



BC Notice 2003/21

**Publication for Comment of  
Proposed Continuous Disclosure Rule and  
Proposed Foreign Issuer Continuous Disclosure Rule**

The Commission, together with other members of the Canadian Securities Administrators (CSA), is publishing revised versions of proposed National Instrument 51-102 *Continuous Disclosure Obligations*, related forms and a proposed companion policy (collectively, NI 51-102) for comment. The CSA is also publishing revised versions of proposed National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* and a proposed companion policy (NI 71-102 and, together with NI 51-102, the Proposed National Instruments) for comment.

The CSA intend that the Proposed National Instruments be implemented as rules, regulations, instruments or other appropriate instruments in each CSA jurisdiction.

We are also publishing for comment, revised versions of proposed consequential amendments to the *Securities Rules* that would be necessary once the Proposed National Instruments became effective. The consequential amendments are attached to this BC Notice as Appendix A.

**Consequential amendments**

The consequential amendments to the *Securities Rules* would repeal sections of the *Securities Rules* that address matters covered by NI 51-102, NI 71-102 and proposed National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Report Currency* (NI 52-107).

Specifically, the following requirements would be removed from the *Securities Rules* for all issuers, other than issuers that are investment funds as defined in NI 51-102:

- the interim and annual financial statement preparation, filing and delivery requirements
- the requirement to file records sent to securityholders or filed with other regulatory bodies
- the requirement to make an annual filing in lieu of an information circular

The consequential amendments would also remove the concept of *finance issuer* from the Rules, and would refer persons to NI 52-107 for guidance on the preparation of financial statements.

### **The BC Model**

On April 15, the Commission published for comment the BC Model – Draft Legislation and Guides, which includes provisions for continuous disclosure requirements and exemptions for certain foreign issuers from those requirements.

The draft legislation presents the current policy view of the Commission. It contemplates that continuous disclosure requirements in British Columbia will include financial disclosure, change of auditor requirements, management discussion and analysis, proxy solicitation and certain additional filing requirements. The draft legislation does not include provisions corresponding to some parts of NI 51-102, such as material change reports, business acquisition reports, and restricted share disclosure requirements. Instead of material change reports, the draft legislation would require all material information to be disclosed in press releases. It would also require every issuer to file an *AIF*, using a form that is somewhat different from Form 51-102F1 *AIF*. The draft legislation would also exempt many foreign issuers from continuous disclosure requirements. The exemptions would be simpler and broader than those proposed in NI 71-102. Appendix B to this notice sets out more fully the major differences between the requirements in the Proposed National Instruments and the BCSC draft legislation.

The Commission has not yet decided whether to adopt NI 51-102 with the appropriate carve-outs, or opt out of the instrument and implement our own continuous disclosure requirements in our *Securities Rules*. We will make that decision after considering the comments we receive on NI 51-102 and on our draft legislation.

The Commission will be refining our legislative proposals in the next few months based on comments we receive, further consultations with market participants, our internal analysis of implementation issues, and a consideration of the interaction with other Canadian initiatives to reform securities regulation. We are committed to make a recommendation to the provincial government by December 2003 on new securities legislation for British Columbia.

You can view the BCSC draft legislation and related documents at, and order hard copies from, our website at <http://www.bcsc.bc.ca/bcproposals>.

## **Comments**

The attached CSA Notices describe where your comments and questions relating to the Proposed National Instruments can be directed. All comments received by August 19, 2003 will be considered.

June 20, 2003

Douglas M. Hyndman  
Chair

Ref: National Instrument 51-102 *Continuous Disclosure Obligations*  
Form 51-102F1 *AIF*  
Form 51-102F2 *Management's Discussion & Analysis*  
Form 51-102F3 *Material Change Report*  
Form 51-102F4 *Business Acquisition Report*  
Form 51-102F5 *Information Circular*  
Form 51-102F6 *Statement of Executive Compensation*  
Companion Policy 51-102CP *Continuous Disclosure Obligations*  
National Instrument 71-102 *Continuous Disclosure and Other Exemptions*  
*Relating to Foreign Issuers*  
Companion Policy 71-102CP *Continuous Disclosure and Other Exemptions*  
*Relating to Foreign Issuers*  
National Instrument 52-107 *Acceptable Accounting Principles, Auditing*  
*Standards and Report Currency*  
Consequential amendments to the *Securities Rules*

*This Notice may refer to other documents. These documents can be found at the B.C. Securities Commission public website at [www.bcsc.bc.ca](http://www.bcsc.bc.ca) in the Commission Documents database or the Historical Documents database.*

## Appendix A

### Proposed Amendments to the *Securities Rules*

1. Subsection 1(1) of the *Securities Rules*, B.C. Reg. 194/97, is amended by
  - (a) repealing the definition of “finance issuer”
  - (b) adding the following definitions
    - (i) “group scholarship plan” means a group scholarship plan as defined in NI 51-102,
    - (ii) “investment fund” means an investment fund as defined in NI 51-102,
    - (iii) “NI 51-102” means National Instrument 51-102 *Continuous Disclosure Obligations*,
    - (iv) “NI 52-107” means National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*,
    - (v) “NI 71-102” means National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*, and
    - (vi) “non-redeemable investment fund” means a non-redeemable investment fund as defined in NI 51-102.
2. Section 1(2) is amended by repealing the definitions of “Canadian public accountant’s report”, “foreign public accountant’s report”, “public accountant” and “public accountant’s report”.
3. Section 2 is repealed and replaced by the following:

#### **Foreign financial statements and reports**

2 (1) Unless otherwise permitted by NI 52-107, an issuer that is incorporated or organized in a jurisdiction other than Canada or a province of Canada must, before filing any of the following, obtain the written consent of the executive director and comply with any conditions the executive director may impose:

- (a) financial statements prepared in accordance with foreign GAAP; or

(b) financial statements accompanied by a foreign auditor's report.

(2) Unless otherwise permitted by NI 52-107, if financial statements are prepared in accordance with foreign GAAP, the notes to the financial statements must state which accounting principles have been applied and explain and quantify any significant differences between the foreign GAAP and Canadian GAAP.

(3) Unless otherwise permitted for by NI 52-107, if an audit is performed on an issuer's financial statements and the auditor's report on those financial statements is prepared in accordance with foreign GAAS, the auditor's report must explain any significant differences between the foreign GAAS and Canadian GAAS.

4. Section 3 is repealed and replaced by the following:

### **Preparation of financial statements**

3 (1) Subsections (4), (5), (6), (10), (11), (12), (13), (14) and (15) do not apply to financial statements that comply with NI 52-107.

(2) For the purposes of subsection (3), "joint regulatory bodies" means the Montreal Exchange, the Toronto Stock Exchange, the TSX Venture Exchange and the Investment Dealers Association of Canada.

(3) Subject to any contrary provision of the Act or the regulations, the interpretations, statements, schedules, notes and instructions approved and issued by the joint regulatory bodies for the purpose of their members completing a Joint Regulatory Financial Questionnaire and Report, as amended from time to time, are incorporated by reference as part of these rules.

(4) Subject to subsections (8) and (9), the financial statements required by the Act or the regulations must be prepared in accordance with generally accepted accounting principles and with any applicable provision of the Act or the regulations.

(5) Subject to sections 99, 103 (2), 111 (1), 113 (2), 144 (3) and 148 (2), a person that is required to file financial statements under the Act or the regulations must include an auditor's report on them prepared by a person that is qualified under subsection (6) to make the auditor's report.

(6) A person is qualified to make an auditor's report referred to in subsection (5) only if the person is independent of the person that is required to file the financial statements and

(a) the person is a member, or is a partnership whose partners are members, in good standing of, and is authorized to carry on the practice of

public accounting by, the institute of chartered accountants of a province or territory of Canada,

(b) the person is a member, or is a partnership whose partners are members, in good standing of, and is authorized to carry on the practice of public accounting by, the Certified General Accountants Association of British Columbia,

(c) the person is certified as an auditor by the Auditor Certification Board established under section 181 of the *Company Act*, or

(d) the person

(i) has qualifications as an auditor that the executive director considers are similar to the qualifications for membership in the Institute of Chartered Accountants of British Columbia or the Certified General Accountants Association of British Columbia, and

(ii) is authorized, by the appropriate authority in the jurisdiction in which the auditor is qualified, to carry on the practice of public accounting, and to report on the financial statements of issuers.

(7) Subject to subsections (8) and (9), if financial statements permitted or required by the Act or the regulations are required to include an auditor's report, the audit must be performed and the auditor must prepare the report in accordance with generally accepted auditing standards and with any applicable provisions of the Act or the regulations.

(8) The executive director may vary or waive the application of a provision of this Part with respect to an issuer if the executive director considers that to do so would not be prejudicial to the public interest.

(9) On application by an issuer or on the commission's own motion, the commission may order that an issuer or class of issuers is exempt from a provision of this Part, if the commission considers that to do so would not be prejudicial to the public interest.

(10) A schedule or note to financial statements must contain,

(a) if the period or date presented is a financial year or a financial year end, and the issuer is an investment issuer or an issuer that is in the development stage, an analysis of shares, bonds, debentures and other investments held by the issuer at the end of its financial year showing separately

- (i) the name of each issuer of the securities held,
- (ii) the class or designation of each security held,
- (iii) the number of each class of shares or aggregate face value of each class of other securities held, and
- (iv) the cost and market value of each class of securities held and, if the carrying value is other than average cost, the basis of valuation, and

(b) in the case of an issuer that is in the development stage, for each period required to be covered by an income statement or a statement of changes in financial position, an analysis of each of exploration, research, development and administration costs, whether expensed or deferred, and, if the issuer is a natural resource issuer, that analysis for each material property.

(11) Comparative financial statements must be presented on a period by period basis and be compiled as a single set of financial statements with supporting schedules and notes.

(12) Financial statements, including tabular notes to financial statements, must be presented consistently from left to right or right to left in the same chronological order.

(13) If an issuer is required by its incorporating or organizing legislation, or by the rules or policies of an exchange on which the securities of the issuer are listed, to have an audit committee of its directors, the financial statements required to be filed by the Act or the regulations must be reviewed by the audit committee before being submitted to the board of directors of the issuer for approval.

(14) The financial statements required to be filed by an issuer under the Act or the regulations,

(a) if the issuer is a corporation, must be approved by the directors and the approval evidenced by the signature, or facsimile of the signature, of 2 directors duly authorized to evidence the approval,

(b) if the issuer is a limited partnership, must be approved by the general partner and the approval evidenced by the signature, or facsimile of the signature, of the general partner, or

(c) if the issuer is a mutual fund that is a trust, must be approved and the approval evidenced in accordance with NI 81-102.

(15) If an issuer is permitted or required to file financial statements of any other person, the Act or the regulations apply, as appropriate, to the financial statements of such other person.

5. Paragraph 11(2)(b) is repealed.

6. Paragraph 120(2)(h) is repealed.

7. Section 144 is amended by:

(a) in subsection (1), striking out “other than a mutual fund” and substituting “that is a non-redeemable investment fund or group scholarship plan”;

(b) in subsection (3), striking out “an auditor’s or public accountant’s report,” and substituting “an auditor’s report, review engagement report or notice to reader,”

(c) in subsection (8), striking out “including a” and substituting “that is a non-redeemable investment fund or group scholarship plan, or”.

8. Section 145 is amended by, in subsection (1), striking out “, including” and substituting “that is a non-redeemable investment fund or group scholarship plan, or”.

9. Section 146 is repealed and replaced with the following:

**Change in ending date of financial year.**

146. If a mutual fund in British Columbia that is a non-redeemable investment fund or group scholarship plan proposes to make a change in the ending date of its financial year, it must file a notice of the change and the reasons for it on or before the earlier of

(a) the new date elected for the financial year end, or

(b) the 360th day after the end of the latest financial year for which financial statements were required to be filed under Part 4 of NI 51-102 or section 145.

10. Section 150 is repealed.

11. Section 152 is amended by inserting the words “that is a non-redeemable investment fund or group scholarship plan” after the words “exchange issuer”.



12. Section 153 is repealed and replaced with the following:

**Filing of material sent to security holders or filed in other jurisdictions**

153. (1) Subject to subsection (3), every reporting issuer that is an investment fund must file a copy of any record that it

(a) sends to its security holders, or

(b) files with a government of another jurisdiction, or an agency of that government, or with an exchange wherever situate, under the securities or corporate law of that jurisdiction or under the bylaws, rules, other regulatory instruments or policies of that exchange, if the record contains information that is

(i) not already filed with the commission, whether in the same or a different form, and

(ii) (ii) material to investors.

(2) A reporting issuer that is an investment fund must file the records under subsection (1) within 7 days after the issuer

(a) sends the records referred to in subsection (1)(a) to its security holders, or

(b) files the records referred to in subsection (1)(b) with the comparable body or exchange.

(3) Subject to the National Instrument entitled "System for Electronic Document Analysis and Retrieval (SEDAR)", a reporting issuer that is an investment fund must file a record under subsection (1) in duplicate if the record concerns a takeover bid.

13. Section 154 is repealed and replaced with the following:

**Filing of records filed in another jurisdiction**

154. If the laws of the jurisdiction in which a reporting issuer that is an investment fund carries on business or in which the reporting issuer was incorporated, organized or continued require the reporting issuer to file substantially the same information in that jurisdiction as is required by these rules, the reporting issuer may comply with the filing requirements of these rules by filing a copy of the press release, timely disclosure report, information circular or financial statements and auditor's report, as the case may be, required by that jurisdiction, provided that such records are signed and certified in accordance with section 189.

14. Section 183(1) is amended by striking out the word “person” wherever it appears and substituting the words “investment fund”.
15. Section 184 is amended by:
  - (a) in subsection (1), inserting the words “that is an investment fund” after the words “reporting issuer” wherever they appear”; and
  - (b) in subsection (2), striking out “the reporting issuer” and substituting “a reporting issuer that is an investment fund”.
16. BC Instruments 52-504 *Directors Review of Interim Financial Statements*, 52-505 *Exemption from the Requirement to Send Interim Financial Statements and Quarterly Reports to Security Holders of a Reporting Issuer*, 52-506 *Exemption for Finance Issuers from the Requirement to File Report* and 52-507 *Audit Committee Review of Interim Financial Statements of Exchange Issuers*, are repealed.
17. National Instrument 62-102 *Disclosure of Outstanding Share Data*, B.C. Reg. 82/2000, is repealed.

## Appendix B

### Comparison of Requirements in NI 51-102 and NI 71-102 and BCSC Draft Legislation<sup>1</sup>

#### NI 51-102

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<b>Part 1 – Definitions</b> (selected key terms only)	
<b>Venture issuer</b> – Venture issuer status is relevant in several places in NI 51-102, including determining when financial statements must be filed, whether an annual information form (AIF) must be filed, and in calculating the significance of a business acquisition and preparing a business acquisition report. Status is determined at different points in time for different purposes. For financial statements (f/s), issuers can determine if they are venture issuers at the end of the relevant financial period. As a result, an issuer may change its status during a financial year.	Venture issuer – Venture issuer status is determined for only one purpose – when f/s must be filed. An issuer’s status is determined at the financial year-end only. An issuer whose status changes during the year will remain subject to its old filing deadlines for the balance of the year, unless it applies for an exemption.
<b>Part 4 – Financial Statements</b>	
4.1 – Issuer must file comparative <b>annual audited f/s</b> including income statements, statements of retained earnings, cash flow statements, balance sheets, and notes.	5A3 Rules – Issuer must file annual audited f/s. The f/s must be prepared in accordance with Canadian GAAP, or alternatively, US GAAP for a public issuer based in Canada whose securities are registered with the SEC. Canadian GAAP or US GAAP will govern the content of the f/s.
4.2 – <b>Filing deadline for annual f/s</b> – F/s must be filed by the earlier of (i) 120 days for venture issuers, or 90 days for other issuers, and (ii) date filed in a foreign jurisdiction	5A4 & 5A7 Rules – same.

<sup>1</sup> All of the obligations set out in NI 51-102 and the exemptions in NI 71-102 apply to “reporting issuers.” The obligations and exemptions in the BCSC draft legislation apply to “public issuers”.

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<p>4.3(1) and (2) – Issuer must file comparative <b>interim f/s</b>, including income statements, statements of retained earnings, cash flow statements, balance sheets and notes. Exemption for stub period in the first financial year. Definition of “interim period” contemplates periods in a transition year (where change in year end) that may not end 9, 6 or 3 months before the end of a financial year.</p>	<p>5A5 Rules – Public issuer must file interim f/s. As with the annual f/s, GAAP will govern the content of the statements. - No universal exemption for stub period. Because this situation usually occurs in an IPO context where staff are reviewing the initial AIF and f/s, exceptions may be made on a case by case basis- The final version of the draft legislation will include change of year end provisions, including an amendment to the definition of “interim period”.</p>
<p>4.3(3) – Issuer must disclose if an auditor has not <b>reviewed interim f/s</b>, or if the review resulted in a qualified or adverse communication or denial.</p>	<p>No corresponding requirement.</p>
<p>4.3(4) – An SEC issuer must restate and re-file previously filed interim f/s for the current year if it <b>changes from Canadian GAAP to US GAAP mid-year</b>.</p>	<p>No corresponding requirement.</p>
<p>4.4 – <b>Filing deadline for interim f/s</b> – the earlier of a) 60 days for venture issuers, or 45 days for other issuers, and b) date filed in a foreign jurisdiction</p>	<p>5A6 &amp; 5A7 Rules – same</p>
<p>4.5 – Annual and interim f/s must be <b>reviewed by audit committee</b>, if any, and <b>approved by board</b>.<sup>2</sup> No requirement to have an audit committee.</p>	<p>1C5 Rules – Board must approve annual and interim f/s before they are filed. 1C6 Rules – Must have an audit committee, and board may delegate approval of interim f/s to audit committee.</p>

<sup>2</sup> NI 51-102 does not impose a requirement for an issuer to have an audit committee. Certain members of the CSA expect to publish a separate rule for comment in 2003 relating to audit committees.

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<p>4.6 – Issuer must send annual request form to registered holders and beneficial owners of securities so they can <b>request a copy of f/s and MD&amp;A</b>. Except in special circumstances (for example, an information circular that incorporates a document by reference), other disclosure documents do not have to be delivered. If an issuer sends f/s in response to a request, the issuer must also send the corresponding MD&amp;A, and vice versa.</p>	<p>5E3 &amp; 5E4 Rules – Issuer must send <u>any</u> document in its continuous disclosure record to a securityholder on request. No requirement to send an annual request form, but issuer must disclose in its AIF or information circular that documents are available on request and how to obtain them.</p> <p>No requirement to also send MD&amp;A when f/s are requested or to send f/s when MD&amp;A are requested.</p>
<p>4.7 – <b>A new reporting issuer must file f/s</b> for the year or interim periods immediately following the periods of f/s included in its offering document or an information circular. The f/s must be filed by the later of (i) the deadlines normally required, and (ii) 20 days after the issuer became reporting, for annual f/s, and 10 days after it became reporting, for interim f/s. Interim f/s may omit comparatives for periods that ended prior to the issuer becoming reporting if impracticable to present, information available is presented, and the f/s notes explain the lack of consistency.</p>	<p>5A8 Rules -- same basic requirement</p> <p>5A8 Rules – The f/s must be filed by the later of a) the deadlines normally required and b) 20 days after the issuer became public issuer for both annual and interim f/s. GAAP will govern the content of the f/s. No universal exemption from comparatives.</p>
<p>4.8 – A reporting issuer must file a notice if it <b>changes its year-end</b> by more than 14 days setting out reason for the change, and the reporting periods and deadlines for f/s in the transition year and new financial year. The transition year cannot exceed 15 months. No interim f/s required for an interim period ending within one month of a year end. Comparatives specified for annual f/s for a new financial year following a transition year less than 9 months and for f/s for interim periods in a transition year.</p>	<p>No change in year-end provisions have been published, but provisions corresponding to those proposed in NI 51-102 will be included in the final version of the BC legislation.</p>

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<p>An SEC issuer that complies with US laws and files US materials is exempt from s.4.8.</p>	
<p>4.9 – A reporting issuer that is a party to a transaction resulting in a <b>change in corporate structure</b>, must file a notice including names of parties involved, parties that cease to be reporting, and periods for annual and interim f/s for the first year after the transaction.</p>	<p>No change in corporate structure provisions have been published, but provisions corresponding to those proposed in NI 51-102 will be included in the final version of the BC legislation.</p>
<p>4.10 – A reporting issuer that was a party to a <b>reverse takeover transaction</b> must:</p> <ul style="list-style-type: none"><li>a) comply with change of year end requirements (s. 4.8) unless prior to the transaction, its year end was the same as the reverse takeover acquirer</li><li>b) prepare its f/s for all periods subsequent to the date of f/s in the info circular, as if the reverse takeover acquirer had always been the reporting issuer</li><li>c) file f/s for all periods ended prior to the transaction date, even if the filing deadline is after the transaction date</li></ul>	<p>No reverse takeover provisions have been published. We expect the substance of the provisions proposed in NI 51-102 to be included in the final version of the BC Issuers Guide.</p>
<p>Upon a <b>termination or resignation of its auditor</b>, a reporting issuer must:</p> <ul style="list-style-type: none"><li>1) within 10 days, prepare a notice disclosing who initiated the change, and describing any of the following events that occurred during the past two years:<ul style="list-style-type: none"><li>a) reservations in the former auditor’s reports on f/s</li><li>b) disagreements (difference of opinion between the auditor and issuer that either resulted in a reservation/qualification or denial of assurance, or would have resulted in the preceding if not resolved to the former auditor’s satisfaction),</li><li>c) consultations (written or oral advise from a successor auditor during the past two years that the</li></ul></li></ul>	<p>5A11 Rules - a public issuer that changes auditors must as soon as practicable following the change:</p> <ul style="list-style-type: none"><li>a) prepare and deliver to the former and successor auditors a report describing the reasons for the change, including any reason related to the content or presentation of the issuer’s f/s, and</li><li>b) issue and file a news release disclosing the change of auditor.</li></ul> <p>If a former or successor auditor believes the issuer’s report fails to fairly and fully state the reasons for the change, it must file a letter notifying the commission of the deficiency.</p>

successor concluded the issuer considered in decisions about applying accounting principles or policies, f/s disclosure, audit scope or procedure, or an auditor's report)(note that item c) disclosure may not be possible at this stage if the successor auditor has not been named within 10 days of termination/resignation of former auditor),

d) unresolved issues (any matter the former auditor has brought to an issuer's attention, and believes has, or could have, a material impact on the f/s or audit reports for the past two years, where the matter was not resolved or its implications concluded on, or the former auditor is unwilling to be associated with the f/s).

2) request the former auditor to review the notice and provide a letter indicating whether the auditor agrees, disagrees and why, or has no basis to agree/disagree with the notice contents

3) within 30 days of the termination or resignation, have its audit committee approve the notice and review the former auditor's letter, file the reporting package (notice plus former auditor's letter), and describe any reportable events in a news release

4) include the reporting package in an info circular provided to security-holders

Upon **appointment of a successor auditor**, a reporting issuer must:

5) prepare a notice (as per item 1 above)

6) request the successor auditor to review the notice and provide a letter indicating whether the auditor agrees, disagrees and why, or has no basis to agree/disagree with

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<p>the notice contents; request the former auditor to confirm or update the letter referred to in item (2)</p> <p>7) within 30 days of the appointment, have its audit committee approve the notice and review the successor auditor’s letter, file the reporting package (notice plus former auditor’s letter and successor auditor’s letter), and describe any reportable events in a news release.</p> <p>[Note that items 1) to 3) and items 5) to 7) may be done concurrently if appointment of the successor auditor occurs shortly after the termination/resignation of former auditor]</p> <p>A change of auditor is exempt from s. 4.11 if it:</p> <ul style="list-style-type: none"><li>a) resulted from a corporate reorganization transaction, where the change of auditor is disclosed and no reportable events occurred</li><li>b) is required by legislation governing the reporting issuer, or</li><li>c) arises from a reorganization of the auditor.</li></ul> <p>An SEC issuer is exempt from sec. 4.11 if it complies with US laws, issues a news release disclosing any reportable events, and files US materials.</p>	<p>The Draft Legislation requirements relating to a change of auditor do not apply to a change required by legislation or resulting from a reorganization, take over bid or business combination.</p> <p>The final version of the BC legislation will include an exemption for SEC issuers that comply with SEC change of auditor requirements.</p>
<p><b>Part 5 – Annual information form</b></p>	
<p>5.1 – All issuers, other than venture issuers, must file an AIF.<sup>3</sup> SEC issuers can use a Form 10-K, Form 10-KSB or Form 20-F.</p>	<p>5A2 Rules – All public issuers must file an AIF.</p> <p>7C1 Rules – Certain foreign issuers (those subject to the securities laws of the U.S., the U.K. or Australia, or with less than 10% of their shares held in Canada, whose principal market is outside Canada) can use their foreign disclosure documents, rather than file a BC form of AIF.</p>

<sup>3</sup> The form of AIF in NI 51-102 differs in some respects from the AIF prescribed by the BCSC draft legislation. This comparison does not include a comparison of the forms.



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<b>Part 6 – MD&amp;A</b>	No substantive differences are anticipated.
<b>Part 7 – Material Change Reporting</b>	<b>Material information reporting requirement</b>
7.1(1) and (2) – Issuers are required to issue and file a press release announcing a <b>material change</b> and, within 10 days, file a material change report.	5B1 Act – Issuers are required to issue and file a news release as soon as practicable if the continuous disclosure record does not contain all <b>material information</b> about the issuer and its securities. 5B2 Act – Provides a safe harbour for failure to disclose if an issuer exercised reasonable business judgment.
7.1(3) – An issuer can file confidentially, if the disclosure would be unduly detrimental to its interests.	5B1 Rules – An issuer can file confidentially if the disclosure would be unduly detrimental to its interests and the circumstances justifying non-disclosure are temporary.
7.1(5) - If an issuer files a confidential report, it must confirm every 10 days that the report should remain confidential, until the material change is generally disclosed.	No requirement to confirm that the report should remain confidential because staff monitor all outstanding confidential reports.
<b>Part 8 – Business acquisition report</b>	
In addition to any obligations under Part 7, a reporting issuer must file a <b>business acquisition report</b> within 75 days after completing a significant acquisition. <b>Venture issuers:</b> 1) calculate significance using the asset test and investment test (the tests are described below) 2) if significant at $\geq 40\%$ for one or more test, provide one year audited f/s for the acquired business with unaudited comparatives, and unaudited interim f/s for any subsequent interim periods	The draft legislation does not require f/s of an acquired business except in an initial AIF where an issuer’s “primary business” was acquired within 3 years before the AIF filing date. The Issuers Guide states: “an issuer involved in a acquisition or business combination that is material information must disclose sufficient information to enable an investor to appreciate the impact of the acquisition on the issuer and its business. In some cases, disclosing the financial statements of the acquired business may

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<p>3) provide pro forma f/s that combine the most recent annual and interim f/s of the issuer and acquired business</p> <p><b>Other issuers</b> (other than Venture issuers):</p> <ol style="list-style-type: none"><li>1) calculate significance using the asset, investment and income tests</li><li>2) if significant at <math>\geq 20\%</math> but <math>&lt; 40\%</math> for one or more test, provide one year audited f/s for the acquired business with unaudited comparatives, and unaudited interim f/s for any subsequent interim periods. If the acquisition is significant at <math>\geq 40\%</math>, provide two years audited f/s and unaudited interim f/s for any subsequent interim periods</li><li>3) provide pro forma f/s that combine the most recent annual and interim f/s of the issuer and acquired business</li></ol> <p><b>Significance tests</b> (referred to above):</p> <p>Asset test: compare assets of the acquired business to the issuer's assets</p> <p>Investment test: compare the issuer's investment in, and advances to, the acquired business to the issuer's assets</p> <p>Income test: compare issuer's share of the acquired business' income to the issuer's income</p> <p>"Flexibility provisions" for tests:</p> <ul style="list-style-type: none"><li>- optional significance tests, based on the three tests above, may be applied using more recent financial information; the optional tests allow an issuer to "outgrow" significance.</li><li>- may use average income for the last three years if income of the most recent year is lower by 20% than three-year average</li><li>- calculations may be based on unaudited f/s of the acquired business if f/s not previously audited.</li></ul> <p>Exemptions from complete historical f/s for significant acquisitions:</p> <ul style="list-style-type: none"><li>- may provide summarized audited financial information for acquisitions that will be accounted for by the equity method</li></ul>	<p>be the most meaningful way to disclose material information about the acquisition... Issuers providing disclosure to investors in connection with a major transaction may want to include pro forma financial statements." The Issuer's Guide provides general guidelines for preparation of <i>pro formas</i> including appropriate dates and adjustments and disclosure of assumptions.</p>
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- may provide an audited operating statement for an acquired interest in an oil and gas property if historical f/s do not exist or are not accessible and the acquisition is not an RTO.	
<b>Part 9 – Proxy solicitation and information circulars</b>	No substantive differences expected (except in executive compensation disclosure in information circular).
<b>Part 10 – Restricted share disclosure requirement</b>	No corresponding requirement.
<b>Part 11 – Additional Filing Requirements</b>	
11.1 – Issuers must <b>file a copy of any material sent to a majority of their public shareholders</b> , or filed with SEC (if an SEC issuer).	7E2 Rules – Certain foreign issuers must file any material information that they send to their securityholders or file with a marketplace or foreign regulator, if not already filed.
11.2 – An issuer must <b>file a notice if it becomes a venture issuer</b> or ceases to be a venture issuer.	5A10 Rules - Same requirement.
11.3 – Issuers, other than venture issuers, must <b>disclose the voting results</b> from their shareholders meetings.	No corresponding requirement.
11.4 – Issuers must <b>file any news releases</b> they issue that disclose financial results.	5B1 Act - A public issuer must issue and file a press release whenever it has material information to disclose (this will usually include financial results).

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<b>Part 12 – Filing of Material Documents</b>	
12.1 Issuers must file copies of their material documents (that is, articles of incorporation, by-laws, shareholder agreements, shareholders rights plans, and other contracts that create or materially affect the rights of the holders of a widely held class of securities).	No corresponding requirement. The guidance to the AIF form provides that the key features of the issuer’s securities and the key terms of its material agreements are likely to be material information that should be disclosed in the AIF.
<b>Part 13 – Exemptions</b> 13.3 – An exchangeable share issuer is exempted from NI 51-102, as long as its parent issuer files its continuous disclosure documents.	No corresponding exemption.

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<b>Part 1 – Definitions</b> (selected key terms only)	
<b>Eligible foreign reporting issuer</b> – an issuer not incorporated in Canada (other than an issuer that has more than 50% of its voting securities held by Canadians and (i) a majority of its executive officers or directors are resident in Canada, (ii) more than 50% of its assets are in Canada, or (iii) its business is administered principally in Canada).	<b>Foreign issuer</b> – an issuer whose principal market is outside Canada <b>Principal market</b> – for an issuer based in Canada whose securities trade in Canada, the market in Canada or a foreign market that has more than 60% of the annual trading of the issuer’s securities over each of the last 3 years; for any other issuer, the market with the highest trading volume in the issuer’s securities averaged over the last 3 years.
<b>SEC foreign issuer</b> – an eligible foreign reporting issuer that has a class of securities registered under the <i>Securities Exchange Act of 1934</i> (1934 Act).	<b>Exempt foreign issuer</b> – a foreign issuer with status corresponding to a public issuer in a designated jurisdiction (currently anticipated to be the US (SEC), UK and Australia).
<b>Designated foreign issuer</b> – an eligible foreign reporting issuer that does not have a class of securities registered under the 1934 Act, that is subject to foreign disclosure requirements in one of 15 named jurisdictions concerning disclosure made to the public, securityholders, or a foreign regulatory authority, and that has no more than 10% of its outstanding shares held by Canadians.	<b>Limited connection foreign issuer</b> – a foreign issuer with less than 10% of its outstanding shares held by Canadians
<b>Part 4 – SEC foreign issuers</b>	<b>Exempt foreign issuers</b>
4.2 – Exemption from the material change reporting requirements in NI 51-102 provided the SEC foreign issuer: 1) complies with US requirements, 2) issues and files in Canada any news release issued in the US to comply with the US material change reporting requirements, and 3) files any reports filed with the US.	7C1 Rules – Exemption from all continuous disclosure requirements provided the exempt foreign issuer: 1) files either the document it is required to file under the laws of its designated jurisdiction, or a notice advising that the document is available on the internet, 2) sends documents to BC securityholders at the same time and in the same manner as

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	<p>they are required to be sent to the foreign securityholders, 3) sends a copy of a continuous disclosure document to any BC securityholder that requests it, and 4) includes with the documents filed and sent a notice on the risks of investing in foreign issuers.</p>
<p>4.3 – Exemption from the f/s requirements (including those in NI 51-102) provided the SEC foreign issuer: 1) complies with US requirements, 2) files in Canada the f/s filed with the SEC or US market, 3) sends the f/s to BC securityholders at the same time and in the same manner as they are required to be sent to the foreign securityholders, and 4) complies with NI 52-107 <i>Acceptable Accounting Principles, Auditing Standards, and Reporting Currency</i>.</p>	<p>7C1 Rules – see above Also, 7C1(2) – Not required to comply with the provisions for acceptable accounting principles, auditing standards and auditors, and disclosure of reporting currencies, if the issuer complies with the corresponding requirements in its designated jurisdiction.</p>
<p>4.4 – Exemption from annual report, AIF, business acquisition report and MD&amp;A requirements provided the SEC foreign issuer: 1) complies with US requirements, 2) files in Canada the annual report, quarterly report, current report and MD&amp;A filed with the SEC, 3) sends the documents to BC securityholders at the same time and in the same manner as they are required to be sent to the foreign securityholders, and 4) complies with NI 52-107.</p>	<p>7C1 Rules – see above</p>
<p>4.5 – Exemption from proxy solicitation requirements provided the SEC foreign issuer: 1) complies with US requirements, 2) files in Canada any material relating to a meeting of securityholders filed with the SEC, 3) sends the documents to BC securityholders at the same time and in the same manner as</p>	<p>7C1 Rules – see above</p>

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they are required to be sent to the foreign securityholders, and 4) complies with NI 52-107.	
4.6 – Exemption for a person other than the SEC foreign issuer from the proxy solicitation requirements provided the person complies with section 4.5.	7C1(4) Rules – Exemption for a person making a takeover bid from the takeover bid requirements if the person 1) complies with the corresponding requirements in the designated jurisdiction 2) files either the document it is required to file under the laws of the designated jurisdiction, or a notice advising that the document is available on the internet, and 3) applies the requirements of the designated jurisdiction as if BC securityholders were resident in that jurisdiction. This exemption may be expanded when proxy solicitation provisions are incorporated into the draft legislation.
4.7 – Exemption from the requirements relating to disclosure of outstanding share data.	7C1 Rules – see above
4.8 – Exemption from the early warning requirements in respect of securities of an SEC foreign issuer.	No early warning provisions published. These will be developed with CSA as part of the takeover bid proposals.
4.9 – Exemption from the insider reporting requirement for insiders of SEC foreign issuers, if they comply with the US requirements, and file a copy of each insider report filed with the SEC.	7C1(3) Rules – Exemption for a securityholder from the insider reporting requirements if the holder complies with the corresponding requirements, if any, in the designated jurisdiction.
4.12 – Exemption from restricted share disclosure.	No corresponding requirement, so no corresponding exemption

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<b>Part 5 – Designated foreign issuers</b>	<b>Limited connection foreign issuers</b>
5.2 – Designated foreign issuers must disclose at least once a year in a document sent to its securityholders that it is a designated foreign issuer	7C3(1) Rules – Limited connection foreign issuers must file a Form 7C1/3/4 Notice by Foreign Issuer with their continuous disclosure documents.
5.3 – Exemption from material change reporting requirements provided the designated foreign issuer: 1) complies with its foreign requirements, 2) issues and files in Canada any news release issued to comply with the foreign material change reporting requirements, and 3) files any reports filed with the foreign regulatory authority or disseminated to the public.	7C3 Rules – Exemption from all continuous disclosure requirements provided the limited connection foreign issuer: 1) files either the document it is required to file under the laws of the jurisdiction of its principal market, or a notice advising that such document is available on the internet, 2) sends documents to BC securityholders at the same time and in the same manner as they are required to be sent to the foreign securityholders, 3) sends a copy of a continuous disclosure document to any BC securityholder that requests it, and 4) includes with the documents filed and sent a notice on the risks of investing in foreign issuers.
5.4 – Exemption from the f/s requirements provided the designated foreign issuer: 1) complies with foreign requirements, 2) files in Canada the f/s filed with the foreign regulatory authority, 3) sends the f/s to BC securityholders at the same time and in the same manner as they are required to be sent to the foreign securityholders, and 4) complies with NI 52-107 <i>Acceptable Accounting Principles, Auditing Standards, and Reporting Currency</i> .	7C3 Rules – see above Also, 7C3(2) – Not required to comply with the provisions for acceptable accounting principles, auditing standards and auditors, and disclosure of reporting currencies, if the issuer complies with the corresponding requirements in the jurisdiction of its principal market.



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<p>5.5 – Exemption from annual report, AIF, business acquisition report and MD&amp;A requirements provided the designated foreign issuer:</p> <ol style="list-style-type: none"><li>1) complies with foreign requirements,</li><li>2) files in Canada the annual report, quarterly report, current report and MD&amp;A filed with the foreign regulatory authority,</li><li>3) sends the documents to BC securityholders at the same time and in the same manner as they are required to be sent to the foreign securityholders, and</li><li>4) complies with NI 52-107.</li></ol>	<p>7C3 Rules – see above</p>
<p>5.6 – Exemption from proxy solicitation requirements provided the designated foreign issuer:</p> <ol style="list-style-type: none"><li>1) complies with foreign requirements,</li><li>2) files in Canada any material relating to a meeting of securityholders filed with the foreign regulatory authority,</li><li>3) sends the documents to BC securityholders at the same time and in the same manner as they are required to be sent to the foreign securityholders, and</li><li>4) complies with NI 52-107.</li></ol>	<p>7C3(4) Rules – see above.</p>
<p>5.7 – Exemption for a person other than the designated foreign issuer from the proxy solicitation requirements provided the person complies with section 5.6.</p>	<p>7C3(4) Rules – Exemption for a person making a takeover bid from the takeover bid requirements if it</p> <ol style="list-style-type: none"><li>1) complies with the corresponding requirements in the jurisdiction of the issuer’s principal market</li><li>2) files either the document it is required to file under the laws of the jurisdiction of the issuer’s principal market, or a notice advising that the document is available on the internet, and</li><li>3) applies the requirements of the jurisdiction of the issuer’s principal market as if BC securityholders were resident in that jurisdiction.</li></ol> <p>This exemption may be expanded when</p>

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	proxy solicitation provisions are incorporated into the draft legislation.
5.8 – Exemption for designated foreign issuers from the requirements relating to disclosure of outstanding share data.	7C3 Rules – see above.
5.9 – Exemption from the early warning requirements in respect of securities of a designated foreign issuer.	No early warning provisions published. These will be developed with CSA as part of the takeover bid proposals.
5.10 – Exemption from the insider reporting requirement for insiders of designated foreign issuers, if they comply with the foreign requirements, and file a copy of each insider report filed with the foreign regulatory authority.	7C1(3) Rules - A securityholder is exempt from the insider reporting requirements if it complies with the corresponding requirements, if any, in jurisdiction of the issuer’s principal market.
5.13 and 5.14 - Exemptions from the change in year-end and change of auditor requirements, if the designated foreign issuer files a copy of any of its filings under the foreign disclosure requirements.	7C3 Rules – see above.
5.15 – Exemption from restricted share disclosure	No corresponding requirement, so no corresponding exemption.