



BC Notice 2020/06

British Columbia Securities Commission

Notice of Amendments to BC Instrument 45-530

Exemptions for Securities Issued by a Cooperative Association

The British Columbia Securities Commission (Commission) is revoking and replacing BC Instrument 45-530 *Exemptions for Securities Issued by a Cooperative Association* (BCI 45-530). BCI 45-530 relates to securities issued by cooperative associations to which the *Cooperative Association Act*, S.B.C. 1999, c. 28, as amended (the CAA) applies.

Background

The local prospectus and dealer registration exemptions in BC for securities issued by a cooperative association (the co-op exemption) in BCI 45-530 have not changed materially since the CAA was amended to introduce investment shares in 2001. As a result, the Commission undertook a review to better understand whether the co-op exemption continues to strike an appropriate balance between facilitating capital raising activities of cooperative associations and providing adequate protection to investors.

As part of its review, the Commission approached all cooperative associations in BC with known contact information for their experience on capital raising, including the use of current capital raising exemptions and any challenges faced. Of the 499 cooperative associations in BC with known contact information, the Commission received feedback from 57 cooperative associations.

The Commission did not identify systemic capital raising challenges in its review that would warrant substantive changes to the existing exemption, particularly in light of other available exemptions and overriding investor protection needs. However, the Commission is updating BCI 45-530 to modernize the co-op exemption and publishing a guide to increase awareness about how cooperatives may use exemptions to raise funds.

The Amendments

One of the conditions in BCI 45-530 is that the acquisition cost to the purchaser of the membership or investment shares to be purchased, together with the aggregate acquisition cost of all membership and investment shares held by the purchaser, does not exceed \$5,000. The Commission is raising that maximum to \$10,000 in light of inflation and the co-op exemption limits in other Canadian jurisdictions, such as Alberta, Ontario and Nova Scotia.

The Commission is removing the dealer registration exemptions from BCI 45-530 because most cooperative associations are not likely to be engaged in the business of trading. If a cooperative association is engaged in the business of trading or is holding itself out as being so engaged, and another exemption from the dealer registration requirement is not available, then registration is required and serves the important purpose of safeguarding investors. Further guidance on when firms are in the business of trading can be found in Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

The Commission is also removing the exemption for first trades by members of a cooperative association. First trades by members are not distributions and therefore do not require a prospectus exemption.

In addition to these substantive amendments, the Commission is amending BCI 45-530 to:

- make consequential changes arising from the removal of the dealer registration exemptions;
- update the definitions and replace certain terms that are used in the instrument; and
- make other housekeeping changes to the form of the instrument.

June 1, 2020

Brenda M. Leong
Chair