed to resolving this issue as soon as practicable.
1.2	A decision to increase fees at this time is premature because markets have not recovered and the industry is facing new costs related to Point of Sale and the potential introduction of the Harmonized Sales Tax.	Securities market participants fund our operations through fees they pay. Our fees are set to recover our costs of operation in fulfilling our mandate while allowing us to remain financially stable. We understand the concerns about the impact of the costs arising from additional regulation, however, these measures are necessary to achieving our mandate to provide protection to investors and to foster fair and efficient capital markets.
1.3	The OSC should maintain fees at current levels for one more year and use the surplus and our reserve if necessary to fund deficits.	If we were to use our surplus to maintain fees at current levels for one more year, we would need to impose average annual increases of 34% for issuers and 18% for registrants for the following two years. We do not believe that use of the general reserve would be prudent as it may be required should the market growth rates assumed in setting fee rates not be achieved. While there is uncertainty, capital markets have rebounded significantly and recent statistics from the Investment Funds Institute of Canada suggest that market conditions have improved.
1.4	The OSC should adopt a two-year fee cycle beginning April 2011.	While there may be merit in using a two year fee cycle, given the potential establishment of a national regulator, we do not support making this change at this time.
1.5	Commenters had opposing opinions on whether fees should be based on historical data ("reference year ending before December 31, 2010").	Given the lack of concurrence in the comments received, as well as the potential establishment of a national regulator, we do not support making this change at this time.
1.6	The proposal "appears to accentuate fluctuations between fee tiers" when a registrant only experiences a marginal increase in its gross revenues. The breadth of the tiers is too wide and can create disproportionate impacts. Participation fees tiers could be reduced or these fees should be % based.	The goal of the current fee model is to create a clear and streamlined fee structure that reflects the Commission's cost of providing services. Given that those costs are relatively stable, year to year, the structure of the participation fees and tiers is designed to minimize volatility in the Commission's revenue and therefore better match revenue to costs. This also means that market participants generally experience stability in their fees from one year to the next.
1.7	Participation fees should be based on assets under management	When the current model was developed, considerable time was spent on selecting the appropriate bases for issuers' and registrants' participation fees. These were meant to reflect the relative size of operations and the potential value of market participation, as a proxy for the benefit derived by market participants from their participation in Ontario's capital markets. Guiding principles in selecting the bases included that they should be fair, easily obtainable and verifiable (e.g., revenues is an audited number, assets under administration is not) and easy to calculate and collect in order to minimize administrative burden for industry participants. Given these principles and following consultations with market participants, the following bases for participation fees were chosen: issuers - market capitalization; registrants - Ontario revenues. Participation fees are intended to correspond to the participant's use of the orderly, efficient market that the Commission's regulation strives to provide. We are of the view that this fee model fairly

Item	Issue	Commission's Response
		allocates the costs of regulation. In addition, the potential establishment of a national regulator does not support changing the fee structure at this time.
1.8	Fee increases for applications for exemptive relief due to increased complexity are not justified.	Applications that contain novel elements, regardless of their ultimate disposition, typically require more analysis, input and consultation than routine exemptive relief.
1.9	To the extent the oversight role requires less resources and lower costs than a direct daily regulatory role over MFDA members the OSC should review its participation fees to eliminate any duplication with MFDA membership fees.	We continue to be mindful of the regulatory fee burden particularly in regard to integrated entities who operate in various market segments. The OSC and other recognizing jurisdictions play an important role in providing oversight to the MFDA for which there are associated costs. Our activities in this regard are not duplicative and the fees are set at levels to recover our related costs.
1.10	The OSC should conduct a meaningful examination of its costs to determine what costs can be controlled/reduced so as to operate more efficiently and avoid fee increases.	Our Board of Directors and management are committed to prudently managing our budget and expenditures. Each year in setting our budget we carefully review our priorities and our capacity and assess whether existing resources could be reduced or reallocated to better serve priority areas, while not impairing the OSC's ability to achieve our mandate. We strive to provide value-for-money to our stakeholders and ensure that we deliver efficient and quality services and make the best use of all our resources, including people, technology, research and financial, to achieve timely and effective execution of all that we do.
1.11	Post implementation cost benefit analysis be conducted on all regulation.	We acknowledge that regulation of the financial sector has corresponding costs which are borne by the regulated entities. In fulfilling the OSC's mandate of protecting investors and fostering fair and efficient capital markets and confidence in capital markets, we make every effort to ensure that the costs associated with implementing regulatory initiatives do not outweigh their benefits. In addition, the OSC routinely conducts post-implementation reviews to assess the effectiveness, including costs, of new regulatory initiatives.
1.12	The OSC should evaluate the costs to Ontario participants of the OSC not participating in the Passport system.	The OSC and the Government of Ontario are committed to supporting the development of a national securities regulator to replace the Passport system. The Canadian Securities Transition Office has been established to develop a framework for such a national regulator.
1.13	Request clarification on the application of the $800 fee for relief from section 3.9 of NI 31-103, whether it applies at the "dealer" level or separately to each "dealing representative".	The $800 fee for relief from section 3.9 of NI 31-103 applies to each "dealing representative" and not at the "dealer level". As described in section 3.3 of Companion Policy 31-103CP, applications for relief from proficiency requirements require the review of each individual's qualifications and relevant experience.
1.14	The payment of even the lowest participation fee by a "nominal" unregistered investment fund manager who delegates all registerable activity to a registrant who pays a participation fee results in a duplication of participation fees .	As set out in the Notice of National Instrument 31-103 published on July 17, 2009, the Canadian Securities Administrators anticipates publishing a proposal for comment in the next year to explain circumstances under which an investment fund manager that does not have a Canadian head office will need to register, and in what additional provinces and territories an investment fund manager with a head office in Canada will need to register. Once this is resolved, we will reconsider the application of Rule 13-502 to investment fund managers and the investments funds managed by them.
1.15	The relationship between the investment fund manager and adviser of a non-resident	As set out in the Notice of National Instrument 31-103 published on July 17, 2009, the Canadian Securities Administrators anticipates publishing a proposal for comment in the next year to explain circumstances under which an

Item	Issue	Commission's Response
	investment fund is not sufficient to warrant a registration requirement and should not trigger a participation fee for the investment fund manager.	investment fund manager that does not have a Canadian head office will need to register, and in what additional provinces and territories an investment fund manager with a head office in Canada will need to register. Once this is resolved, we will reconsider the application of Rule 13-502 to investment fund managers and the investment funds managed by them. If their investment fund managers are not subject to participation fees, investment funds would expect to be subject to activity fees payable for the filing of Forms 45-106F1 or 45-501F1 in connection with private placements as required by Rule 13-502.
1.16	A commenter took the position that the drafting of subsection 3.1(3) of the Rule was unclear.	We agree that the drafting of subsection 3.1(3) of the Rule can be improved and the material in this Notice includes drafting that we believe will clarify its intent. Subsection 3.1(3) of the Rule is intended to provide an exemption to a firm that is an unregistered investment fund manager from participation fees that become payable shortly after its fiscal year, in the event that the firm ceased at any time in that fiscal year to be a unregistered investment fund manager (otherwise than as a consequence of the firm's registration). The commenter understood the intent of this subsection and was helpful in providing drafting that we considered. The drafting put forward by the commenter was, however, not considered to be sufficiently precise in light of the year-by-year application of subsection 3.1(3).
1.17	Section 3.4 of OSC Rule 13-501 provides a deduction for certain firms in computing their specified Ontario revenues. Participation fees under Part 3 of the Rule are determined with reference to a firm's specified Ontario revenues. The deduction is available for advisory and sub-advisory fees payable to registrants. A commenter suggested that amounts paid to exempt international firms should also qualify for the deduction, given that these firms were previously subject to registration and are now exempt from registration under National Instrument 31-103.	We agree with this comment. The material in this Notice would thus extend paragraph 3.4(3)(d) to permit the deduction of advisory or sub-advisory fees to an unregistered exempt international firm in computing the fee payer's specified Ontario revenues.

Annex A

Amendments to Ontario Securities Commission Rule 13-502 *Fees*

1. ***Ontario Securities Commission Rule 13-502 Fees is amended by this Instrument.***

2. ***Section 2.2 is amended by striking out "***$600***" and substituting "***$700***" in subsection (2) and paragraph (3)(a).***

3. ***Section 2.2, as amended by section 2, is amended by striking out "***$700***" and substituting "***$820***" in subsection (2) and paragraph (3)(a).***

4. ***Section 2.2, as amended by section 3, is amended by striking out "***$820***" and substituting "***$960***" in subsection (2) and paragraph (3)(a).***

5. ***The portion of subsection 3.1(3) before paragraph (a) of that subsection is repealed and substituted by the following:***

   (3) The participation fee otherwise required from a person or company under subsection (2) not later than 90 days after the end of its fiscal year is not required if the person or company

6. ***Section 3.2 is amended by adding the following:***

   (1.1) Despite subsection (1), if at a particular time after December 1 and in a calendar year, a firm becomes registered or provides notification that it qualifies as an unregistered exempt international firm, the completed Form 13-502F4 must be filed as soon as practicable after the particular time.

7. ***Paragraph 3.4(3)(d) is repealed and substituted by the following:***

   (d) advisory or sub-advisory fees paid during the previous fiscal year by the person or company to

   (i) a registrant firm, as "registrant firm" is defined in this Rule or in Rule 13-503 *(Commodity Futures Act) Fees*, or

   (ii) an unregistered exempt international firm;

8. ***Paragraph 3.5(1)(a) is repealed and substituted by the following:***

   (a) by the time in that calendar year specified in section 3.2, file a completed Form 13-502F4 showing a good faith estimate of the information required to calculate its specified Ontario revenues as at the end of the previous fiscal year, and

9. Appendix A is repealed and substituted by the following:

APPENDIX A — CORPORATE FINANCE PARTICIPATION FEES

Capitalization for the Previous Fiscal Year	Participation Fee
under $25 million	$700
$25 million to under $50 million	$1,520
$50 million to under $100 million	$3,740
$100 million to under $250 million	$7,850
$250 million to under $500 million	$17,200
$500 million to under $1 billion	$24,000
$1 billion to under $5 billion	$34,750
$5 billion to under $10 billion	$44,800
$10 billion to under $25 billion	$52,300
$25 billion and over	$58,850

10. Appendix A, as enacted by section 9, is repealed and substituted by the following:

APPENDIX A — CORPORATE FINANCE PARTICIPATION FEES

Capitalization for the Previous Fiscal Year	Participation Fee
under $25 million	$820
$25 million to under $50 million	$1,780
$50 million to under $100 million	$4,380
$100 million to under $250 million	$9,200
$250 million to under $500 million	$20,100
$500 million to under $1 billion	$28,100
$1 billion to under $5 billion	$40,700
$5 billion to under $10 billion	$52,400
$10 billion to under $25 billion	$61,200
$25 billion and over	$68,900

11. Appendix A, as enacted by section 10, is repealed and substituted by the following:

APPENDIX A — CORPORATE FINANCE PARTICIPATION FEES

Capitalization for the Previous Fiscal Year	Participation Fee
under $25 million	$ 960
$25 million to under $50 million	$2,080
$50 million to under $100 million	$5,125
$100 million to under $250 million	$10,700
$250 million to under $500 million	$23,540
$500 million to under $1 billion	$32,850
$1 billion to under $5 billion	$47,600
$5 billion to under $10 billion	$61,300
$10 billion to under $25 billion	$71,600
$25 billion and over	$80,600

12. Appendix B is repealed and substituted by the following:

APPENDIX B — CAPITAL MARKETS PARTICIPATION FEES

Specified Ontario Revenues for the Previous Fiscal Year	Participation Fee
under $500,000	$870
$500,000 to under $1 million	$2,725
$1 million to under $3 million	$6,100
$3 million to under $5 million	$13,725
$5 million to under $10 million	$27,800
$10 million to under $25 million	$56,700
$25 million to under $50 million	$85,000
$50 million to under $100 million	$170,000
$100 million to under $200 million	$282,300
$200 million to under $500 million	$572,250
$500 million to under $1 billion	$739,000
$1 billion to under $2 billion	$932,000
$2 billion and over	$1,564,000

13. Appendix B, as enacted by section 12, is repealed and substituted by the following:

APPENDIX B — CAPITAL MARKETS PARTICIPATION FEES

Specified Ontario Revenues for the Previous Fiscal Year	Participation Fee
under $500,000	$945
$500,000 to under $1 million	$2,970
$1 million to under $3 million	$6,650
$3 million to under $5 million	$14,975
$5 million to under $10 million	$30,300
$10 million to under $25 million	$61,800
$25 million to under $50 million	$92,650
$50 million to under $100 million	$185,300
$100 million to under $200 million	$307,700
$200 million to under $500 million	$623,750
$500 million to under $1 billion	$805,500
$1 billion to under $2 billion	$1,015,900
$2 billion and over	$1,704,800

14. Appendix B, as enacted by section 13, is repealed and substituted by the following:

APPENDIX B — CAPITAL MARKETS PARTICIPATION FEES

Specified Ontario Revenues for the Previous Fiscal Year	Participation Fee
under $500,000	$1,035
$500,000 to under $1 million	$3,240
$1 million to under $3 million	$7,250
$3 million to under $5 million	$16,325
$5 million to under $10 million	$33,000
$10 million to under $25 million	$67,400
$25 million to under $50 million	$101,000
$50 million to under $100 million	$202,000
$100 million to under $200 million	$335,400
$200 million to under $500 million	$679,900
$500 million to under $1 billion	$878,000
$1 billion to under $2 billion	$1,107,300
$2 billion and over	$1,858,200

15. Appendix C is amended by

a. striking out "**$3,000**" in item 1 of section A and substituting "$**3,250",**

b. striking out the words "**in Form 41-101F1**" in item 2 of section A,

c. striking out "**$3,000**" in items 3 and 4 of section A, wherever it occurs, and substituting "$**3,250",**

d. striking out "**$600**" item 4 of section A and substituting "$**650",**

e. adding the following immediately after item 4 of section A:

5. Review of prospectus supplement in relation to a specified derivative (as defined in National Instrument 44-102 *Shelf Distributions*) for which the amount payable is determined with reference to the price, value or level of an underlying interest that is unrelated to the operations or securities of the issuer.	$3,250

f. striking out "**$3,000**" in item 1 of section E and substituting "$**3,250",**

g. adding the following immediately after paragraph (f) in item 2 of section E:

(f.1) section 3.14 [*Investment fund manager – chief compliance officer*] of NI 31-103;

h. adding the following immediately after paragraph (d) in item 3 of section E:

(e) section 3.8 [*Scholarship plan dealer – chief compliance officer*] of NI 31-103,

(f) section 3.9 [*Exempt market dealer – dealing representative*] of NI 31-103,

(g) section 3.10 [*Exempt market dealer – chief compliance officer*] of NI 31-103.

i. adding "**and**" after paragraph (b) in item 4 of section E and striking out "**and**" at the end of paragraph (c) of section E;

j. striking out paragraph (d) in item 4 of section E;

k. striking out the words in second column of section F and substituting:

The fee for each pre-filing is equal to the applicable fee that would be payable if the corresponding formal filing had proceeded at the same time as the pre-filing.

l. striking out "**$3,000**" in item 1 of section G and substituting "**$4,000",**

m. striking out "**Nil**" in item 4.1 of section H and substituting "**$200 per individual**", and

n. striking out the words in the first column of section I and substituting the following:

I. Notice required under section 11.9 [*Registrant acquiring a registered firm's securities or assets*] or 11.10 [*Registered firm whose securities are acquired*] of NI 31-103.

16. Appendix D is amended by adding the following after paragraph (f) of section A:

(f.1) Form 13-502F1;

(f.2) Form 13-502F2;

(f.3) Form 13-502F3A;

(f.4) Form 13-502F3B;

(f.5) Form 13-502F3C;

17. Form 13-502F3A is amended by striking out "$600" and substituting "$700".

18. Form 13-502F3A, as amended by section 13, is amended by striking out "$700" and substituting "$820".

19. Form 13-502F3A, as amended by section 14, is amended by striking out "$820" and substituting "$960".

20. Form 13-502F3B is amended by striking out "$600" and substituting "$700".

21. Form 13-502F3B, as amended by section 16, is amended by striking out "$700" and substituting "$820".

22. Form 13-502F3B, as amended by section 17, is amended by striking out "$820" and substituting "$960".

23. Form 13-502F4 is repealed and substituted by:

FORM 13-502F4
CAPITAL MARKETS PARTICIPATION FEE CALCULATION

General Instructions

1. This form must be completed and returned to the Ontario Securities Commission by December 1 each year, as per section 3.2 of OSC Rule 13-502 *Fees* (the Rule), except in the case where firms register after December 1 in a calendar year or provide notification after December 1 in a calendar year of their status as exempt international firms. In these exceptional cases, this Form must be filed as soon as practicable after December 1.

2. This form is to be completed by firms registered under the *Securities Act* or by firms that are registered under both the *Securities Act* and the *Commodity Futures Act*. This form is also completed by exempt international firms relying on section 8.18 [international dealer] and 8.26 [international adviser] of NI 31-103, as well as by unregistered investment fund managers.

3. For firms registered under the *Commodity Futures Act*, the completion of this form will serve as an application for the renewal of both the firm and all its registered individuals wishing to renew under the *Commodity Futures Act*.

4. IIROC members must complete Part I of this Form and MFDA members must complete Part II. Exempt international firms, unregistered investment fund managers and registrant firms that are not IIROC or MFDA members must complete Part III.

5. The components of revenue reported in each Part should be based on accounting standards pursuant to which an entity's financial statements are prepared under Ontario securities law ("Accepted Accounting Standards"), except that revenues should be reported on an unconsolidated basis.

6. IIROC Members may refer to Statement E of the Joint Regulatory Financial Questionnaire and Report for guidance.

7. MFDA members may refer to Statement D of the MFDA Financial Questionnaire and Report for guidance.

8. Participation fee revenue will be based on the portion of total revenue that can be attributed to Ontario for the firm's most recently completed fiscal year, which is generally referred to in the Rule as its "previous fiscal year".

9. If a firm's permanent establishments are situated only in Ontario, all of the firm's total revenue for a fiscal year is attributed to Ontario. If permanent establishments are situated in Ontario and elsewhere, the percentage attributed to Ontario for a fiscal year will ordinarily be the percentage of the firm's taxable income that is allocated to Ontario for Canadian income tax purposes for the same fiscal year. For firms that do not have a permanent establishment in Ontario, the percentage attributable to Ontario will be based on the proportion of total revenues generated from capital markets activities in Ontario.

10. All figures must be expressed in Canadian dollars and rounded to the nearest thousand.

11. Information reported on this questionnaire must be certified by two members of senior management in Part IV to attest to its completeness and accuracy. However, it is acceptable to provide certification of this nature by only one member of senior management in cases of firms with only one officer and director.

12. There are a number of references in this form to “relevant fiscal year”. The “relevant fiscal year” is generally a firm’s last completed fiscal year. However, if good faith estimates for a fiscal year are provided in this Form pursuant to section 3.5 of the Rule, the relevant fiscal year is the fiscal year for which the good faith estimates are provided.

1. Firm Information

Firm NRD number: ______________________________

Firm legal name: _______________________________

2. Contact Information for Chief Compliance Officer

Please provide the name, e-mail address, phone number and fax number for your Chief Compliance Officer.

Name: ____

E-mail address: ____

Phone: ____________________________________ Fax: ____________________________

3. Membership Status

☐ The firm is a member of the Mutual Fund Dealers Association (MFDA).

☐ The firm is a member of the Investment Industry Regulators Organization of Canada (IIROC).

☐ The firm does not hold membership with the MFDA nor IIROC.

4. Financial Information

Is the firm providing a good faith estimate under section 3.5 of the Rule?

☐ Yes ☐ No

If no, end date of last completed fiscal year: _____/____/___
yyyy mm dd

If yes, end date of fiscal year for which the good faith estimate is provided:

_____/____/___
yyyy mm dd

Note: The fiscal year identified above is referred to below as the relevant fiscal year.

5. Participation Fee Calculation

Relevant fiscal year
$

Note: Dollar amounts stated in thousands, rounded to the neared thousand.

Part I — IIROC Members

		Relevant fiscal year $
1.	Total revenue for relevant fiscal year from Statement E of the Joint Regulatory Financial Questionnaire and Report	______
2.	Less revenue not attributable to capital markets activities	______
3.	Revenue subject to participation fee (line 1 less line 2)	______
4.	Ontario percentage for relevant fiscal year (See definition of "Ontario percentage" in the Rule)	%
5.	Specified Ontario revenues (line 3 multiplied by line 4)	______
6.	Participation fee (From Appendix B of the Rule, select the participation fee opposite the specified Ontario revenues calculated above)	______

Part II — MFDA Members

		Relevant fiscal year $
1.	Total revenue for relevant fiscal year from Statement D of the MFDA Financial Questionnaire and Report	______
2.	Less revenue not attributable to capital markets activities	______
3.	Revenue subject to participation fee (line 1 less line 2)	______
4.	Ontario percentage for relevant fiscal year (See definition of "Ontario percentage" in the Rule)	%
5.	Specified Ontario revenues (line 3 multiplied by line 4)	______
6.	Participation fee (From Appendix B of the Rule, select the participation fee opposite the specified Ontario revenues calculated above)	______

Part III – Advisers, Other Dealers, and Unregistered Capital Markets Participants

Notes:

1. Gross revenue is defined as the sum of all revenues reported on a gross basis as per the audited financial statements, except where unaudited financial statements are permitted in accordance with subsection 3.4(4) or (5) of the Rule. Audited financial statements should be prepared in accordance with Accepted Accounting Standards, except that revenues should be reported on an unconsolidated basis. Items reported on a net basis must be adjusted for purposes of the fee calculation.

2. Redemption fees earned upon the redemption of investment fund units sold on a deferred sales charge basis are permitted as a deduction from total revenue on this line.

3. Administration fees permitted as a deduction are limited solely to those that are otherwise included in gross revenue and represent the reasonable recovery of costs from the investment funds for operating expenses paid on their behalf by the registrant firm or unregistered capital markets participant.

4. Where the advisory services of a registrant firm, within the meaning of this Rule or OSC Rule 13-503 (*Commodity Futures Act*) *Fees*, or of an exempt international firm, are used by the person or company to advise on a portion of its assets under management, such sub-advisory costs are permitted as a deduction on this line to the extent that they are otherwise included in gross revenues.

5. Trailer fees paid to registrant firms described in note 4 are permitted as a deduction on this line to the extent they are otherwise included in gross revenues.

1.	Gross revenue for relevant fiscal year (note 1)	________
Less the following items:		
2.	Revenue not attributable to capital markets activities	________
3.	Redemption fee revenue (note 2)	________
4.	Administration fee revenue (note 3)	________
5.	Advisory or sub-advisory fees paid to registrant firms or exempt international firms (note 4)	________
6.	Trailer fees paid to registrant firms (note 5)	________
7.	Total deductions (sum of lines 2 to 6)	________
8.	Revenue subject to participation fee (line 1 less line 7)	________
9.	Ontario percentage for relevant fiscal year (See definition of “Ontario percentage” in the Rule)	%
10.	Specified Ontario revenues (line 8 multiplied by line 9)	________
11.	Participation fee (From Appendix B of the Rule, select the participation fee beside the specified Ontario revenues calculated above)	________

Part IV - Management Certification

Where available, we have examined the financial statements on which the participation fee calculation is based and certify that, to the best of our knowledge, the financial statements present fairly the revenues of the firm for the period ended as noted under **Financial Information** above, and that the financial statements have been prepared in agreement with the books of the firm.

We certify that the reported revenues of the firm are complete and accurate and in accordance with generally accepted accounting principles.

	Name and Title	Signature	Date
1.	______________________	___________________	______________________
2.	______________________	____________________	______________________

****

24. (1) Subject to subsections (2) and (3), this Instrument comes into force on April 5, 2010.

(2) Sections 3, 10, 13, 18 and 21 come into force on April 4, 2011.

(3) Sections 4, 11, 14, 19 and 22 come into force on April 2, 2012.

Annex B

Blackline Version of the Proposed Amendments

This is an unofficial consolidation of Ontario Securities Commission Rule 13-502 *Fees*, with the proposed amendments in Annex A of this Notice shown by blackline and shaded grey. No part of this document represents an official statement of law. Text boxes in this Annex are provided for convenience and do not form part of the Proposed Rule. In cases where annual adjustments are proposed in Annex A to the same provision, the blackline shows the earliest annual adjustment and commentary in the text boxes indicates that further adjustments are proposed.

ONTARIO SECURITIES COMMISSION RULE 13-502 FEES

PART 1 — INTERPRETATION

1.1 Definitions — In this Rule

"capitalization" means the amount determined in accordance with section 2.7, 2.8, 2.9 or 2.10;

"capital markets activities" means

(a) activities for which registration under the Act or an exemption from registration is required,

(b) acting as an investment fund manager, or

(c) activities for which registration under the *Commodity Futures Act*, or an exemption from registration under the *Commodity Futures Act*, is required;

"Class 1 reporting issuer" means a reporting issuer that is incorporated or organized under the laws of Canada or a jurisdiction in Canada and that, at the end of its previous fiscal year, has securities listed or quoted on a marketplace in Canada or the United States of America;

"Class 2 reporting issuer" means a reporting issuer that is incorporated or organized under the laws of Canada or a jurisdiction in Canada other than a Class 1 reporting issuer;

"Class 3A reporting issuer" means

(a) a reporting issuer that is not incorporated or organized under the laws of Canada or a jurisdiction in Canada and that, at the end of its previous fiscal year, has no securities listed or quoted on a marketplace located anywhere in the world, or

(b) a reporting issuer that is not incorporated or organized under the laws of Canada or a jurisdiction in Canada and that, at the end of its previous fiscal year,

(i) has securities listed or quoted on a marketplace anywhere in the world,

(ii) has securities registered in the names of persons or companies resident in Ontario representing less than 1% of the market value of all outstanding securities of the reporting issuer for which the reporting issuer or its transfer agent or registrar maintains a list of registered owners,

(iii) reasonably believes that persons or companies who are resident in Ontario beneficially own less than 1% of the market value of all its outstanding securities,

(iv) reasonably believes that none of its securities traded on a marketplace in Canada during its previous fiscal year, and

(v) has not issued any of its securities in Ontario in the last 5 years, other than

(A) to its employees or to employees of one or more of its subsidiary entities, or

(B) pursuant to the exercise of a right previously granted by it or its affiliate to convert or exchange its previously issued securities without payment of any additional consideration;

"Class 3B reporting issuer" means a reporting issuer

(a) that is not incorporated or organized under the laws of Canada or a jurisdiction in Canada,

(b) that is not a Class 3A reporting issuer, and

(c) whose trading volume in its previous fiscal year of securities listed or quoted on marketplaces in Canada was less than the trading volume in its previous fiscal year of its securities listed or quoted on marketplaces outside Canada;

"Class 3C reporting issuer" means a reporting issuer

(a) that is not incorporated or organized under the laws of Canada or a jurisdiction in Canada, and

(b) whose trading volume in its previous fiscal year of securities listed or quoted on marketplaces in Canada was greater than the trading volume in its previous fiscal year of its securities listed or quoted on marketplaces outside Canada;

"IIROC" means the Investment Industry Regulatory Organization of Canada;

"marketplace" has the meaning ascribed to that term in National Instrument 21-101 *Marketplace Operation*;

"MFDA" means the Mutual Fund Dealers Association of Canada;

"NI 31-103" means National Instrument 31-103 *Registration Requirements and Exemptions*;

"Ontario allocation factor" has the meaning that would be assigned by the first definition of that expression in subsection 1(1) of the *Taxation Act, 2007* if that definition were read without reference to the words "ending after December 31, 2008";

"Ontario percentage" means, for a fiscal year of a participant

(a) if the participant is a company that has a permanent establishment in Ontario in the fiscal year, the participant's Ontario allocation factor for the fiscal year expressed as a percentage and determined on the assumption that the participant had a taxation year that coincided with the fiscal year and is resident in Canada for the purposes of the ITA,

(b) if paragraph (a) does not apply and the participant would have a permanent establishment in Ontario in the fiscal year if the participant were a company, the participant's Ontario allocation factor for the fiscal year expressed as a percentage and determined on the assumption that the participant is a company, had a taxation year that coincided with the fiscal year and is resident in Canada for the purposes of the ITA, and

(c) in any other case, the percentage of the participant's total revenues for the fiscal year attributable to capital markets activities in Ontario;

"parent" means a person or company of which another person or company is a subsidiary entity;

"participant" means a person or company;

"permanent establishment" has the meaning provided in Part IV of the regulations under the ITA;

"previous fiscal year" of a participant in respect of a participation fee means,

(a) where the participation fee is payable by a reporting issuer under section 2.2 and the required date of payment is determined with reference to the required date or actual date of filing of financial statements for a fiscal year under Ontario securities law, that fiscal year,

(b) where the participation fee becomes payable by a firm under subsection 3.1(1) on December 31 of a calendar year, the last fiscal year of the participant ending in the calendar year, and

(c) where the participation fee is payable by an unregistered investment fund manager under subsection 3.1(2) no more than 90 days after the end of a fiscal year, that fiscal year;

"registrant firm" means a person or company registered under the Act as a dealer, adviser or investment fund manager;

"specified Ontario revenues" means, for a registrant firm or an unregistered capital markets participant, the revenues determined under section 3.3, 3.4 or 3.5;

"subsidiary entity" has the meaning ascribed to "subsidiary" or "variable interest entity" under the accounting standards pursuant to which the entity's financial statements are prepared under Ontario securities law;

"unregistered capital markets participant" means,

(a) an unregistered investment fund manager; or

(b) an unregistered exempt international firm;

"unregistered exempt international firm" means a dealer or adviser that is not registered under the Act and is

(a) exempt from the dealer registration requirement and the underwriter registration requirement only because of section 8.18 [*International dealer*] of NI 31-103;

(b) exempt from the adviser registration requirement only because of section 8.26 [*International adviser*] of NI 31-103; or

(c) exempt from each of the dealer registration requirement, the underwriter registration requirement and the adviser registration requirement only because of sections 8.18 [*International dealer*] and 8.26 [*International adviser*] of NI 31-103; and

"unregistered investment fund manager" means a person or company that acts as an investment fund manager and is not registered under the Act.

1.2 Interpretation of "listed or quoted" — In this Rule, a reporting issuer is deemed not to have securities listed or quoted on a marketplace that lists or quotes the reporting issuer's securities unless the reporting issuer or an affiliate of the reporting issuer applied for, or consented to, the listing or quotation.

PART 2 — CORPORATE FINANCE PARTICIPATION FEES

Division 1: General

2.1 Application — This Part does not apply to an investment fund if the investment fund has an investment fund manager.

2.2 Participation Fee

(1) A reporting issuer must pay the participation fee shown in Appendix A opposite the capitalization of the reporting issuer for its previous fiscal year, as its capitalization is determined under section 2.7, 2.8 or 2.10.

(2) Despite subsection (1), a Class 3A reporting issuer must pay a participation fee of $700~~600~~.

Note: From April 4, 2011 to April 1, 2012, "$700" is proposed to be read as "$820". After April 1, 2012, "$700" is proposed to be read as "$960".

(3) Despite subsection (1), a Class 3B reporting issuer must pay a participation fee equal to the greater of

(a) $700~~600~~, and

Note: From April 4, 2011 to April 1, 2012, "$700" is proposed to be read as "$820". After April 1, 2012, "$700" is proposed to be read as "$960".

(b) 1/3 of the participation fee shown in Appendix A opposite the capitalization of the reporting issuer for its previous fiscal year, as its capitalization is determined under section 2.9.

(4) Despite subsections (1) to (3), a participation fee is not payable by a participant under this section if the participant became a reporting issuer in period that begins immediately after the time that would otherwise be the end of the previous fiscal year in respect of the participation fee and ends at the time the participation fee would otherwise required to be paid under section 2.3.

2.3 Time of Payment — A reporting issuer must pay the participation fee required under section 2.2 by the earlier of

(a) the date on which its annual financial statements are required to be filed under Ontario securities law, and

(b) the date on which its annual financial statements are filed.

2.4 Disclosure of Fee Calculation — At the time that it pays the participation fee required by this Part,

(a) a Class 1 reporting issuer must file a completed Form 13-502F1,

(b) a Class 2 reporting issuer must file a completed Form 13-502F2,

(c) a Class 3A reporting issuer must file a completed Form 13-502F3A,

(d) a Class 3B reporting issuer must file a completed Form 13-502F3B, and

(e) a Class 3C reporting issuer must file a completed Form 13-502F3C.

2.5 Late Fee

(1) A reporting issuer that is late in paying a participation fee under this Part must pay an additional fee of one-tenth of one percent of the unpaid portion of the participation fee for each business day on which any portion of the participation fee remains due and unpaid.

(2) The amount determined under subsection (1) in respect of the late payment of a participation fee by a reporting issuer is deemed to be nil if the amount otherwise determined under subsection (1) in respect of the late payment of participation fee is less than $10.

2.6 Participation Fee Exemption for Subsidiary Entities

(1) Section 2.2 does not apply to a reporting issuer that is a subsidiary entity in respect of a participation fee determined with reference to the subsidiary entity's capitalization for the subsidiary entity's previous fiscal year if

(a) at the end of that previous fiscal year, a parent of the subsidiary entity was a reporting issuer,

(b) the accounting standards pursuant to which the parent's financial statements are prepared under Ontario securities law require the consolidation of the parent and the subsidiary entity,

(c) the parent has paid a participation fee applicable to the parent under section 2.2 determined with reference to the parent's capitalization for the parent's previous fiscal year,

(d) the capitalization of the subsidiary entity for its previous fiscal year was included in the capitalization of the parent for the parent's previous fiscal year, and

(e) the net assets and gross revenues of the subsidiary entity for its previous fiscal year represented more than 90 percent of the consolidated net assets and gross revenues of the parent for the parent's previous fiscal year.

(2) Section 2.2 does not apply to a reporting issuer that is a subsidiary entity in respect of a participation fee determined with reference to the subsidiary entity's capitalization for the subsidiary entity's previous fiscal year if

(a) at the end of that previous fiscal year, a parent of the subsidiary entity was a reporting issuer,

(b) the accounting standards pursuant to which the parent's financial statements are prepared under Ontario securities law require the consolidation of the parent and the subsidiary entity,

(c) the parent has paid a participation fee applicable to the parent under section 2.2 determined with reference to the parent's capitalization for the parent's previous fiscal year,

(d) the capitalization of the subsidiary entity for its previous fiscal year was included in the capitalization of the parent for the parent's previous fiscal year, and

(e) throughout the previous fiscal year of the subsidiary entity, the subsidiary entity was entitled to rely on an exemption, waiver or approval from the requirements in subsections 4.1(1), 4.3(1) and 5.1(1) and sections 5.2 and 6.1 of National Instrument 51-102 *Continuous Disclosure Obligations*.

(3) If, under subsection (1) or (2), a reporting issuer has not paid a participation fee, the reporting issuer must file a completed Form 13-502F6 at the time it is otherwise required to pay the participation fee under section 2.3.

2.6.1 Participation Fee Estimate for Class 2 Reporting Issuers

(1) If the annual financial statements of a Class 2 reporting issuer are not available by the date referred to in section 2.3, the Class 2 reporting issuer must, on that date,

(a) file a completed Form 13-502F2 showing a good faith estimate of the information required to calculate its capitalization as at the end of the previous fiscal year, and

(b) pay the participation fee shown in Appendix A opposite the capitalization estimated under paragraph (a).

(2) A Class 2 reporting issuer that estimated its capitalization under subsection (1) must, when it files its annual financial statements for the previous fiscal year,

(a) calculate its capitalization under section 2.8,

(b) pay the participation fee shown in Appendix A opposite the capitalization calculated under section 2.8, less the participation fee paid under subsection (1), and

(c) file a completed Form 13-502F2A.

(3) If a reporting issuer paid an amount under subsection (1) that exceeds the participation fee calculated under section (2), the issuer is entitled to a refund from the Commission of the amount overpaid.

Division 2: Calculating Capitalization

2.7 Class 1 reporting issuers — The capitalization of a Class 1 reporting issuer for its previous fiscal year is the total of

(a) the average market value over the previous fiscal year of each class or series of the reporting issuer's securities listed or quoted on a marketplace, calculated by multiplying

(i) the total number of securities of the class or series outstanding at the end of the previous fiscal year, by

(ii) the simple average of the closing prices of the class or series on the last trading day of each month of the previous fiscal year in which the class or series were listed or quoted on the marketplace

(A) on which the highest volume in Canada of the class or series was traded in the previous fiscal year, or

(B) if the class or series was not traded in the previous fiscal year on a marketplace in Canada, on which the highest volume in the United States of America of the class or series was traded in the previous fiscal year, and

(b) the market value at the end of the previous fiscal year, as determined by the reporting issuer in good faith, of each class or series of securities of the reporting issuer not valued under paragraph (a), if any securities of the class or series

(i) were initially issued to a person or company resident in Canada, and

(ii) trade over the counter or, after their initial issuance, are otherwise generally available for purchase or sale by way of transactions carried out through, or with, dealers.

2.8 Class 2 reporting issuers

(1) The capitalization of a Class 2 reporting issuer for its previous fiscal year is the total of all of the following items, as shown in its audited balance sheet as at the end of the previous fiscal year:

(a) retained earnings or deficit;

(b) contributed surplus;

(c) share capital or owners' equity, options, warrants and preferred shares;

(d) long term debt, including the current portion;

(e) capital leases, including the current portion;

(f) minority or non-controlling interest;

(g) items classified on the balance sheet between current liabilities and shareholders' equity, and not otherwise referred to in this subsection;

(h) any other item forming part of shareholders' equity not otherwise referred to in this subsection.

(2) Despite subsection (1), a reporting issuer may calculate its capitalization using unaudited annual financial statements if it is not required to prepare, and does not ordinarily prepare, audited annual financial statements.

(3) Despite subsection (1), a reporting issuer that is a trust that issues only asset-backed securities through pass-through certificates may calculate its capitalization using the monthly filed distribution report for the last month of its previous fiscal year, if the reporting issuer is not required to prepare, and does not ordinarily prepare, audited annual financial statements.

2.9 Class 3B reporting issuers — The capitalization of a Class 3B reporting issuer for its previous fiscal year is the total of each value of each class or series of securities of the reporting issuer listed or quoted on a marketplace, calculated by multiplying

(a) the number of securities of the class or series outstanding at the end of the previous fiscal year, by

(b) the simple average of the closing prices of the class or series on the last trading day of each month of the previous fiscal year in which the class or series were quoted on the marketplace on which the highest volume of the class or series was traded in the previous fiscal year.

2.10 Class 3C reporting issuers — The capitalization of a Class 3C reporting issuer is determined under section 2.7, as if it were a Class 1 reporting issuer.

2.11 Reliance on Published Information

(1) Subject to subsection (2), in determining its capitalization for purposes of this Part, a reporting issuer may rely on information made available by a marketplace on which securities of the reporting issuer trade.

(2) If a reporting issuer reasonably believes that the information made available by a marketplace is incorrect, subsection (1) does not apply and the issuer must make a good faith estimate of the information required.

PART 3 — CAPITAL MARKETS PARTICIPATION FEES

3.1 Participation Fee

(1) On December 31, registrant firms and unregistered exempt international firms must pay the participation fee shown in Appendix B opposite the firm's specified Ontario revenues for its previous fiscal year, as those revenues are calculated under section 3.3, 3.4 or 3.5.

(2) Not later than 90 days after the end of its fiscal year, if at any time in the fiscal year a person or company was an unregistered investment fund manager, the fund manager must pay the participation fee shown in Appendix B opposite the fund manager's specified Ontario revenues for the fiscal year, as those revenues are calculated under section 3.4.

(3) ~~Subsection (2) does not apply to require the payment of a~~ The participation fee otherwise required from ~~by~~ a person or company under subsection (2) not later than 90 days after the end of its fiscal year is not required if the person or company

(a) ceased at any time in the fiscal year to be an unregistered investment fund manager, and

(b) the person or company did not become a registrant firm at that time.

(4) Despite subsection (2), where a person or company ceases at any time in a calendar year to be an unregistered investment fund manager and at that time becomes a registrant firm, the participation fee payable under subsection (2) not later than 90 days after the end of its last fiscal year ending in the calendar year is deemed to be the amount determined by the formula

$$A \times B/365$$

in which,

"A" is equal to the amount, if any, that would be the participation fee payable under subsection (2) not later than 90 days after the end of that fiscal year if this section were read without reference to this subsection, and

"B" is equal to the number of days in that calendar year ending after the end of that fiscal year.

3.2 Disclosure of Fee Calculation

(1) By December 1, registrant firms and unregistered exempt international firms must file a completed Form 13-502F4 showing the information required to determine the participation fee due on December 31.

(1.1) Despite subsection (1), if at a particular time after December 1 and in a calendar year, a firm becomes registered or provides notification that it qualifies as an unregistered exempt international firm, the completed Form 13-502F4 must be filed as soon as practicable after the particular time.

(2) At the time that it pays any participation fee required under subsection 3.1(2), an unregistered investment fund manager must file a completed Form 13-502F4 showing the information required to determine the participation fee.

3.3 Specified Ontario Revenues for IIROC and MFDA Members

(1) The specified Ontario revenues for its previous fiscal year of a registrant firm that was an IIROC or MFDA member at the end of the previous fiscal year is calculated by multiplying

(a) the registrant firm's total revenue for its previous fiscal year, less the portion of that total revenue not attributable to capital markets activities, by

(b) the registrant firm's Ontario percentage for its previous fiscal year.

(2) For the purpose of paragraph (1)(a), "total revenue" for a previous fiscal year means,

(a) for a registrant firm that was an IIROC member at the end of the previous fiscal year, the amount shown as total revenue for the previous fiscal year on Statement E of the Joint Regulatory Financial Questionnaire and Report filed with IIROC by the registrant firm, and

(b) for a registrant firm that was an MFDA member at the end of the previous fiscal year, the amount shown as total revenue for the previous fiscal year on Statement D of the MFDA Financial Questionnaire and Report filed with the MFDA by the registrant firm.

3.4 Specified Ontario Revenues for Others

(1) The specified Ontario revenues of a registrant firm for its previous fiscal year that was not a member of IIROC or the MFDA at the end of the previous fiscal year or of an unregistered exempt international firm for its previous fiscal year is calculated by multiplying

(a) the firm's gross revenues, as shown in the audited financial statements prepared for the previous fiscal year, less deductions permitted under subsection (3), by

(b) the firm's Ontario percentage for the previous fiscal year.

(2) The specified Ontario revenues of an unregistered investment fund manager for its previous fiscal year is calculated by multiplying

(a) the fund manager's gross revenues, as shown in the audited financial statements for the previous fiscal year, less deductions permitted under subsection (3), by

(b) the fund manager's Ontario percentage for the previous fiscal year.

(3) For the purpose of paragraphs (1)(a) and (2)(a), a person or company may deduct the following items otherwise included in gross revenues for the previous fiscal year:

(a) revenue not attributable to capital markets activities;

(b) redemption fees earned on the redemption of investment fund securities sold on a deferred sales charge basis;

(c) administration fees earned relating to the recovery of costs from investment funds managed by the person or company for operating expenses paid on behalf of the investment fund by the person or company;

(d) advisory or sub-advisory fees paid during the previous fiscal year by the person or company to

(i) a registrant firm, as "registrant firm" is defined in this Rule or in Rule 13-503 *(Commodity Futures Act) Fees*, or

(ii) an unregistered exempt international firm;

(e) trailing commissions paid during the previous fiscal year by the person or company to a registrant firm described in paragraph (d).

(4) Despite subsection (1), a registrant firm or an unregistered exempt international firm may calculate its gross revenues using unaudited financial statements, if it is not required to prepare, and does not ordinarily prepare, audited financial statements.

(5) Despite subsection (2), an unregistered investment fund manager may calculate its gross revenues using unaudited financial statements if it is not required to prepare, and does not ordinarily prepare, audited financial statements.

3.5 Estimating Specified Ontario Revenues for Late Fiscal Year End

(1) If the annual financial statements of a registrant firm or unregistered exempt international firm for the previous fiscal year have not been completed by December 1 in the calendar year in which the previous fiscal year ends, the firm must,

(a) ~~on December 1 in that calendar year~~by the time in that calendar year specified in section 3.2, file a completed Form 13-502F4 showing a good faith estimate of the information required to calculate its specified Ontario revenues as at the end of the previous fiscal year, and

(b) on December 31 in that calendar year, pay the participation fee shown in Appendix B opposite the specified Ontario revenues estimated under paragraph (a).

(2) A registrant firm or unregistered exempt international firm that estimated its specified Ontario revenues under subsection (1) must, when its annual financial statements for the previous fiscal year have been completed,

(a) calculate its specified Ontario revenues under section 3.3 or 3.4, as applicable,

(b) determine the participation fee shown in Appendix B opposite the specified Ontario revenues calculated under paragraph (a),

(c) complete a Form 13-502F4 reflecting the annual financial statements, and

(d) if the participation fee determined under paragraph (b) differs from the corresponding participation fee paid under subsection (1), the firm must, not later than 90 days after the end of the previous fiscal year,

(i) pay the amount, if any, by which

(A) the participation fee determined without reference to this section,

exceeds

(B) the corresponding participation fee paid under subsection (1),

(ii) file the Form 13-502F4 completed under paragraph (c), and

(iii) file a completed Form 13-502F5.

(3) If a registrant firm or unregistered exempt international firm paid an amount under subsection (1) that exceeds the corresponding participation fee determined without reference to this section, the firm is entitled to a refund from the Commission of the excess.

3.6 Late Fee

(1) A participant that is late in paying a participation fee under this Part must pay an additional fee of one-tenth of one percent of the unpaid portion of the participation fee for each business day on which any portion of the participation fee remains due and unpaid.

(2) The amount determined under subsection (1) in respect of the late payment of a participation fee by a participant is deemed to be nil if

(a) the participant pays an estimate of the participation fee in accordance with subsection 3.5(1), or

(b) the amount otherwise determined under subsection (1) in respect of the late payment of participation fee is less than $10.

PART 4 — ACTIVITY FEES

4.1 Activity Fees — A person or company that files a document or takes an action listed in Appendix C must, concurrently with filing the document or taking the action, pay the activity fee shown in Appendix C opposite the description of the document or action.

4.2 Investment Fund Families — Despite section 4.1, only one activity fee must be paid for an application made by or on behalf of two or more investment funds that have

(a) the same investment fund manager, or

(b) investment fund managers that are affiliates of each other.

4.3 Late Fee

(1) A person or company that files a document listed in item A of Appendix D after the document was required to be filed must, concurrently with filing the document, pay the late fee shown in Appendix D opposite the description of the document.

(2) Subsection (1) does not apply to the late filing of Form 13-502F4 by an unregistered investment fund manager.

(3) A person or company that files a Form 55-102F2 *Insider Report* after it was required to be filed must pay the late fee shown in item B of Appendix D upon receiving an invoice from the Commission.

PART 5 — CURRENCY CONVERSION

5.1 Canadian Dollars — If a calculation under this Rule requires the price of a security, or any other amount, as it was on a particular date and that price or amount is not in Canadian dollars, it must be converted into Canadian dollars using the daily noon exchange rate for that date as posted on the Bank of Canada website.

PART 6 — EXEMPTION

6.1 Exemption — The Director may grant an exemption from the provisions of this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

PART 7 — REVOCATION AND EFFECTIVE DATE

Note: PART 7, which contains the original historical coming-into-force provision, is not included in this Notice.

APPENDIX A — CORPORATE FINANCE PARTICIPATION FEES

Capitalization for the Previous Fiscal Year	Participation Fee
under $25 million	$700~~$600~~
$25 million to under $50 million	$1,520~~$1,300~~
$50 million to under $100 million	$3,740~~$3,200~~
$100 million to under $250 million	$7,850~~$6,700~~
$250 million to under $500 million	$17,200~~$14,700~~
$500 million to under $1 billion	$24,000~~$20,500~~
$1 billion to under $5 billion	$34,750~~$29,700~~
$5 billion to under $10 billion	$44,800~~$38,300~~
$10 billion to under $25 billion	$52,300~~$44,700~~
$25 billion and over	$58,850~~$50,300~~

Note: The participation fees shown are proposed to increase on April 4, 2011 and April 2, 2012.

APPENDIX B — CAPITAL MARKETS PARTICIPATION FEES

Specified Ontario Revenues for the Previous Fiscal Year	Participation Fee
under $500,000	$870~~$800~~
$500,000 to under $1 million	$2,725~~$2,500~~
$1 million to under $3 million	$6,100~~$5,600~~
$3 million to under $5 million	$13,725~~$12,600~~
$5 million to under $10 million	$27,800~~$25,500~~
$10 million to under $25 million	$56,700~~$52,000~~
$25 million to under $50 million	$85,000~~$78,000~~
$50 million to under $100 million	$170,000~~$156,000~~
$100 million to under $200 million	$282,300~~$259,000~~
$200 million to under $500 million	$572,250~~$525,000~~
$500 million to under $1 billion	$739,000~~$678,000~~
$1 billion to under $2 billion	$932,000~~$855,000~~
$2 billion and over	$1,564,000~~$1,435,000~~

Note: The participation fees shown are proposed to increase on April 4, 2011 and April 2, 2012.

APPENDIX C - ACTIVITY FEES

Document or Activity	Fee
A. Prospectus Filing	
1. Preliminary or Pro Forma Prospectus in Form 41-101F1 (including if PREP procedures are used) *Notes:* *(i) This applies to most issuers.* *(ii) Each named issuer should pay its proportionate share of the fee in the case of a prospectus for multiple issuers (other than in the case of investment funds).*	$3,250~~3,000~~
2. Additional fee for Preliminary or Pro Forma Prospectus ~~in Form 41-101F1~~ of a resource issuer that is accompanied by engineering reports	$2,000
3. Preliminary Short Form Prospectus in Form 44-101F1 (including if shelf or PREP procedures are used) or a Registration Statement on Form F-9 or F-10 filed by an issuer that is incorporated or that is organized under the laws of Canada or a jurisdiction in Canada in connection with a distribution solely in the United States under MJDS as described in the companion policy to NI 71-101 *The Multijurisdictional Disclosure System*.	$3,250~~3,000~~
4. Prospectus Filing by or on behalf of certain investment funds	
(a) Preliminary or Pro Forma Simplified Prospectus and Annual Information Form in Form 81-101F1 and Form 81-101F2 Note: *Where a single prospectus document is filed on behalf of more than one investment fund, the applicable fee is payable for each investment fund.*	$400
(b) Preliminary or Pro Forma Prospectus in Form 41-101F2 Note: *Where a single prospectus document is filed on behalf of more than one investment fund and the investment funds do not have similar investment objectives and strategies, $3,250~~3,000~~ is payable for each investment fund.*	The greater of (i) $3,250~~3,000~~ per prospectus, and (ii) $650~~600~~ per investment fund in a prospectus.
5. Review of prospectus supplement in relation to a specified derivative (as defined in National Instrument 44-102 *Shelf Distributions*) for which the amount payable is determined with reference to the price, value or level of an underlying interest that is unrelated to the operations or securities of the issuer.	$3,250

Document or Activity	Fee
B. Fees relating to exempt distributions under OSC Rule 45-501 *Ontario Prospectus and Registration Exemptions* and NI 45-106 *Prospectus and Registration Exemptions*	
1. Application for recognition, or renewal of recognition, as an accredited investor	$500
2. Forms 45-501F1 and 45-106F1 (a) Filing of a Form 45-501F1 or Form 45-106F1 for a distribution of securities of an issuer that is not an investment fund and is not subject to a participation fee (b) Filing of a Form 45-501F1 or Form 45-106F1 for a distribution of securities of an issuer that is an investment fund, unless the investment fund has an investment fund manager that is subject to a participation fee	$500
3. Filing of a rights offering circular in Form 45-101F	$2,000 (plus $2,000 if neither the applicant nor an issuer of which the applicant is a wholly owned subsidiary is subject to, or is reasonably expected to become subject to, a participation fee under this Rule)
C. Provision of Notice under paragraph 2.42(2)(a) of NI 45-106 *Prospectus and Registration Exemptions*	$2,000
D. Filing of Prospecting Syndicate Agreement	$500
E. Applications for Relief, Approval or Recognition	
1. Any application for relief, approval or recognition to which section H does not apply that is under an eligible securities section, being for the purpose of this item any provision of the Act, the Regulation or any Rule of the Commission not listed in item E(2), E(3) or E(4) below. *Note: The following are included in the applications that are subject to a fee under this item:* *(i) recognition of an exchange under section 21 of the Act, a self-regulatory organization under section 21.1 of the Act, a clearing agency under section 21.2 of the Act or a quotation and trade reporting system under section 21.2.1 of the Act;* *(ii) approval of a compensation fund or contingency trust fund under section 110 of the Regulation;* *(iii) approval of the establishment of a council, committee or ancillary body under section 21.3 of the Act;* *(iv) deeming an issuer to be a reporting issuer under subsection 1(11) of the Act;* *(v) except as listed in item E.4(b), applications by a person or company under subsection 144(1) of the Act; and*	$3,250~~3,000~~ for an application made under one eligible securities section and $5,000 for an application made under two or more eligible securities sections (plus $2,000 if none of the following is subject to, or is reasonably expected to become subject to, a participation fee under this Rule or OSC Rule 13-503 (*Commodity Futures Act*) *Fees*: (i) the applicant; (ii) an issuer of which the applicant is a wholly owned subsidiary; (iii) the investment fund manager of the applicant).

Document or Activity	Fee
(vi) exemption applications under section 147 of the Act.	
2. An application for relief from any of the following: (a) this Rule; (b) NI 31-102 *National Registration Database*; (c) NI 33-109 *Registration Information*; (d) section 3.11 [*Portfolio manager – advising representative*] of NI 31-103; (e) section 3.12 [*Portfolio manager – associate advising representative*] of NI 31-103; (f) section 3.13 [*Portfolio manager – chief compliance officer*] of NI 31-103; (f.1) section 3.14 [*Investment fund manager – chief compliance officer*] of NI 31-103; (g) section 9.1 [*IIROC membership for investment dealers*] of NI 31-103; (h) section 9.2 [*MFDA membership for mutual fund dealers*] of NI 31-103.	$1,500
3. An application for relief from any of the following: (a) section 3.3 [*Time limits on examination requirements*] of NI 31-103; (b) section 3.5 [*Mutual fund dealer – dealing representative*] of NI 31-103; (c) section 3.6 [*Mutual fund dealer – chief compliance officer*] of NI 31-103; (d) section 3.7 [*Scholarship plan dealer – dealing representative*] of NI 31-103; (e) section 3.8 [*Scholarship plan dealer – chief compliance officer*] of NI 31-103, (f) section 3.9 [*Exempt market dealer – dealing representative*] of NI 31-103, (g) section 3.10 [*Exempt market dealer – chief compliance officer*] of NI 31-103.	$800
4. Application (a) under clause 1(10)(b), section 30 or subsection 38(3) of the Act or subsection 1(6) of the *Business Corporations Act*; (b) under section 144 of the Act for an order to partially revoke a cease-trade order to permit trades solely for the purpose of establishing a tax loss, as contemplated under section	Nil

Document or Activity		Fee
	3.2 of National Policy 12-202 *Revocation of a Compliance-related Cease Trade Order*; and (c) other than a pre-filing, where the discretionary relief or regulatory approval is evidenced by the issuance of a receipt for the applicants' final prospectus (such as certain applications under NI 41-101 or NI 81-101).; and ~~(d) section 3.8 [*Scholarship plan dealer – chief compliance officer*], 3.9 [*Exempt market dealer – dealing representative*], 3.10 [*Exempt market dealer – chief compliance officer*] or 3.14 [*Investment fund manager – chief compliance officer*] of NI 31-103.~~	
	5. Application for approval under subsection 213(3) of the *Loan and Trust Corporations Act*	$1,500
	6. (a) Application made under subsection 46(4) of the *Business Corporations Act* for relief from the requirements under Part V of that Act (b) Application for consent to continue in another jurisdiction under paragraph 4(b) of Ont. Reg. 289/00 made under the *Business Corporations Act* *Note*: *These fees are in addition to the fee payable to the Minister of Finance as set out in the Schedule attached to the Minister's Fee Orders relating to applications for exemption orders made under the Business Corporations Act to the Commission*.	$400
F.	**Pre-Filings** *Note: The fee for a pre-filing under this section will be credited against the applicable fee payable if and when the corresponding formal filing (e.g., an application or a preliminary prospectus) is actually proceeded with; otherwise, the fee is nonrefundable.*	The fee for each pre-filing is equal to the ~~lesser of:~~ ~~(a) $3,000; and~~ ~~the~~ applicable fee that would be payable if the corresponding formal filing had proceeded at the same time as the pre-filing.
G.	**Take-Over Bid and Issuer Bid Documents**	
	1. Filing of a take-over bid or issuer bid circular under subsection 94.2(2),(3) or (4) of the Act	$4,000~~3,000~~ (plus $2,000 if neither the offeror nor an issuer of which the offeror is a wholly-owned subsidiary is subject to, or reasonably expected to become subject to, a participation fee under this Rule)
	2. Filing of a notice of change or variation under section 94.5 of the Act	Nil

Document or Activity	Fee
H. Registration-Related Activity	
1. New registration of a firm in one or more categories of registration	$600
2. Change in registration category *Note: This includes a dealer becoming an adviser or vice versa, or changing a category of registration within the general categories of dealer or adviser. A dealer adding a category of registration, such as a dealer becoming both a dealer and an adviser, is covered in the preceding item.*	$600
3. Registration of a new representative on behalf of a registrant firm *Notes:* *(i) Filing of a Form 33-109F4 for a permitted individual as defined in NI 33-109 does not trigger an activity fee.* *(ii) If an individual is registering as both a dealer and an adviser, the individual is required to pay only one activity fee.* *(iii) A registration fee will not be charged if an individual makes an application to register with a new registrant firm within three months of terminating employment with his or her previous registrant firm if the individual's category of registration remains unchanged.*	$200 per individual
4. Change in status from not being a representative on behalf of a registrant firm to being a representative on behalf of the registrant firm	$200 per individual
4.1 Registration as a chief compliance officer or ultimate designated person of a registrant firm, if the individual is not registered as a representative on behalf of the registrant firm	$200 per individual~~Nil~~
5. Registration of a new registrant firm, or the continuation of registration of an existing registrant firm, resulting from or following an amalgamation of one or more registrant firms	$2,000
6. Application for amending terms and conditions of registration	$500
I. Notice required under section 11.9 [*Registrant acquiring a registered firm's securities or assets*] or 11.10 [*Registered firm whose securities are acquired*] of NI 31-103	$3,000

Document or Activity	Fee
J. Request for certified statement from the Commission or the Director under section 139 of the Act	$100
K. Requests to the Commission	
1. Request for a photocopy of Commission records	$0.50 per page
2. Request for a search of Commission records	$150
3. Request for one's own Form 4	$30

APPENDIX D – ADDITIONAL FEES FOR LATE DOCUMENT FILINGS

Document	Late Fee
A. Fee for late filing of any of the following documents: (a) Annual financial statements and interim financial statements; (b) Annual information form filed under NI 51-102 *Continuous Disclosure Obligations* or NI 81-106 *Investment Fund Continuous Disclosure*; (c) Form 45-501F1 or Form 45-106F1 filed by a reporting issuer; (d) Notice under section 11.9 [*Registrant acquiring a registered firm's securities or assets*] of NI 31-103, (e) Filings for the purpose of amending Form 3 or Form 4 under the Regulation or Form 33-109F4 or Form 33-109F6 under NI 33-109 *Registration Information*, including the filing of Form 33-109F1; (f) Any document required to be filed by a registrant firm or individual in connection with the registration of the registrant firm or individual under the Act with respect to (i) terms and conditions imposed on a registrant firm or individual, or (ii) an order of the Commission; (f.1) Form 13-502F1; (f.2) Form 13-502F2; (f.3) Form 13-502F3A; (f.4) Form 13-502F3B; (f.5) Form 13-502F3C; (g) Form 13-502F4; (h) Form 13-502F5; (i) Form 13-502F6.	$100 per business day (subject to a maximum aggregate fee of $5,000 (i) per fiscal year, for a reporting issuer, for all documents required to be filed within a fiscal year of the issuer, and (ii) for a registrant firm or an unregistered capital markets participant, for all documents required to be filed by the firm within a calendar year) *Note: Subsection 4.3(2) of this Rule exempts unregistered investment fund managers from the late filing fee for Form 13-502F4.*
B. Fee for late filing of Form 55-102F2 – *Insider Report*	$50 per calendar day per insider per issuer (subject to a maximum of $1,000 per issuer within any one year beginning on April 1st and ending on March 31st.) The late fee does not apply to an insider if (a) the head office of the issuer is located outside Ontario, and (b) the insider is required to pay a late fee for the filing in a jurisdiction in Canada other than Ontario.

FORM 13-502F1
CLASS 1 REPORTING ISSUERS – PARTICIPATION FEE

Reporting Issuer Name: ______________________________

End date of last completed fiscal year: ______________________

Market value of listed or quoted securities:

Total number of securities of a class or series outstanding as at the end of the issuer's last completed fiscal year ________(i)

Simple average of the closing price of that class or series as of the last trading day of each month in the last completed fiscal year (See clauses 2.7(a)(ii)(A) and (B) of the Rule) ________(ii)

Market value of class or series (i) X (ii) = ________(A)

(Repeat the above calculation for each other class or series of securities of the reporting issuer that was listed or quoted on a marketplace in Canada or the United States of America at the end of the last completed fiscal year) ________(B)

Market value of other securities at end of the last completed fiscal year:(See paragraph 2.7(b) of the Rule)

(Provide details of how value was determined) ________(C)

(Repeat for each other class or series of securities to which paragraph 2.7(b) of the Rule applies) ________(D)

Capitalization for the last completed fiscal year

(Add market value of all classes and series of securities) (A) + (B) + (C) + (D) = ________

Participation Fee

(From Appendix A of the Rule, select the participation fee beside the capitalization calculated above) ________

Late Fee, if applicable

(As determined under section 2.5 of the Rule)

FORM 13-502F2
CLASS 2 REPORTING ISSUERS – PARTICIPATION FEE

Reporting Issuer Name: ____________________________

End date of last completed fiscal year: ________________

Financial Statement Values:

(Use stated values from the audited financial statements of the reporting issuer as of the end of its last completed fiscal year)

Retained earnings or deficit	_______(A)
Contributed surplus	_______(B)
Share capital or owners' equity, options, warrants and preferred shares (whether such shares are classified as debt or equity for financial reporting purposes)	_______(C)
Long term debt (including the current portion)	_______(D)
Capital leases (including the current portion)	_______(E)
Minority or non-controlling interest	_______(F)
Items classified on the balance sheet between current liabilities and shareholders' equity (and not otherwise listed above)	_______(G)
Any other item forming part of shareholders' equity and not set out specifically above	_______(H)

Capitalization for the last completed fiscal year

(Add items (A) through (H)) __________

Participation Fee

(From Appendix A of the Rule, select the participation fee beside the capitalization calculated above) __________

Late Fee, if applicable

(As determined under section 2.5 of the Rule) __________

FORM 13-502F2A

ADJUSTMENT OF FEE PAYMENT FOR CLASS 2 REPORTING ISSUERS

Reporting Issuer Name: ______________________________

Fiscal year end date used to calculate capitalization: ______________________

State the amount paid under subsection 2.6.1(1) of Rule 13-502: ______________(i)

Show calculation of actual capitalization based on audited financial statements:

Financial Statement Values:

Retained earnings or deficit	________(A)
Contributed surplus	________(B)
Share capital or owners' equity, options, warrants and preferred shares (whether such shares are classified as debt or equity for financial reporting purposes)	________(C)
Long term debt (including the current portion)	________(D)
Capital leases (including the current portion)	________(E)
Minority or non-controlling interest	________(F)
Items classified on the balance sheet between current liabilities and shareholders' equity (and not otherwise listed above)	________(G)
Any other item forming part of shareholders' equity and not set out specifically above	________(H)

Capitalization
(Add items (A) through (H)) __________

Participation Fee ________(ii)
(From Appendix A of the Rule, select the participation fee beside the capitalization calculated above)

Refund due (Balance owing)
(Indicate the difference between (i) and (ii)) (i) – (ii) = __________

FORM 13-502F3A
CLASS 3A REPORTING ISSUERS – PARTICIPATION FEE

Reporting Issuer Name: ______________________________
(Class 3A reporting issuer cannot be incorporated or organized under the laws of Canada or a province or territory of Canada)

Fiscal year end date: ______________________________

Indicate, by checking the appropriate box, which of the following criteria the issuer meets:

(a) At the fiscal year end date, the issuer has no securities listed or quoted on a marketplace located anywhere in the world; or ☐

(b) at the fiscal year end date, the issuer ☐

(i) has securities listed or quoted on a marketplace anywhere in the world ,

(ii) has securities registered in the names of persons or companies resident in Ontario representing less than 1% of the market value of all outstanding securities of the issuer for which the issuer or its transfer agent or registrar maintains a list of registered owners,

(iii) reasonably believes that persons or companies who are resident in Ontario beneficially own less than 1% of the market value of all its outstanding securities,

(iv) reasonably believes that none of its securities traded on a marketplace in Canada during its previous fiscal year, and

(v) has not issued any of its securities in Ontario in the last 5 years, other than

(A) to its employees or to employees of its subsidiary entities, or

(B) pursuant to the exercise of a right previously granted by it or its affiliate to convert or exchange its previously issued securities without payment of any additional consideration.

Participation Fee $~~600~~700
(From subsection 2.2(2) of the Rule)

Late Fee, if applicable
(As determined under section 2.5 of the Rule) ________

Note on Form 13-502F3A: The reference to “$700” is proposed to be read as “$820” from April 4, 2011 to April 1, 2012 and, after April 1, 2012, as “$960”.

FORM 13-502F3B
CLASS 3B REPORTING ISSUERS – PARTICIPATION FEE

Reporting Issuer Name: ______________________________

End date of last completed fiscal year: _________________

Market value of securities:

Total number of securities of a class or series outstanding as at the end of the issuer's last completed fiscal year	________(i)	
Simple average of the closing price of that class or series as of the last trading day of each month of the last completed fiscal year (See section 2.9(b) of the Rule)	________(ii)	
Market value of class or series	(i) X (ii) =	________(A)
(Repeat the above calculation for each other listed or quoted class or series of securities of the reporting issuer)		________(B)

Capitalization for the last completed fiscal year
(Add market value of all classes and series of securities) (A) + (B) =

Participation Fee Otherwise Determined
(From Appendix A of the Rule, select the participation fee beside the capitalization calculated above) ________(C)

Participation Fee Payable

1/3 of (C) or $700~~600~~, whichever is greater
(See subsection 2.2(3) of the Rule)

Late Fee, if applicable ________
(As determined under section 2.5 of the Rule)

Note on Form 13-502F3B: The reference to "$700" is proposed to be read as "$820" from April 4, 2011 to April 1, 2012 and, after April 1, 2012, as "$960".

FORM 13-502F3C
CLASS 3C REPORTING ISSUERS – PARTICIPATION FEE

Reporting Issuer Name: ______________________________

End date of last completed fiscal year: __________________

Section 2.10 of the Rule requires Class 3C reporting issuers to calculate their market capitalization in accordance with section 2.7 of the Rule.

Market value of listed or quoted securities:

Total number of securities of a class or series outstanding as at the end of the issuer's last completed fiscal year ________(i)

Simple average of the closing price of that class or series as of the last trading day of each month of the last completed fiscal year (See clauses 2.7(a)(ii)(A) and (B) of the Rule) ________(ii)

Market value of the class or series (i) X (ii) = ________(A)

(Repeat the above calculation for each other class or series of securities of the reporting issuer that was listed or quoted on a marketplace in Canada or the United States of America at the end of the last completed fiscal year) ________(B)

Market value of other securities:

(See paragraph 2.7(b) of the Rule)
(Provide details of how value was determined) ________(C)

(Repeat for each other class or series of securities to which paragraph 2.7(b) of the Rule applies) ________(D)

Capitalization for the last completed fiscal year
(Add market value of all classes and series of securities) (A) + (B) + (C) + (D) = ________

Participation Fee
(From Appendix A of the Rule, select the participation fee beside the capitalization calculated above) ________

Late Fee, if applicable
(As determined under section 2.5 of the Rule) ________

FORM 13-502F4
CAPITAL MARKETS PARTICIPATION FEE CALCULATION

General Instructions

1. This form must be completed and returned to the Ontario Securities Commission by December 1 each year, as per section 3.2 of OSC Rule 13-502 *Fees* (the Rule), except in cases where firms register after December 1 in a calendar year or provide notification after December 1 in a calendar year of their status as exempt international firms. In these exceptional cases, this Form must be filed as soon as practicable after December 1.

2. This form is to be completed by firms registered under the *Securities Act* or by firms that are registered under both the *Securities Act* and the *Commodity Futures Act*. This form is also completed by exempt international firms relying on section 8.18 [international dealer] and 8.26 [international adviser] of NI 31-103, as well as by unregistered investment fund managers.

3. For firms registered under the *Commodity Futures Act*, the completion of this form will serve as an application for the renewal of both the firm and all its registered individuals wishing to renew under the *Commodity Futures Act*.

4.~~1~~ IIROC members must complete Part I of this Form and MFDA members must complete Part II. ~~Unregistered capital markets participants~~ Exempt international firms, unregistered investment fund managers and registrant firms that are not IIROC or MFDA members must complete Part III.

5.~~2~~ The components of revenue reported in each Part should be based on accounting standards pursuant to which an entity's financial statements are prepared under Ontario securities law ("Accepted Accounting Standards"), except that revenues should be reported on an unconsolidated basis.

6~~3~~. IIROC Members may refer to Statement E of the Joint Regulatory Financial Questionnaire and Report for guidance.

7~~4~~. MFDA members may refer to Statement D of the MFDA Financial Questionnaire and Report for guidance.

8~~5~~. Participation fee revenue will be based on the portion of total revenue that can be attributed to Ontario for the firm's most recently completed fiscal year, which is generally referred to in the Rule as its "previous fiscal year".

9~~6~~. If a firm's permanent establishments are situated only in Ontario, all of the firm's total revenue for a fiscal year is attributed to Ontario. If permanent establishments are situated in Ontario and elsewhere, the percentage attributed to Ontario for a fiscal year will ordinarily be the percentage of the firm's taxable income that is allocated to Ontario for Canadian income tax purposes for the same fiscal year. For firms that do not have a permanent establishment in Ontario, the percentage attributable to Ontario will be based on the proportion of total revenues generated from capital markets activities in Ontario.

10.~~7~~. All figures must be expressed in Canadian dollars and rounded to the nearest thousand.

11~~8~~. Information reported on this questionnaire must be certified by two members of senior management in Part IV to attest to its completeness and accuracy. However, it is acceptable to provide certification of this nature by only one member of senior management in cases of firms with only one officer and director.

12. There are a number of references in this form to "relevant fiscal year". The "relevant fiscal year" is generally a firm's last completed fiscal year. However, if good faith estimates for a fiscal year are provided in this Form pursuant to section 3.5 of the Rule, the relevant fiscal year is the fiscal year for which the good faith estimates are provided.

~~**Notes for Part III**~~

~~1. Gross revenue is defined as the sum of all revenues reported on a gross basis as per the audited financial statements, except where unaudited financial statements are permitted in accordance with subsection 3.4(4) or (5) of the Rule. Audited financial statements should be prepared in accordance with Accepted Accounting Standards, except that revenues should be reported on an unconsolidated basis. Items reported on a net basis must be adjusted for purposes of the fee calculation.~~

~~2. Redemption fees earned upon the redemption of investment fund units sold on a deferred sales charge basis are permitted as a deduction from total revenue on this line.~~

3. Administration fees permitted as a deduction are limited solely to those that are otherwise included in gross revenue and represent the reasonable recovery of costs from the investment funds for operating expenses paid on their behalf by the registrant firm or unregistered capital markets participant.

4. Where the advisory services of another registrant firm, within the meaning of this Rule or OSC Rule 13-503 (*Commodity Futures Act*) *Fees*, are used by the person or company to advise on a portion of its assets under management, such sub-advisory costs are permitted as a deduction on this line to the extent that they are otherwise included in gross revenues.

5. Trailer fees paid to other registrant firms described in note 4 are permitted as a deduction on this line to the extent they are otherwise included in gross revenues.

1. Firm Information

Firm NRD number: ______________________________

Firm legal name: ______________________________

2. Contact Information for Chief Compliance Officer

Please provide the name, e-mail address, phone number and fax number for your Chief Compliance Officer.

Name: ______________________________

E-mail address: ______________________________

Phone: ______________________________ Fax: __________

3. Membership Status

☐ The firm is a member of the Mutual Fund Dealers Association (MFDA).

☐ The firm is a member of the Investment Industry Regulators Organization of Canada (IIROC).

☐ The firm does not hold membership with the MFDA nor IIROC.

4. Financial Information

Is the firm providing a good faith estimate under section 3.5 of the Rule?

☐ Yes ☐ No

If no, end date of last completed fiscal year: ____/___/___
yyyy mm dd

If yes, end date of fiscal year for which the good faith estimate is provided:

____/___/___
yyyy mm dd

Note: The fiscal year identified above is referred to below as the relevant fiscal year.

5. Participation Fee Calculation

~~**Firm Name:**~~ ____

~~**End date of last completed fiscal year:**~~ __________________

Note: Dollar amounts stated in thousands, rounded to the neared thousand.

	Relevant ~~Last Completed~~ ~~F~~fiscal ~~Y~~year $
Part I — IIROC Members	
1. Total revenue for ~~last completed~~ relevant fiscal year from Statement E of the Joint Regulatory Financial Questionnaire and Report	________
2. Less revenue not attributable to capital markets activities	________
3. Revenue subject to participation fee (line 1 less line 2)	________
4. Ontario percentage for ~~last completed~~ relevant fiscal year (See definition of “Ontario percentage” in the Rule)	________ %
5. Specified Ontario revenues (line 3 multiplied by line 4)	________
6. Participation fee (From Appendix B of the Rule, select the participation fee opposite the specified Ontario revenues calculated above)	________
Part II — MFDA Members	
1. Total revenue for ~~last completed~~ relevant fiscal year from Statement D of the MFDA Financial Questionnaire and Report	________
2. Less revenue not attributable to capital markets activities	________
3. Revenue subject to participation fee (line 1 less line 2)	________
4. Ontario percentage for ~~last completed~~ relevant fiscal year (See definition of “Ontario percentage” in the Rule)	________ %
5. Specified Ontario revenues (line 3 multiplied by line 4)	________
6. Participation fee (From Appendix B of the Rule, select the participation fee opposite the specified Ontario revenues calculated above)	________

Part III – Advisers, Other Dealers, and Unregistered Capital Markets Participants

Notes:

1. Gross revenue is defined as the sum of all revenues reported on a gross basis as per the audited financial statements, except where unaudited financial statements are permitted in accordance with subsection 3.4(4) or (5) of the Rule. Audited financial statements should be prepared in accordance with Accepted Accounting Standards, except that revenues should be reported on an unconsolidated basis. Items reported on a net basis must be adjusted for purposes of the fee calculation.

2. Redemption fees earned upon the redemption of investment fund units sold on a deferred sales charge basis are permitted as a deduction from total revenue on this line.

3. Administration fees permitted as a deduction are limited solely to those that are otherwise included in gross revenue and represent the reasonable recovery of costs from the investment funds for operating expenses paid on their behalf by the registrant firm or unregistered capital markets participant.

4. Where the advisory services of a registrant firm, within the meaning of this Rule or OSC Rule 13-503 (*Commodity Futures Act*) *Fees*, or of an exempt international firm, are used by the person or company to advise on a portion of its assets under management, such sub-advisory costs are permitted as a deduction on this line to the extent that they are otherwise included in gross revenues.

5. Trailer fees paid to registrant firms described in note 4 are permitted as a deduction on this line to the extent they are otherwise included in gross revenues.

~~**Part III – Advisers, Other Dealers, and Unregistered Capital Markets Participants**~~

1.	Gross revenue for ~~last completed~~ relevant fiscal year (note 1)	________
Less the following items:		
2.	Revenue not attributable to capital markets activities	________
3.	Redemption fee revenue (note 2)	________
4.	Administration fee revenue (note 3)	________
5.	Advisory or sub-advisory fees paid to registrant firms or exempt international firms (note 4)	________
6.	Trailer fees paid to ~~other~~ registrant firms (note 5)	________
7.	Total deductions (sum of lines 2 to 6)	________
8.	Revenue subject to participation fee (line 1 less line 7)	________
9.	Ontario percentage for ~~last completed~~ relevant fiscal year (See definition of "Ontario percentage" in the Rule)	%
10.	Specified Ontario revenues (line 8 multiplied by line 9)	________
11.	Participation fee (From Appendix B of the Rule, select the participation fee beside the specified Ontario revenues calculated above)	________

Part IV - Management Certification

Where available, ~~W~~we have examined the ~~attached~~ financial statements on which the participation fee calculation is based and certify that, to the best of our knowledge, ~~they~~ the financial statements present fairly the revenues of the firm for the period ended as noted under **Financial Information** above, and that the financial statements have been ~~______________________~~ ~~and are~~ prepared in agreement with the books of the firm.

We certify that the reported revenues of the firm are complete and accurate and in accordance with generally accepted accounting principles.

	Name and Title	Signature	Date
1.	______________________	___________________	______________________
2.	______________________	____________________	______________________

FORM 13-502F5
ADJUSTMENT OF FEE FOR REGISTRANT FIRMS AND UNREGISTERED EXEMPT INTERNATIONAL FIRMS

Firm name: ____________________________

End date of last completed fiscal year: ________________

Note: Subsection 3.5(2) of the Rule requires that this Form must be filed concurrent with a completed Form 13-502F4 that shows the firm's actual participation fee calculation.

1. Estimated participation fee paid under subsection 3.5(1) of the Rule: _____________

2. Actual participation fee calculated under paragraph 3.5(2)(b) of the Rule: _____________

3. Refund due (Balance owing): _____________
(Indicate the difference between lines 1 and 2)

FORM 13-502F6
SUBSIDIARY ENTITY EXEMPTION NOTICE

Name of Subsidiary Entity: ___________________________

Name of Parent: ____________________________________

End Date of Subsidiary Entity's Last Completed Fiscal Year: ________________________

Indicate below which exemption the subsidiary entity intends to rely on by checking the appropriate box:

1. Subsection 2.6(1) ☐

The reporting issuer (subsidiary entity) meets the following criteria set out under subsection 2.6(1) of the Rule:

a) at the end of the subsidiary entity's last completed fiscal year, the parent of the subsidiary entity was a reporting issuer;

b) the accounting standards pursuant to which the parent's financial statements are prepared under Ontario securities law require the consolidation of the parent and the subsidiary entity;

c) the parent has paid a participation fee required with reference to the parent's market capitalization for the parent's last completed fiscal year;

d) the market capitalization of the subsidiary entity for the last completed fiscal year was included in the market capitalization of the parent for the last completed fiscal year; and

e) the net assets and gross revenues of the subsidiary entity for its last completed fiscal year represented more than 90 percent of the consolidated net assets and gross revenues of the parent for the parent's last completed fiscal year.

	Net Assets for last completed fiscal year	**Gross Revenues for last completed fiscal year**	
Reporting Issuer (Subsidiary Entity)	______________________	______________________	(A)
Reporting Issuer (Parent)	______________________	______________________	(B)
Percentage (A/B)	____________________%	____________________%	

2. Subsection 2.6(2) ☐

The reporting issuer (subsidiary entity) meets the following criteria set out under subsection 2.6(2) of the Rule:

a) at the end of the subsidiary entity's last completed fiscal year, the parent of the subsidiary entity was a reporting issuer;

b) the accounting standards pursuant to which the parent's financial statements are prepared under Ontario securities law require the consolidation of the parent and the subsidiary entity;

c) the parent has paid a participation fee required with reference to the parent's market capitalization for the parent's last completed fiscal year;

d) the market capitalization of the subsidiary entity for the last completed fiscal year was included in the market capitalization of the parent for the last completed fiscal year; and

e) throughout the last completed fiscal year of the subsidiary entity, the subsidiary entity was entitled to rely on an exemption, waiver or approval from the requirements in subsections 4.1(1), 4.3(1) and 5.1(1) and sections 5.2 and 6.1 of NI 51-102 *Continuous Disclosure Obligations*.

Annex C

Amendments to Ontario Securities Commission
Companion Policy OSC 13-502CP *Fees*

1. ***Companion Policy 13-502CP Fees is amended by this Instrument.***

2. ***Part 4 is amended by added the following:***

   4.8 Confidentiality of Forms The material filed under Part 3 of the Rule will be kept confidential. The Commission is of the view that the material contains intimate financial, commercial and technical information and that the interests of the filers in non-disclosure outweigh the desirability of the principle that the material be available for public inspection.

3. ***This Instrument becomes effective on April 5, 2010.***

5.1.3 OSC Rule 13-503 (Commodity Futures Act) Fees and Companion Policy 13-503CP (Commodity Futures Act) Fees

NOTICE OF AMENDMENTS TO
OSC RULE 13-503 (COMMODITY FUTURES ACT) FEES
AND COMPANION POLICY 13-503CP (COMMODITY FUTURES ACT) FEES

Introduction

On January 19, 2010 the Ontario Securities Commission (OSC, Commission or we) made amendments to OSC Rule 13-503 (*Commodity Futures Act*) *Fees* and adopted a change to Companion Policy 13-503CP (*Commodity Futures Act) Fees* (collectively, the Proposed Materials) under the *Commodity Futures Act* (the CFA). An earlier version of the proposed amendments to the Rule was published for a 90-day comment period on October 2, 2009. In this notice, references to the "Proposed Rule" are to the Rule as it is proposed to be amended.

Under section 68 of the CFA, the proposed amendments to the Rule were delivered to the Minister of Finance on January 20, 2010. If the Minister approves the proposed amendments by March 19, 2010, they will come into force on April 5, 2010.

Substance and purpose of the Proposed Materials

The proposed amendments to the rule are consistent with the basic framework under the current rule. Under the current rule and the Proposed Rule, participation fees are designed to cover Commission costs that are not attributable to activities on behalf of a specific participant. These fees are based on the CFA registrant's size, which is used as a proxy for its use of Ontario's capital markets. A CFA registrant is not required to pay a participation fee under the current rule or proposed Rule if it is subject to a capital markets participation fee under OSC Rule 13-502 *Fees*. Activity fees are designed to cover direct costs the Commission incurs in reviewing documents.

The proposed amendments to the Rule provide adjustments with regard to both participation fees and activity fees. With the exceptions noted below, all of the proposed amendments to the Rule were published for comment on October 2, 2009.

The proposed amendments to the Rule and the proposed change to the Companion Policy are summarized below.

Participation fees

(i) Fee increases

There are no changes to the tiers of specified Ontario revenues used in determining participation fees. However, it is proposed that capital markets participation fees be increased by 9% annually over three years at each tier of specified Ontario revenues. This increase was reflected in the materials published for comment on October 2, 2009. The minor technical changes described below with regard to participation fees were not.

(ii) Disclosure of Fee Calculation – section 2.3

Section 2.3 of the Rule provides that registrant firms must file a completed Form 13-503F1 by December 1 of a calendar year, showing the information required to calculate the participation fee due on December 31 of the calendar year.

Section 2.3 of the Rule does not address the situation where a firm becomes registered after December 1 in a calendar year.

New subsection 2.3(2) of the Proposed Rule provides that, in this case, the calculation information can be filed after December 1 (as soon as practicable after registration). This amendment conforms with current administrative practice. The reference to December 1 in paragraph 2.6(1)(a) of the Proposed Rule is likewise revised as a consequence of new subsection 2.3(2) of the Proposed Rule.

(iii) Payment to Exempt International Firms of Advisory and Sub-advisory Fees – subsection 2.5(2)

Subsection 2.5(2) of the Rule allows, in computing the specified Ontario revenues of registrant firms, the deduction of advisory and sub-advisory fees payable to other registrant firms. The deduction of these fees can result in a firm being subject to a smaller participation fee if the deduction results in a lower relevant tier of specified Ontario revenues. Subsection 2.5(2) is designed to address the potential duplication of participation fees for parties involved in structures where advisory and sub-advisory fees are payable.

In the Proposed Rule, subsection 2.5(2) is extended to cases where the recipient of such fees is an exempt international firm under OSC Rule 13-502 *Fees*. The amendment is designed to allow this measure to operate as it did before registration reform, given the new exemption for registration provided to exempt international firms as a consequence of registration reform.

(iv) Form 13-503F1

In the Proposed Rule, Form 13-503F1 is amended to reflect the proposed changes in section 2.3 and subsection 2.5(2) of the Proposed Rule.

Non-substantive changes to the form has been made to improve its organization and clarify instructions provided. All of these changes are consistent with present administrative practice.

Activity fees

Under amended item 1 of section A of Appendix B of the Proposed Rule, the fee for various application reviews would increase from $3,000 to $3,250. This primarily reflects the higher costs of resources involved in their review and the increased complexity of issues arising in these reviews.

Under new section F of Appendix B of the Proposed Rule, a pre-filing fee is proposed to be charged in connection with pre-filings of applications for which fees are charged in Appendix B. This pre-filing fee, which is creditable against the corresponding filing fee, is equal to the corresponding filing fee. This pre-filing fee corresponds to the fee currently charged in section F of Appendix C to OSC Rule 13-502 *Fees*.

Companion Policy 13-503CP

The change to the Companion Policy sets out the Commission's interpretation with regard to materials required to be filed under the Rule, in order to clarify that this material will continue to held in confidence. This is consistent with administrative practice.

Comments received

No specific comments were received on the Proposed Rule. However, many of the issues raised in the comments received on proposed OSC Rule 13-502 are also relevant to the Proposed Rule. A summary of these comments and OSC responses is included in Table A of today's notice on proposed OSC Rule 13-502. The comment letters are available on the Commission's website at www.osc.gov.on.ca.

Text of the Proposed Materials

The text of the Proposed Materials follows. The proposed amendments to the Rule are in Annex A. The proposed amendment to the Companion Policy is in Annex B.

Questions

Please refer your questions to any of the following:

Gina Sugden
Project Manager, Registrant Regulation
(416) 593-8162
gsugden@osc.gov.on.ca

Felicia Tedesco
Assistant Manager, Compliance
(416) 593-8273
ftedesco@osc.gov.on.ca

January 22, 2010

Annex A

Amendments to Ontario Securities Rule 13-503 *(Commodity Futures Act) Fees*

1. Ontario Securities Rule 13-503 (Commodity Futures Act) Fees is amended by this Instrument.

2. Section 2.3 is repealed and substituted by the following:

2.3 Disclosure of Fee Calculation

(1) By December 1, a registrant firm must file a completed Form 13-503F1 showing the information required to determine the participation fee due on December 31.

(2) Despite subsection (1), if at a particular time after December 1 and in a calendar year, a firm becomes registered, the completed Form 13-503F1 must be filed as soon as practicable after the particular time.

3. Paragraph 2.5(2)(b) is repealed and substituted by the following:

(b) advisory or sub-advisory fees paid during the previous fiscal year by the registrant firm to

(i) a person or company registered as a dealer or an adviser under the CFA or under the *Securities Act*, or

(ii) an unregistered exempt international firm, as defined in Rule 13-502 Fees under the *Securities Act*.

4. Paragraph 2.6(1)(a) is repealed and the following substituted:

(a) by the time in that calendar year specified in section 2.3, file a completed Form 13-503F1 showing a good faith estimate of the information required to calculate its specified Ontario revenues as at the end of the fiscal year, and

5. Appendix A is repealed and substituted by the following:

APPENDIX A — PARTICIPATION FEES

Specified Ontario Revenues for the Previous Fiscal Year	Participation Fee
under $500,000	$870
$500,000 to under $1 million	$2,725
$1 million to under $3 million	$6,100
$3 million to under $5 million	$13,725
$5 million to under $10 million	$27,800
$10 million to under $25 million	$56,700
$25 million to under $50 million	$85,000
$50 million to under $100 million	$170,000
$100 million to under $200 million	$282,300
$200 million to under $500 million	$572,250
$500 million to under $1 billion	$739,000
$1 billion to under $2 billion	$932,000
$2 billion and over	$1,564,000

6. Appendix A, as enacted by section 2, is repealed and substituted by the following:

APPENDIX A — PARTICIPATION FEES

Specified Ontario Revenues for the Previous Fiscal Year	Participation Fee
under $500,000	$945
$500,000 to under $1 million	$2,970
$1 million to under $3 million	$6,650
$3 million to under $5 million	$14,975
$5 million to under $10 million	$30,300
$10 million to under $25 million	$61,800
$25 million to under $50 million	$92,650
$50 million to under $100 million	$185,300
$100 million to under $200 million	$307,700
$200 million to under $500 million	$623,750
$500 million to under $1 billion	$805,500
$1 billion to under $2 billion	$1,015,900
$2 billion and over	$1,704,800

7. Appendix A, as enacted by section 3, is repealed and substituted by the following:

APPENDIX A — PARTICIPATION FEES

Specified Ontario Revenues for the Previous Fiscal Year	Participation Fee
under $500,000	$1,035
$500,000 to under $1 million	$3,240
$1 million to under $3 million	$7,250
$3 million to under $5 million	$16,325
$5 million to under $10 million	$33,000
$10 million to under $25 million	$67,400
$25 million to under $50 million	$101,000
$50 million to under $100 million	$202,000
$100 million to under $200 million	$335,400
$200 million to under $500 million	$679,900
$500 million to under $1 billion	$878,000
$1 billion to under $2 billion	$1,107,300
$2 billion and over	$1,858,200

8. Appendix B is amended by

a. striking out "$3,000*" in item 1 of section A and substituting "*$3,250*", and*

b. adding the following after section E:

F. Pre Filings of Applications *Note: The fee for a pre-filing of an application will be credited against the applicable fee payable if and when the corresponding formal filing is actually proceeded with; otherwise, the fee is nonrefundable.*	The fee for each pre-filing of an application is equal to the applicable fee that would be payable if the corresponding formal filing had proceeded at the same time as the pre-filing.

9. Form 13-503F1 is repealed and substituted by the following:

FORM 13-503F1
(COMMODITY FUTURES ACT)

PARTICIPATION FEE CALCULATION

General Instructions

1. This form must be completed by firms only registered under the *Commodity Futures Act* and returned to the Ontario Securities Commission by December 1 each year pursuant to section 2.3 of Rule 13-503, except in the case where firms register late in a calendar year (after December 1). In this exceptional case, this Form must be filed as soon as practicable after December 1.

2. The completion of this form will serve as an application for the renewal of your firm and all its registered individuals wishing to renew under the *Commodity Futures Act*.

3. IIROC members must complete Part I of this Form. All other registrant firms must complete Part II. Everyone completes Part III.

4. The components of revenue reported in this Form should be based on accounting standards pursuant to which an entity's financial statements are prepared under Ontario securities law ("Accepted Accounting Standards"), except that revenues should be reported on an unconsolidated basis.

5. IIROC Members may refer to Statement E of the Joint Regulatory Financial Questionnaire and Report for guidance.

6. Participation fee revenue will be based on the portion of total revenue that can be attributed to Ontario for the firm's most recently completed fiscal year, which is generally referred to the Rule as its "previous fiscal year".

7. If a firm's permanent establishments are situated only in Ontario, all of the firm's total revenue for a fiscal year is attributed to Ontario. If permanent establishments are situated in Ontario and elsewhere, the percentage attributed to Ontario for a fiscal year will ordinarily be the percentage of the firm's taxable income that is allocated to Ontario for Canadian income tax purposes for the same fiscal year. For firms that do not have a permanent establishment in Ontario, the percentage attributable to Ontario will be based on the proportion of total revenues generated from CFA activities in Ontario.

8. All figures must be expressed in Canadian dollars and rounded to the nearest thousand.

9. Information reported on this questionnaire must be certified by two members of senior management in Part IV to attest to its completeness and accuracy. However, it is acceptable to provide certification of this nature by only one member of senior management in cases of firms with only one officer and director.

10. There are a number of references in this form to "relevant fiscal year". The "relevant fiscal year" is generally a firm's last completed fiscal year. However, if good faith estimates for a fiscal year are provided in this Form pursuant to section 2.6 of the Rule, the relevant fiscal year is the fiscal year for which the good faith estimates are provided.

1. Firm Information

Firm NRD number: ____

Firm legal name: ____

2. Contact Information for Chief Compliance Officer

Please provide the name, e-mail address, phone number and fax number for your Chief Compliance Officer.

Name: ____

E-mail address: ____

Phone: _______________________________ Fax: _________________________

3. Membership Status

☐ The firm is a member of the Investment Industry Regulators Organization of Canada (IIROC).

☐ The firm does not hold membership with IIROC.

4. Financial Information

Is the firm providing a good faith estimate under section 2.6 of the Rule?

☐ Yes ☐ No

If no, end date of last completed fiscal year: _____/____/___
yyyy mm dd

If yes, end date of fiscal year for which the good faith estimate is provided:

_____/____/___
yyyy mm dd

Note: The fiscal year identified above is referred to below as the relevant fiscal year.

5. Participation Fee Calculation

Relevant Fiscal Year $

Note: Dollar amounts stated in thousands, rounded to the neared thousand.

Part I --- IIROC Members

1. Total revenue for relevant fiscal year from Statement E of the Joint Regulatory Financial Questionnaire and Report ______________
2. Less revenue not attributable to CFA activities ______________
3. Revenue subject to participation fee (line 1 less line 2) ______________

Part II - Other Registrants

Notes:

1. Gross Revenue is defined as the sum of all revenues reported on a gross basis as per the audited financial statements prepared in accordance with Accepted Accounting Standards, except that revenues should be reported on an unconsolidated basis. Items reported on a net basis must be adjusted for purposes of the fee calculation. Gross revenues are reduced by amounts not attributable to CFA activities.
2. Where the advisory or sub-advisory services of another registrant firm, or of an exempt international firm under Rule 13-502 *Fees* of the *Securities Act*, are used by the registrant firm to advise on a portion of its assets under management, such advisory or sub-advisory costs are permitted as a deduction on this line to the extent that they are otherwise included in gross revenues.

1. Gross revenue for relevant fiscal year (note 1) ______________

Less the following items:

2. Amounts not attributable to CFA activities ______________
3. Advisory or sub-advisory fees paid to other registrant firms or to exempt international firms under Rule 13-502 (Fees) of the *Securities Act* (note 2) ______________
4. Revenue subject to participation fee (line 1 less lines 2 and 3) ______________

Part III – Calculating Specified Ontario Revenues

1. Gross revenue for relevant fiscal year subject to participation fee (line 3 from Part I or line 4 from Part II)

2. Ontario percentage for relevant fiscal year (See definition of "Ontario percentage" in the Rule) ________%

3. Specified Ontario revenues (line 1 multiplied by line 2) __________

4. Participation fee (From Appendix A of the Rule, select the participation fee opposite the specified Ontario revenues calculated above) __________

Part IV – Management Certification

Where available, we have examined the financial statements on which the participation fee calculation is based and certify that, to the best of our knowledge, the financial statements present fairly the revenues of the firm for the period ended as noted under **Financial Information** above, and that the financial statements have been prepared in agreement with the books of the firm.

We certify that the reported revenues of the firm are complete and accurate and in accordance with generally accepted accounting principles.

	Name and Title	Signature	Date
1.	____________________	____________________	____________________
2.	____________________	____________________	____________________

****

10. (1) Subject to subsections (2) and (3), this Instrument comes into force on April 5, 2010.

(2) Section 6 comes into force on April 4, 2011.

(3) Section 7 comes into force on April 2, 2012.

Annex B

Amendments to Ontario Securities Commission Companion Policy OSC 13-503CP *(Commodity Futures Act) Fees*

1. Companion Policy 13-503CP (Commodity Futures Act) Fees is amended by this Instrument.

2. Part 2 is amended by added the following:

2.8 Confidentiality of Forms The material filed under the Part 2 of the Rule will be kept confidential. The Commission is of the view that the material contains intimate financial, commercial and technical information and that the interests of the filers in non-disclosure outweigh the desirability of the principle that the material be available for public inspection.

3. This Instrument becomes effective on April 5, 2010.

5.1.4 Amendments to NI 21-101 Marketplace Operation, NI 23-101 Trading Rules and Companion Policy 23-101CP Trading Rules

AMENDMENTS TO NATIONAL INSTRUMENT 21-101 MARKETPLACE OPERATION

1.1 Amendments

(1) This Instrument amends National Instrument 21-101 *Marketplace Operation*.

(2) The definitions in section 1.1 are amended as follows:

(a) the definition of "IDA" is repealed and replaced by the following ""IIROC" means the Investment Industry Regulatory Organization of Canada";

(b) the definition of "inter-dealer bond broker" is amended by:

(i) striking out "IDA" and substituting "IIROC";

(ii) striking out "By-law No. 36" and substituting "Rule 36"; and

(iii) striking out "Regulation 2100" and substituting "Rule 2100";

(c) the definition of "recognized exchange" by repealing and replacing paragraph (b) and substituting with the following:

"(b) in Québec, an exchange recognized by the securities regulatory authority under securities or derivatives legislation as an exchange or self-regulatory organization"; and

(d) the definition of "recognized quotation and trade reporting system" is amended by

(i) adding "and Québec" between "British Columbia" and ", a quotation and trade reporting system" in paragraph (a);

(ii) striking out "and" at the end of paragraph (a) and adding "and" at the end of paragraph (b); and

(iii) adding the following:

"(c) in Québec, a quotation and trade reporting system recognized by the securities regulatory authority under securities or derivatives legislation as an exchange or a self-regulatory organization";

(3) The following subsection is added to section 1.4:

"(3) In Québec, the term "security", when used in this Instrument, includes a standardized derivative as this notion is defined in the *Derivatives Act*.".

(4) Part 10 is amended by:

(a) striking out "Disclosure of" in the title of Part 10; and

(b) adding the following section after section 10.2:

"**10.3 Discriminatory Terms** – With respect to the execution of an order, a marketplace shall not impose terms that have the effect of discriminating between orders that are routed to that marketplace and orders that are entered on that marketplace.".

(5) (a) Subsection 11.5(1) is amended by:

(i) adding "and" between "securities," and "a dealer";

(ii) striking out "and a regulation services provider monitoring the activities of marketplaces trading those securities"; and

(iii) adding "with the clock used by a regulation services provider monitoring the activities of marketplaces

and marketplace participants trading those securities." at the end of the sentence; and

(b) subsection 11.5(2) is amended by:

(i) adding "and" between "securities," and "an inter-dealer bond broker";

(ii) striking out "and a regulation services provider monitoring the activities of marketplaces, inter dealer bond brokers or dealers trading those securities"; and

(iii) adding "with the clock used by a regulation services provider monitoring the activities of marketplaces, inter-dealer bond brokers or dealers trading those securities." at the end of the sentence.

(6) Part 12 is repealed and replaced with the following:

"**PART 12 CAPACITY, INTEGRITY AND SECURITY OF MARKETPLACE SYSTEMS**

12.1 System Requirements – For each of its systems that support order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing, a marketplace shall

(a) develop and maintain

(i) reasonable business continuity and disaster recovery plans;

(ii) an adequate system of internal control over those systems; and

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

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

(i) make reasonable current and future capacity estimates;

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

(iii) test its business continuity and disaster recovery plans; and

(c) promptly notify the regulator or, in Québec, the securities regulatory authority and, if applicable, its regulation services provider, of any material systems failure, malfunction or delay.

12.2 System Reviews – (1) For each of its systems that support order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing, a marketplace shall annually engage a qualified party to conduct an independent systems review and prepare a report in accordance with established audit standards to ensure that it is in compliance with paragraph 12.1(a).

(2) A marketplace shall provide the report resulting from the review conducted under subsection (1) to

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

(b) the regulator or, in Québec, the securities regulatory authority, within 30 days of providing the report to its board of directors or the audit committee.

12.3 Availability of Technology Requirements and Testing Facilities – (1) A marketplace shall make publicly available all technology requirements regarding interfacing with or accessing the marketplace in their final form,

(a) if operations have not begun, for at least three months immediately before operations begin; and

(b) if operations have begun, for at least three months before implementing a material change to its technology requirements.

(2) After complying with subsection (1), a marketplace shall make available testing facilities for interfacing with or accessing the marketplace,

(a) if operations have not begun, for at least two months immediately before operations begin; and

(b) if operations have begun, for at least two months before implementing a material change to its technology requirements.

(3) A marketplace shall not begin operations until it has complied with paragraphs (1)(a) and (2)(a).

(4) Subsections 12.3(1)(b) and (2)(b) do not apply to a marketplace if the change must be made immediately to address a failure, malfunction or material delay of its systems or equipment if

(a) the marketplace immediately notifies the regulator, or in Québec, the securities regulatory authority, and, if applicable, its regulation services provider of its intention to make the change; and

(b) the marketplace publishes the changed technology requirements as soon as practicable.”.

(7) Section 14.5 is repealed and replaced with the following:

“**14.5 System Requirements** – An information processor shall

(a) develop and maintain

(i) reasonable business continuity and disaster recovery plans;

(ii) an adequate system of internal controls over its critical systems; and

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

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

(i) make reasonable current and future capacity estimates for each of its systems;

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

(iii) test its business continuity and disaster recovery plans;

(c) annually engage a qualified party to conduct an independent systems review and prepare a report in accordance with established audit standards to ensure that it is in compliance with paragraph (a);

(d) provide the report resulting from the review conducted under paragraph (c) to

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

(ii) the regulator or, in Québec, the securities regulatory authority, within 30 days of providing it to the board of directors or the audit committee; and

(e) promptly notify the following of any failure, malfunction or material delay of its systems or equipment

(i) the regulator or, in Québec, the securities regulatory authority; and

(ii) any regulation services provider, recognized exchange or recognized quotation and trade reporting system monitoring trading of the securities about which information is provided to the information processor.”.

1.2 **Effective Date** – This Instrument comes into force on January 28, 2010.

AMENDMENTS TO COMPANION POLICY 21-101CP – To National Instrument 21-101 Marketplace Operation

1.1 Amendments

(1) This instrument amends Companion Policy 21-101CP.

(2) Part 1 is amended by adding the following section as section 1.4:

"**1.4 Definition of Regulation Services Provider** – The definition of regulation services provider is meant to capture a third party provider that provides regulation services to marketplaces. A recognized exchange or recognized quotation and trade reporting system would not be a regulation services provider if it only conducts these regulatory services for its own marketplace or an affiliated marketplace.".

(3) Subsection 2.1(7) is amended by:

(a) striking out all references to the "IDA" and substituting "IIROC"; and

(b) striking out all references to "By-law No. 36" and substituting "Rule 36"; and

(c) striking out all references to "Regulation 2100" and substituting "Rule 2100".

(4) Subsection 3.4(5) is amended by striking out the reference to the "IDA" and substituting "IIROC".

(5) Subsection 6.1(6) is amended by striking out "any change to the operating platform of an ATS, the types of securities traded, or the types of subscribers." and substituting "a change to the information in Exhibits A, B, C, F, G, I, and J of Form 21-101F2.".

(6) Section 7.1 is repealed and replaced by the following:

"7.1 Access Requirements – (1) Section 5.1 of the Instrument sets out access requirements that apply to a recognized exchange and a recognized quotation and trade reporting system. The Canadian securities regulatory authorities note that the requirements regarding access for members do not restrict the authority of a recognized exchange or recognized quotation and trade reporting system to maintain reasonable standards for access. The purpose of these access requirements is to ensure that rules, policies, procedures, fees and practices of the exchange or quotation and trade reporting system do not unreasonably create barriers to access to the services provided by the exchange or quotation and trade reporting system.".

(7) Section 7.1 is amended by adding the following after subsection (1):

"(2) For the purposes of complying with the order protection requirements in Part 6 of NI 23-101, a recognized exchange or recognized quotation and trade reporting system should permit fair and efficient access to

(a) a member or user that directly accesses the exchange or quotation and trade reporting system,

(b) a person or company that is indirectly accessing the exchange or quotation and trade reporting system through a member or user, or

(c) a marketplace routing an order to the exchange or quotation and trade reporting system.

The reference to "a person or company" in subsection (b) includes a system or facility that is operated by a person or company and a person or company that obtains access through a member or user.

(3) The reference to "services" in paragraph 5.1(b) of the Instrument means all services that may be offered to a person or company and includes all services relating to order entry, trading, execution, routing and data.

(4) Recognized exchanges and recognized quotation and trade reporting systems are responsible for ensuring that the fees they set are in compliance with section 5.1 of the Instrument. In assessing whether its fees unreasonably condition or limit access to its services, a recognized exchange or recognized quotation and trade reporting system should consider a number of factors, including

(a) the value of the security traded,

(b) the amount of the fee relative to the value of the security traded,

(c) the amount of fees charged by other marketplaces to execute trades in the market,

(d) with respect to market data fees, the amount of market data fees charged relative to the market share of the exchange or quotation and trade reporting system, and,

(e) with respect to order-execution terms, including fees, whether the outcome of their application is consistent with the policy goals of order protection.

The Canadian securities regulatory authorities will consider these factors, among others, in determining whether the fees charged by a recognized exchange or recognized quotation and trade reporting system unreasonably condition or limit access to its services. With respect to trading fees, our view is that a trading fee equal to or greater than the minimum trading increment as defined in IIROC's Universal Market Integrity Rules, as amended, would unreasonably condition or limit access to a recognized exchange's or recognized quotation and trade reporting system's services as it would be inconsistent with the policy goals of order protection. Trading fees below the minimum trading increment may also unreasonably condition or limit access to a recognized exchange's or recognized quotation and trade reporting system's services when taking into account factors including those listed above.”.

(8) Section 8.2 is repealed and replaced by the following:

“8.2 Access Requirements – (1) Section 6.13 of the Instrument sets out access requirements that apply to an ATS. The Canadian securities regulatory authorities note that the requirements regarding access do not prevent an ATS from setting reasonable standards for access. The purpose of these access requirements is to ensure that the policies, procedures, fees and practices of the ATS do not unreasonably create barriers to access to the services provided by the ATS.”.

(9) Section 8.2 is amended by adding the following:

“(2) For the purposes of complying with the order protection requirements in Part 6 of NI 23-101, an ATS should permit fair and efficient access to

(a) a subscriber that directly accesses the ATS,

(b) a person or company that is indirectly accessing the ATS through a subscriber, or

(c) a marketplace routing an order to the ATS.

In addition, the reference to "a person or company" in subsection (b) includes a system or facility that is operated by a person or company and a person or company that obtains access through a subscriber that is a dealer.

(3) The reference to “services” in paragraph 6.13(b) of the Instrument means all services that may be offered to a person or company and includes all services related to order entry, trading, execution, routing and data.

(4) ATSs are responsible for ensuring that the fees they set are in compliance with section 6.13 of the Instrument. In assessing whether its fees unreasonably condition or limit access to its services, an ATS should consider a number of factors, including

(a) the value of the security traded,

(b) the amount of the fee relative to the value of the security traded,

(c) the amount of fees charged by other marketplaces to execute trades in the market,

(d) with respect to market data fees, the amount of market data fees charged relative to the market share of the ATS, and,

(e) with respect to order-execution terms, including fees, whether the outcome of their application is consistent with the policy goals of order protection.

The Canadian securities regulatory authorities will consider these factors, among others, in determining whether the fees charged by an ATS unreasonably condition or limit access to its services. With respect to trading fees, our view is that a trading fee equal to or greater than the minimum trading increment as defined in IIROC's Universal Market Integrity Rules, as amended, would unreasonably condition or limit access to an ATS's services as it would be inconsistent with the policy goals of order protection. Trading fees below the minimum trading increment may also

unreasonably condition or limit access to an ATS's services when taking into account factors including those listed above.".

(10) Part 9 is amended by:

(a) striking out the first two sentences of subsection 9.1(1) and substituting the following:

"(1) Subsection 7.1(1) of the Instrument requires a marketplace that displays orders of exchange-traded securities to any person or company to provide accurate and timely information regarding those orders to an information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider. Section 7.2 requires a marketplace to provide accurate and timely information regarding trades of exchange-traded securities to an information processor or, if there is no information processor, an information vendor that meets the standards set by a regulation services provider."; and

(b) repealing and replacing subsection 9.1(2) with the following:

"(2) In complying with sections 7.1 and 7.2 of the Instrument, a marketplace should not make the required order and trade information available to any other person or company on a more timely basis than it makes that information available to the information processor or information vendor. In addition, any information provided by a marketplace to an information processor or information vendor must include identification of the marketplace and should contain all relevant information including details as to volume, symbol, price and time of the order or trade.".

(11) Part 10 is amended by:

(a) striking out "; and" at the end of section 10.1(9); and

(b) adding the following as section 10.2:

"**10.2 Availability of Information** – In complying with the requirements in sections 8.1 and 8.2 of the Instrument to provide accurate and timely order and trade information to an information processor or an information vendor that meets the standards set by a regulation services provider, a marketplace, an inter-dealer bond broker or dealer should not make the required order and trade information available to any other person or company on a more timely basis than it makes that information available to the information processor or information vendor.".

(12) The following is added as section 12.2:

"**12.2 Discriminatory Terms** – Section 10.2 of the Instrument prohibits a marketplace from imposing terms that have the effect of discriminating between orders that are routed to that marketplace and orders that are entered on that marketplace.".

(13) Section 13.2 is repealed and replaced with the following:

"**13.2 Synchronization of Clocks** – Subsections 11.5(1) and (2) of the Instrument require the synchronization of clocks with a regulation services provider that monitors the trading of the relevant securities on marketplaces, and by, as appropriate, inter-dealer bond brokers or dealers. The Canadian securities regulatory authorities are of the view that synchronization requires continual synchronization using an appropriate national time standard as chosen by a regulation services provider. Even if a marketplace has not retained a regulation services provider, its clocks should be synchronized with any regulation services provider monitoring trading in the particular securities traded on that marketplace. Each regulation services provider will monitor the information that it receives from all marketplaces, dealers and, if appropriate, inter-dealer bond brokers, to ensure that the clocks are appropriately synchronized. If there is more than one regulation services provider, in meeting their obligation to coordinate monitoring and enforcement under section 7.5 of NI 23-101, regulation services providers are required to agree on one standard against which synchronization will occur. In the event there is no regulation services provider, a recognized exchange or recognized quotation and trade reporting system are also required to coordinate with other recognized exchanges or recognized quotation and trade reporting systems regarding the synchronization of clocks.".

(14) Section 14.1 is repealed and replaced with the following:

"**14.1 Systems Requirements** – This section applies to all the systems of a particular marketplace that are identified in the introduction to section 12.1 of the Instrument.

(1) Paragraph 12.1(a) of the Instrument requires the marketplace to develop and maintain an adequate system of internal control over the systems specified. As well, the marketplace is required to develop and maintain adequate general computer controls. These are the controls which are implemented to support information technology planning, acquisition, development and maintenance, computer operations, information systems support, and security. Recognized guides as to what constitutes adequate information technology controls include '*Information Technology Control Guidelines'* from The Canadian Institute of Chartered Accountants (CICA) and '*COBIT'* from the IT Governance Institute.

(2) Paragraph 12.1(b) of the Instrument requires a marketplace to meet certain systems capacity, performance, business continuity and disaster recovery standards. These standards are consistent with prudent business practice. The activities and tests required in this paragraph are to be carried out at least once a year. In practice, continuing changes in technology, risk management requirements and competitive pressures will often result in these activities being carried out or tested more frequently.

(3) Subsection 12.2(1) of the Instrument requires a marketplace to engage a qualified party to conduct an annual independent assessment of the internal controls referred to in paragraph 12.1(a) of the Instrument. A qualified party is a person or company or a group of persons or companies with relevant experience in both information technology and in the evaluation of related internal controls in a complex information technology environment. Before engaging a qualified party, a marketplace should discuss its choice with the regulator or, in Québec, the securities regulatory authority.

(4) Under section 15.1 of the Instrument, a regulator or the securities regulatory authority may consider granting a marketplace an exemption from the requirement to engage a qualified party to conduct an annual independent systems review and prepare a report under subsection 12.2(1) of the Instrument provided that the marketplace prepare a control self-assessment and file this self-assessment with the regulator or in Québec, the securities regulatory authority. The scope of the self-assessment would be similar to the scope that would have applied if the marketplace underwent an independent systems review. Reporting of the self-assessment results and the timeframe for reporting would be consistent with that established for an independent systems review.

In determining if the exemption is in the public interest, the regulator or securities regulatory authority may consider a number of factors including: the market share of the marketplace, the timing of the last independent systems review, and changes to systems or staff of the marketplace.".

(15) The following is added as section 14.2:

"**14.2 Availability of Technology Specifications and Testing Facilities** – (1) Subsection 12.3(1) of the Instrument requires marketplaces to make their technology requirements regarding interfacing with or accessing the marketplace publicly available in their final form for at least three months. If there are material changes to these requirements after they are made publicly available and before operations begin, the revised requirements should be made publicly available for a new three month period prior to operations. The subsection also requires that an operating marketplace make its technology specifications publicly available for at least three months before implementing a material change to its technology requirements.

(2) Subsection 12.3(2) of the Instrument requires marketplaces to provide testing facilities for interfacing with or accessing the marketplace for at least two months immediately prior to operations once the technology requirements have been made publicly available. Should the marketplace make its specifications publicly available for longer than three months, it may make the testing available during that period or thereafter as long as it is at least two months prior to operations. If the marketplace, once it has begun operations, proposes material changes to its technology systems, it is required to make testing facilities publicly available for at least two months before implementing the material systems change.

(3) Subsection 12.3(4) of the Instrument provides that if a marketplace must make a change to its technology requirements regarding interfacing with or accessing the marketplace to immediately address a failure, malfunction or material delay of its systems or equipment, it must immediately notify the regulator or, in Québec, the securities regulatory authority, and, if applicable, its regulation services provider. We expect the amended technology requirements to be made publicly available as soon as practicable, either while the changes are being made or immediately after.".

(16) Part 16 is amended by:

(a) repealing and replacing subsection 16.1(2) with the following:

"(2) An information processor is required under subsection 14.4(2) of the Instrument to provide timely, accurate, reliable and fair collection, processing, distribution and publication of information for orders for, and

trades in, securities. The Canadian securities regulatory authorities expect that in meeting this requirement, an information processor will ensure that all marketplaces, inter-dealer bond brokers and dealers that are required to provide information are given access to the information processor on fair and reasonable terms. In addition, it is expected that an information processor will not give preference to the information of any marketplace, inter-dealer bond broker or dealer when collecting, processing, distributing or publishing that information.

(3) An information processor is required under subsection 14.4(5) of the Instrument to provide prompt and accurate order and trade information, and to not unreasonably restrict fair access to the information. As part of the obligation relating to fair access, an information processor is expected to make the disseminated and published information available on terms that are reasonable and not discriminatory. For example, an information processor will not provide order and trade information to any single person or company or group of persons or companies on a more timely basis than is afforded to others, and will not show preference to any single person or company or group of persons or companies in relation to pricing.";

(b) striking out "which are not unreasonably discriminatory" from paragraph 16.2(1)(b); and

(c) adding the following as section 16.4:

"**16.4 System Requirements** – Section 14.1 of this Companion Policy contains guidance on the systems requirements as it applies to an information processor.".

1.2 **Effective Date** – This instrument comes into force on January 28, 2010.

AMENDMENTS TO NATIONAL INSTRUMENT 23-101 TRADING RULES

1.1 Amendments

(1) This Instrument amends National Instrument 23-101 *Trading Rules*.

(2) The following definitions are added to section 1.1:

"automated functionality" means the ability to

(a) immediately allow an incoming order that has been entered on the marketplace electronically to be marked as immediate-or-cancel;

(b) immediately and automatically execute an order marked as immediate-or-cancel against the displayed volume;

(c) immediately and automatically cancel any unexecuted portion of an order marked as immediate-or-cancel without routing the order elsewhere;

(d) immediately and automatically transmit a response to the sender of an order marked as immediate-or-cancel indicating the action taken with respect to the order; and

(e) immediately and automatically display information that updates the displayed orders on the marketplace to reflect any change to their material terms;

"protected bid" means a bid for an exchange-traded security, other than an option

(a) that is displayed on a marketplace that provides automated functionality; and

(b) about which information is required to be provided pursuant to Part 7 of NI 21-101 to an information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider;

"protected offer" means an offer for an exchange-traded security, other than an option,

(a) that is displayed on a marketplace that provides automated functionality; and

(b) about which information is required to be provided pursuant to Part 7 of NI 21-101 to an information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider; and

"protected order" means a protected bid or protected offer".

(2.1) The following definitions are added to section 1.1:

"calculated-price order" means an order for the purchase or sale of an exchange-traded security, other than an option, that is entered on a marketplace and for which the price of the security

(a) is not known at the time of order entry; and

(b) is not based, directly or indirectly, on the quoted price of an exchange-traded security at the time the commitment to execute the order was made;

"closing-price order" means an order for the purchase or sale of an exchange-traded security, other than an option, that is

(a) entered on a marketplace on a trading day; and

(b) subject to the conditions that

(i) the order be executed at the closing sale price of that security on that marketplace for that trading day; and

(ii) the order be executed subsequent to the establishment of the closing price;

"directed-action order" means a limit order for the purchase or sale of an exchange-traded security, other than an option, that,

(a) when entered on or routed to a marketplace is to be immediately

(i) executed against a protected order with any remainder to be booked or cancelled; or

(ii) placed in an order book;

(b) is marked as a directed-action order; and

(c) is entered or routed at the same time as one or more additional limit orders that are entered on or routed to one or more marketplaces, as necessary, to execute against any protected order with a better price than the order referred to in paragraph (a);

"non-standard order" means an order for the purchase or sale of an exchange-traded security, other than an option, that is entered on a marketplace and is subject to non-standardized terms or conditions related to settlement that have not been set by the marketplace on which the security is listed or quoted; and

"trade-through" means the execution of an order at a price that is,

(a) in the case of a purchase, higher than any protected offer, or

(b) in the case of a sale, lower than any protected bid.

(3) Subsection 3.1(2) is amended by adding "and the *Derivatives Act*" between "*Securities Act"* and "(Québec)".

(3.1) Part 6 is amended by adding the following:

(a) "and Locked or Crossed Orders" after "Trading Hours" in the title of Part 6; and

(b) **6.2 Locked or Crossed Orders** – A marketplace participant shall not intentionally

(a) enter on a marketplace a protected order to buy a security at a price that is the same as or higher than the best protected offer; or

(b) enter on a marketplace a protected order to sell a security at a price that is the same as or lower than the best protected bid.

(4) Part 6, as amended by subsection (3.1), is repealed and replaced by the following:

"**PART 6 ORDER PROTECTION**

6.1 Marketplace Requirements for Order Protection – (1) A marketplace shall establish, maintain and ensure compliance with written policies and procedures that are reasonably designed

(a) to prevent trade-throughs on that marketplace other than the trade-throughs referred to in section 6.2; and

(b) to ensure that the marketplace, when executing a transaction that results in a trade-through referred to in section 6.2, is doing so in compliance with this Part.

(2) A marketplace shall regularly review and monitor the effectiveness of the policies and procedures required under subsection (1) and shall promptly remedy any deficiencies in those policies and procedures.

(3) At least 45 days before implementation, a marketplace shall file with the securities regulatory authority and, if applicable, its regulation services provider the policies and procedures, and any significant changes to those policies and procedures, established under subsection (1).

6.2 List of Trade-throughs – The following are the trade-throughs referred to in paragraph 6.1(1)(a):

(a) a trade-through that occurs when the marketplace has reasonably concluded that the marketplace displaying the protected order that was traded through was experiencing a failure, malfunction or material delay of its systems or equipment or ability to disseminate marketplace data;

(b) the execution of a directed-action order;

(c) a trade-through by a marketplace that simultaneously routes a directed-action order to execute against the total displayed volume of any protected order that is traded through;

(d) a trade-though if, immediately before the trade-through, the marketplace displaying the protected order that is traded through displays as its best price a protected order with a price that is equal or inferior to the price of the trade-through;

(e) a trade-through that results when executing

(i) a non-standard order;

(ii) a calculated-price order; or

(iii) a closing-price order;

(f) a trade-through that was executed at a time when the best protected bid for the security traded through was higher than the best protected offer.

6.3 Systems or Equipment Failure, Malfunction or Material Delay – (1) If a marketplace experiences a failure, malfunction or material delay of its systems, equipment or its ability to disseminate marketplace data, the marketplace shall immediately notify

(a) all other marketplaces;

(b) all regulation services providers;

(c) its marketplace participants; and

(d) any information processor or, if there is no information processor, any information vendor that disseminates its data under Part 7 of NI 21-101.

(2) If executing a transaction described in paragraph 6.2(a), and a notification has not been sent under subsection (1), a marketplace that routes an order to another marketplace shall immediately notify

(a) the marketplace that it reasonably concluded is experiencing a failure, malfunction or material delay of its systems or equipment or its ability to disseminate marketplace data;

(b) all regulation services providers;

(c) its marketplace participants; and

(d) any information processor disseminating information under Part 7 of NI 21-101.

(3) If a marketplace participant reasonably concludes that a marketplace is experiencing a failure, malfunction or material delay of its systems or equipment or its ability to disseminate marketplace data, and routes an order to execute against a protected order on another marketplace displaying an inferior price, the marketplace participant must notify the following of the failure, malfunction or material delay

(a) the marketplace that may be experiencing a failure, malfunction or material delay of its systems or equipment or its ability to disseminate marketplace data; and

(b) all regulation services providers.

6.4 Marketplace Participant Requirements for Order Protection – (1) A marketplace participant must not enter a directed-action order unless the marketplace participant has established, and maintains and ensures compliance with, written policies and procedures that are reasonably designed

(a) to prevent trade-throughs other than the trade-throughs listed below:

(i) a trade-through that occurs when the marketplace participant has reasonably concluded that the marketplace displaying the protected order that was traded through was experiencing a failure, malfunction or material delay of its systems or equipment or ability to disseminate marketplace data;

(ii) a trade-through by a marketplace participant that simultaneously routes a directed-action order to execute against the total displayed volume of any protected order that is traded through;

(iii) a trade-through if, immediately before the trade-through, the marketplace displaying the protected order that is traded through displays as its best price a protected order with a price that is equal or inferior to the price of the trade-through transaction;

(iv) a trade-through that results when executing

(A) a non-standard order;

(B) a calculated-price order; or

(C) a closing-price order;

(v) a trade-through that was executed at a time when the best protected bid for the security traded through was higher than the best protected offer; and

(b) to ensure that when executing a trade-through listed in paragraphs (a)(i) to (a)(v), it is doing so in compliance with this Part.

(2) A marketplace participant that enters a directed-action order shall regularly review and monitor the effectiveness of the policies and procedures required under subsection (1) and shall promptly remedy any deficiencies in those policies and procedures.

6.5 Locked or Crossed Orders – A marketplace participant shall not intentionally

(a) enter on a marketplace a protected order to buy a security at a price that is the same as or higher than the best protected offer; or

(b) enter on a marketplace a protected order to sell a security at a price that is the same as or lower than the best protected bid.

6.6 Trading Hours – A marketplace shall set the hours of trading to be observed by marketplace participants.

6.7 Anti-Avoidance – No person or company shall send an order to an exchange, quotation and trade reporting system or alternative trading system that does not carry on business in Canada in order to avoid executing against better-priced orders on a marketplace.

6.8 Application of this Part – In Québec, this Part does not apply to standardized derivatives.”.

(5) Part 7 is amended by:

(a) repealing paragraph 7.2(c) and replacing it with the following:

“(c) that the recognized exchange will transmit to the regulation services provider the information required by Part 11 of NI 21-101 and any other information reasonably required to effectively monitor:

(i) the conduct of and trading by marketplace participants on and across marketplaces, and

(ii) the conduct of the recognized exchange, as applicable; and”; and

(b) repealing paragraph 7.4(c) and replacing it with the following:

"(c) that the recognized quotation and trade reporting system will transmit to the regulation services provider the information required by Part 11 of NI 21-101 and any other information reasonably required to effectively monitor:

(i) the conduct of and trading by marketplace participants on and across marketplaces, and

(ii) the conduct of the recognized quotation and trade reporting system, as applicable; and"; and

(c) amending section 7.5 by striking out "under this Part" and substituting "under Parts 7 and 8".

(6) Paragraph 8.3(d) is repealed and replaced by the following:

"(d) that the ATS will transmit to the regulation services provider the information required by Part 11 of NI 21-101 and any other information reasonably required to effectively monitor:

(i) the conduct of and trading by marketplace participants on and across marketplaces, and

(ii) the conduct of the ATS; and".

(7) Section 9.3 is amended by striking out "IDA Policy No. 5 Code of Conduct for IDA Member Firms Trading in Domestic Debt Markets" and substituting "IIROC Rule 2800 Code of Conduct for Corporation Dealer Member Firms Trading in Wholesale Domestic Debt Markets".

1.2 Effective Date – (1) This Instrument, other than subsections 1.1(2.1) and 1.1(4), comes into force on January 28, 2010.

(2) Subsections 1.1(2.1) and 1.1(4) come into force on February 1, 2011.

AMENDMENTS TO COMPANION POLICY 23-101CP – To National Instrument 23-101 Trading Rules

1.1 Amendments

(1) This instrument amends Companion Policy 23-101CP.

(2) Part 1.1 is amended by adding the following after section 1.1.1:

"1.1.2 Definition of automated functionality – Section 1.1 of the Instrument includes a definition of "automated functionality" which is the ability to: (1) act on an incoming order; (2) respond to the sender of an order; and (3) update the order by disseminating information to an information processor or information vendor. Automated functionality allows for an incoming order to execute immediately and automatically up to the displayed size and for any unexecuted portion of such incoming order to be cancelled immediately and automatically without being booked or routed elsewhere. Automated functionality involves no human discretion in determining the action taken with respect to an order after the time the order is received. A marketplace with this functionality should have appropriate systems and policies and procedures relating to the handling of immediate-or-cancel orders.

1.1.3 Definition of protected order – (1) A protected order is defined to be a "protected bid or protected offer". A "protected bid" or "protected offer" is an order to buy or sell an exchange-traded security, other than an option, that is displayed on a marketplace that provides automated functionality and about which information is provided to an information processor or an information vendor, as applicable, pursuant to Part 7 of NI 21-101. The term "displayed on a marketplace" refers to the information about total disclosed volume on a marketplace. Volumes that are not disclosed or that are "reserve" or hidden volumes are not considered to be "displayed on a marketplace". The order must be provided in a way that enables other marketplaces and marketplace participants to readily access the information and integrate it into their systems or order routers.

(2) Subsection 5.1(3) of 21-101CP does not consider orders that are not immediately executable or that have special terms as "orders" that are required to be provided to an information processor or information vendor under Part 7 of NI 21-101. As a result, these orders are not considered to be "protected orders" under the definition in the Instrument and do not receive order protection. However, those executing against these types of orders are required to execute against all better-priced orders first. In addition, when entering a "special terms order" on a marketplace, if it can be executed against existing orders despite the special term, then the order protection obligation applies.".

(2.1) Part 1.1 is amended by adding the following after section 1.1.3:

1.1.4 Definition of calculated-price order – The definition of "calculated-price order" refers to any order where the price is not known at the time of order entry and is not based, directly or indirectly, on the quoted price of an exchange-traded security at the time the commitment to executing the order was made. This includes the following orders:

(a) a call market order – where the price of a trade is calculated by the trading system of a marketplace at a time designated by the marketplace;

(b) an opening order – where each marketplace may establish its own formula for the determination of opening prices;

(c) a closing order – where execution occurs at the closing price on a particular marketplace, but at the time of order entry, the price is not known;

(d) a volume-weighted average price order – where the price of a trade is determined by a formula that measures average price on one or more marketplaces; and

(e) a basis order – where the price is based on prices achieved in one or more derivative transactions on a marketplace. To qualify as a basis order, this order must be approved by a regulation services provider or an exchange or quotation and trade reporting system that oversees the conduct of its members or users respectively.

1.1.5 Definition of directed-action order – (1) An order marked as a directed-action order informs the receiving marketplace that the marketplace can act immediately to carry out the action specified by either the marketplace or marketplace participant who has sent the order and that the order protection obligation is being met by the sender. Such an order may be marked "DAO" by a marketplace or a marketplace participant. Senders can specify actions by adding markers that instruct a marketplace to:

(a) execute the order and cancel the remainder using an immediate-or-cancel marker,

(b) execute the order and book the remainder,

(c) book the order as a passive order awaiting execution, and

(d) avoid interaction with hidden liquidity using a bypass marker, as defined in IIROC's Universal Market Integrity Rules.

The definition allows for the simultaneous routing of more than one directed-action order in order to execute against any better-priced protected orders. In addition, marketplaces or marketplace participants may send a single directed-action order to execute against the best protected bid or best protected offer. When it receives a directed-action order, a marketplace can carry out the sender's instructions without checking for better-priced orders displayed by the other marketplaces and implementing the marketplace's own policies and procedures to reasonably prevent trade-throughs.

(2) Regardless of whether the entry of a directed-action order is accompanied by the bypass marker, the sender must take out all better-priced visible orders before executing at an inferior price. For example, if a marketplace or marketplace participant combines a directed-action order with a bypass marker to avoid executing against hidden liquidity, the order has order protection obligations regarding the visible liquidity. If a directed-action order interacts with hidden liquidity, the requirement to take out all better-priced visible orders before executing at an inferior price remains.

1.1.6 Definition of non-standard order – The definition of "non-standard order" refers to an order for the purchase or sale of a security that is subject to terms or conditions relating to settlement that have not been set by the marketplace on which the security is listed or quoted. A marketplace participant, however, may not add a special settlement term or condition to an order solely for the purpose that the order becomes a non-standard order under the definition.

(2.2) Part 6 is amended by adding the following:

(a) "and Locked or Crossed Markets" after "Trading Hours" in the tile of Part 6; and

(b) **6.2 Locked and Crossed Markets** – (1) Section 6.2 of the Instrument provides that a marketplace participant shall not intentionally lock or cross a market by entering a protected order to buy a security at a price that is the same as or higher than the best protected offer or entering a protected order to sell a security at a price that is the same as or lower than the best protected bid. The reference to a "protected order" means that when entering a visible, displayed order, a marketplace participant cannot lock or cross a visible, displayed order. It is not intended to prohibit the use of marketable limit orders.

(2) Section 6.2 of the Instrument prohibits a marketplace participant from intentionally locking or crossing a market. This would occur, for example, when a marketplace participant enters a locking or crossing order on a particular marketplace or marketplaces to avoid fees charged by a marketplace or to take advantage of rebates offered by a particular marketplace. There are situations where a locked or crossed market may occur unintentionally. For example:

(a) the locking or crossing order was displayed at a time when the marketplace displaying the locked or crossed order was experiencing a failure, malfunction or material delay of its systems, equipment or ability to disseminate marketplace data,

(b) the locking or crossing order was displayed at a time when a protected bid was higher than a protected offer;

(c) the locking or crossing order was posted after all displayed liquidity was executed and a reserve order generated a new visible bid above the displayed offer or offer below the displayed bid.

(3) Part 6, as amended by subsection (2.2), is repealed and replaced with the following:

"**PART 6 ORDER PROTECTION**

6.1 Marketplace Requirements for Order Protection – (1) Subsection 6.1(1) of the Instrument requires a marketplace to establish, maintain and ensure compliance with written policies and procedures that are reasonably designed to prevent trade-throughs by orders entered on that marketplace. A marketplace may implement this requirement in various ways. For example, the policies and procedures of a marketplace may reasonably prevent trade-throughs via the design of the marketplace's trade execution algorithms (by not allowing a trade-through to occur), or by voluntarily establishing direct linkages to other marketplaces. Marketplaces are not able to avoid their obligations by establishing policies and procedures that instead require marketplace participants to take steps to reasonably prevent trade-throughs.

(2) It is the responsibility of marketplaces to regularly review and monitor the effectiveness of their policies and

procedures and take prompt steps to remedy any deficiencies in reasonably preventing trade-throughs and complying with subsection 6.1(2) of the Instrument. In general, it is expected that marketplaces maintain relevant information so that the effectiveness of its policies and procedures can be adequately evaluated by regulatory authorities. Relevant information would include information that describes:

(a) steps taken by the marketplace to evaluate its policies and procedures;

(b) any breaches or deficiencies found; and

(c) the steps taken to resolve the breaches or deficiencies.

(3) As part of the policies and procedures required in subsection 6.1(1) of the Instrument, a marketplace is expected to include a discussion of their automated functionality and how they will handle potential delayed responses as a result of an equipment or systems failure or malfunction experienced by another marketplace. In addition, marketplaces should include a discussion of how they treat a directed-action order when received and how it will be used.

(4) Order protection applies whenever two or more marketplaces with protected orders are open for trading. Some marketplaces provide a trading session at a price established by that marketplace during its regular trading hours for marketplace participants who are required to benchmark to a certain closing price. In these circumstances, under paragraph 6.2(e), a marketplace would not be required to take steps to reasonably prevent trade-throughs of orders on another marketplace.

6.2 Marketplace Participant Requirements for Order Protection – (1) For a marketplace participant that wants to use a directed-action order, section 6.4 of the Instrument requires a marketplace participant to establish, maintain and ensure compliance with written policies and procedures that are reasonably designed to prevent trade-throughs. In general, it is expected that a marketplace participant that uses a directed-action order would maintain relevant information so that the effectiveness of its policies and procedures can be adequately evaluated by regulatory authorities. Relevant information would include information that describes:

(a) steps taken by the marketplace participant to evaluate its policies and procedures;

(b) any breaches or deficiencies found; and

(c) the steps taken to resolve the breaches or deficiencies.

The policies and procedures should also outline when it is appropriate to use a directed-action order and how it will be used as set out in paragraph 6.4(a) of the Instrument.

(2) Order protection applies whenever two or more marketplaces with protected orders are open for trading. Some marketplaces provide a trading session at a price established by that marketplace during its regular trading hours for marketplace participants who are required to benchmark to a certain closing price. In these circumstances, under paragraph 6.4(a)(iv)(C) of the Instrument, a marketplace participant would not be required to take steps to reasonably prevent trade-throughs of orders between marketplaces.

6.3 List of Trade-throughs – Section 6.2 and paragraphs 6.4(a)(i) to (a)(v) of the Instrument set forth a list of "permitted" trade-throughs that are primarily designed to achieve workable order protection and to facilitate certain trading strategies and order types that are useful to investors.

(a) (i) Paragraphs 6.2(a) and 6.4(a)(i) of the Instrument would apply where a marketplace or marketplace participant, as applicable, has reasonably concluded that a marketplace is experiencing a failure, malfunction or material delay of its systems, equipment or ability to disseminate marketplace data. A material delay occurs when a marketplace repeatedly fails to respond immediately after receipt of an order. This is intended to provide marketplaces and marketplace participants with flexibility when dealing with a marketplace that is experiencing systems problems (either of a temporary nature or a longer term systems issue).

(ii) Under subsection 6.3(1) of the Instrument, a marketplace that is experiencing systems issues is responsible for informing all other marketplaces, its marketplace participants, any information processor, or if there is no information processor, an information vendor disseminating its information under Part 7 of NI 21-101 and regulation services providers when a failure, malfunction or material delay of its systems, equipment or ability to disseminate marketplace data occurs. However, if a marketplace fails repeatedly to provide an immediate response to orders received and no notification has been issued by that marketplace that it is experiencing systems issues, the routing marketplace

or a marketplace participant may, pursuant to subsections 6.3(2) and 6.3(3) of the Instrument respectively, reasonably conclude that the marketplace is having systems issues and may therefore rely on paragraph 6.2(a) or 6.4(a)(i) of the Instrument respectively. This reliance must be done in accordance with policies and procedures that outline processes for dealing with potential delays in responses by a marketplace and documenting the basis of its conclusion. If, in response to the notification by the routing marketplace or a marketplace participant, the marketplace confirms that it is not actually experiencing systems issues, the routing marketplace or marketplace participant may no longer rely on paragraph 6.2(a) or paragraph 6.4(a)(i) of the Instrument respectively.

(b) Paragraph 6.2(b) of the Instrument provides an exception from the obligation on marketplaces to use their policies and procedures to reasonably prevent trade-throughs when a directed-action order is received. Specifically, a marketplace that receives a directed-action order may immediately execute or book the order (or its remaining volume) and not implement the marketplace's policies and procedures to reasonably prevent trade-throughs. However, the marketplace will need to describe its treatment of a directed-action order in its policies and procedures. Paragraphs 6.2(c) and 6.4(a)(iii) of the Instrument provide an exception where a marketplace or marketplace participant simultaneously routes directed-action orders to execute against the total displayed volume of any protected order traded through. This accounts for the possibility that orders that are routed simultaneously as directed-action orders are not executed simultaneously causing one or more trade-throughs to occur because an inferior-priced order is executed first.

(c) Paragraphs 6.2(d) and 6.4(a)(ii) of the Instrument provide some relief due to moving or changing markets. Specifically, the exception allows for a trade-through to occur when immediately before executing the order that caused the trade-through, the marketplace on which the execution occurred had the best price but at the moment of execution, the market changes and another marketplace has the best price. The "changing markets" exception allows for the execution of an order on a marketplace, within the best bid or offer on that marketplace but outside the best bid or offer displayed across marketplaces in certain circumstances. This could occur for example:

(i) where orders are entered on a marketplace but by the time they are executed, the best bid or offer displayed across marketplaces changed; and

(ii) where a trade is agreed to off-marketplace and entered on a marketplace within the best bid and best offer across marketplaces, but by the time the order is executed on the marketplace (i.e. printed) the best bid or offer as displayed across marketplaces may have changed, thus causing a trade-through.

(d) The basis for the inclusion of calculated-price orders, non-standard orders and closing-price orders in paragraphs 6.2(e) and 6.4(a)(iv) of the Instrument is that these orders have certain unique characteristics that distinguish them from other orders. The characteristics of the orders relate to price (calculated-price orders and closing-price orders) and non-standard settlement terms (non-standard orders) that are not set by an exchange or a quotation and trade reporting system.

(e) Paragraphs 6.2(f) and 6.4(a)(v) of the Instrument include a transaction that occurred when there is a crossed market in the exchange-traded security. Without this allowance, no marketplace could execute transactions in a crossed market because it would constitute a trade-through. With order protection only applying to displayed orders or parts of orders, hidden or reserve orders may remain in the book after all displayed orders are executed. Consequently, crossed markets may occur. Intentionally crossing the market to take advantage of paragraphs 6.2(f) and 6.4(a)(v) of the Instrument would be a violation of section 6.5 of the Instrument.

6.4 Locked and Crossed Markets – (1) Section 6.5 of the Instrument provides that a marketplace participant shall not intentionally lock or cross a market by entering a protected order to buy a security at a price that is the same as or higher than the best protected offer or entering a protected order to sell a security at a price that is the same as or lower than the best protected bid. The reference to a "protected order" means that when entering a visible, displayed order, a marketplace participant cannot lock or cross a visible, displayed order. It is not intended to prohibit the use of marketable limit orders. Paragraphs 6.2(f) and 6.4(a)(v) of the Instrument allow for the resolution of crossed markets that occur unintentionally.

(2) Section 6.5 of the Instrument prohibits a marketplace participant from intentionally locking or crossing a market. This would occur, for example, when a marketplace participant enters a locking or crossing order on a particular marketplace or marketplaces to avoid fees charged by a marketplace or to take advantage of rebates offered by a particular marketplace. There are situations where a locked or crossed market may occur unintentionally. For example:

(a) when a marketplace participant routes multiple directed-action orders that are marked immediate-or-cancel to a variety of marketplaces and because of latency issues, a locked or crossed market results,

(b) the locking or crossing order was displayed at a time when the marketplace displaying the locked or crossed order was experiencing a failure, malfunction or material delay of its systems, equipment or ability to disseminate marketplace data,

(c) the locking or crossing order was displayed at a time when a protected bid was higher than a protected offer;

(d) the locking or crossing order was posted after all displayed liquidity was executed and a reserve order generated a new visible bid above the displayed offer or offer below the displayed bid.

(3) If a marketplace participant using a directed-action order chooses to book the order or the remainder of the order, then it is responsible for ensuring that the booked portion of the directed-action order does not lock or cross the market. The Canadian securities regulatory authorities would consider a directed-action order or remainder of a directed-action order that is booked and that locks or crosses the market to be an intentional locking or crossing of the market and a violation of section 6.5 of the Instrument.

6.5 Anti-Avoidance Provision – Section 6.7 of the Instrument prohibits a person or company from sending an order to an exchange, quotation and trade reporting system or alternative trading system that does not carry on business in Canada in order to avoid executing against better-priced orders on a marketplace in Canada. The intention of this section is to prevent the routing of orders to foreign marketplaces only for the purpose of avoiding the order protection regime in Canada.".

(4) Part 7 is amended by:

(a) striking out "IDA Policy No. 5 Code of Conduct for IDA Member Firms Trading in Domestic Debt Markets" and substituting "IIROC Rule 2800 Code of Conduct for Corporation Dealer Member Firms Trading in Wholesale Domestic Debt Markets" in section 7.3;

(b) adding the following as section 7.5:

"**7.5 Agreement between a Marketplace and a Regulation Services Provider** – The purpose of subsections 7.2(c) and 7.4(c) of the Instrument is to facilitate the monitoring of trading by marketplace participants on and across multiple marketplaces by a regulation services provider. These sections of the Instrument also facilitate monitoring of the conduct of a recognized exchange and recognized quotation and trade reporting system for particular purposes. This may result in regulation services providers monitoring marketplaces that have retained them and reporting to a recognized exchange, recognized quotation and trade reporting system or securities regulatory authority if a marketplace is not meeting regulatory requirements or the terms of its own rules or policies and procedures. While the scope of this monitoring may change as the market evolves, we expect it to include, at a minimum, monitoring clock synchronization, the inclusion of specific designations, symbols and identifiers, order protection requirements and audit trail requirements.".

(c) adding the following as section 7.6:

"**7.6 Coordination of Monitoring and Enforcement** – (1) Section 7.5 of the Instrument requires regulation services providers, recognized exchanges and recognized quotation and trade reporting systems to enter into a written agreement whereby they coordinate the enforcement of the requirements set under Parts 7 and 8. This coordination is required in order to achieve cross-marketplace monitoring.

(2) If a recognized exchange or recognized quotation and trade reporting system has not retained a regulation services provider, it is still required to coordinate with any regulation services provider and other exchanges or quotation and trade reporting systems that trade the same securities in order to ensure effective cross-marketplace monitoring.

(3) Currently, only IIROC is the regulation services provider for both exchange-traded securities, other than options and in Québec, other than standardized derivatives, and unlisted debt securities. If more than one regulation services provider regulates marketplaces trading a particular type of security, these regulation services providers must coordinate monitoring and enforcement of the requirements set.".

1.2 **Effective Date** – (1) This instrument, other than subsections 1.1(2.1) and 1.1(3), comes into force on January 28, 2010.

(2) Subsections 1.1(2.1) and 1.1(3) come into force on February 1, 2011.

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 SecuritiesScource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

REPORTS OF TRADES SUBMITTED ON FORMS 45-106F1 AND 45-501F1

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
11/19/2009	58	1490697 Alberta Ltd. - Units	9,274,274.35	N/A
12/17/2009	3	Abbastar Resources Corp. - Flow-Through Shares	1,000,000.00	3,125,000.00
12/31/2009	53	Advantel Minerals (Canada) Ltd. - Flow-Through Shares	546,500.00	1,093,000.00
12/22/2009	36	Alderon Resource Corp. - Receipts	1,500,000.00	N/A
12/23/2009	86	Alexis Minerals Corporation - Common Shares	10,000,000.00	20,000,000.00
02/10/2009 to 07/24/2009	61	Altan Rio Minerals Limited - Units	4,545,128.40	15,150,420.00
12/09/2009	1	Ambit Energy Corporation - Units	200,000.00	100,000.00
12/30/2009	1	Amex Exploration Inc. - Units	200,000.00	N/A
12/23/2009	4	APAX European VII Side Car 2, L.P. Inc. - Limited Partnership Interest	367,881,369.00	3.00
10/06/2009	5	AppZero Corp. - Debentures	2,000,001.00	N/A
12/08/2009	10	Arcestra Inc. - Common Shares	1,000,000.00	4,000,000.00
12/18/2009	39	Argus Metals Corp. - Units	401,000.00	4,010,000.00
12/30/2009	34	Arriva Energy Inc. - Flow-Through Shares	2,520,000.00	2,800,000.00
12/04/2009	1	Assured Guaranty Ltd. - Common Shares	5,545,100.00	250,000.00
12/23/2009	5	Atocha Resources Inc. - Units	400,000.00	2,500,000.00
11/20/2009 to 11/27/2009	71	Aurcana Corporation - Units	2,549,300.00	11,587,727.00
12/08/2009 to 12/09/2009	1	Bending Lake Iron Group Limited - Debentures	780,000.00	N/A
12/08/2009	1	Bending Lake Iron Group Limited - Flow-Through Shares	75,000.00	N/A
12/10/2009	9	Bitterroot Resources Ltd. - Common Shares	678,199.92	5,651,666.00
12/17/2009	16	Black Panther Mining Corp. - Flow-Through Shares	177,500.00	N/A
12/10/2009	55	Blackhawk Resource Corp. - Common Shares	1,700,000.00	N/A
12/23/2009	62	Blacksteel Energy Inc. - Common Shares	1,353,500.00	N/A
12/23/2009	19	Blacksteel Oil Sands Inc. - Common Shares	348,799.55	634,181.00
12/22/2009	6	BTI Systems Inc. - Debentures	940,283.70	N/A
12/29/2009	23	Cache Exploration Inc. - Flow-Through Shares	406,360.00	5,079,500.00
12/07/2009	19	Canaco Resources Inc. - Units	2,918,999.85	8,339,999.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
12/23/2009	1	Canadian Continental Exploration Corp. - Common Shares	0.00	500,000.00
12/15/2009	59	Canadian Energy Services L.P. - Units	10,000,000.00	1,000,000.00
12/04/2009	22	Canadian Imperial Bank of Commerce - Notes	2,435,000.00	N/A
12/17/2009 to 12/23/2009	176	Candente Gold Corp. - Units	8,824,130.00	22,060,325.00
12/08/2009	44	Cantronic Systems Inc. - Debentures	2,299,000.00	N/A
01/04/2010	4	Capital Direct I Income Trust - Units	238,000.00	23,800.00
12/23/2009	5	Cascades Inc. - Notes	260,016,929.10	N/A
12/15/2009	26	Cassidy Gold Corp. - Units	2,000,000.00	10,000,000.00
12/23/2009	14	Central Resources Corp. - Common Shares	763,349.65	2,180,999.00
12/04/2009	11	Centurion Apartment Real Estate Investment Trust - Units	1,123,000.00	114,932.00
12/16/2009	138	CGE Resources 2009 L.P. - Units	1,986,000.00	1,986.00
12/23/2009 to 12/29/2009	22	Champlain Resources Inc. - Common Shares	439,400.00	5,998,000.00
12/22/2009	1	Citadel Gold Mines Inc. - Debentures	200,000.00	N/A
12/15/2009 to 12/24/2009	4	Clairvest Equity Partners IV Limited Partnership - Limited Partnership Units	42,500,000.00	42,500.00
12/09/2009	311	Colonia Energy Corp. - Receipts	35,000,000.00	175,000,000.00
12/24/2009	17	Copper Reef Mining Corporation - Common Shares	805,000.00	2,720,000.00
11/30/2009	33	Crown Minerals Inc. - Units	459,600.00	3,830,000.00
12/11/2009	1	Crown Realty II Limited Partnership - Limited Partnership Units	20,000,000.00	N/A
12/11/2009	7	DB Mortgage Investment Corporation #1 - Common Shares	1,115,552.00	1,136.00
12/15/2009 to 12/18/2009	4	Ditem Explorations Inc. - Units	820,000.00	N/A
12/07/2009	1	Document Security Systems Inc. - Common Shares	0.00	28,000.00
12/31/2009	7	Dolly Silver Corporation - Units	1,030,000.00	N/A
12/21/2009	10	Drakkar Energy Ltd. - Units	120,005.60	N/A
10/05/2009	1	Dyax Corp. - Common Shares	1,240,920.00	300,000.00
12/16/2009	1	DynaMotive Energy Systems Corporation - Common Shares	95,400.00	450,000.00
12/17/2009	1	Eagleridge Minerals Ltd. - Flow-Through Units	325,000.00	1,625,000.00
12/30/2009	42	Eagleridge Minerals Ltd. - Units	187,008.70	664,757.00
12/23/2009	2	EnviroTower Inc. - Common Shares	2,700,227.47	10,923,095.00
12/30/2009	24	EquiGenesis 2009-II Preferred Investment LP - Limited Partnership Units	14,130,740.00	N/A

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
02/04/2009	1	ESL Limited - Common Shares	9,935,000.00	10,000.00
09/07/2007	1	ESL Partners, L.P. - Limited Partnership Interest	527,600,000.00	1.00
12/09/2009 to 12/17/2009	63	Explor Resources Inc. - Units	5,957,550.70	N/A
12/31/2009	2	First Gold Exploration Inc. - Units	399,999.76	N/A
12/10/2009	1	ForceLogix Technologies Inc. - Units	263,900.00	2,639,000.00
12/30/2009	18	FoodChek Systems Inc. - Units	134,361.00	59,716.00
01/08/2010	1	Fuel Transfer Technologies Inc. - Preferred Shares	150,000.00	50,000.00
12/29/2009	9	Glass Earth Gold Limited - Units	85,000.00	1,700,000.00
12/03/2009	7	Gold Bullion Development Corp. - Units	216,920.06	N/A
12/30/2009	21	Golden Band Resources Inc. - Flow-Through Shares	1,809,313.00	0.10
12/02/2009	3	Golden Chalice Resources Inc. - Common Shares	50,000.00	500,000.00
12/04/2009	41	Golden Odyssey Mining Inc. - Common Shares	563,494.00	3,713,028.00
12/16/2009	1	Golf Holdings, LLC - Notes	200,000.00	1.00
12/31/2009	14	Greengate Power Corporation - Common Shares	528,500.00	141,000.00
12/30/2009	18	Grizzly Diamonds Ltd. - Units	823,824.55	1,033,000.00
12/31/2009	6	GWR Resources Inc. - Flow-Through Shares	363,256.00	N/A
12/17/2009	5	Harbour View Capital Inc. - Units	144,400.00	1,444.00
12/17/2009	5	Harbour View Landing Inc. - Units	144.40	1,444.00
12/22/2009	8	Hemisphere Energy Corporation - Units	204,000.00	850,000.00
10/29/2009	1	Hirsch Holdings, Inc. - Units	107,050.00	100.00
12/07/2009	6	International CHS Resource Corporation - Common Shares	310,000.00	10,333,332.00
12/11/2009	2	International Montoro Resources Inc. - Common Shares	40,000.00	100,000.00
12/30/2009	35	Investicare Seniors Housing Corp. - Mortgage	945,000.00	N/A
12/30/2009	31	Ironstone Resources Ltd. - Common Shares	599,175.00	497,340.00
12/30/2009	4	Ironstone Resources Ltd. - Flow-Through Shares	300,500.00	200,333.00
12/21/2009	10	Kaminak Gold Corporation - Common Shares	1,413,976.00	1,885,300.00
11/30/2009	1	Kelman Technologies Inc. - Debentures	650,000.00	N/A
12/08/2009	9	Kinetex Resources Corporation - Units	113,750.00	758,334.00
10/20/2009 to 12/22/2009	28	Kirrin Resources Inc. - Units	1,003,780.00	N/A
12/29/2009 to 12/30/2009	17	Knick Exploration inc. - Units	589,299.90	N/A
12/09/2009	11	Knight Resources Ltd. - Common Shares	703,200.00	N/A

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
12/16/2009	61	Kodiak Exploration Limited - Flow-Through Shares	13,807,153.10	21,241,774.00
12/14/2009	4	Largo Resources Ltd. - Flow-Through Shares	999,999.90	5,555,555.00
12/21/2009	13	Latitude AeroMedical Works Inc. - Units	165,000.00	N/A
12/23/2009	38	Lithium Americas Corp. - Units	10,500,000.00	N/A
12/23/2009	74	Longbow Capital Limited Partnership #18 - Limited Partnership Units	7,295,000.00	7,295.00
12/18/2009	11	Lucid Commercial Ramsay Crossing Inc. - Bonds	1,890,500.00	N/A
12/31/2009	6	Lytton Minerals Limited - Units	5,569,710.00	134.00
12/23/2009	62	Magallen Minerals Ltd. - Units	21,251,297.20	18,215,395.00
12/17/2009	9	MBAC Opportunities and Financing Inc. - Receipts	16,231,250.00	N/A
12/04/2009	21	McConachie Development Investment Corporation - Units	461,240.00	46,124.00
12/11/2009	48	McConachie Development Investment Corporation - Units	944,810.00	99,481.00
12/04/2009	33	McConachie Development Limited Partnership - Units	1,592,960.00	159,296.00
12/11/2009	26	McConachie Development Limited Partnership - Units	2,224,810.00	222,481.00
12/24/2009	17	Med BioGene Inc. - Units	699,840.00	5,832,000.00
12/31/2009	14	Medallion Resources Ltd. - Flow-Through Shares	361,625.00	2,066,429.00
12/14/2009	1	MedCurrent Corporation - Common Shares	250,000.00	N/A
12/31/2009 to 01/08/2010	9	Megellan Fuel Solutions Inc. - Units	425,000.00	1,700,000.00
12/09/2009	1	Mill City Gold Corporation - Common Shares	12,500.00	250,000.00
12/31/2009	15	Mines Abcourt Inc. - Units	213,325.00	1.00
12/21/2009	89	Mirasol Resources Ltd. - Units	3,500,060.00	2,800,000.00
12/15/2009	5	Morgan Solar Inc. - Preferred Shares	1,593,000.00	1,500,000.00
12/23/2009	12	Morrison Laurier Mortgage Corporation - Preferred Shares	186,000.00	18,600.00
12/22/2009	15	Morumbi Capital Inc. - Units	1,487,500.00	N/A
12/23/2009	52	National Money Mart Company - Notes	628,569,000.00	N/A
12/25/2009 to 01/02/2010	12	Nelson Financial Group Ltd. - Notes	281,000.00	12.00
12/22/2009	11	Nevada Sunrise Gold Corporation - Units	200,000.00	4,000,000.00
11/16/2009 to 12/01/2009	5	New Haven Mortgage Income Fund (1) Inc. - Special Shares	315,000.00	N/A
12/17/2009	1	New Solutions Financial (II) Corporation - Debentures	350,000.00	1.00
12/16/2009	1	Nichromet Extraction Inc. - Units	250,000.00	2,500,000.00
12/22/2009 to 12/23/2009	60	Niogold Mining Corp. - Units	2,156,999.90	N/A

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
12/31/2009	15	Nordic Oil and Gas Ltd. - Units	360,000.00	3,600,000.00
12/21/2009 to 12/24/2009	14	Northern Platinum Ltd. - Units	964,000.00	4,820,000.00
12/23/2009	8	Northern Star Mining Corp. - Common Shares	1,552,004.00	2,675,865.00
12/22/2009	42	Northern Superior Resources Inc. - Common Shares	3,189,740.00	26,581,165.00
01/05/2010	14	NovaDx Ventures Corp. - Units	250,000.00	1,250,000.00
12/11/2009	222	Novus Energy Inc. - Receipts	30,030,000.00	N/A
12/15/2009	1	Oaktree Mezzanine Fund III (Cayman) Ltd. - Common Shares	2,124,000.00	N/A
12/21/2009	25	Odin Mining and Exploration Ltd. - Units	500,000.00	18,750,000.00
12/22/2009	15	One Earth Farms Corp. - Common Shares	15,000,000.00	15,000,000.00
12/15/2009	2	Open Access Limited - Common Shares	115,000.00	1,150,000.00
12/18/2009	61	Orestone Mining Corp. - Units	636,800.00	6,668,000.00
12/17/2009	50	Oriental Minerals Inc. - Units	6,600,000.00	82,500,000.00
12/29/2009	47	Parmasters Gold Training Centers Inc. - Common Shares	2,500,000.00	5,000,000.00
12/22/2009	2	Peerset Inc. - Debentures	650,000.00	N/A
12/01/2009	1	Pentland Securities (1981) Inc. - Common Shares	0.00	N/A
11/27/2009	3	Performance Plants Inc. - Notes	830,000.00	N/A
12/09/2009	1	PerspecSys Inc. - Debentures	600,000.00	N/A
04/30/2009	3	PetLynx Corporation - Units	40,000.00	40.00
12/17/2009	6	Petra Diamonds Limited - Common Shares	42,689,010.00	41,200,000.00
12/04/2009	110	Petrolia Inc. - Common Shares	3,452,535.00	N/A
12/02/2009	12	PharmaGap Inc. - Units	333,280.00	2,083,000.00
12/09/2009	2	Plasco Energy Group Inc. - Units	400,000.00	26,666.00
12/21/2009 to 01/05/2010	11	Plasco Energy Group Inc. - Units	1,176,110.00	78,405.00
12/18/2009	1	Pond Biofuels Inc. - Debentures	400,000.00	400,000.00
12/16/2009	1	Profound Medical Inc. - Preferred Shares	750,000.00	750,000.00
12/31/2009	17	Prophecy Resource Corp. - Units	819,450.00	2,731,500.00
12/31/2009	6	Prophecy Resource Corp. - Units	949,998.70	2,714,282.00
12/31/2009	1	Prophecy Resource Corp. - Common Shares	120,977.40	2,419,548.00
12/31/2009	16	Q-Gold Resources Ltd. - Units	272,000.00	1,360,000.00
12/04/2009 to 12/09/2009	63	Rallyemont Energy Inc. - Units	1,336,900.70	3,355,004.00
12/17/2009	37	Rcomec Mining Inc. - Units	949,959.93	7,923,426.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
12/16/2009	5	Redbourne Realty Fund II Inc. - Common Shares	2,476,562.00	N/A
10/30/2009	59	Redwater Energy Corp. - Units	725,000.00	2,900,000.00
12/09/2009	1	Regency Centers Corporation - Common Shares	3,245,000.00	N/A
12/22/2009	19	Reshawk Resources Inc. - Units	750,000.00	4,687,500.00
12/29/2009	711	Result Energy Inc. - Warrants	141,409,744.44	515,518,198.00
12/14/2009	49	Richfield Ventures Corp. - Units	7,500,001.00	N/A
01/04/2010	2	Riverside Capital Limited Partnership - Limited Partnership Units	70,334.00	6,578.61
12/22/2009	128	Roadrunner Oil & Gas Inc. - Common Shares	4,878,882.49	N/A
12/31/2009 to 01/06/2010	22	Rockex Limited - Units	1,062,888.00	N/A
12/31/2009	98	Rogers Oil & Gas Inc. - Flow-Through Shares	910,500.00	372,200.00
12/31/2009	78	Rogers Oil & Gas Inc. - Preferred Shares	1,257,100.00	1,257.00
12/22/2009	7	Royal Nickel Corporation - Common Shares	1,501,249.50	667,222.00
12/03/2009	5	Royal Nickel Corporation - Units	3,205,073.25	N/A
12/24/2009	31	RTN Stealth Software Inc. - Common Shares	600,000.00	5,000,000.00
12/31/2009	20	Run of River Power Inc. - Common Shares	2,318,049.40	12,200,260.00
12/18/2009	1	Secured Project Bond - Bonds	56,000,000.00	N/A
12/08/2009 to 12/10/2009	1	Sego Resources Inc. - Common Shares	640,000.00	8,000,000.00
12/30/2009	1	Selwyn Resources Ltd. - Common Shares	1,000,000.00	3,636,364.00
12/18/2009	1	Seregon Solutions Inc. - Debentures	200,000.00	1.00
12/22/2009	119	SGX Resources Inc. - Units	2,345,987.50	853,086.00
12/09/2009 to 12/18/2009	4	Shaelynn Capital Inc. - Preferred Shares	91,000.00	91,000.00
12/30/2009	1	Shaelynn Capital Inc. - Preferred Shares	44,000.00	44,000.00
12/30/2009 to 12/31/2009	21	Shear Minerals Ltd. - Units	1,074,566.17	4,650,000.00
12/31/2009	12	Shoreham Resources Ltd. - Units	1,650,000.00	5,499,998.00
12/24/2009	13	Silver Spruce Resources Inc. - Common Shares	1,015,000.00	N/A
12/31/2009	2	Sirios Resources Inc. - Units	24,300.00	270,000.00
12/30/2009	1	Slam Exploration Ltd. - Units	300,000.00	6,000,000.00
12/08/2009	5	SLAM Exploration Ltd. - Units	875,000.00	17,500,000.00
12/18/2009	4	SNS Silver Corp. - Flow-Through Shares	300,000.00	1,500,000.00
12/21/2009	1	Softrock Minerals Ltd. - Flow-Through Shares	10,000.00	125,000.00
12/21/2009	27	Softrock Minerals Ltd. - Units	119,000.00	2,380,000.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
12/08/2009 to 12/09/2009	3	Solid Gold Resources Corp. - Common Shares	30,400.00	N/A
12/10/2009	35	Stealth Ventures Ltd. - Units	1,438,705.03	20,552,929.00
12/30/2009	57	Steller Pacific Ventures Inc. - Flow-Through Shares	803,000.00	N/A
12/30/2009	2	Stelmine Canada Ltd. - Units	400,000.00	N/A
12/30/2009 to 12/31/2009	92	STG Markets Limited Partnership - Limited Partnership Units	3,027,100.00	302.71
12/17/2009	4	Stoney View Capital Inc. - Units	260,500.00	2,605.00
12/17/2009	4	Stoney View Crossing Inc. - Units	104.20	N/A
12/08/2009	3	Strateco Resources Inc. - Flow-Through Shares	2,500,000.00	2,500,000.00
12/16/2009	19	Strategic Oil & Gas Ltd. - Flow-Through Shares	1,491,638.45	454,091.00
12/16/2009	54	StrikePoint Gold Inc. - Common Shares	7,188,984.00	N/A
06/30/2009 to 12/31/2009	8	Successful Investor Canadian Fund - Trust Units	1,118,888.47	55,359.28
02/28/2009 to 12/31/2009	18	Successful Investor Growth & Income Fund - Trust Units	2,372,620.31	110,607.32
09/30/2009 to 10/31/2009	4	Successful Investor Stock Picker Fund - Trust Units	477,193.37	19,827.65
12/31/2009	3	Tamerlane Ventures Inc. - Flow-Through Units	499,999.50	2,380,950.00
12/11/2009	17	Temple Energy Inc. - Common Shares	10,004,692.40	16,674,487.00
12/11/2009	11	Temple Energy Inc. - Flow-Through Shares	222,257.25	296,343.00
12/31/2009	406	Terra 2009 Mining & Energy Flow-Through Limited Partnership - Limited Partnership Units	15,680,000.00	156,800.00
12/31/2009	406	Terra 2009 Mining & Energy Flow-Through Limited Partnership - Limited Partnership Units	15,680,000.00	156,800.00
12/04/2009	13	The Jenex Corporation - Units	162,700.41	104,846,682.00
12/23/2009 to 12/31/2009	23	Trade Winds Ventures Inc. - Units	1,452,240.00	13,830,854.00
12/31/2009	5	Trimel BioPharma Holdings Inc. - Common Shares	245,951.00	235,000.00
12/21/2009 to 12/24/2009	103	Valley High Ventures Ltd. - Units	6,129,000.00	13,620,000.00
12/31/2009	1	Value Partners Investments Inc. - Common Shares	10,010.00	1,540.00
11/30/2008	1	VerifySmart Corp. - Units	5,000.00	N/A
03/31/2009	1	VerifySmart Corp. - Units	20,000.00	N/A
11/06/2009	9	Verus Financial LLC - Limited Partnership Interest	12,210,120.00	N/A
12/17/2009	43	Victory Resources Corporation - Flow-Through Shares	690,249.98	N/A
01/05/2010	6	VSS Communications Parallel Partners IV, L.P. - Limited Partnership Interest	7,515,266.00	N/A

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
12/04/2009	24	Walton AZ Verona Investment Corporation - Common Shares	1,069,810.00	106,981.00
12/11/2009	26	Walton AZ Verona Investment Corporation - Common Shares	472,820.00	47,282.00
12/04/2009	3	Walton AZ Verona Limited Partnership - Units	1,122,411.84	106,683.00
12/04/2009	43	Walton TX Austin Land Investment Corporation - Common Shares	1,544,360.00	154,436.00
12/11/2009	50	Walton TX Austin Land Investment Corporation - Common Shares	821,810.00	82,181.00
12/04/2009	11	Walton TX Austin Land Limited Partnership - Limited Partnership Units	1,893,127.70	179,938.00
12/10/2009	5	Wamco Technology Group Ltd. - Units	45,000.00	900,000.00
09/09/2009	62	Whitecap Resources Inc. - Common Shares	36,000,000.00	N/A
12/10/2009	81	Xinergy Finance Canada Ltd. - Receipts	45,204,950.00	12,915,700.00
12/31/2009	2	York Credit Opportunities Unit Trust - Trust Units	397,718.00	N/A
12/31/2009	2	York Offshore Distressed Mortgage Fund L.P. - Limited Liability Interest	418,640.00	N/A
12/31/2009	1	York Total Return Unit Trust - Trust Units	261,650.00	N/A
12/04/2009	72	Zeox Corporation - Units	1,045,953.75	6,063,500.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Alexco Resource Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated January 19, 2010
NP 11-202 Receipt dated January 19, 2010
Offering Price and Description:
$* - * Common Shares
Price: $* Common Share
Underwriter(s) or Distributor(s):
Canaccord Financial Ltd.
Cormark Securities Inc.
Promoter(s):
-
Project #1525212

Issuer Name:
Canadian Imperial Bank of Commerce
Principal Regulator - Ontario
Type and Date:
Preliminary Shelf Prospectus dated January 14, 2010
NP 11-202 Receipt dated January 14, 2010
Offering Price and Description:
$6,000,000,000.00:
Debt Securities (unsubordinated indebtedness) Debt Securities (subordinated indebtedness)
Common Shares
Class A Preferred Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1524006

Issuer Name:
Cinch Energy Corp.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated January 13, 2010
NP 11-202 Receipt dated January 13, 2010
Offering Price and Description:
$35,003,100.00 - 21,214,000 Common Shares
Price: $1.65 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Financial Ltd.
CIBC World Markets Inc.
Dundee Securities Corporation
Wellington West Capital Markets Inc.
Haywood Securities Inc.
Peters & Co. Limited
Raymond James Ltd.
Promoter(s):
-
Project #1523514

Issuer Name:
Claude Resources Inc.
Principal Regulator - Saskatchewan
Type and Date:
Preliminary Short Form Prospectus dated January 15, 2010
NP 11-202 Receipt dated January 18, 2010
Offering Price and Description:
12,000,000 Common Shares and 6,000,000 Common Share Purchase Warrants
Price:$1.15 per Special Warrent
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Wellington West Capital Markets Inc.
Toll Cross Securities Inc.
D&D Securities Company
Promoter(s):
-
Project #1524535

Issuer Name:
Dollarama Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated January 15, 2010
NP 11-202 Receipt dated January 15, 2010
Offering Price and Description:
$250,475,000.00 -11,650,000 Common Shares
Price: $21.50 per Common Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Credit Suisse Securities (Canada) Inc.
Scotia Capital Inc.
Barclays Capital Canada Inc.
National Bank Financial Inc.
Desjardins Securities Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Promoter(s):
-
Project #1524393

Issuer Name:
Enablence Technologies Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated January 13, 2010
NP 11-202 Receipt dated January 14, 2010
Offering Price and Description:
$25,000,000.00 - * Common Shares
Price: $ * per Common Share
Underwriter(s) or Distributor(s):
Paradigm Capital Inc.
Promoter(s):
-
Project #1523668

Issuer Name:
Golden Minerals Company
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Long Form Prospectus dated January 18, 2010
NP 11-202 Receipt dated January 19, 2010
Offering Price and Description:
$* USD - * Common Stock
Price: $ per Common Stock
Underwriter(s) or Distributor(s):
Canaccord Financial Ltd.
Promoter(s):
-
Project #1515200

Issuer Name:
Kenna Capital Corp.
Principal Regulator - Saskatchewan
Type and Date:
Preliminary CPC Prospectus dated January 12, 2010
NP 11-202 Receipt dated January 13, 2010
Offering Price and Description:
MINIMUM OFFERING: $200,000.00 or 1,000,000 Class A Shares
MAXIMUM OFFERING: $700,000.00 or 3,500,000 Class A Shares
PRICE: $0.20 per Class A Share
Underwriter(s) or Distributor(s):
MGI Securities Inc.
Promoter(s):
Corey J. Giasson
Project #1523299

Issuer Name:
LW Capital Pool Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary CPC Prospectus dated January 18, 2010
NP 11-202 Receipt dated January 19, 2010
Offering Price and Description:
$500,000.00 - 5,000,000 Common Shares
Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Investpro Securities Inc.
Promoter(s):
-
Project #1524887

Issuer Name:
MEGA Brands Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated January 18, 2010
NP 11-202 Receipt dated January 18, 2010
Offering Price and Description:
$100,000,000.00 - 65,000 Class A Subscription Receipts and 350,000 Class B Subscription Receipts
Price: $1,000.00 per Class A Subscription Receipt
Price: $100.00 per Class B Subscription Receipt
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Promoter(s):
-
Project #1524691

Issuer Name:
Mirabela Nickel Limited
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated January 18, 2010
NP 11-202 Receipt dated January 18, 2010
Offering Price and Description:
C$12,265,000.00
Up to 6,050,000 Ordinary Shares Issuable on Conversion of 5,500,000 Special Warrants
Price: $2.23 per Special Warrent
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Dundee Securities Corporation
Promoter(s):
-
Project #1525002

Issuer Name:
Nuukfjord Gold Ltd.
Principal Regulator - British Columbia
Type and Date:
Amended and Restated Preliminary Long Form Prospectus dated January 13, 2010
NP 11-202 Receipt dated January 13, 2010
Offering Price and Description:
Offering of up to $12,000,000.00 - 24,000,000 Shares @ $0.50 per Share and,
Distribution of 100,000 Shares issuable upon the exchange of 100,000 previously issued Special Warrants
Underwriter(s) or Distributor(s):
Wolverton Securities Ltd.
Promoter(s):
Bryan Slusarchuk
Project #1507842

Issuer Name:
Pathway Quebec Mining 2010 Flow-Through Limited Partnership
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated January 14, 2010
NP 11-202 Receipt dated January 19, 2010
Offering Price and Description:
$20,000,000.00 (Maximum Offering)
$2,500,000.00 (Minimum Offering)
A Maximum of 2,000,000 and a Minimum of 250,000 Limited Partnership Units
Minimum Subscription: 250 Limited Partnership Units
Subscription Price: $10.00 per Limited Partnership Unit
Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
Wellington West Capital Inc.
HSBC Securities (Canada) Inc.
Desjardins Securities Inc.
Industrial Alliance Securities Inc.
Canaccord Financial Ltd.
Laurentian Bank Securities Inc.
Dundee Securities Corporation
Promoter(s):
Pathway Quebec Mining 2010 Inc.
Project #1525301

Issuer Name:
Premier Gold Mines Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated January 18, 2010
NP 11-202 Receipt dated January 18, 2010
Offering Price and Description:
$32,000,000.00 - 8,000,000 Common Shares
Price: $4.00 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Financial Ltd.
Thomas Weisel Partners Canada Inc.
RBC Dominion Securities Inc.
Laurentian Bank Securities Inc.
Octagon Capital Corporation
Promoter(s):
-
Project #1524866

Issuer Name:
Twin Butte Energy Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated January 15, 2010
NP 11-202 Receipt dated January 15, 2010
Offering Price and Description:
$20,000,000.00- 16,000,000 Common Shares
Price: $1.25 per Common Share
Underwriter(s) or Distributor(s):
Peters & Co. Limited
Research Capital Corporation
National Bank Financial Inc.
Canaccord Financial Limited
Cormark Securities Inc.
Acumen Capital Finance Partners Limited
GMP Securities L.P.
Promoter(s):
-
Project #1524440

Issuer Name:
BMO Aggregate Bond Index ETF
BMO Canadian Government Bond Index ETF
BMO China Equity Hedged to CAD ETF
BMO Dow Jones Canada Titans 60 Index ETF
BMO Dow Jones Industrial Average Hedged to CAD Index ETF
BMO Emerging Markets Equity Index ETF
BMO Equal Weight Utilities Index ETF
BMO Global Infrastructure Index ETF
BMO High Yield US Corporate Bond Hedged to CAD ETF
BMO India Equity Hedged to CAD ETF
BMO International Equity Hedged to CAD Index ETF
BMO Junior Gold Index ETF
BMO Long Corporate Bond Index ETF
BMO Mid Corporate Bond Index ETF
BMO Nasdaq 100 Equity Hedged to CAD Index ETF
BMO S&P/TSX Equal Weight Banks Index ETF
BMO S&P/TSX Equal Weight Global Base Metals Hedged to CAD Index ETF
BMO S&P/TSX Equal Weight Oil & Gas Index ETF
BMO Short Corporate Bond Index ETF
BMO Short Federal Bond Index ETF
BMO Short Provincial Bond Index ETF
BMO US Equity Hedged to CAD Index ETF
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated January 15, 2010
NP 11-202 Receipt dated January 18, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Jones Heward Investment Counsel Inc.
Project #1517049

Issuer Name:
Brigata Canadian Balanced Fund
Brigata Canadian Equity Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated January 12, 2010
NP 11-202 Receipt dated January 15, 2010
Offering Price and Description:
Series A Units and Series F Units @ Net Asset Value
Underwriter(s) or Distributor(s):
Independent Planning Group Inc.
Independent Planning Group Inc.
Promoter(s):
Brigata Capital Management Inc.
Project #1513830

Issuer Name:
Canadian Capital Auto Receivables Asset Trust III
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated January 12, 2010
NP 11-202 Receipt dated January 13, 2010
Offering Price and Description:
$1,263,000,000.00
2.716% Auto Loan Receivables-Backed Notes, Series 2010-1
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Promoter(s):
General Motors Acceptance Corporation of Canada, Limited
Project #1519374

Issuer Name:
China 88 Capital Corp.
Principal Regulator - Alberta
Type and Date:
Final CPC Prospectus dated January 13, 2010
NP 11-202 Receipt dated January 15, 2010
Offering Price and Description:
Minimum Offering $600,000.00 (6,000,000 common shares) ; Maximum Offering $900,000.00 (9,000,000 common shares) Price: $0.10 per common share
Underwriter(s) or Distributor(s):
Research Capital Corporation
Promoter(s):
James G. Paterson
Project #1485169

Issuer Name:
Counsel Short Term Bond
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated January 14, 2010
NP 11-202 Receipt dated January 15, 2010
Offering Price and Description:
SERIES A, D, E, F, AND I UNITS
Underwriter(s) or Distributor(s):
-
Promoter(s):
Counsel Portfolio Services Inc.
Project #1517251

Issuer Name:
Criterion Global Dividend Fund
Criterion International Equity Fund
Criterion Water Infrastructure Fund
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated January 6, 2010 to the Amended and Restated Final Simplified Prospectuses and Annual Information Form dated October 23, 2009
NP 11-202 Receipt dated January 18, 2010
Offering Price and Description:
Class A, Class B, Class D, Class F, Class I, Class L, Class M, Class O, Class P and Class Q Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1478386/1416735

Issuer Name:
First Asset Energy & Resource Fund
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated January 14, 2010
NP 11-202 Receipt dated January 15, 2010
Offering Price and Description:
Warrants to Subscribe for up to 866,889 Units at a Subscription Price of $24.07
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1522362

Issuer Name:
First Asset Yield Opportunity Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated January 14, 2010
NP 11-202 Receipt dated January 15, 2010
Offering Price and Description:
Warrants to Subscribe for up to 2,625,739 Series A Units at a Subscription Price of $16.59
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1522361

Issuer Name:
Fortis Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated January 18, 2010
NP 11-202 Receipt dated January 18, 2010
Offering Price and Description:
$250,000,000.00 - 10,000,000 Cumulative Redeemable Five-Year Fixed Rate Reset First Preference Shares, Series H
Price: $25.00 per share
Underwriter(s) or Distributor(s):
TD Securities Inc.
Scotia Capital Inc.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Beacon Securities Limited
Canaccord Financial Ltd.
Promoter(s):
-
Project #1523195

Issuer Name:
Guyana Goldfields Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated January 19, 2010
NP 11-202 Receipt dated January 19, 2010
Offering Price and Description:
$69,500,000.00 - 10,000,000 Common Shares
Price: $6.95 per Common Share
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
Cormark Securities Inc.
TD Securities Inc.
Thomas Weisel Partners Canada Inc.
Paradigm Capital Inc.
Promoter(s):
-
Project #1522756

Issuer Name:
Horizons AlphaPro Dividend ETF
HORIZONS ALPHAPRO MANAGED S&P/TSX 60 ETF
Horizons AlphaPro North American Growth ETF
Horizons AlphaPro North American Value ETF
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated January 11, 2010
NP 11-202 Receipt dated January 13, 2010
Offering Price and Description:
Class E Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
AlphaPro Management Inc.
Project #1510928

Issuer Name:
HSBC Bank Canada
Principal Regulator - British Columbia
Type and Date:
Final Short Form Base Shelf Prospectus dated January 15, 2010
NP 11-202 Receipt dated January 15, 2010
Offering Price and Description:
$500,000,000.00 - Notes linked to the price, value or level of indices, equities, debt instruments, commodities, interest rates, foreign exchange rates and/or other measures or items
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1520510

Issuer Name:
Mackenzie Ivy Canadian Fund
Mackenzie Maxxum Dividend Growth Fund
Mackenzie Sentinel Cash Management Fund
Mackenzie Sentinel Corporate Bond Fund
Mackenzie Sentinel Money Market Fund
Mackenzie Sentinel North American Corporate Bond Class
Mackenzie Sentinel Real Return Bond Fund
Mackenzie Sentinel Short-Term Income Fund
Mackenzie Sentinel Strategic Income Class
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated January 8, 2010 to Final Simplified Prospectuses and Annual Information Form dated October 30, 2009
NP 11-202 Receipt dated January 18, 2010
Offering Price and Description:
Series A, B, E, F, G, GP, I, J, O, F6, F8, J6, T6, T8, SP, U @ Net Asset Value
Underwriter(s) or Distributor(s):
Quadrus Investment Services Ltd.
Promoter(s):
Mackenzie Financial Corporation
Project #1478783

Issuer Name:
Orezone Gold Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated January 18, 2010
NP 11-202 Receipt dated January 19, 2010
Offering Price and Description:
$10,005,000.00 - 13,340,000 Common Shares
Price: $0.75 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Financial Ltd.
CIBC World Markets Inc.
Desjardins Securities Inc.
Raymond James Ltd.
Promoter(s):
-
Project #1523021

Issuer Name:
PowerShares 1-5 Year Laddered Corporate Bond Index Fund
PowerShares Canadian Preferred Share Index Class
PowerShares Diversified Yield Fund
PowerShares FTSE RAFI® Global+ Fundamental Fund
PowerShares FTSE RAFI® U.S. Fundamental Fund
PowerShares Global Dividend Achievers Fund
PowerShares High Yield Corporate Bond Index Fund
PowerShares India Class
PowerShares Real Return Bond Index Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated January 12, 2010
NP 11-202 Receipt dated January 14, 2010
Offering Price and Description:
Mutual fund securities at net asset value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Invesco Trimark Limited
Project #1512118

Issuer Name:
RBC Dominion Securities U.S. Focus List Portfolio
Principal Regulator - Ontario
Type and Date:
Amended and Restated Final Simplified Prospectus and Annual Information Form dated January 12, 2010 amending and restating the Simplified Prospectus and Annual Information Form dated November 25, 2009.
NP 11-202 Receipt dated January 15, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
First Defined Portfolio Management Co.
Promoter(s):
First Defined Portfolio Management Co.
Project #1491127

Issuer Name:
Sceptre Ventures Inc.
Principal Regulator - British Columbia
Type and Date:
Final CPC Prospectus dated January 12, 2010
NP 11-202 Receipt dated January 19, 2010
Offering Price and Description:
$270,000.00 - 2,700,000 COMMON SHARES PRICE: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
Erin Airton Chutter
Project #1510318

Issuer Name:
Triton Energy Corp
Type and Date:
Right Offering Circular dated January 13, 2010
Accepted on January 14, 2010
Offering Price and Description:
Offer of Rights to Subscribe for Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1520875N

This page intentionally left blank

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Name Change	From: Lawrence Asset Management Inc. To : Navina Asset Management Inc.	Exempt Market Dealer, Portfolio Manager	January 7, 2010.
Amalgamation	Invesco Aim Private Asset Management Inc. and Invesco Advisers, Inc. To Form: Invesco Advisers, Inc.	International Adviser (Portfolio Manager)	January 13, 2010
Change of Category	Hamilton Capital Partners Inc.	From: Portfolio Manager To: Portfolio Manager Exempt Market Dealer Investment Fund Manager	January 14, 2010
Voluntary Surrender of Registration	Ullico Investment Company, Inc.	Exempt Market Dealer	January 14, 2010
Change of Category	Falcon Asset Management Inc.	From: Portfolio Manager To: Portfolio Manager Exempt Market Dealer Investment Fund Manager	January 18, 2010
Change of Category	OptionsXpress Canada Corp.	From: Investment Dealer To: Investment Dealer Futures Commission Merchant	January 18, 2010

This page intentionally left blank

Chapter 13

SROs, Marketplaces and Clearing Agencies

13.1 SROs

13.1.1 MFDA Sets Hearing Dates in the Matter of The Investment House of Canada Inc., Sanjiv Sawh and Vlad Trkulja

NEWS RELEASE
For immediate release

MFDA SETS HEARING DATES
IN THE MATTER OF
THE INVESTMENT HOUSE OF CANADA INC.,
SANJIV SAWH AND VLAD TRKULJA

January 14, 2010 (Toronto, Ontario) – The Mutual Fund Dealers Association of Canada ("MFDA") commenced a disciplinary proceeding against The Investment House of Canada Inc., Sanjiv Sawh and Vlad Trkulja by Notice of Hearing dated November 30, 2009.

As specified in the Notice of Hearing, the first appearance in this matter took place today before a three-member Hearing Panel of the MFDA's Central Regional Council.

The hearing of this matter on its merits has been scheduled to take place on April 5-9, 2010 commencing at 10:00 a.m. (Eastern), or as soon thereafter as the hearing can be held, in the hearing room located at the offices of the MFDA, 121 King Street West, Suite 1000, Toronto, Ontario. The hearing will be open to the public, except as may be required for the protection of confidential matters.

A copy of the Notice of Hearing is available on the MFDA website at www.mfda.ca.

The MFDA is the self-regulatory organization for Canadian mutual fund dealers, regulating the operations, standards of practice and business conduct of its 141 Members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

For further information, please contact:
Marco Wynnyckyj
Hearing Coordinator
416-945-5146 or mwynnyckyj@mfda.ca

13.1.2 MFDA Hearing Panel Issues Reasons for Decision with respect to Douglas St. Arnault Settlement Hearing

NEWS RELEASE
For immediate release

MFDA HEARING PANEL ISSUES REASONS
FOR DECISION WITH RESPECT TO
DOUGLAS ST. ARNAULT SETTLEMENT HEARING

January 14, 2010 (Toronto, Ontario) – A Hearing Panel of the Pacific Regional Council of the Mutual Fund Dealers Association of Canada ("MFDA") has issued its Reasons for Decision in connection with a Settlement Hearing held in Vancouver, British Columbia on October 14, 2009 in the matter of Douglas St. Arnault.

At the Hearing, the Hearing Panel accepted a Settlement Agreement between Mr. St. Arnault and MFDA Staff in which Mr. St. Arnault admitted that he failed to observe high standards of ethics and engaged in conduct unbecoming by making racist and sexist remarks to MFDA Staff while they were conducting a compliance examination, contrary to MFDA Rule 2.1.1(b) and (c). Mr. St. Arnault also admitted that on March 19, 2008 and continuing thereafter, he denied MFDA Staff free access to the premises and documents of the Member and thereby impeded and delayed the completion of a compliance examination, contrary to Section 22.2 of MFDA By-Law No. 1.

Under the terms of the Settlement Agreement, Mr. St. Arnault was reprimanded, paid a fine in the amount of $5,000, paid the costs of the proceeding in the amount of $2,500, and agreed to comply with all MFDA By-laws, Rules and Policies, and all applicable securities legislation and regulations, in future.

A copy of the Reasons for Decision is available on the MFDA website at www.mfda.ca.

The MFDA is the self-regulatory organization for Canadian mutual fund dealers, regulating the operations, standards of practice and business conduct of its 141 Members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

For further information, please contact:
Shaun Devlin
Vice-President, Enforcement
416-943-4672 or sdevlin@mfda.ca

13.1.3 MFDA Issues Notice of Hearing Regarding Connor Financial Corporation and Joel Gerrett (Gerry) Connor

NEWS RELEASE
For immediate release

MFDA ISSUES NOTICE OF HEARING REGARDING CONNOR FINANCIAL CORPORATION AND JOEL GERRETT (GERRY) CONNOR

January 18, 2010 (Toronto, Ontario) – The Mutual Fund Dealers Association of Canada ("MFDA") today announced that it has commenced disciplinary proceedings against Connor Financial Corporation and Joel Gerrett (Gerry) Connor (the "Respondents").

MFDA staff alleges in its Notice of Hearing that the Respondents engaged in the following conduct contrary to the By-laws, Rules or Policies of the MFDA:

Allegation 1: BREACH OF TERMS AND CONDITIONS

From the time that its membership in the MFDA was approved on June 28, 2007 to the date of issuance of this Notice of Hearing (the "Relevant Period"), Connor Financial Corporation ("CFC") has failed to comply with the agreed terms and conditions of its membership (the "Terms & Conditions") by:

A. Failing to transition its operations, books, records and accounts to a Level 2 dealer by no later than December 31, 2007, as required by Term & Condition number 2;

B. Failing to satisfy all requirements and obligations of a Level 4 dealer until CFC completed its transition to a Level 2 dealer, as required by Term & Condition number 3;

C. Failing to provide written account statements to clients in accordance with MFDA Rule 5.3 by no later than December 31, 2007, as required by Term & Condition number 5;

D. Failing to rectify deficiencies in its policies and procedures manual by no later than December 31, 2007, as required by Term & Condition number 6;

E. Failing to ensure that Mr. Connor certified various things in writing by July 31, 2008, and again by July 31, 2009, as required by Term & Condition number 7;

F. Failing to submit by July 31, 2008 and again by July 31, 2009, a report on the status of compliance at CFC, as required by Term & Condition number 8;

G. Failing to retain an approved independent consultant to provide various services by December 31, 2007, as required by Term & Condition number 9; and

H. Failing to provide a loan status report to clients who had loans with an affiliate and failing to provide, or to provide in a timely way to staff of the MFDA ("Staff") various loan documents and particulars, as required by subparagraphs (c), (d), (e), (f) and (g) of Term & Condition number 11.

The conduct described in Allegations 1(A) to (H) above constituted a failure by CFC to comply with its agreement with the MFDA to conduct itself in accordance with the Terms and Conditions and was also contrary to the public interest, thereby engaging the jurisdiction of the Hearing Panel to impose penalties upon CFC in accordance with ss. 24.1.2(i) and (k) of MFDA By-Law No. 1.

Allegation 2: FAILURE TO COOPERATE

CFC failed to cooperate with requests by Staff for information which Staff was entitled to under Term & Condition number 11 as well as for information Staff was entitled to under sections 22.1 and 22.2 of MFDA By-Law No.1 by:

A. Failing to cooperate, or to cooperate in a timely way, with requests by Staff, in furtherance of Term & Condition number 11, for documents and particulars relating to the loan business of CFC and an affiliated lending company; and

B. Failing to provide substantive responses to various requests by Staff during the course of a compliance examination and, in particular, to requests in various letters, including letters dated

January 13, 2009, February 6, 2009, April 22, 2009 and August 20, 2009, which were delivered to CFC by Staff as a part of a compliance examination.

Allegation 3: NEW ACCOUNT CLIENT APPLICATION FORMS

CFC failed to comply with MFDA Rules 2.2.2, 2.2.3 and 2.2.4 and MFDA Policy No. 2 regarding the process for approving and updating account opening documentation as follows:

A. CFC accepted amendments to KYC forms without signing or dating the amended KYC forms;

B. CFC used a NAAF/KYC form which did not include a space to record the date of the client signature or the date of the signature that the designated person at the Member approved the account opening and on which CFC was not otherwise recording the dates of those signatures in all cases;

C. CFC used new client application forms which failed to differentiate between the risk tolerances, time horizons and investment objectives for accounts of clients with multiple accounts.

Allegation 4: TRADE BLOTTERS

CFC failed to maintain or produce for inspection required trade blotters in that the records maintained by CFC did not contain an itemized daily record of all purchases and sales of securities, including the name of the security and the unit and aggregate purchase or sale price of the security as required by MFDA Rule 5.1(a).

Allegation 5: PRE-SIGNED FORMS AND IMPROPER TRADE AUTHORIZATIONS

A. CFC failed to comply with MFDA Rules 2.3.1(a) and 2.1.1 by obtaining and maintaining pre-signed client forms in nine client files.

B. CFC failed to comply with MFDA Rule 2.3.2 and 2.1.1 by accepting trading authorization forms from clients for a purpose other than only facilitating trade execution and in a form which was not prescribed by the MFDA.

Allegation 6: OUT OF PROVINCE ACCOUNTS

CFC operated accounts for clients in jurisdictions outside of British Columbia in which CFC was not registered, contrary to MFDA Rules 1.1.4 and 1.1.5.

Allegation 7: MR. CONNOR

At all times since CFC became a Member on June 28, 2007, Mr. Joel Gerrett (Gerry) Connor, as the director, President, compliance officer and controlling mind of CFC engaged in business conduct or practice that was unbecoming or detrimental to the public interest by failing to ensure that CFC maintained a compliance program that identified and addressed material risks of non-compliance and that appropriate supervision and compliance procedures to manage those risks had been implemented, and more specifically caused CFC to breach MFDA By-laws, Rules and Policies as set out in Allegations 1 to 7 inclusive, contrary to MFDA Rules 2.1.1(c) and 2.5.1 and MFDA Policy No. 2.

The first appearance in this matter will take place by teleconference before a Hearing Panel of the MFDA's Pacific Regional Council on February 16, 2010 at 10:00 a.m. (Pacific), or as soon thereafter as the appearance can be held, in the hearing room located at the offices of the MFDA at 650 West Georgia Street, Suite 1220, Vancouver, British Columbia. The purpose of the first appearance is to schedule the date for the commencement of the hearing of this matter on its merits and to address any other procedural matters and will be open to the public, except as may be required for the protection of confidential matters.

A copy of the Notice of Hearing is available on the MFDA website at www.mfda.ca.

The MFDA is the self-regulatory organization for Canadian mutual fund dealers, regulating the operations, standards of practice and business conduct of its 141 Members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

For further information, please contact:
Shaun Devlin
Vice-President, Enforcement
416-943-4672 or sdevlin@mfda.ca

13.1.4 MFDA Sets Date for Luc Laverdiere Hearing in Vancouver, British Columbia

NEWS RELEASE
For immediate release

MFDA SETS DATE FOR LUC LAVERDIERE HEARING IN VANCOUVER, BRITISH COLUMBIA

January 18, 2010 (Toronto, Ontario) – The Mutual Fund Dealers Association of Canada ("MFDA") commenced a disciplinary proceeding against Luc Marc Andre Laverdiere by Notice of Hearing dated December 9, 2009.

As specified in the Notice of Hearing, the first appearance in this matter took place today before a three-member Hearing Panel of the MFDA's Pacific Regional Council.

The hearing of this matter on its merits has been scheduled to take place on May 3, 2010 commencing at 10:00 a.m. (Pacific), or as soon thereafter as the hearing can be held, at a location to be announced in Vancouver, British Columbia. The hearing will be open to the public, except as may be required for the protection of confidential matters.

A copy of the Notice of Hearing is available on the MFDA website at www.mfda.ca.

The MFDA is the self-regulatory organization for Canadian mutual fund dealers, regulating the operations, standards of practice and business conduct of its 141 Members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

For further information, please contact:
Marco Wynnyckyj
Hearing Coordinator
416-945-5146 or mwynnyckyj@mfda.ca

13.1.5 MFDA Hearing Panel Makes Findings Against Daniel Moyaert

NEWS RELEASE
For immediate release

MFDA HEARING PANEL MAKES FINDINGS AGAINST DANIEL MOYAERT

January 19, 2010 (Toronto, Ontario) – A disciplinary hearing in the matter of Daniel Leon Edward Moyaert (the "Respondent") was held today before a Hearing Panel of the Central Regional Council of the Mutual Fund Dealers Association of Canada ("MFDA") in Toronto, Ontario.

The Hearing Panel found that Allegation #1 in the Notice of Hearing, set out below, had been established:

> **Allegation #1:** Commencing October 2008, by failing to comply with a request by MFDA Staff that he provide a written statement concerning matters under investigation, the Respondent has failed to cooperate with an MFDA investigation, contrary to sections 22.1 and 22.2 of MFDA By-law No. 1.

The Hearing Panel made the following orders at the conclusion of the hearing and advised that it would issue written reasons for its decision in due course:

- A fine in the amount of $50,000;
- A permanent prohibition on the authority of the Respondent to conduct securities related business in any capacity while in the employ of or associated with any MFDA Member; and
- Costs in the amount of $5,000.

A copy of the Notice of Hearing is available on the MFDA website at www.mfda.ca.

The MFDA is the self-regulatory organization for Canadian mutual fund dealers, regulating the operations, standards of practice and business conduct of its 141 Members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

For further information, please contact:
Shaun Devlin
Vice-President, Enforcement
416-943-4672 or sdevlin@mfda.ca

13.1.6 MFDA Sets Dates for ASL Direct Inc. and Adrian Leemhuis Hearing on the Merits

NEWS RELEASE
For immediate release

MFDA SETS DATES FOR ASL DIRECT INC. AND ADRIAN LEEMHUIS HEARING ON THE MERITS

January 19, 2010 (Toronto, Ontario) – The Mutual Fund Dealers Association of Canada ("MFDA") commenced a disciplinary proceeding in respect of ASL Direct Inc. and Adrian Samuel Leemhuis by Notice of Hearing dated October 17, 2008.

An appearance in this matter took place yesterday by teleconference to set a revised schedule for the continuation of this proceeding and to address other procedural matters. The Hearing Panel reserved April 21-23, 26-30, 2010 and May 19-21, 2010 for the hearing of this matter on its merits. The hearing will commence each day at 10:00 a.m. (Eastern), or as soon thereafter as the hearing can be held, with the exception of April 26, 29, 2010 and May 20, 2010 when the hearing will commence at 2:00 p.m. (Eastern).

These appearances will take place in the Hearing Room located at the Toronto offices of the MFDA at 121 King Street West, Suite 1000, Toronto, Ontario and are open to the public, except as may be required for the protection of confidential matters.

A copy of the Notice of Hearing is available on the MFDA website at www.mfda.ca.

The MFDA is the self-regulatory organization for Canadian mutual fund dealers, regulating the operations, standards of practice and business conduct of its 141 Members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

For further information, please contact:
Marco Wynnyckyj
Hearings Coordinator
416-945-5146 or mwynnyckyj@mfda.ca

13.2 Marketplaces

13.2.1 TSX Inc. – Proposed Changes to the Operations of TSX Inc. to Introduce Two New Order Features: Post Only Order and Self-Trade Prevention – Notice and Request For Feedback

TSX INC.

PROPOSED CHANGES TO THE OPERATIONS OF TSX INC. TO INTRODUCE TWO NEW ORDER FEATURES: POST ONLY ORDER AND SELF-TRADE PREVENTION

NOTICE AND REQUEST FOR FEEDBACK

TSX Inc. is proposing to introduce two new order features: the Post Only order feature and the Self-Trade Prevention order feature. A TSX Inc. notice, describing the two new order features, is posted on the OSC's website, and will be published in the OSC Bulletin on January 22, 2010.

Pursuant to OSC Staff Notice 21-703 – *Transparency of the Operations of Stock Exchanges and Alternative Trading Systems*, Commission Staff invite market participants to provide the Commission with feedback on the proposed changes.

Feedback on the proposed changes should be in writing and submitted by **February 17, 2010** to:

Market Regulation Branch
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Fax: (416) 595-8940
e-mail: marketregulation@osc.gov.on.ca

and to:

Deanna Dobrowsky
Director, Regulatory Affairs
TMX Group Inc.
The Exchange Tower
130 King Street W., 3rd Floor
Toronto, ON M5X 1J2
Fax: (416) 947-4461
e-mail: tsxrequestforcomments@tsx.com

If the proposed changes do not raise any regulatory concerns, TSX Inc. may implement the proposed changes by **March 1, 2010**.

13.2.2 TSX Inc. – Notice of Proposed Changes

TSX INC.
NOTICE OF PROPOSED CHANGES

TSX Inc. (TSX) has announced its proposal to introduce two new order features on March 1, 2010. The order features are described below. This Notice of Proposed Changes is being published in accordance with the requirements set out in OSC Staff Notice 21-703 (October 9, 2009) 32 OSCB 8007.

Post Only

Description of Proposed Changes and Reasons for Changes

The Post Only order feature is being introduced to allow an order to be posted on Toronto Stock Exchange without trading as an active order. Post Only is an optional feature that will kill an order immediately on entry if any part of the order is immediately executable during continuous trading.

Impact of the Changes

This feature encourages all potential liquidity providers to compete aggressively to tighten bid/ask spreads to the narrowest possible margin without removing liquidity. A trader without a need for immediacy will be able to use this optional feature to post limit orders to ultimately trade those orders while mitigating his/her transaction costs. The feature will be available to board lot executions during the regular continuous trading session of Toronto Stock Exchange.

Consultation

TSX is introducing this feature in response to customer demand.

Consideration of Alternatives

TSX considered adjusting order prices to allow for posting of an otherwise immediately executable post-only order. Adjusting order prices is a more complicated methodology. TSX determined that the simpler method would be the most effective method. The majority of our customer feedback rejected the complicated price-adjusting option because it reduces their ability to directly control their own order and makes it difficult for them to predict their order's tradable outcome. Feedback suggested that any manner of price adjusting the post-only order would be less effective at producing the intended benefits for most customers.

Existence of Proposed Change in the Market

Post Only features have become a standard offering across most major North American market centres. Orders with post-only features are available on most of the major U.S. exchanges and ECNs and are available on a few Canadian ATSs. See Appendix A for further details.

Self-trade Prevention

Description of Proposed Changes and Reasons for Changes

The Self-trade Prevention order feature is being introduced to prevent unintentional wash trades by preventing a customer from trading against its own opposite side order where both orders have originated from the same Participating Organization. Self-trade prevention is an optional feature that will kill any portion of an incoming order that would otherwise execute against a resting order that was provided by the same customer within the same dealer. The prevention feature will be based on the usage of optional unique customer keys to be provided and managed by the Participating Organization.

Impact of the Changes

This feature will prevent traders from unintended "wash trading", thereby assisting dealer compliance with UMIR 2.2. Preventing self trading will encourage traders to aggressively remove liquidity from other orders in the book while ensuring there is no misleading appearance of additional trading in a security due to unintentionally trading against self orders. This automatic compliance mechanism will assist traders in managing their orders and their customers' orders when trading across multiple accounts from the same customer and across multiple traders executing various trading strategies.

Consultation

TSX is introducing this feature in response to customer demand.

Consideration of Alternatives

Other methods to prevent wash trading are possible (such as removing some or all of the resting order to prevent the wash). TSX will consider these variations if customer feedback warrants an assessment after the successful launch of this initial release.

Existence of Proposed Change in the Market

Self-trade prevention has become a standard offering on most major North American exchanges and ECNs. Orders with self-trade prevention features are available on all primary U.S. exchanges and ECNs as well as at least one Canadian ATSs. See Appendix B for further details.

Appendix A
Post Only features on other marketplaces

The table below is based on TSX research of other marketplaces offering Post Only features

Market	Description of functionality
BATS	P: post only (or rejected), also "partial post only @ limit order" removes up to a given a percentage of the quote Q: BATS Only Post Only At Limit (remove shares that improve upon limit price and up to MaxRemovePct of remaining OrdQty at limit price)
Direct Edge	Add Liquidity Only (i.e. Post Only) Orders… that would remove liquidity upon entry will be rejected.
NYSE Arca	ALO: Adding Liquidity Only order: The ALO order is a limit order that is posted to the NYSE Arca book in order to add liquidity. The Order assists Users in controlling their costs. Once accepted and placed in the NYSE Arca book, ALO orders will not route to away market centers. The ALO order shall be Day Only, and may not be designated as Good Till Cancel (GTC). ALO orders will be rejected when interacting with Passive Liquidity (PL) Orders. Aggressively priced ALO PNP Blind orders, that are moving (or changing price) due to an NBBO update, may result in receiving "liquidity removing." The ALO Order is a limit order that is posted to the NYSE Arca book in order to add liquidity. The ALO Order is designed to encourage displayed liquidity, and allow users to control costs. By providing rather than removing liquidity, users can limit or reduce take fees. The ALO order will be Day only, and may not be designated as IOC (Immediate or Cancel), Good Till Cancel (GTC) or Good Till Date (GTD). ALO Orders will be rejected where, at the time of entry: - The ALO is marketable - The ALO will lock or cross the market - The ALO order would interact with undisplayed orders on NYSE Arca
Chi-X	POC order (post or cancel): cancelled if immediately executable
Omega	If immediately executable… it is instead rejected. Post on bid or offer.

Appendix B
Self-trade Prevention features on other marketplaces

The table below is based on TSX research of other marketplaces offering Self-trade Prevention features

Market	Description of functionality
BATS	MMTP: Member Match Trade Prevention: MMTP Cancel Newest, MMTP Cancel Oldest, MMTP Decrement and Cancel and MMTP Cancel Both. Orders with an MMTP identifier will not execute against the opposite side's resting interest that is marked with any MMTP modifier originating from the same unique identifier. LastPx (31): price the match would have occurred at if not prevented by MMTP
NASDAQ	Self Trade Protection (rulebook: MBID: cancel offsetting amounts for both orders and book any remaining 4757 (4))
NYSE Arca	"self trade prevention" markers: cancel newest, cancel both, decrement and cancel. NTD: the unique key is Exchange Traded Permit ID - aka UserID
Omega	Orders entered with the same No-Match ID shall not be allowed to execute against on and other. defined by omega

13.2.3 Notice and Request for Feedback – Proposed Changes to the Operations of Alpha ATS L.P., Passive Only Order Type, Odd Lot Orders and Bypass Cross

ALPHA ATS L.P.

**PROPOSED CHANGES TO THE OPERATIONS OF
ALPHA ATS LP: PASSIVE ONLY ORDER TYPE, ODD LOT ORDERS, AND BYPASS CROSS**

NOTICE AND REQUEST FOR FEEDBACK

On January 19, 2010, Alpha ATS LP published notice of proposed changes to its operations regarding the Passive Only Order Type, the acceptance of Odd Lot Orders on exchange-listed debt instruments, and changes to the bypass cross functionality. A copy of this notice is published on the Commission's website and will be published in Chapter 13 of the Commission's Bulletin on January 22, 2010.

Pursuant to OSC Staff Notice 21-703 – *Transparency of the Operations of Stock Exchanges and Alternative Trading Systems*, Commission Staff invite market participants to provide the Commission with feedback on the proposed changes.

Feedback on the proposed changes should be in writing and submitted by **February 18, 2010** to:

Market Regulation Branch
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Fax: 416-595-8940
e-mail: marketregulation@osc.gov.on.ca

and to:

Randee B. Pavalow
Head of Operations and Regulatory Matters
Alpha Trading Systems
70 York Street, Suite 1501
Toronto, ON M5J 1S9
e-mail: randee.pavalow@alphatradingsystems.ca
t: 647-259-0420

If the proposed changes do not raise any regulatory concerns, Alpha ATS LP may implement the proposed changes by **March 5, 2010**.

13.2.4 Alpha ATS L.P. – Notice of Proposed Changes

ALPHA ATS LP
NOTICE OF PROPOSED CHANGES

Alpha ATS LP has announced its plans to implement the changes described below in March 2010. It is publishing this Notice of Proposed Changes in accordance with the requirements set out in OSC Staff Notice 21-703. A Subscriber Notice has also been published and is available at www.alphatradingsystems.ca. (See Subscriber Notice 2010 -0001).

Any questions regarding these changes should be addressed to Randee Pavalow, Head of Operations and Regulatory Matters:

randee.pavalow@alphatradingsystems.ca
t: 647-259-0420

Description of Proposed Changes and Reasons for Changes

Passive Only Order Type

Alpha plans to introduce the Passive Only Order Type. A Passive Only order is described as an order that is cancelled at the time of entry if any portion of the order is immediately tradable. The reason for this new order type is to address subscriber demand.

Acceptance of Odd Lot Orders on Exchange Listed Debt Instruments

Alpha ATS will not be providing Odd Lot assignments to exchange listed debt instruments. This change was made on a temporary basis to assist Odd Lot Dealers in managing specific risks related to exchange traded debt instruments. The unique standard trading unit size with respect to exchange listed debt poses additional risk to Odd Lot Dealers who have agreed to honor and accept all automatic execution of Odd Lot Orders. We have monitored the application of this change and determined it should be permanent.

Bypass Cross

A bypass cross entered in the extended trading session will be allowed at any price. This change was necessary in order to make the bypass cross functionality consistent with the intended usage of the marker as addressed in the original regulatory filing and policy changes.

Expected Impact of the changes

Passive Only Order Type

Subscribers will be able to enter orders that will be cancelled at the time of entry if any portion of the order is immediately tradable. Passive Only Orders are also cancelled if the order becomes active due to a price change. This new order type offers additional alternatives to traders and investors.

Acceptance of Odd Lot Orders on Exchange Listed Debt Instruments

All odd lot or mixed lot orders for exchange listed debt instruments entered on Alpha ATS will be rejected.

Bypass Cross

Crosses entered in the extended trading session with the bypass marker will execute at any price, which should enable subscribers to enter crosses in compliance with UMIR.

Consultations

Passive Only Order Type

Alpha received requests for this order type from its Subscribers. It also consulted with its User Committee.

Acceptance of Odd Lot Orders on Exchange Listed Debt Instruments

Concerns regarding the Alpha Odd Lot facility specific to Exchange Listed Debt Instruments were raised by the Alpha Odd Lot Dealer Committee

Bypass Cross

Alpha received requests for this from its Subscribers. It also consulted with its User Committee

Current implementation of changes in the Canadian marketplace and any alternatives considered

Passive Only Order Type

This order type is already available on other Canadian Marketplaces. The Passive Only order implementation was selected since it best suited the needs of Alpha Subscribers.

Acceptance of Odd Lot Orders on Exchange Listed Debt Instruments

No alternatives were present to Alpha with regards to this matter.

Bypass Cross

The bypass cross marker is already available on other Canadian Marketplaces. Market places that offer a continuous trading session until 5pm permit the use of the bypass marker over the entire session.

This page intentionally left blank

Chapter 25

Other Information

25.1 Consents

25.1.1 JG Capital Corp. – s. 4(b) of the Regulation

Headnote

Consent given to an offering corporation under the Business Corporations Act (Ontario) to continue under the Canada Business Corporations Act.

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B.16, as am., s. 181.
Securities Act, R.S.O. 1990, c. S.5, as am.

Regulations Cited

Regulation made under the Business Corporations Act, O. Reg. 289/00, as am., s. 4(b)

IN THE MATTER OF
R.R.O 1990, REGULATION 289/00
(THE "REGULATION")
MADE UNDER THE
BUSINESS CORPORATIONS ACT (ONTARIO)
R.S.O. 1990, c. B.16, AS AMENDED
(THE "OBCA")

AND

IN THE MATTER OF
JG CAPITAL CORP.

CONSENT
(Subsection 4(b) of the Regulation)

UPON the application of JG Capital Corp. (the "Corporation") to the Ontario Securities Commission (the "Commission") requesting a consent from the Commission for the Corporation to continue into another jurisdiction pursuant to subsection 4(b) of the Regulation;

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

AND UPON the Corporation having represented to the Commission that:

1. The Corporation was incorporated under the OBCA by Articles of Incorporation dated December 14, 2007.

2. The Corporation's registered and head office is located at 25 King St. West, Suite 2900A, Toronto, ON M5L 1G3.

3. The Corporation has an authorized share capital consisting of an unlimited number of common shares, of which 6,600,000 common shares were issued and outstanding as at December 16, 2009.

4. The Corporation's outstanding common shares are listed and posted for trading on the TSX Venture Exchange under the symbol "JGC.P".

5. The Corporation intends to apply (the "Application for Continuance") to the Director under the OBCA for authorization to continue under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "CBCA"), pursuant to section 181 of the OBCA (the "Continuance").

6. Pursuant to subsection 4(b) of the Regulation, where a corporation is an offering corporation under the OBCA, an application for authorization to continue in another jurisdiction under section 181 of the OBCA must be accompanied by a consent from the Commission.

7. The Corporation is an offering corporation under the OBCA and is a reporting issuer under the *Securities Act* (Ontario) (the "Act") and under the securities legislation of each of British Columbia and Alberta.

8. Following the Continuance, the Corporation intends to remain a reporting issuer in Ontario, British Columbia and Alberta.

9. The Corporation is not in default of any of the provisions of the Act or the regulations or rules made thereunder and is not in default under the securities legislation of any of the other provinces of Canada where it is a reporting issuer.

10. The Corporation is not a party to any proceeding or, to the best of its knowledge, information and belief, pending proceeding under the Act.

11. The Corporation's shareholders authorized the continuance of the Corporation from the OBCA to the CBCA by special resolution at a special meeting of shareholders held on December 29, 2009 (the "Meeting"). Shareholders holding 1,835,000 common shares voted at the Meeting, either in person or by proxy, with 100% of the votes cast in favour of the resolution .

12. The management information circular dated November 27, 2009, as amended (the "Circular"), provided to all shareholders of the Corporation in connection with the Meeting, included full disclosure of the reasons for and the implications

of the proposed continuance and advised registered shareholders of their dissent rights in connection with the Continuance pursuant to section 185 of the OBCA. No shareholders elected to dissent.

13. The Continuance has been proposed as the Corporation will be entering into an amalgamation agreement with VersaPay Corporation, a corporation governed under the jurisdiction of the CBCA, which transaction will constitute the Corporation's Qualifying Transaction (as such term is defined in the TSX Venture Exchange Policies). The Corporation believes it to be in the best interests of the resulting issuer to conduct its affairs in accordance with the CBCA.

14. The Corporation's material rights, duties and obligations under the CBCA will be substantially similar to those of a corporation governed by the OBCA.

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

THE COMMISSION HEREBY CONSENTS to the continuance of the Corporation as a corporation under the CBCA.

Dated at Toronto, Ontario this 5th day of January, 2010.

"David L. Knight"
Commissioner
Ontario Securities Commission

"Mary Condon"
Commissioner
Ontario Securities Commission

25.2 Approvals

25.2.1 Northern Rivers Capital 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 prior track record acting as trustee, for approval to act as trustee of pooled funds and future pooled funds to be 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).

December 18, 2009

Aird & Berlis LLP
Brookfield Place, Suite 1800
Box 754, 181 Bay Street
Toronto, ON M5J 2T9

Attention: Morli Shemesh

Dear Sirs/Mesdames:

Re: Northern Rivers Capital 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 No. 2009/0683

Further to your application dated October 30, 2009 (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 the assets of Northern Rivers Innovation RSP Fund and any such other mutual fund trust that may be established by the Applicant from time to time will be held by either 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 an 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 Northern Rivers Innovation RSP Fund and any such other mutual fund trust that may be established and managed by the Applicant from time to time, the securities of which will be offered pursuant to a prospectus exemption.

Yours truly,

"Carol S. Perry"

"James E.A. Turner"

Index

1660690 Ontario Ltd.
Notice from the Office of the Secretary 610
Order – s. 127 634

360 Degree Financial Services Inc.
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

Alpha ATS L.P. – Notice and Request for Feedback – Proposed Changes to the Operations of Alpha ATS L.P., Passive Only Order Type, Odd Lot Orders and Bypass Cross
Marketplaces 945
Marketplaces 946

Arthur, Vincent
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

ASL Direct Inc.
SROs 939

Avalon Works Corp.
Cease Trading Order 643

Bank of Nova Scotia
Decision 622

BCI 55-506 Exemption from insider reporting requirements for certain derivative transactions
Rules and Policies 645

Borealis International Inc.
Order 641

Breau, Jean
Order 641

Canadian Zinc Corporation
Decision 629

Canavista Corporate Services Inc.
Order 641

Canavista Financial Center Inc.
Order 641

Claymore Gold Bullion ETF
Decision 622

Claymore Investments, Inc.
Decision 622

Coalcorp Mining Inc.
Cease Trading Order 643

Companion Policy 13-502CP Fees
Rules and Policies 721

Companion Policy 13-503CP (Commodity Futures Act) Fees
Rules and Policies 776

Companion Policy 23-101CP
Notice 605
Rules and Policies 787

Companion Policy 55-101CP to NI 55-101 Insider Reporting Exemptions
Rules and Policies 645

Companion Policy 55-103CP to MI 55-103 Insider Reporting for Certain Derivative Transactions (Equity Monetization)
Rules and Policies 645

Companion Policy 55-104CP Insider Reporting Requirements and Exemptions
Rules and Policies 645

Connor Financial Corporation
SROs 936

Connor, Joel Gerrett (Gerry)
SROs 936

Cornish, Geoffrey
Notice from the Office of the Secretary 610
Order – s. 127 636

Counsel Canadian Growth
Decision 615

Counsel International Growth
Decision 615

Counsel Portfolio Services Inc.
Decision 615

Counsel Select America
Decision 615

Counsel Select Canada
Decision 615

Counsel Select International
Decision 615

Counsel U.S. Growth
Decision 615

Coventree Inc.
Notice from the Office of the Secretary 610
Order – s. 127 636

Curry, Angela
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

Da Silva, Abel
Notice from the Office of the Secretary 611
Notice from the Office of the Secretary 612
Order – ss. 127, 127.1 637
Order – ss. 127(1), 127(8) 639

Diadamo, Marco
Notice from the Office of the Secretary 612
Order – ss. 127(1), 127(8) 639

Dickerson, Michelle
Order 641

Dominion Investments Club Inc.
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

Dominion Royal Credit Union
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

Dominion Royal Financial Inc.
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

Douse, Ezra
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

Dupont, Derek
Order 641

Dynamic Venture Opportunities Fund Ltd.
Decision 618

Ekiert, Bartosz
Order 641

Falcon Asset Management Inc.
Change of Category 933

Francis, Dorlan
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

Frayssignes, Caroline Myriam
Notice of Hearing – ss. 37, 127, 127.1 605
Notice from the Office of the Secretary 612

Gahunia, Gurdip Singh
Notice from the Office of the Secretary 612
Order – ss. 127(1), 127(8) 639

Gahunia, Michael
Notice from the Office of the Secretary 612
Order – ss. 127(1), 127(8) 639

Garcia, Azucena
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

Garrison International Ltd.
Cease Trading Order 643

Gazit America Inc.
Decision 632

Goodman & Company, Investment Counsel Ltd.
Decision 618

Grigor, Derek
Order 641

Grossman, Abraham Herbert
Notice from the Office of the Secretary 612
Order – ss. 127(1), 127(8) 639

Grossman, Allen
Notice from the Office of the Secretary 612
Order – ss. 127(1), 127(8) 639

Haliday, Larry
Order 641

Hamilton Capital Partners Inc.
Change of Category 933

Hill, Sedwick
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

Huynh, Trudy
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

I.C.T.C. Holdings Corporation
Decision – s. 1(10) 619

IMG International Inc.
Notice of Hearing – ss. 37, 127, 127.1 605
Notice from the Office of the Secretary 612

Integrated Business Concepts Inc.
Order 641

Invesco Advisers, Inc.
Amalgamation 933

Invesco Aim Private Asset Management Inc.
Amalgamation 933

Investment House of Canada Inc. (The)
SROs 935

James, Albert
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

James, Elnonieth "Noni"
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

JG Capital Corp.
Consent – s. 4(b) of the Regulation 949

Laverdiere, Luc
SROs 938

Lawrence Asset Management Inc.
Name Change 933

Leemhuis, Adrian
SROs 939

LeveragePro Inc.
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

Lewis, Carlton Ivanhoe
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

Lloyd, Andrew
Order 641

Lloyd, Paul
Order 641

Lombardi, Paola
Notice from the Office of the Secretary 610
Order – s. 127 634

Macfarlane, Ross
Order 641

Mankofsky, William
Notice from the Office of the Secretary 612
Order – ss. 127(1), 127(8) 639

McQuarrie, Gord
Notice from the Office of the Secretary 612
Order – ss. 127(1), 127(8) 639

Mecachrome International Inc.
Decision 620

Meritas Balanced Portfolio Fund
Decision 613

Meritas Canadian Bond Fund
Decision 613

Meritas Financial Inc.
Decision 613

Meritas International Equity Fund
Decision 613

Meritas Jantzi Social Index® Fund
Decision 613

Meritas Money Market Fund
Decision 613

Meritas Monthly Dividend and Income Fund
Decision 613

Meritas U.S. Equity Fund
Decision 613

MI 11-102 Passport System;
Rules and Policies 645

MI 55-103 Insider Reporting for Certain Derivative Transactions (Equity Monetization)
Rules and Policies 645

Moyaert, Daniel
SROs 938

MSI Canada Inc.
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

Murphy, Ray
Order 641

Navina Asset Management Inc.
Name Change 933

Neale, Wilton John
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

Nerdahl, Brian
Order 641

Nest Acquisitions and Mergers
Notice of Hearing – ss. 37, 127, 127.1 605
Notice from the Office of the Secretary 612

Networth Financial Group Inc.
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

Networth Marketing Solutions
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8) 636

New Life Capital Advantage Inc.
Notice from the Office of the Secretary 610
Order – s. 127 634

New Life Capital Corp.
Notice from the Office of the Secretary 610
Order – s. 127 634

New Life Capital Investments Inc.
Notice from the Office of the Secretary 610
Order – s. 127 634

New Life Capital Strategies Inc.
Notice from the Office of the Secretary 610
Order – s. 127 634

NI 14-101 Definitions
Rules and Policies 645

NI 21-101 Marketplace Operation
Notice.. 605
Rules and Policies 787

NI 23-101 Trading Rules
Notice.. 605
Rules and Policies 787

NI 55-101 Insider Reporting Exemptions
Rules and Policies 645

NI 55-104 Insider Reporting Requirements and Exemptions
Rules and Policies 645

NI 62-103 The Early Warning System and Related Take-Over Bid and Insider Reporting Issues
Rules and Policies 645

Northern Rivers Capital Management Inc.
Approval – s. 213(3)(b) of the LTCA 950

O'Brien, Eric
Notice from the Office of the Secretary 612
Order – ss. 127(1), 127(8).. 639

OptionsXpress Canada Corp.
Change of Category 933

OSC Rule 13-502 Fees
Rules and Policies 721

OSC Rule 13-503 (Commodity Futures Act) Fees
Rules and Policies 776

OSC Staff Notice 33-733 – Report on Focused Reviews of Investment Funds, September 2008 – September 2009
Notice.. 604
News Release 609

Pelcowitz, David
Notice of Hearing – ss. 37, 127, 127.1 605
Notice from the Office of the Secretary 612

Pittoors, Hugo
Order... 641

Pogachar, L. Jeffrey
Notice from the Office of the Secretary 610
Order – s. 127 634

Poole, Alexander
Order... 641

Prentice, David
Order 641

Price, Alan S.
Notice from the Office of the Secretary 610
Order – s. 127 634

Prosporex Forex SPV Trust
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8)........................ 636

Prosporex Inc.
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8)........................ 636

Prosporex Investment Club Inc.
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8)........................ 636

Prosporex Investments Inc.
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8)........................ 636

Prosporex Ltd.
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8)........................ 636

Robinson, Peter
News Release 609

Roxmark Mines Limited
Decision – s. 1(10) 628

Sawh, Sanjiv
SROs.. 935

Scott, Mark Anthony
Notice from the Office of the Secretary 611
Temporary Order – ss. 127(1), 127(8)........................ 636

Seprotech Systems Incorporated
Cease Trading Order.. 643

Shallow Oil & Gas Inc.
Notice from the Office of the Secretary 612
Order – ss. 127(1), 127(8).. 639

Smith, Michael
Notice of Hearing – ss. 37, 127, 127.1 605
Notice from the Office of the Secretary 612

Smith, Shane
Order 641

Sprylogics International Corp.
Cease Trading Order.. 643

St. Arnault, Douglas
SROs.. 935

Statham, Joy
Order 641

Stephan, John
Order....................641

Switenky, Earl
Order....................641

Synergy Group (2000) Inc.
Order....................641

Tai, Dean
Notice from the Office of the Secretary....................610
Order – s. 127....................636

Toxin Alert Inc.
Cease Trading Order....................643

Travis, Larry
Order....................641

Trkulja, Vlad
SROs....................935

TSX Inc. – Proposed Changes to the Operations of TSX Inc. to Introduce Two New Order Features: Post Only Order and Self-Trade Prevention – Notice and Request For Feedback
Marketplaces....................940
Marketplaces....................941

Ullico Investment Company, Inc.
Voluntary Surrender of Registration....................933

Verenex Energy Inc.
Decision – s. 1(10)....................631

Villanti, Vince
Order....................641

W.J.N. Holdings Inc.
Notice from the Office of the Secretary....................611
Temporary Order – ss. 127(1), 127(8)....................636

Wash, Kevin
Notice from the Office of the Secretary....................612
Order – ss. 127(1), 127(8)....................639

Whitely, David
Notice from the Office of the Secretary....................611
Temporary Order – ss. 127(1), 127(8)....................636

Yeboah, Christian
Notice from the Office of the Secretary....................611
Temporary Order – ss. 127(1), 127(8)....................636

Zielke, Len
Order....................641

Zuk, Robert Patrick
Notice of Hearing – ss. 37, 127, 127.1....................605
Notice from the Office of the Secretary....................612

This page intentionally left blank