

Notice of National Policy 12-203
Cease Trade Orders
for Continuous Disclosure Defaults

Introduction

The Canadian Securities Administrators (CSA regulators or we), have adopted National Policy 12-203 *Cease Trade Orders for Continuous Disclosure Defaults* (the Policy). The Policy provides guidance to reporting issuers, investors and market participants as to how we will generally respond to certain types of continuous disclosure defaults.

Background

On March 28, 2008, we published a proposed version of the Policy for comment. During the comment period, which ended on May 27, 2008, we received four comment letters. We thank the commenters for their submissions.

We have considered the comments and are publishing a summary of comments and responses as Appendix A to this notice. The summary includes the names of the commenters, a summary of their comments and our response. After considering the comments, we have made a number of minor changes to the version of the Policy that we published for comment. However, as these changes are not material, we are not republishing the Policy for a further comment period.

Substance and Purpose

The Policy

- modernizes, harmonizes and streamlines our existing practices relating to cease trade orders (CTOs) including general CTOs and management cease trade orders (MCTOs);
- provides guidance for issuers as to the circumstances in which the CSA regulators will issue a general CTO or an MCTO;
- explains factors the CSA regulators will consider when evaluating an application for an MCTO; and
- describes what other actions issuers need to undertake if we issue an MCTO.

The Policy replaces:

- CSA Staff Notice 57-301 – *Failing to File Financial Statements on Time – Management Cease Trade Orders*;
- CSA Staff Notice 57-303 – *Frequently Asked Questions Regarding Management Cease Trade Orders Issued as a Consequence of a Failure to File Financial Statements*; and
- Ontario Securities Commission Policy 57-603 – *Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements*.

These instruments have been rescinded with the adoption of the Policy.

Summary of the Policy

The Policy provides guidance as to how the CSA regulators will ordinarily respond to a specified default (as defined in part 2 of the Policy) by a reporting issuer. This response will usually be the issuer's principal regulator issuing either a general CTO or an MCTO.

The Policy describes the criteria the CSA regulators will apply when assessing whether to issue a general CTO or an MCTO and outlines what an issuer needs to include in its application for an MCTO. The Policy also describes what information an issuer must file during the period of an MCTO to support informed trading.

The Policy recommends that issuers monitor trading by management and other insiders during the period of default and reminds insiders of their trading prohibitions under securities legislation. Finally, the Policy discusses the effect of a CTO issued by a CSA regulator in one jurisdiction on trading in another jurisdiction.

Unpublished materials

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

Questions

Please refer your questions to any of:

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