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British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Superintendent of Securities, Department of Justice and Public Safety,
Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

The Secretary
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Re: CSA Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers

Dear Sirs,

We are pleased to provide our comments on the above consultation paper.

Overall, our firm supports the CSA's efforts to enhance public confidence in the integrity of financial reporting while ensuring efficient disclosures for the investors. We agree that there is a balance to be struck between the regulatory reporting requirements for reporting issuers with investor protection and public interest.

We believe that many aspects of this consultation paper is best responded to by preparers and investors and as such have only provided comments to certain topics as presented below.

Our comments follow the order of the discussions in the CSA Consultation Paper for ease of reference.

2.1: Extending the application of streamlined rules to smaller reporting issuers:

We are supportive of the initiative to extend the application of streamlined rules to smaller reporting issuers and agree that using a size-based distinction would be preferable to the current distinction based on exchange listings. This would also permit the rules to be applied if other exchanges emerge in the Canadian marketplace.

2.2: Reducing the regulatory burdens associated with the prospectus rules and offering process:

(a) Reducing the audited financial statement requirements in an initial public offering (IPO) prospectus

Changes made in 2015 with respect to the reduction of financial statement requirements for venture issuers was well received as it created efficiencies in raising capital in the public market for these issuers. However, there is a view that inequity exists for those larger venture issuers and smaller non-venture issuers who are not able to take advantage of such accommodation. Depending on the size of the reporting issuer, the investing public should be receiving consistent reporting and this could be accomplished by the use of a size test.

As such and similar to the discussion under section 2.1, we believe that the requirement should be triggered by the size of the issuer rather than exchange listings. Ensuring that the distinction is made based on size test will allow for a balance of investor protection with the level of reporting and assurance required on financial statements for public offering of securities.

(b) Streamlining other prospectus requirements

When considering streamlining these other prospectus requirements specifically as it relates to no longer requiring an auditor review of interim financial statements in a prospectus, it is important to note that there would still be a review requirement that exists within the professional standard – CPA Canada Handbook – Assurance – Section 7150: ***Auditor's Consent to the Use of a Report of the Auditor included in an Offering Document,*** paragraph 10. As such, irrespective of the securities requirement, the auditor is required to perform review procedures in order to provide their consent to use their audit report in a prospectus. Therefore, we do not believe that in the absence of changes to the CPA Canada Handbook, making such regulatory change will have the desired effect.

(c) Streamlining public offerings for reporting issuers and (d) Other potential areas

These are areas that we do not have a particular view on as it would be best responded to by the preparer and the investors relating to reductions in such disclosures, however we do have an additional comment relating to the prospectus rules that would benefit from clarification.

Additional comment:

While not specifically discussed in the paper, one suggestion that we would like to put forward for the CSA to consider is to provide clarity as to the interpretation of the "issuer" contained in Item 32.1(1) (b) of Form 41-101 F1. As per Item 32.1(1)(b) of Form 41-101 F1, any acquired entity or related business that a reasonable investor would regard as the primary business of the issuer should be interpreted to be, and thereby meet the same disclosure level as that of an issuer. Guidance to Item 32 of Form 41-101 F1 is given in paragraph 5.3 of CP 41-101 which states that ***"...*** *a reasonable investor would regard the primary*

business of the issuer to be acquired business or related businesses, thereby triggering the application of Item 32, are when acquisition(s) was (a) a reverse takeover (b) a qualifying transaction for a Capital Pool Company or (c) an acquisition that is a significant acquisition at the 100% level under subsection 35.1 (4) of Form 41-101F1". Nevertheless, often there are instances where an acquired entity or related business is interpreted to be an "issuer" for the purposes of Form 41-101F1 while none of the considerations in (1) to (3) mentioned in the companion policy are met and specifically a very low threshold is applied in respect to subparagraph (c). The lack of clear interpretative guidance creates confusion, undue burden and costs for the preparers, and at the same time causes confusion for investors when interpreting the disclosures (and the level of disclosures) and their ability to compare among various entities. We suggest that the interpretation of the "issuer" within Form 41-101 F1 be considered as part of the efforts to reduce regulatory burden.

2.3: Reducing ongoing disclosure requirements:

a. Removing or modifying the criteria to file a business acquisition report (BAR)

The current BAR requirements are already streamlined for venture issuers as the threshold was recently increased to 100% and pro-forma requirements were eliminated. Whether the regulators move to a tiered test similar to the test used by the SEC in the U.S., or remain at a single 20% and 100% threshold, we believe that the filing requirement should differ based on the size of the reporting issuer rather than on which exchange they list their shares or debt.

b. **Reducing disclosure requirements in annual and interim filings**

The discussion in the consultation paper mainly deals with the MD&A requirements in annual and interim filings. We agree that the disclosure requirements which are repetitive should be eliminated to reduce burden for the preparers and also provide more effective disclosure for the investors.

c. **Permitting semi-annual reporting**

We believe there are both advantages and disadvantages for semi-annual reporting.

We understand that quarterly reporting may be the cause of short term focus for businesses and a solution adopted by some jurisdictions was to move to semi-annual reporting. In addition, the current comprehensive quarterly reporting regime may cause the creation of a large volume of disclosure often with a lack of meaningful change from quarter to quarter.

However, an alternative position would suggest there is value to quarterly reporting as it not only provides more timely information for investors who are constantly demanding better and more relevant information, but also encourages public companies to have better governance and a more diligent and regimented process. Additionally, some companies struggle today to meet the current quarterly requirements. While some might suggest that the relief provided by moving to semi-annual requirements, instead of quarterly, will increase the time and attention issuers provide to their periodic filings, there is concern that the move would erode the discipline with which some companies attend to their filing requirements.

As such and to reduce the regulatory burden, other solutions could include consideration of the following:

- Reduction in quarterly disclosure for reporting issuers, for example, a dramatic shortening of quarterly MD&A with more referencing to the annual disclosures,

- Encouraging reporting issuers to do a better job of identifying longer term goals and measures and reporting their progress against these goals to relieve some of the focus from the short term quarterly performance and create better balance with their longer term goals, and
- Guidance to encourage more effective disclosure with a better use of graphics, images and tables to explain performance (resulting in a reduction of often long excessive prose).

Finally, we believe that if semi-annual reporting is permitted, consideration should be given as to whether this will impact Multi-jurisdictional Disclosure System ("MDJS"), an accommodation that is available and largely applied by Canadian/U.S. dual-listed reporting issuers. We believe the introduction of MJDS was based on the premise that the securities and disclosure regulations in the two countries were largely comparable. If the CSA were to implement such reduction in disclosure requirements, careful consideration should be given as to whether the SEC will continue to allow Canadian companies to be exempted from the other disclosure standards of the SEC under the current MJDS rules. Further, since many Canadian public companies are in direct competition with their peers in the U.S., these company may continue to prepare similar documents voluntarily regardless of the reduced requirements.

2.4: Eliminating overlap in regulatory requirements

We agree with the elimination of overlap in disclosure requirements within MD&A, AIF and the financial statements, to promote disclosure efficiency. We believe that one consolidated document including MD&A, AIF, the financial statements as well as officers' certifications would allow for a more efficient and effective disclosure.

We will be pleased to discuss any of our comments further if required. Any questions can be directed to Andrew Macartney (amacartney@deloitte.ca).

Yours truly,

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants