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Notice and Request for Comment
on
Proposed Multilateral Instrument 11-101 *Principal Regulator System*
Form 11-101F1 *Principal Regulator Notice* and
Companion Policy 11-101CP *Principal Regulator System*
and
Consequential Amendments to
National Policy 31-201 *National Registration System*
National Policy 43-201 *Mutual Reliance Review System for Prospectuses*
National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* and
Multilateral Instrument 81-104 *Commodity Pools*.

May 27, 2005

This notice describes a set of rule and policy initiatives intended to simplify the securities regulatory system for issuers and registrants that have their securities traded or deal with clients in more than one Canadian jurisdiction.

National and multilateral initiatives
The Canadian Securities Administrators (CSA), other than the Ontario Securities Commission (OSC), are publishing for a 60 day comment period the following draft documents:

- Multilateral Instrument 11-101 *Principal Regulator System*;
- Form 11-101F1 *Principal Regulator Notice*; and
- Companion Policy 11-101CP *Principal Regulator System*;

(collectively, the proposed instrument).

CSA, including the OSC, are also publishing proposed amendments to the following national policies and instruments:

- National Policy 31-201 *National Registration System* (NP 31-201);
- National Policy 43-201 *Mutual Reliance Review System for Prospectuses* (NP 43-201)[1];
- National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (NI 51-101); and
- Multilateral Instrument 81-104 *Commodity Pools* (MI 81-104).

(collectively, the proposed amendments).

[1] In Québec, this policy is adopted as Notice 43-201 Relating to the Mutual Review Reliance System for prospectuses and annual information forms.

Local amendments
Some jurisdictions may also have to make consequential amendments to local instruments. CSA members are publishing amendments to local instruments under separate local notices.

In Québec, amendments to the Regulations respecting securities (R.R.Q. c. V-1.1, r.1) were published for comment on March 11, 2005. Furthermore, in Québec, mutual fund dealers (group savings plan brokerage firms) and their representatives are regulated under the *Act respecting the distribution of financial products and services*. Regulatory provisions will likely have to be adopted under that Act by the Autorité des marchés financiers (AMF) to permit implementation of the proposed instrument. Finally, in Québec, the proposed instrument will include a reference provision (section 1.2) that will direct the reader to an additional appendix (Appendix C). This appendix will set out the complete references of all regulatory and other relevant texts mentioned in the proposed instrument.

British Columbia is also considering a new instrument that would revoke and replace BC Instrument 51-801 *Implementing National Instrument 51-102 Continuous Disclosure Obligations* to deal with the outcome of CSA discussions on the differences in part 8 (business acquisition report) and part 10 (restricted securities) of NI 51-102 *Continuous Disclosure Obligations* (NI 51-102). For further information on the results of these discussions, see *Differences in requirements* below. The British Columbia Securities Commission (BCSC) will publish the proposed new instrument for comment under a separate local notice.

In addition, British Columbia is considering adopting Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* and will be publishing it for comment under its local notice.

Publication and request for comments
CSA are publishing the text of the proposed instrument and proposed amendments concurrently with this notice. The proposed amendments are attached to the notice as Appendices A (amendments to NP 31-201), B (blacklined version of NP 43-201), C (amendments to NI 51-101) and D (amendments to MI 81-104). You can find them on websites of certain CSA members, including the following:

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

We request comments by July 27, 2005. Our target for implementing the proposed instrument and proposed amendments is late August 2005.

Purpose and scope

The purpose of the proposed instrument and proposed amendments is to implement, in certain areas of securities regulation, a system that gives a market participant access to the capital markets in multiple jurisdictions by dealing with its principal regulator. A market participant's principal regulator will usually be the regulator in the jurisdiction where its head office is located. A market participant will generally have the same principal regulator under the proposed instrument and the relevant mutual reliance review system (MRRS) established by CSA.

Ontario-based market participants will not be able to rely on the exemptions contained in the proposed instrument, but will continue to be able to use MRRS. The OSC will continue to act as principal regulator under MRRS.

An issuer with a head office outside of Ontario that uses the OSC as its principal regulator under NP 43-201 or NP 12-201 *Mutual Reliance Review System for Exemptive Relief Applications*[2] (for example, a foreign issuer listed on TSX) could select another jurisdiction to act as principal regulator under the proposed instrument and rely on the exemptions in the proposed instrument. The effect would be that the OSC would still be the issuer's principal regulator under NP 43-201 or NP 12-201, but the other jurisdiction selected by the issuer as principal regulator under the proposed instrument would be the only non-principal jurisdiction under MRRS.

An issuer that has a principal regulator other than the OSC would continue to have to comply with Ontario securities law to the extent it participates in Ontario's capital market, and would continue, when necessary, to file any relief applications with the OSC as its only non-principal regulator under NP 43-201 or NP 12-201.

Prince Edward Island, Newfoundland and Labrador, the Northwest Territories, Yukon and Nunavut do not currently act as principal regulators under NP 43-201. However, they will act as the principal regulator for the prospectus exemptions in Part 4 of the proposed instrument if Ontario is the principal regulator for the prospectus filing under NP 43-201. The OSC will issue the decision document under NP 43-201, evidencing the receipts of all jurisdictions where the prospectus is filed. The receipt for Prince Edward Island, Newfoundland and Labrador, the Northwest Territories, Yukon or Nunavut, evidenced by the decision document issued by Ontario, will be the principal jurisdiction receipt needed for the exemptions in the non-principal jurisdictions under the proposed instrument.

[2] In Québec, NP 12-201 is adopted as Notice 12-201 Relating to the Mutual Review Reliance System for Exemptive Relief Applications.

CSA are considering extending the list of jurisdictions that can act as principal regulator. New Brunswick does not currently act as principal regulator under NP 43-201 but is included as a principal regulator in the proposed amendments to NP 43-201 and for purposes of the exemptions under the proposed instrument.

Situation in British Columbia
The BCSC is generally concerned about the outcome of CSA discussions on the differences in the national and multilateral instruments covered by the proposed instrument. The result of these discussions is that British Columbia issuers will not fully benefit from the BCSC's streamlining initiatives if they participate in the Canadian capital markets outside British Columbia.

Before deciding whether to adopt the principal regulator system, the BCSC will consider

- comments received on the proposed instrument, the proposed amendments and the other instruments it is publishing for comment to eliminate differences that would not be acceptable under the principal regulator system, and
- the progress made on streamlining and simplifying the business acquisition report (BAR) requirements in NI 51-102.

For further information, see *Background, Differences in requirements* and *Request for comment* below.

Background
On September 30, 2004, the Ministers responsible for securities regulation in most Canadian provinces and territories signed a memorandum of understanding and agreed to an action plan that includes making best efforts to implement a passport system in certain areas of securities regulation by August 1, 2005.[3]

The Ministers agreed that the system would provide a single window of access to market participants in areas where there are already highly harmonized securities laws across Canada or where highly harmonized securities laws could be achieved quickly. The areas to be covered by the system are prospectus requirements and clearance, registration process, requirements and related filings, continuous disclosure requirements, and prospectus and registration exemptions and routine discretionary exemptions.

Although the Ontario government did not sign the memorandum of understanding, the OSC participated in the development of the proposed instrument and proposed amendments. The OSC is not publishing the proposed instrument for the reasons set out in its local notice.

[3] The Ontario government did not sign the memorandum of understanding. Several other jurisdictions said they would sign it later, after getting governmental approvals, and (except for Prince Edward Island), have now done so.

The proposed instrument and proposed amendments go as far as is possible under current legislation to achieve the memorandum of understanding's objective of permitting a market participant to have access to the capital markets in multiple jurisdictions by dealing with its principal regulator. We refer to this system as the 'principal regulator system'. It applies to areas of securities legislation that are already highly harmonized.

In a second phase of implementing the memorandum of understanding, the Ministers plan to seek legislative amendments to provide securities regulatory authorities with additional powers to delegate and receive delegation, to adopt, recognize or incorporate the provisions of other Canadian jurisdiction's laws, to adopt decisions of other securities regulatory authorities and to issue blanket exemptions tied to compliance with designated requirements in another jurisdiction. This legislation would permit arrangements to take the passport system closer to a one-regulator and one-law model.

In a further phase of the project, the Ministers plan to develop and implement highly harmonized and streamlined securities legislation and to review the fee structure to make it consistent with the objectives of the memorandum of understanding.

Summary of Principal Regulator System

System for prospectus filings and clearance

For prospectus filings and clearance, we propose streamlining our MRRS processes and shortening our review periods to move toward having only one decision-maker for each issuer. We also propose exempting issuers from many prospectus-related requirements to move toward having only one law apply.

(i) Streamline NP 43-201

CSA propose reducing the time it takes to review a prospectus by getting the non-principal regulators to do their review while (instead of after) the principal regulator does its review. We estimate this would shorten the prospectus review process for long form prospectuses by 5 business days and for short form prospectuses by 1 or 2 business days. This would reduce the review period from 15 to 10 business days for long form prospectuses and from 5 to 3 business days for short form prospectuses.

We also propose making other changes to virtually eliminate the need for issuers to deal with non-principal regulators on any comments. One of these changes would require the principal regulator to forward potential opt-out issues raised by non-principal jurisdictions to the filer and attempt to resolve those issues with the filer on behalf of the non-principal regulator. Another, would require the principal regulator to attempt to resolve differences of opinion on proposed dispositions of novel and substantive pre-filings directly with the non-principal regulator that disagrees with the proposed disposition, rather than requiring the filer to resolve the issue directly with that non-principal regulator.

To implement these changes, we propose amending NP 43-201 and changing our administrative processes. A blacklined version of NP 43-201 is attached showing those

amendments. We made the amendments to the version of NP 43-201 published for comment on January 7, 2005 in connection with our proposal to repeal and replace National Instrument 44-101 *Short Form Prospectus Distributions* (NI 44-101). We will coordinate the timing for implementing the two sets of amendments based on when those instruments come into effect.

We would also make adjustments to current administrative practices to ensure that non-principal regulators have an opportunity to provide input on prospectuses for novel investment products or offerings without, to the extent possible, jeopardizing the compressed time periods.

(ii) Exemption from long form rule or national prospectus rule of a non-principal regulator

The proposed instrument contains several exemptions that move toward the one-law goal by generally exempting an issuer from prospectus form and content requirements in the non-principal regulators' jurisdictions. This is done in slightly different ways for different kinds of prospectuses.

- ***Long Form Prospectuses***

All jurisdictions, except Québec, already allow or require issuers filing long form prospectuses to comply with OSC Rule 41-501 *General Prospectus Requirements*. In Québec, issuers must comply with Regulation Q-28 *respecting General Prospectus Requirements*, which is substantially equivalent to OSC Rule 41-501. The exemption for long form prospectuses would therefore require that the issuer

- file its prospectus materials (including any amendments) with the principal regulator and get the necessary receipts,
- file its prospectus materials with the non-principal regulators, and
- if Québec is not the principal regulator, file the prospectus materials required under OSC Rule 41-501, or, if Québec is the principal regulator, file the prospectus materials required under Regulation Q-28.

Issuers will still have to consider the requirements of the non-principal regulators relating to certificates, filings, delivery and fees. The companion policy provides a list of the significant requirements in each jurisdiction that issuers would still have to comply with.

- ***Other types of prospectuses***

The proposed instrument includes a similar exemption from the following national prospectus rules or disclosure requirements:

- Section 2.1 of National Instrument 33-105 *Underwriting Conflicts*[4]

[4] The AMF has adopted a blanket order (2003-C-0047) that exempts dealers from some Québec local regulatory requirements to the extent they comply with National Instrument 33-105. The AMF is presently evaluating the possibility of replacing this order by a regulation for the purposes of the proposed

- National Instrument 41-101 *Prospectus Disclosure Requirements*
- National Instrument 44-101 *Short Form Prospectus*
- National Instrument 44-102 *Shelf Prospectus*
- National Instrument 44-103 *Post-Receipt Pricing*
- National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*
- National Instrument 81-101 *Mutual Fund Prospectus Disclosure*
- Part 3 of MI 81-104
- Sections 8.1, 8.2(1) and 8.2(2) of National Instrument 81-105 *Mutual Fund Sales Practices*

The exemptions require that the issuer

- file its prospectus materials (including any amendments) with the principal regulator and get the necessary receipts, and
- file its prospectus materials with the non-principal regulators.

Each non-principal regulator would still, as required by the legislation, be making a decision to issue a receipt for the prospectus, as is now the case under MRRS. This would continue to happen behind the scenes, and the receipt issued by the principal regulator under MRRS would evidence the receipt of the non-principal regulators.

- ***Prospectus discretionary relief***

The Part 4 exemptions eliminate the need for an issuer to obtain relief from prospectus form and content requirements in non-principal jurisdictions.

This means that an issuer would not have to apply under NP 12-201 or Parts 8 or 9 of NP 43-201, unless it is a reporting issuer in Ontario[5]. Instead, the issuer would request relief only from its principal regulator, and rely on the exemptions in Part 4 of the proposed instrument in its non-principal jurisdictions. The process for pre-filings under Part 9 of NP 43-201, however, would remain the same.

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instrument. In the event that NI 33-105 is not adopted as a regulation in Québec, the blanket order might need to be modified in order to adequately mirror the exemption from Appendix C of NI 33-105 provided for in section 4.2 of the proposed instrument or, alternatively, certain modifications might have to be made to section 4.2 of the proposed instrument in order to reflect Québec's situation.

[5] If an issuer files a prospectus in Ontario and the issuer's head office is not in Ontario, the issuer must make any application for relief with its principal regulator, as determined under the proposed instrument, and with the OSC under NP 12-201 or NP 43-201. If the issuer's head office is in Ontario, the exemptions in the proposed instrument are not available and the issuer must apply for discretionary relief under NP 12-201 or NP 43-201 in each jurisdiction in which the issuer is filing the prospectus.

System for registration
CSA implemented National Instrument 31-101 *National Registration System* (NI 31-101) and NP 31-201 on April 4, 2005. NI 31-101 and NP 31-201 will serve as the principal regulator system for the registration process, requirements and related filings. NI 31-101 exempts an applicant for registration from the 'fit and proper' requirements of each non-principal jurisdiction if it meets the fit and proper requirements of its principal jurisdiction. NP 31-201 sets out the MRRS process for registration.

To further enhance the system, we are publishing for comment amendments to NP 31-201 that would shorten the decision-making process. This amendment would reduce the opt-in period in NP 31-201 from 5 business days to 2 business days. We plan to monitor the situation during the comment period and, if we conclude that it is administratively possible, to adopt this proposed amendment at the same time as the proposed instrument or after.

The proposed instrument also includes exemptions from the registration requirement of each non-principal jurisdiction for a dealer, unrestricted adviser or representative that has no more than a few eligible clients and a small amount of assets under management in the jurisdiction (the mobility exemptions). An eligible client includes a person who was a client of the registrant immediately before moving to the jurisdiction, and relatives of that client. These exemptions are subject to conditions, including that the dealer, unrestricted adviser or representative be registered in its principal jurisdiction, act fairly, honestly and in good faith and not solicit new clients in the local jurisdiction except for trades in reliance on another registration exemption in the local jurisdiction.

The mobility exemptions remove an irritant for registered firms and representatives. Current securities legislation requires dealers and unrestricted advisers to be registered in all jurisdictions where they have clients. When an existing client moves to a jurisdiction where the firm or representative is not registered, the firm or representative has to decide whether to incur the expense of registering in that jurisdiction or to tell the client to take its business elsewhere. Firms often find this difficult because they do not always have a sufficient number of clients in the jurisdiction to justify the expense of registering the firm or the representative.

Although the OSC is not publishing the proposed instrument, it is looking at other ways to implement similar mobility exemptions. If the OSC adopts mobility exemptions that are sufficiently harmonized with the ones in the proposed instrument, we would modify the proposed instrument to allow the mobility exemptions to apply to dealers, unrestricted advisers and representatives in Ontario.

For purposes of the mobility exemptions, the principal regulator for a firm is determined by the location of its head office. Under NI 31-101, a firm's principal regulator is determined by using a "most significant connection" test, with the head office as the primary indicator. We plan to amend the principal regulator definition in NI 31-101 at a later date to conform it to the proposed instrument. In the meantime, we will monitor the

situation to ensure that the difference in the tests does not result in a firm having a different principal regulator under NI 31-101 and the proposed instrument.

System for continuous disclosure requirements

The proposed instrument contains an exemption that implements the principal regulator system for continuous disclosure requirements by moving to having only one-law apply to each issuer.

The proposed instrument provides a reporting issuer with an exemption from the continuous disclosure requirements (CD requirements) in a non-principal jurisdiction if it

- files the same documents with the non-principal regulator that it files with its PR,
- delivers to securityholders in the non-principal jurisdiction any documents delivered to securityholders in the principal jurisdiction,
- disseminates in the non-principal jurisdiction any information that it disseminates in the principal jurisdiction, and
- pays the fee to the non-principal regulator.

The CD requirements covered by this exemption are those contained in the following instruments:

- National Instrument 43-101 *Standards of Disclosure for Mineral Projects*
- NI 51-101
- NI 51-102
- National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (as it applies to documents filed under NI 51-102)
- National Instrument 52-108 *Auditor Oversight* (as they apply to issuers)[6]
- Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*
- Multilateral Instrument 52-110 *Audit Committees* (MI 52-110)
- BC Instrument 52-509 *Audit Committees* (BCI 52-509)
- National Instrument 54-101 *Communication with Beneficial Owners of Securities of Reporting Issuers*
- National Instrument 58-101 *Disclosure of Corporate Governance Practices*
- MI 81-104 (section 8.5 only)
- National Instrument 81-106 *Investment Fund Continuous Disclosure*

As in the prospectus context, the proposed instrument also eliminates the need for an issuer to obtain discretionary continuous disclosure exemptions in non-principal jurisdictions.

[6] CSA is still considering whether to include National Instrument 52-108 *Auditor Oversight* in the proposed instrument.

This means that an issuer would not have to apply under NP 12-201, unless it is a reporting issuer in Ontario[7]. The issuer would make a local application with its principal regulator, and rely on the exemptions in Part 3 of the proposed instrument in its non-principal jurisdictions.

Differences in requirements

CSA have had discussions about differences among jurisdictions in the national and multilateral instruments covered by the proposed instrument. Many of these differences exist only in British Columbia. For some of the differences, most other CSA members would not agree that an issuer whose principal regulator is British Columbia could rely outside British Columbia on the exemptions in the proposed instrument if these differences remained. As a result, the BCSC is considering adopting Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* and eliminating the following British Columbia differences:

- The carve-out in sections 2.1.3 (report of management and directors) and 3.6 (responsibilities of board of directors) of NI 51-101
- The carve-out in section 8.6 (financial statement and leverage disclosure) of MI 81-104

The BCSC is also considering revoking and replacing BC Instrument 51-801 *Implementing National Instrument 51-102 Continuous Disclosure Obligations* to require a reporting issuer that relies on the continuous disclosure and the national prospectus rule exemptions in the proposed instrument to comply with part 8 (business acquisition report) and part 10 (restricted securities) of NI 51-102.

For the following differences, all CSA members, other than Ontario, agreed that the instruments were sufficiently harmonized and the differences would be accepted in other jurisdictions for market participants whose principal regulator is the BCSC:

- The audit committee rules (MI 52-110 and BCI 52-509)
- The test for "independence" in National Instrument 58-101 *Disclosure of Corporate Governance Practices*
- Part 12 (material contracts) of National Instrument 51-102 *Continuous Disclosure Obligations*
- Parts 3 (seed capital requirements) and 4 (proficiency and supervisory requirements) of MI 81-104
- Differences in the treatment of non-reporting investment funds in National Instrument 81-106 *Investment Fund Continuous Disclosure*

[7] If an issuer is a reporting issuer in Ontario and its head office is not in Ontario, the issuer must make an application with its principal regulator, as determined under the proposed instrument, and with the OSC under NP 12-201. If the issuer's head office is in Ontario, the exemptions in the proposed instrument are not available and the issuer must apply for discretionary relief under NP 12-201 in each jurisdiction in which the issuer is making a continuous disclosure filing.

Where appropriate, however, the issuer would have to disclose that it is applying the audit committee rule or the definition of "independence" that applies in British Columbia and that the rule or definition is different from the equivalent rule or definition in other jurisdictions.

CSA are still discussing how to resolve the differences related to the BAR requirements in NI 51-102. Currently, the BAR requirements do not apply in British Columbia. The BCSC is concerned that the burden imposed by the BAR requirements may exceed the value of the resulting disclosure in some circumstances. CSA will examine how to streamline and simplify the BAR requirements based on the experience gained to date in the application of the requirements.

System for statutory and discretionary exemptions
When it comes into effect, proposed National Instrument 45-106 *Prospectus and Registration Exemptions*, published by CSA on December 17, 2004, will realize the Ministers' objective under the memorandum of understanding for statutory exemptions. This instrument consolidates and harmonizes the prospectus and registration exemptions in existing securities legislation and instruments. We anticipate that it will be in effect in September 2005.

The exemptions in the prospectus and continuous disclosure systems will serve as the principal regulator system for discretionary exemptions. We also propose to make some changes to the way we administer NP 12-201. We believe that these improvements will reduce the number of comments from non-principal regulators and generally expedite the review process for exemption applications. We do not have to amend NP 12-201 to put these changes in place.

ANTICIPATED COSTS AND BENEFITS
We expect that the proposed instrument and proposed amendments will enhance the efficiency of regulation of the capital markets and simplify the use of the regulatory system for market participants. By building on and further streamlining MRRS, we can make our decisions more timely and our processes more efficient and seamless for market participants. A market participant would deal almost exclusively with its principal regulator and, from a practical point of view experience a one-decision-maker process. The proposed instrument exempts an issuer or registrant from many aspects of securities law in non-principal jurisdictions on the basis that it is subject to the law of its principal jurisdiction. This achieves a one-law model for the requirements covered by the exemptions.

We did not do a cost-benefit analysis of the proposed instrument and proposed amendments because we do not expect them to impose new costs on market participants. In fact, we expect them to reduce costs.

REQUEST FOR COMMENT
We request your comments on all aspects of the proposed instrument and proposed amendments.

We specifically request comments on these two issues:

1. Differences in requirements
Most CSA members think that the principal regulator system should be based on highly harmonized, if not uniform, requirements in all jurisdictions. In their view, local innovation and reform measures should apply only to market participants that operate exclusively in the local jurisdiction and should be made available in other jurisdictions only when those jurisdictions agree to them. They think that market participants should not be held to different standards simply because of where their head office is located.

By contrast, the BCSC thinks that the principal regulator system should be designed to accommodate a greater range of differences in local requirements. Although, the specific differences being discussed might not seem very significant, the debate about accommodating differences reflects different views about how the principal regulator system should work. The BCSC supports the principal regulator system, but thinks it should be based on legislation that can differ from jurisdiction to jurisdiction as long as the legislation provides equivalent protection. Regulatory convenience and market pressures would lead jurisdictions to adopt identical requirements in many cases. In other cases, though, some jurisdictions might prefer to have detailed and specific requirements while others might prefer less detailed, outcomes-based requirements.

Designing the system to accommodate differences would allow individual jurisdictions to innovate and implement reforms that affect a sufficient number of capital market participants to assess whether they could benefit the entire Canadian securities market. Once proven, these reforms might then be adopted by other jurisdictions.

Although the principal regulator system accommodates some differences, it is a condition of implementing the proposed instrument that the BCSC require British Columbia issuers using the system to comply with the additional or different requirements that currently apply in other jurisdictions under some of the national and multilateral instruments. The BCSC thinks this condition would negate the benefits of its recent streamlining initiatives and narrow the scope for future innovation and reform except where jurisdictions can reach agreement in advance.

CSA specifically request comments on which of these two views should guide CSA in finalizing the principal regulator system.

In addition, CSA request comments on whether issuers whose principal regulator is British Columbia should be able rely outside British Columbia on the exemptions in the proposed instrument if British Columbia retained

- its carve-out in sections 2.1.3 (report of management and directors) and 3.6 (responsibilities of board of directors) of NI 51-101
- its carve-out in section 8.6 (financial statement and leverage disclosure) of MI 81-104, and
- its exemption from parts 8 (business acquisition report) and 10 (restricted securities) of NI 51-102, set out in BC Instrument 51-801 *Implementing National Instrument 51-102 Continuous Disclosure Obligations*

2. Foreign issuers

The proposed instrument would allow foreign issuers to use the principal regulator system. However, because Ontario will not be adopting the proposed instrument, a foreign issuer that has designated the OSC as its principal regulator for NP 12-201 or NP 43-201 could select another jurisdiction to act as its principal regulator under the proposed instrument. The OSC would continue to act as principal regulator under NP 12-201 and NP 43-201.

An alternative approach would be to deny access to the system to foreign issuers for whom the OSC is the principal regulator under MRRS. This would treat them the same as Ontario-based issuers.

CSA request comments on which alternative we should follow for foreign issuers.

HOW TO PROVIDE YOUR COMMENTS

Please provide your comments by **July 27, 2005** by addressing your submission to the regulators listed below:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission
Office of the Attorney General, Prince Edward Island
Financial Services Regulation Division, Consumer and Commercial Affairs Branch, Department of Government Services, Newfoundland and Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

You do not need to deliver your comments to all of the regulators publishing the proposed instrument and proposed amendments. Please deliver your comments to the two addresses that follow, and they will be distributed to the other jurisdictions:

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If you are not sending your comments by e-mail, please send a diskette or CD containing your comments in Word.

We cannot keep submissions confidential because securities legislation in certain provinces requires that a summary of the written comments received during the comment period be published.

QUESTIONS
Please refer your questions to any of:

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