

**CSA Notice and Request for Comment  
Proposed Amendments to Certain National and Multilateral  
Instruments and Policies  
Related to the Recognition of Aequitas Neo Exchange Inc.**

**December 11, 2014**

**Introduction**

The Canadian Securities Administrators (the **CSA** or **we**) are publishing for a 90 day comment period proposed amendments (the **Proposed Amendments**) to:

- National Instrument 41-101 *General Prospectus Requirements* (**NI 41-101**)
- National Instrument 44-101 *Short Form Prospectus Distributions* (**NI 44-101**)
- National Instrument 45-106 *Prospectus and Registration Exemptions* (**NI 45-106**)
- National Policy 46-201 *Escrow for Initial Public Offerings* (**NP 46-201**)
- National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**)
- Except in Ontario, Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets* (**MI 51-105**)
- National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (**NI 52-109**)
- National Instrument 52-110 *Audit Committees* (**NI 52-110**)
- National Instrument 58-101 *Disclosure of Corporate Governance Practices* (**NI 58-101**)
- In Ontario and Québec, Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (**MI 61-101**)
- National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (**NI 71-102**)
- National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**)

The text of the Proposed Amendments is contained in Annexes A through L of this notice and will also be available on websites of CSA jurisdictions, including:

[www.bsc.bc.ca](http://www.bsc.bc.ca)  
[www.albertasecurities.com](http://www.albertasecurities.com)  
[www.fcaa.gov.sk.ca](http://www.fcaa.gov.sk.ca)  
[www.msc.gov.mb.ca](http://www.msc.gov.mb.ca)  
[www.osc.gov.on.ca](http://www.osc.gov.on.ca)  
[www.lautorite.qc.ca](http://www.lautorite.qc.ca)  
[www.fcnb.ca](http://www.fcnb.ca)  
[www.gov.pe.ca/securities](http://www.gov.pe.ca/securities)  
[nssc.novascotia.ca](http://nssc.novascotia.ca)  
[www.gov.nl.ca/gs](http://www.gov.nl.ca/gs)  
[www.justice.gov.nt.ca/SecuritiesRegistry](http://www.justice.gov.nt.ca/SecuritiesRegistry)  
[www.community.gov.yk.ca](http://www.community.gov.yk.ca)  
[www.justice.gov.nu.ca](http://www.justice.gov.nu.ca)

## **Substance and Purpose**

The Proposed Amendments are intended to address the differences in treatment of certain reporting issuers under current securities legislation that have arisen or will arise as a result of references to specific exchanges under current securities legislation and the recognition of Aequitas Neo Exchange Inc. (Aequitas Neo Exchange) as an exchange pursuant to section 21 of the Securities Act (Ontario) and the exemption from the requirement to be recognized in other jurisdictions, namely British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut. The Proposed Amendments aim to ensure that securities legislation applies consistently to issuers listed on Aequitas Neo Exchange and issuers listed on other senior recognized exchanges. Investors will benefit directly from the Proposed Amendments as issuers listed on Aequitas Neo Exchange will be subject to the same regulatory requirements as issuers listed on other senior recognized exchanges and the industry will benefit from a harmonized regulatory regime.

## **Background**

By order dated November 13, 2014, the Ontario Securities Commission (**OSC**) approved the recognition of Aequitas Innovations Inc. (**Aequitas**) and Aequitas Neo Exchange as an exchange pursuant to section 21 of the *Securities Act* (Ontario), subject to certain terms and conditions (the **Recognition Order**). The Recognition Order will be effective as of March 1, 2015. Aequitas Neo Exchange operates an electronic, automated exchange to trade securities of qualified senior issuers listed on Aequitas Neo Exchange as well as those listed on other recognized exchanges. Aequitas is the sole parent company of Aequitas Neo Exchange, and was recognized as an exchange for the purpose of complying with the terms and conditions set out in the recognition order published by the OSC. The securities regulatory authorities in British Columbia, Alberta,

Saskatchewan, Manitoba, Québec, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut have exempted or are in the process of exempting Aequitas and Aequitas Neo Exchange from the requirement to be recognized as a stock exchange, exchange or self-regulatory organization, with such exemption being subject to certain conditions, including that: (i) Aequitas and Aequitas Neo Exchange will continue to be recognized as an exchange by the OSC and to comply with the terms and conditions of the Recognition Order; and (ii) Aequitas Neo Exchange will be subject to the oversight program established by the OSC from time to time in accordance with the provisions of the *Memorandum of Understanding respecting the Oversight of Exchanges and Quotation and Trade Reporting Systems* which took effect on January 1<sup>st</sup>, 2010 among the Alberta Securities Commission, Autorité des marchés financiers, British Columbia Securities Commission, Manitoba Securities Commission, the OSC and Saskatchewan Financial Services Commission.

Currently, certain definitions, requirements or exemptions in securities legislation do not apply to Aequitas Neo Exchange. The recognition of Aequitas Neo Exchange has several implications for issuers which the Proposed Amendments will address. For example, without the Proposed Amendments, issuers listing on Aequitas Neo Exchange will be “venture issuers”, notwithstanding that such issuers are more appropriately classified as issuers that are not venture issuers under applicable Canadian securities law. Secondly, without the Proposed Amendments, issuers listing solely on Aequitas Neo Exchange will not be qualified to file a prospectus in the form of a short form prospectus, as Aequitas Neo Exchange is not included in the definition of “short form eligible exchange” under NI 44-101. The Proposed Amendments must be made to ensure that securities legislation applies equally to issuers listed on other recognized senior exchanges and issuers listing on Aequitas Neo Exchange.

### **Summary of the Proposed Amendments**

The Proposed Amendments include:

- referencing Aequitas Neo Exchange in the definitions of “venture issuer”, “IPO venture issuer”, “personal information form”, “listed issuer”, “short form eligible exchange” and “OTC issuer” and adding a definition for “Aequitas personal information form” in the applicable national and multilateral instruments listed above,
- changing certain provisions contained in NP 46-201 for the purpose of describing certain issuers listing on Aequitas Neo Exchange as being either exempt issuers or established issuers (as such terms are described in NP 46-201),
- amending MI 61-101 to include Aequitas Neo Exchange in the list of specified markets identified in certain sections, and

- amending NI 71-102 to update and expand the list of Canadian exchanges (including Aequitas Neo Exchange) in certain sections.

### **Existing Security Holder Prospectus Exemptions**

The securities regulatory authorities in British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Prince Edward Island, Nova Scotia, Yukon, Northwest Territories and Nunavut have adopted a prospectus exemption that, subject to certain conditions, allows issuers listed on specified exchanges to raise money by distributing securities to their existing security holders (the “Existing Security Holder Prospectus Exemption”). The list of specified exchanges in the definition of “listed security” in the Existing Security Holder Prospectus Exemption does not contemplate Aequitas Neo Exchange. On November 27, 2014, the OSC published in final an exemption that is substantially similar to the Existing Security Holder Prospectus Exemption, which includes reference to Aequitas Neo Exchange in the list of specified exchanges under the definition of “listed security” contained therein. CSA staff recommend that issuers listed on Aequitas Neo Exchange be able to use the Existing Security Holder Prospectus Exemption and accordingly intend to seek approval to amend the relevant rules or revise the blanket orders as necessary to ensure that the Existing Security Holder Prospectus Exemption is consistent with the Proposed Amendments.

### **Interim Measures**

As discussed above, until the Proposed Amendments are effective, issuers listed on Aequitas Neo Exchange will be “venture issuers” under securities legislation, even though such issuers are more appropriately classified as non-venture issuers. During this period certain interim measures will be taken. Firstly, issuers intending to list on Aequitas Neo Exchange will provide an undertaking that they will comply with Canadian securities legislation as applicable to non-venture issuers. Secondly, other than in Ontario, CSA jurisdictions will issue blanket orders relieving issuers listed on Aequitas Neo Exchange from the requirements pertaining to venture issuers. In Ontario, issuers will gain such relief by application.

### **Designation Orders**

Subsection 4.8(2) of Multilateral Instrument 62-104 *Take-over Bids and Issuer Bids* (MI 62-104) and subsection 101.2(1) of the *Securities Act* (Ontario) provide an exemption from certain issuer bid requirements for issuer bids that are made through the facilities of a designated exchange. CSA jurisdictions have issued or are in the process of issuing orders designating Aequitas Neo Exchange to be a designated exchange for the purpose of MI 62-104 or the *Securities Act* (Ontario), as applicable.

### **Anticipated Costs and Benefits**

We expect the Proposed Amendments to contribute to the maintenance of a harmonized regulatory regime by treating issuers listed on Aequitas Neo Exchange in the same

manner as those listed on other recognized senior exchanges. We do not expect any costs to be associated with the Proposed Amendments because issuers listed on Aequitas Neo Exchange will already be complying with the same requirements as issuers listed on other senior recognized exchanges as a result of the interim measures discussed above.

### **Alternatives Considered**

No alternatives to the Proposed Amendments were considered.

### **Unpublished Materials**

In developing the Proposed Amendments, we have not relied on any significant unpublished study, report, or other written materials.

### **Local Notices**

Annex M is being published in any local jurisdiction that is making related changes to local securities laws, including local notices or other policy instruments in that jurisdiction. It also includes any additional information that is relevant to that jurisdiction only.

### **Request for Comments**

Please submit your comments in writing on or before March 11, 2015. If you are sending your comments by e-mail, please also send an electronic file containing the submissions (in Microsoft Word format).

Address your submission to all of the CSA as follows:

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority (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

Deliver your comments **only** to the addresses below. Your comments will be distributed to the other participating CSA.

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
22nd Floor  
Toronto, Ontario, M5H 3S8  
Fax: 416-593-2318  
comments@osc.gov.on.ca

M<sup>e</sup> Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22e étage  
C.P. 246, tour de la Bourse  
Montréal (Québec) H4Z 1G3  
Fax : 514-864-6381  
consultation-en-cours@lautorite.qc.ca

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

### **Contents of Annexes**

The following annexes form part of this CSA Notice:

The Proposed Amendments are set out in the following annexes to this Notice:

Annex A	Proposed Amendments to NI 41-101
Annex B	Proposed Amendments to NI 44-101
Annex C	Proposed Amendments to NI 45-106
Annex D	Proposed Changes to NP 46-201
Annex E	Proposed Amendments to NI 51-102
Annex F	Proposed Amendments to MI 51-105
Annex G	Proposed Amendments to NI 52-109
Annex H	Proposed Amendments to NI 52-110
Annex I	Proposed Amendments to NI 58-101
Annex J	Proposed Amendments to MI 61-101
Annex K	Proposed Amendments to NI 71-102
Annex L	Proposed Amendments to NI 81-101
Annex M	Local Matters

## Questions

Please refer your questions to any of the following:

### *Ontario*

Steven Oh  
Legal Counsel, Corporate Finance  
Ontario Securities Commission  
416-595-8778  
soh@osc.gov.on.ca

### *British Columbia*

Victoria Steeves  
Senior Legal Counsel  
British Columbia Securities  
Commission  
604-899-6791  
vsteeves@bcsc.bc.ca

### *Alberta*

Lanion Beck  
Legal Counsel  
Alberta Securities Commission  
403-355-3884  
lanion.beck@asc.ca

### *Alberta*

Rajeeve Thakur  
Legal Counsel  
Alberta Securities Commission  
403-355-9032  
rajeeve.thakur@asc.ca

### *Québec*

Jacynthe Charpentier  
Avocate  
Autorité des marchés financiers  
514-395-0337 poste 4384  
jacynthe.charpentier@lautorite.qc.ca

### *New Brunswick*

Ella-Jane Loomis  
Legal Counsel  
Financial and Consumer Services  
Commission (New Brunswick)  
506-658-2602  
ella-jane.loomis@fcnb.ca

### *Manitoba*

Chris Besko  
Acting General Counsel and Acting  
Director  
The Manitoba Securities Commission  
204-945-2561  
chris.besko@gov.mb.ca

### *Saskatchewan*

Sonne Udemgba  
Deputy Director  
Financial and Consumer Affairs  
Authority of Saskatchewan  
306-787-5879  
sonne.udemgba@gov.sk.ca