

Annex B

Proposed Companion Policy 51-519 *Promotional Activity Disclosure Requirements*

Introduction

The purpose of this Companion Policy is to provide guidance on how the British Columbia Securities Commission interprets or applies certain provisions of BC Instrument 51-519 *Promotional Activity Disclosure Requirements* (the Instrument). This Companion Policy includes explanations, discussion and examples of the application of various parts of the Instrument.

Definitions

Unless defined in the Instrument, terms used in the Instrument and this Companion Policy have the meanings given to them in the *Securities Act* (British Columbia) (the Act).

Application

The Instrument does not apply to persons registered under the Act or certain persons exempt from registration. Registrants have obligations under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* to disclose conflicts of interest. Registrants who engage in promotional activity when involved in outside business activities, as described section 13.4 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, must comply with the Instrument.

Real and substantial connection to the Province

In accordance with principles established in Canadian case law, a person engages in promotional activity in the Province where the promotional activity takes place within or is conducted from the Province, or where the activity otherwise has a real and substantial connection to the Province. The following are generally the factors a person should consider when assessing whether their promotional activity has a real and substantial connection to the Province;

- (a) the activity is directed or targeted at a person in the Province;
- (b) the activity relates to a security of an issuer that is a reporting issuer in the Province;
- (c) the activity relates to a security of an issuer listed on an exchange that is a recognized under section 24 of the Act;
- (d) the activity relates to a security of an issuer whose business is directed or administered from, and the operations of the issuer are conducted in, the Province;

- (e) the activity relates to a derivative of a counterparty whose business is directed or administered from the Province or who is resident in the Province.

Disclosure in oral or written communications

Subsection 6(b) requires disclosure of all direct or indirect compensation, economic or financial reward or gift that is paid, payable, awarded, granted, given or otherwise provided for, or in connection with, the promotional activity. This includes any future compensation the payment of which is contingent upon the occurrence of certain events, for example the price of a security or derivative.

MD&A disclosure

The obligation in section 8 of the Instrument for certain venture issuers to provide a breakdown of promotional activity expenditures in their annual or interim MD&A is in addition to any disclosure that may be required under section 5.3 of National Instrument 51-102 *Continuous Disclosure Obligations*.