

Annex E
Summary of Comments on the February 2014 Proposals

No.	Topic	Comments	Responses
Proposed Changes to the Current Reports			
1.	Prioritize harmonizing reporting obligations across Canada	Several commenters expressed concern that Canada has two separate forms for reporting exempt distributions: Form 45-106F6 in British Columbia and Form 45-106F1 in all other jurisdictions. These commenters expressed frustration that the CSA did not harmonize the forms and that issuers are required to file reports in multiple jurisdictions about the same transaction. These commenters asked that the CSA make it a priority to harmonize the forms and the filing requirements.	<p>The CSA recognizes the importance of having harmonized forms. The Proposed Report would be the required form across the CSA.</p> <p>For a cross-country distribution, we anticipate that an issuer or underwriter would be able to file the Proposed Report by completing the OSC's electronic form and subsequently filing a copy of the report generated by the OSC's system on BCSC eServices and SEDAR. Furthermore, an issuer or underwriter that prepares a report for filing on SEDAR would be able to file that same report on BCSC eServices and vice versa.</p> <p>A longer-term CSA project is underway to create a single integrated filing system for reports of exempt distribution.</p>
2.	Support for requiring additional information	One commenter agreed that the additional information required in the proposed amendments to Form 45-106F1 and Form 45-106F6 would be useful information for the regulators and should not be unduly burdensome for issuers to provide.	We acknowledge this comment of support.

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3.	Against requiring additional information	<p>Several commenters questioned whether it is necessary to require additional information in the reports of exempt distribution. These commenters expressed concern that requiring this additional information would increase the costs and time involved in capital raising. Other commenters were concerned that some of the additional disclosure requirements would raise privacy concerns.</p> <p>Some of these commenters identified that foreign issuers in particular may decide to exclude Canadian purchasers from their offerings because of these additional requirements. Some of these commenters identified specific areas of concern that are described below.</p>	<p>We received similar comments on the March 2014 Proposals. We have considered these comments in developing the Proposed Report.</p> <p>We think the additional information requested in the Proposed Report is necessary to enhance our understanding of distributions in the exempt market, including the activities of dealers and advisers. This would facilitate more effective regulatory oversight, enhance our compliance programs and inform future policy development.</p> <p>We have provided carve-outs from certain information requirements to:</p> <ul style="list-style-type: none"> • reporting issuers and their wholly owned subsidiaries, • foreign public issuers and their wholly owned subsidiaries, • issuers distributing eligible foreign securities only to permitted clients, and • investment fund issuers.
4.	Additional information requirements – persons being compensated, applicable categories of accredited investor, information about foreign distributions	<p>Several commenters questioned whether it is necessary to require the following additional information in the report of exempt distribution:</p> <ul style="list-style-type: none"> • naming each person being compensated for the distribution, • identifying all applicable categories of accredited investor that the purchaser qualifies under, and • disclosing each Canadian and foreign jurisdiction where purchasers reside. 	<p>We received similar comments on the March 2014 Proposals. We considered these concerns when developing the Proposed Report.</p> <p>In particular, we have amended the requirements in the Proposed Report to address some of these concerns, as follows:</p> <ul style="list-style-type: none"> • We have clarified that disclosure about compensation is limited to payments made by the issuer directly. For example, if the issuer compensates a firm, the issuer would only be required to report this information, not details of how the firm compensated its

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			<p>employees on an individual basis.</p> <ul style="list-style-type: none"> • The Proposed Report would only require issuers to identify one category of accredited investor that applies to the purchaser in Schedule 2. The issuer or underwriter would no longer be required to list all paragraphs that may apply to the purchaser. • We have clarified that issuers located outside of Canada would only be required to disclose information about distributions to purchasers resident in Canada. • We have provided carve-outs from certain disclosure requirements for: <ul style="list-style-type: none"> ○ reporting issuers and their wholly owned subsidiaries, ○ foreign public issuers and their wholly owned subsidiaries, ○ issuers distributing eligible foreign securities only to permitted clients, and ○ investment fund issuers.
5.	Additional information requirements – beneficial owners of fully managed accounts	Two commenters questioned whether it is necessary for issuers to disclose the beneficial owner of fully managed accounts.	<p>We received similar comments on the March 2014 Proposals.</p> <p>This is not a new requirement. The Current Reports require issuers to give information about the beneficial owner, even when a registered portfolio manager or trust company is purchasing on behalf of a fully managed account. We use this information in our oversight of registered advisers and to assist with our compliance functions.</p>

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6.	Additional information requirements – whether purchaser or person compensated is a registrant or an insider of the issuer	Several commenters questioned whether it is necessary for issuers to identify whether any persons being compensated and any purchasers are registrants or insiders of the issuer. These commenters thought this information may be administratively burdensome, particularly for foreign issuers.	<p>This information is already required in Form 45-106F6 in British Columbia and would be required in the Proposed Report.</p> <p>The Proposed Report would also require information about whether the person being compensated is an employee of, or connected to, the issuer. The additional information about persons being compensated would enable the CSA to assess the prevalence of financial relationships among companies. Having detailed information about these arrangements would allow us to enhance our existing compliance oversight program of the exempt market, as well as make future improvements to securities regulations impacting the exempt market.</p> <p>We think information about whether a purchaser is an insider of the issuer or a registrant would be useful for identifying connections between distributions and issuers that would facilitate our oversight of the exempt market and enhance our compliance programs.</p>
7.	Filing reports in more than one jurisdiction	Two commenters did not agree with the direction in Form 45-106F1 that, if distributions are made in more than one jurisdiction, the issuer or underwriter must complete a single report identifying all distributions and file that report in all jurisdictions in which the distributions were made. One of these commenters did not agree that this should be mandatory; they suggested it be optional for the issuer or underwriter. These same commenters requested that the CSA specify which jurisdictions require reporting by issuers resident in the	<p>We received similar comments on the March 2014 Proposals.</p> <p>This direction already exists in Form 45-106F1. It reflects the position of many CSA jurisdictions concerning when a distribution occurs.</p> <p>The Proposed Report provides more guidance on when a distribution occurs and also clarifies that issuers located outside of Canada are only required to provide information about distributions to purchasers resident in Canada.</p>

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		jurisdiction to purchasers outside the jurisdiction.	Many jurisdictions currently use this information to understand how and where issuers in their jurisdiction are accessing capital and for compliance purposes.
8.	Provide more data and transparency about the exempt market and compliance issues in the exempt market	Two commenters suggested that the CSA should make data about the use of prospectus exemptions available to the public. These commenters also suggested that the CSA should be more transparent about compliance issues in the exempt market.	<p>There is a separate initiative in applicable jurisdictions to make the reports of exempt distribution publicly available on SEDAR when a distribution occurs in CSA jurisdictions other than British Columbia and Ontario. In British Columbia, reports of exempt distribution are already publicly available on the BCSC's website. In Ontario, it is anticipated that information regarding exempt market activity would be available electronically on the OSC's website.</p> <p>As noted in the Proposed Report, Schedule 1 and Schedule 2 would not be placed on the public file of any securities regulatory authority or regulator.</p>
9.	Protection of personal information	Two commenters commented that certain information requested in the February 2014 Proposals was personal in nature and should not be publicly available, particularly concerning purchasers. One of the commenters expressed concern about the risk of inadvertent disclosure of personal information. The other commenter stated that Form 45-106F6 already makes too much purchaser information publicly available.	The Proposed Report has been designed to ensure that personal information would be reported in schedules that would be kept confidential. This includes all specific purchaser information.