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Table of Contents

Chapter 1

Notices

1.1 Notices

1.1.1 CSA Notice of Amendments to National Instrument 51-102 Continuous Disclosure Obligations and Changes to Certain Policies Related to the Business Acquisition Report Requirements

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Notice of Amendments to National Instrument 51-102 *Continuous Disclosure Obligations* and Changes to Certain Policies Related to the Business Acquisition Report Requirements

August 20th, 2020

Introduction

The Canadian Securities Administrators (**CSA** or **we**) are making amendments and changes to:

- National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**);
- Companion Policy 51-102CP *Continuous Disclosure Obligations* (**Companion Policy 51-102CP**);
- Companion Policy to National Instrument 41-101 *General Prospectus Requirements* (**Companion Policy 41-101CP**);
- Companion Policy to National Instrument 44-101 *Short Form Prospectus Distributions* (**Companion Policy 44-101CP**);

(the **Amendments**).

Provided all necessary ministerial approvals are obtained, the Amendments are effective on November 18, 2020.

Details of the Amendments are outlined in Annexes C through F of this notice and will also be available on websites of CSA jurisdictions, including:

www.bcsc.bc.ca
www.albertasecurities.com
www.fcaa.gov.sk.ca
www.mbsecurities.ca
www.osc.gov.on.ca
www.lautorite.qc.ca
nssc.novascotia.ca

Substance and Purpose

A reporting issuer that is not an investment fund is required to file a business acquisition report (**BAR**) after completing a significant acquisition. Part 8 of NI 51-102 sets out three significance tests: the asset test, the investment test and the profit or loss test. An acquisition of a business or related businesses is a significant acquisition that requires the filing of a BAR under Part 8 of NI 51-102:

- for a reporting issuer that is not a venture issuer, if the result from any one of the three significance tests exceeds 20%;
- for a venture issuer, if the result of either the asset test or investment test exceeds 100%

(collectively, the **BAR requirements**).

The Amendments

- alter the determination of significance for reporting issuers that are not venture issuers such that an acquisition of a business or related businesses is a significant acquisition only if at least two of the existing significance tests are triggered (the **Two-Trigger Test**); and
- increase the threshold of the significance tests for reporting issuers that are not venture issuers from 20% to 30%.

The Amendments are aimed at reducing the regulatory burden imposed by the BAR requirements in certain instances, without compromising investor protection.

Background

The BAR requirements were introduced in 2004[1] to provide investors with relatively timely access to historical financial information on a significant acquisition. They also require a reporting issuer that is not a venture issuer to include pro forma financial statements in a BAR. Since adoption, however, the CSA has heard that, in some cases, the significance tests may produce anomalous results, that preparation of a BAR entails significant time and cost, and that the information necessary to comply with the BAR requirements may, in some instances, be difficult to obtain. In addition, some reporting issuers have applied for, and in appropriate circumstances were granted, exemptive relief from certain of the BAR requirements.

On September 5, 2019, the CSA published a Notice and Request for Comment (the **Publication for Comment Materials**) proposing the Amendments. The Amendments were developed over the course of an extensive consultation process, including comment letters and other stakeholder feedback received respecting the BAR requirements in response to CSA Consultation Paper 51-404 *Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers*.[2] In addition, the CSA considered data (including analyzing in each jurisdiction the BARs filed and the exemptive relief from the BAR requirements granted over an approximate three-year period) to assess the impact of the Amendments on a look back basis.

Based on the 16 comment letters responding to the Publication for Comment Materials, the CSA is not making any material changes to the Amendments. We have summarized our responses to the feedback received, which reflect the following:

- 13 commenters expressed general support for the Amendments while one commenter opposed.
- 10 commenters specifically expressed support for the Two-Trigger Test while one commenter objected to this amendment.
- Seven commenters specifically supported increasing the significance test threshold to 30% while two commenters objected to this amendment and recommended we maintain the 20% threshold. Three commenters recommended a greater increase in the percentage than what we proposed.

In addition, we considered other options to reduce the regulatory burden associated with the BAR requirements but determined that they either did not align with our policy objectives or that the reduction in burden did not justify a potential significant loss of information to investors. We also considered international developments, including the final amendments published in May 2020 by the U.S. Securities and Exchange Commission[3], but think that the Amendments appropriately address concerns raised by stakeholders in the Canadian market.

Summary of Written Comments Received by the CSA

The Publication for Comment Materials were published on September 5, 2019 and the comment period ended on December 4, 2019. We considered all the comments received and thank the commenters for their input. The names of the commenters are contained in Annex A along with a summary of the comments and our responses in Annex B.

The comment letters can be viewed on the website of each of:

- the Alberta Securities Commission at www.albertasecurities.com
- the Autorité des marchés financiers at www.lautorite.qc.ca
- the Ontario Securities Commission at www.osc.gov.on.ca

1 Certain aspects of these requirements were subsequently amended in 2015 as they apply to venture issuers.
2 The comment letters were summarized in CSA Staff Notice 51-353 *Update on CSA Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers*.
3 Amendments to Financial Disclosures about Acquired and Disposed Businesses, Release No. 33-10786; 34-88914; IC-33872; File No. S7-05-19.

Summary of Changes

We have revised the Amendments and changes proposed in the Publication for Comment Materials to remove an outdated cross reference and to reflect current drafting principles. As these changes are not material, we are not publishing the Amendments for a further comment period.

Consequential Amendments

We are making the following consequential changes:

- revised subsection 5.9(5) of Companion Policy 41-101CP and subsection 4.9(3) of Companion Policy 44-101CP to reflect the application of the Two-Trigger Test;
- added guidance to subsection 8.1(4) of Companion Policy 51-102CP reminding issuers of the differing interpretations of "business" for securities and accounting purposes; and
- removed an outdated reference in paragraph 8.6(4)(b) of Companion Policy 51-102CP.

Local Matters

Annex G to this notice outlines the consequential amendments to local securities legislation and includes additional text, as required, to respond to local matters in a local jurisdiction. Each jurisdiction that is proposing local amendments will publish an Annex G.

Contents of Annexes

This notice includes the following annexes:

- Annex A – List of Commenters
- Annex B – Summary of Comments and CSA Responses
- Annex C – Amendments to NI 51-102
- Annex D – Changes to Companion Policy 51-102CP
- Annex E – Changes to Companion Policy 41-101CP
- Annex F – Changes to Companion Policy 44-101CP
- Annex G – Local Matters

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ANNEX A

LIST OF COMMENTERS

No.	Commenter	Date
1.	The Canadian Advocacy Council of CFA Societies Canada	October 18, 2019
2.	The Real Property Association of Canada	November 26, 2019
3.	Canadian Coalition for Good Governance	November 27, 2019
4.	Investment Industry Association of Canada (IIAC)	November 28, 2019
5.	Magna International Inc.	December 2, 2019
6.	Cenovus Energy Inc.	December 3, 2019
7.	Quebec Bourse	December 4, 2019
8.	Canadian Investor Relations Institute	December 4, 2019
9.	Stikeman Elliott LLP	December 4, 2019
10.	Ernst & Young LLP	December 4, 2019
11.	McCarthy Tétrault LLP	December 4, 2019
12.	Chartered Professional Accountants of Canada	December 4, 2019
13.	Portfolio Management Association of Canada	December 4, 2019
14.	TSX Inc. and TSX Venture Exchange Inc.	December 4, 2019
15.	PricewaterhouseCoopers LLP	December 19, 2019
16.	Veritas Investment Research	January 6, 2020

ANNEX B

SUMMARY OF COMMENTS AND CSA RESPONSES

No.	Subject	Summarized Comment	Response
1	General Support	13 commenters supported the proposed amendments. One commenter strongly opposed to the proposed amendments.	We thank the commenters for their views. We acknowledge the views expressed in the comment letter opposing the proposed amendments. However, we think the proposed amendments achieve the right balance between investor protection and reducing regulatory burden.
2	Adoption of the two-trigger test to determine significance	Ten commenters explicitly expressed support for the two-trigger test. One commenter specifically objected to the adoption of the two-trigger test.	We thank the commenters for their views. We acknowledge the views expressed in the comment letter objecting to the two-trigger test. However, our analysis indicates that the two-trigger test is more effective in reducing anomalous results arising from the current tests than most of the other options considered, including those suggested by certain commenters.
3	30% significance threshold for the two-trigger test	Seven commenters explicitly supported increasing the significance threshold to 30%. Three commenters recommended CSA provide further information to help them better understand • the relative importance between the two proposed amendments with respect to the anticipated impact on the number of expected filings, and • the rationale behind the proposed increase of the significance test threshold from 20% to 30%.	We thank the commenters for their views. We note that increasing the significance test threshold is consistent with the consultation feedback received and with the CSA's strategic plan to reduce regulatory burden while maintaining investor protection. Our analysis of the BARs filed and the BAR exemptive relief granted on a look-back basis indicates that the two-trigger test is more effective in reducing anomalous results than most of the other options considered. This analysis also helped the CSA conclude that increasing the significance test threshold to 30% would achieve an appropriate balance between investor protection and reduction of burden. Additionally, we received feedback that the 30% threshold more appropriately recognizes the profile of Canadian issuers when compared with US issuers and the burden of preparing a BAR for smaller transactions. Finally, we considered the suggestions to further increase the significance threshold but determined that the reduction in burden did not justify a potentially significant loss of information to investors.
4	Keeping the significance test threshold at 20% for the two-trigger test	Two commenters objected to increasing the significance test threshold from 20% to 30%.	
5	Increasing the significance threshold to 50% or higher for the two-trigger test	Three commenters recommended increasing the significance test threshold to 50% or 75%.	
6	Eliminating the BAR	Four commenters recommended eliminating the BAR, citing only modest relevance or limited value. Among these four commenters, one	We thank the commenters for their views. At this time, we are not proposing to eliminate the BAR entirely as we think that the BAR provides investors with relevant information for

No.	Subject	Summarized Comment	Response
		commenter recommended replacing the BAR with a detailed news release and/or a material change report. Among these four commenters, two commenters recommended eliminating the BAR for all issuers, including venture issuers.	their decision-making purposes.
7	Keeping the current BAR requirements	One commenter strongly opposed the proposed amendments based on the view that historical financial information contained in the BAR is useful for making investment decisions.	We thank the commenter for its view. We agree that the BAR contains relevant information that may be helpful for making investment decisions. We think the proposed amendments achieve the right balance between investor protection and reducing regulatory burden.
8	Alignment with SEC	Five commenters recommended some form of consideration or alignment with the SEC proposed amendments, such as modifying the investment test to reflect the fair value of the acquired business, and otherwise monitoring developments.	We thank the commenters for their views. We have monitored international developments, including the SEC final amendments published in May 2020. We think that the proposed amendments provide an appropriate solution to address concerns raised by stakeholders in the Canadian market.
9	Pro forma financial statements	Three commenters recommended eliminating pro forma financial statements, citing only modest relevance or limited value.	We thank the commenters for their views. At this time, we are not proposing to eliminate pro forma financial statements as we think they provide useful information to some investors for making investment decisions.
10	Profit or loss test	Four commenters recommended the following changes to the profit or loss test: • replace the profit or loss test with alternatives such as EBITDA • make substantive amendments to the BAR requirements to address the challenges related to the profit or loss test • align with the SEC's proposal to add a revenue component • increase the significance test threshold from 20-30%	We thank the commenters for their views. At this time, we are not proposing to make changes to the profit or loss test. We understand from the consultation feedback that the primary concern with the profit or loss test was that it often produces anomalous results. Our data analysis indicates that the two-trigger test is more effective in reducing anomalous results than the other suggestions raised during the consultation, such as removing the profit or loss test or introducing a revenue test etc.
11	Other specific recommendations to BAR requirements	One commenter suggested the following: • clarifying the specific time-frame that applies to consider acquisitions of related businesses on a combined basis; • narrowing the definition of	We thank the commenters for their views. At this time, we are not proposing to make further changes to other areas of the BAR requirements. We acknowledge the suggestions and continue to welcome feedback that may lead to policy projects in the future.

No.	Subject	Summarized Comment	Response
		"acquisition of a related business". One commenter suggested modifying the BAR requirements to treat the required significance tests as a filtering mechanism for the optional significance tests.	
12	51-102CP amendments – S. 8.1(4)	One commenter indicated that the proposed amendments add ambiguity in determining whether or not an acquisition would be considered a business for regulatory purposes versus IFRS purposes.	We thank the commenter for its view. We remind issuers that the evaluation of the term "business" for securities regulatory purposes should be conducted separately from the determination for accounting purposes.
13	Tailoring the BAR requirements to specific industry	Three commenters recommended changes tailored to issuers in specific industries.	We thank the commenters for their views. At this time, we are not proposing any industry specific rules or amendments.
14	Other disclosure requirements	Three commenters made specific recommendations to other continuous disclosure requirements, including for instance, permitting semi-annual reporting.	We thank the commenters for their views. Commenters are encouraged to continue providing their views to the other relevant policy initiatives as a result of the other CSA reducing regulatory burden efforts.
15	Application to non-venture issuers	No commenter objected to the application of the proposed amendments to non-venture issuers only. One commenter explicitly agreed that no further changes are required for venture issuers.	We thank the commenters for their views.

ANNEX C

AMENDMENTS TO
NATIONAL INSTRUMENT 51-102 *CONTINUOUS DISCLOSURE OBLIGATIONS*

1. National Instrument 51-102 Continuous Disclosure Obligations is amended by this Instrument.

2. Subsection 8.3(1) is amended by replacing "subsection (3) and subsections 8.10(1) and 8.10(2)***" with "***subsection (5) and subsections 8.10(1) and (2)***".***

3. Paragraph 8.3(1)(a) is amended by replacing "any of the three***" with "***2 or more of the***".***

4. In the following provisions, "20***" is replaced with "***30***":***

(a) paragraph (b) of subsection 8.3(1);

(b) paragraphs (a), (b) and (c) of subsection 8.3(2);

(c) paragraph (b) of subsection 8.3(3);

(d) paragraphs (a), (b) and (c) of subsection 8.3(4).

5. Subsection 8.3(5) is replaced with the following:

(5) Despite subsection (1) and for the purposes of subsection (3), an acquisition of a business or related businesses is not a significant acquisition,

(a) for a reporting issuer that is not a venture issuer, if the acquisition does not satisfy at least two of the optional significance tests under subsection (4); or

(b) for a venture issuer, if the acquisition would not satisfy the optional significance tests set out in paragraphs (4) (a) and (b) if "30 percent" were read as "100 percent"..

6. (1) This Instrument comes into force on November 18, 2020.

(2) In Saskatchewan, despite subsection (1), if these regulations are filed with the Registrar of Regulations after November 18, 2020, these regulations come into force on the day on which they are filed with the Registrar of Regulations.

ANNEX D

CHANGES TO
COMPANION POLICY 51-102CP *CONTINUOUS DISCLOSURE OBLIGATIONS*

1. Companion Policy 51-102CP Continuous Disclosure Obligations is changed by this Document.

2. Subsection 8.1(4) is changed by adding the following at the end of the subsection:

Reporting issuers are reminded that an acquisition may constitute the acquisition of a business for securities legislation purposes, even if the acquired set of activities or assets does not meet the definition of a "business" for accounting purposes..

3. Subsection 8.2(1) is replaced with the following:

8.2 Significance Tests

(1) **Application of Significance Tests –** Subsection 8.3(2) of the Instrument sets out the required significance tests for determining whether an acquisition of a business by a reporting issuer is a "significant acquisition". The application of the significance tests depends on the status of the reporting issuer such that:

(a) if the reporting issuer is not a venture issuer, an acquisition is significant if it satisfies two or more of the significance tests at a 30% threshold; or

(b) if the reporting issuer is a venture issuer, an acquisition is significant if it satisfies either of the asset or investment test at a 100% threshold.

The test must be applied as at the acquisition date using the most recent audited annual financial statements of the reporting issuer and the business..

4. Paragraph 8.6(4)(b) is replaced with the following:

(b) When complete financial records of the business acquired do not exist, carve-out financial statements should be prepared..

5. These changes become effective on November 18, 2020.

ANNEX E

CHANGES TO
COMPANION POLICY TO NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS*

1. Companion Policy to National Instrument 41-101 General Prospectus Requirements is changed by this Document.

2. Subsection 5.9(5) is changed by replacing the text of the first bullet with:

if the indirect acquisition would be considered a significant acquisition under subsection 35.1(4) of Form 41-101F1 if the issuer applied those provisions to its proportionate interest in the indirect acquisition of the business;***.***

3. This change becomes effective on November 18, 2020.

ANNEX F

CHANGES TO
COMPANION POLICY TO NATIONAL INSTRUMENT *44-101 SHORT FORM PROSPECTUS DISTRIBUTIONS*

1. Companion Policy to National Instrument 44-101 Short Form Prospectus Distributions is changed by this Document.

2. Subsection 4.9(3) is changed by replacing the text of the first bullet with:

if the indirect acquisition would be considered a significant acquisition under Part 8 of NI 51-102 if the issuer applied those provisions to its proportionate interest in the indirect acquisition of the business; and***.***

3. This change becomes effective on November 18, 2020.

ANNEX G

LOCAL MATTERS

ONTARIO SECURITIES COMMISSION

The Ontario Securities Commission:

- made the amendments to NI 51-102 pursuant to section 143 of the *Securities Act* (Ontario) (the **Act**), and
- adopted the changes to Companion Policy 51-102CP, Companion Policy 41-101CP and Companion Policy 44-101CP (the **Changes**) pursuant to section 143.8 of the Act.

The rule amendments and other required materials were delivered to the Minister of Finance on August 19, 2020.

The Minister may approve or reject the amendments or return them for further consideration. If the Minister approves the amendments or does not take any further action by October 18, 2020, the amendments and the Changes will come into force on November 18, 2020.

1.1.2 Joint CSA/IIROC Staff Notice 23-327 – Update on Internalization within the Canadian Equity Market

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

Joint CSA/IIROC Staff Notice 23-327

Update on Internalization within the Canadian Equity Market

August 20, 2020

I. INTRODUCTION

This Staff Notice is a follow-up to Joint CSA/IIROC Consultation Paper 23-406 *Internalization within the Canadian Equity Market* (the **Consultation Paper**) that was published for a 60-day comment period on March 12, 2019, by staff of the Canadian Securities Administrators (**CSA**) and the Investment Industry Regulatory Organization of Canada (**IIROC**) (together, **Staff** or **we**).[1] The Consultation Paper was published in response to concerns raised about the internalization of equity trades on Canadian marketplaces. 21 comment letters were received.

This Staff Notice summarizes the feedback received, refreshes certain data published as part of the Consultation Paper and provides an update on next steps.

II. BACKGROUND

Beginning in 2017, Staff became aware of growing concerns about a perceived increase in the magnitude of internalization of retail/small orders within the Canadian equity market.

Internalization generally refers to trades that are executed with the same dealer as both the buyer and the seller, with the dealer either acting as an agent for its clients on both sides of the trade, or trading as principal and taking the other side of a client order. Internalized trades occur on Canadian marketplaces as either "intentional" or "unintentional" crosses.[2]

The Consultation Paper provided background information that described certain relevant aspects of the Canadian rule framework, identified specific issues and concerns, and provided data illustrating recent levels of internalization in Canada.

A. Issues and Concerns

Below, we discuss the primary issues presented and the feedback received in response to the Consultation Paper. A complete summary of comments received and Staff responses is at Appendix B.

i. Broker Preferencing

As described in the Consultation Paper, broker preferencing is an important element of the concerns raised in relation to internalization. Broker preferencing is a common order matching feature of many Canadian equity marketplaces. It allows an incoming order sent to a marketplace to match and trade first with other orders from the same dealer, ahead of orders from other dealers that are at the same price and which have time priority. Broker preferencing is relevant to issues associated with internalization as it can facilitate internalization through the execution of unintentional crosses. It has been a divisive issue for many years in Canada, and the responses that Staff received to specific questions in the Consultation Paper related to broker preferencing reflects the continuing divergence in the views of stakeholders.

Some respondents articulated their belief that broker preferencing is a benefit to clients of dealers and a preferable alternative to equity market structure models in other jurisdictions. Some supporters expressed the view that retail clients were specific beneficiaries of better execution quality as a result of broker preferencing, and that the ability for dealers to efficiently interact with their own orders on a marketplace encourages the transparent display of liquidity on Canadian marketplaces.

Other commenters however, described negative impacts of broker preferencing, notably in the context of fairness through the creation of an unlevel playing field, where not all market participants, including investors, have equal access to interact with orders. Despite the views that broker preferencing benefits the Canadian market by encouraging displayed liquidity, some respondents argued that the impact is less beneficial and felt that the ability to override the time priority of other displayed orders

[1] Published at: https://www.osc.gov.on.ca/documents/en/Securities-Category2/csa_20190312_internalization-within-the-canadian-equity-market.pdf

[2] An "intentional" cross is considered to mean a trade that results from the simultaneous entry by a dealer of both the buy and the sell sides of a transaction in the same security at the same price. An "unintentional" cross is considered to mean the execution of a trade where the two orders are from the same dealer, but not simultaneously entered.

in an order book results in a negative impact on immediacy and a perception of a lack of fairness where a displayed order might not receive an execution despite it having been at the top of the order book queue.

The Consultation Paper specifically requested views on whether broker preferencing conveys greater benefits to larger dealers. Most commenters agreed that larger dealers and their clients may receive greater benefits. The Consultation Paper also specifically requested any data that illustrated either the positive or negative impacts of broker preferencing (and internalization, more generally). Very limited data was received that could quantitatively evidence the impacts.

ii. The Individual Versus the Common Good

The Consultation Paper described the issue of the individual good versus the common good. It was noted that, while it may be reasonable to conclude that the internalization of client orders may benefit individual dealers and their respective clients, it may also be true that a market in which participants collectively act to maximize their own benefits may not result in a market which functions in the best interests of all those participating. Staff noted the importance of a balance between a market that adheres to the principles of fairness and integrity and one that operates to the benefit of the individual participants who interact within it.

The comments received regarding the common versus the individual good were mixed. Many characterized internalization as being contrary to the common good, while others suggested that Canadian market structure should seek to find an appropriate balance through the use of internalization.

iii. Segmentation of Retail Orders

Segmentation of orders typically means the separation of orders from one class or type of market participant from those of other classes of participants. In describing this issue in the Consultation Paper, Staff noted that, in the Canadian context, this is typically focused on the orders of retail investors. The Consultation Paper discussed the value proposition inherent in interacting with retail orders, and we offered commentary on how Canadian market structure has evolved with various methods that seek to either implicitly or explicitly segment retail orders.

Most commenters believed that the segmentation of orders is a concern for a variety of reasons, including that the removal of access to retail orders (or orders of any participant) is contrary to principles of fairness and may result in a lower quality, less liquid and less competitive market. Some felt that a distinction was warranted between the segmentation resulting from participants choosing between various commercial models that are available to all market participants, and the segmentation schemes that serve to isolate retail orders through restricting access.

It was not evident from responses to the Consultation Paper that the Canadian market has reached a point where the level of segmentation requires an immediate policy response. Most respondents believed that the structure of the Canadian market provides for favourable outcomes for retail investors, although continued caution was recommended to avoid unbalanced results.

iv. Automated Matching Against Client Orders on a Marketplace

The Consultation Paper highlighted that, as part of the ongoing technological evolution of the Canadian market, systems may be used by dealers to automate the internalization of orders through broker preferencing. It was noted by Staff, that such systems may appear to exhibit the characteristics of a marketplace as defined within the Canadian rule framework.[3]

Most commenters were of the view that systems that automate the internalization of orders should be considered a marketplace, and that relevant provisions of the rules should apply. Concerns were raised about the creation of discrete silos of liquidity within dealers that become inaccessible to the broader market. Some, however, suggested that dealers may simply be automating what has historically been a manual process, one that has never been considered a marketplace, and that the application of technology alone should not change the regulatory classification of dealer workflows.

III. Revised Internalization Data

In addition to describing various issues and seeking feedback, the Consultation Paper also included data that explored the magnitude of:

- intentional crosses;
- unintentional crosses;
- crosses where the dealer acted as principal; and
- the use of broker preferencing on certain Canadian marketplaces.

[3] The definition of a “marketplace” is included in National Instrument 21-101 *Marketplace Operation* and, in Ontario, also in the *Securities Act* (Ontario).

With respect to intentional and unintentional crosses, the data in the Consultation Paper relied on information received by IIROC through the Market Regulation Feed and submitted by each Canadian marketplace for the period of January 2016 through June 2018.

Data examining the magnitude of broker preferencing was provided directly to Staff by the marketplaces themselves. However, not all Canadian marketplaces were able to accurately distinguish between unintentional crosses resulting from broker preferencing itself (and where time priority was not followed), and unintentional crosses where a resting order was already in a position of time priority and would have been executed despite the availability of broker preferencing. This incomplete broker preferencing data requested from marketplaces covered the period of January 2017 through July 2018.

Some time has passed since the publication of the Consultation Paper and Staff's review of the feedback received and associated data collected, and we are of the view that it is important to update certain data to more accurately reflect current market statistics. Therefore, we are republishing certain data at Appendix A that updates the period of coverage from January 2016 through October 2019. We have also added charts that represent information that the Consultation Paper included in graphs to make the information easier to read.

The data at Appendix A however, does not update the specific broker preferencing information initially provided by marketplaces for purposes of the Consultation Paper. While this data was informative, it did not include all Canadian marketplaces and as such, is incomplete for the purposes of regulatory policy decisions. IIROC has been working with Canadian marketplaces to receive broker preferencing data as part of the Market Regulation Feed, but IIROC has not received this for a sufficient length of time to provide updated information at Appendix A. Future analysis will consider this information and may also consider other market structure developments such as changes implemented by marketplaces that may impact levels of internalization.

IV. NEXT STEPS

The Consultation Paper purposely did not offer Staff's views on the issues presented, but rather, focused specifically on seeking feedback in order to help inform future policy decisions. The background information and related narrative in the Consultation Paper recognized the competing interests associated with internalization and attempted to provide a balanced presentation of what Staff considers to be the primary issues.

The feedback received was varied and, consistent with the way the issues were framed in the Consultation Paper, balance was a common theme presented in the responses. Specifically regarding broker preferencing, while the practice is at odds with price/time priority in order execution, broker preferencing is a longstanding part of Canadian market structure. As currently functioning, broker preferencing may allow dealers to benefit from interaction with their own orders, and may also benefit individual clients with improved execution quality. There may be nuanced outcomes of broker preferencing, and some market participants may not be impacted in the same way as others. Based on the feedback received and the data reviewed, we do not believe that the Canadian market is presently functioning in a way that warrants near-term policy work or changes to the current rule framework.

As noted, the Consultation Paper highlighted that systems may be used by dealers to automate the internalization of orders, and that these systems may appear to exhibit characteristics of a marketplace as defined within the Canadian regulatory framework. This is further described in the guidance included in the Companion Policy to National Instrument 21-101 *Marketplace Operation* (**NI 21-101CP**) regarding when dealers may be operating a marketplace.[4] The CSA will consider whether additional clarification should be provided in relation to when a system is a "marketplace".

With respect to the updated data published at Appendix A, Staff note that the level of unintentional crosses has increased since the six-month period of January through June 2018, which was the final period of data initially published alongside the Consultation Paper. While the most recent data illustrates an increase, Staff have looked at the underlying non-public data and are comfortable that the increase is not an indication of broad changes in the way in which dealers are managing their orders or of a specific concern that necessitates an immediate regulatory policy response.

We will however, continue to monitor the data on an ongoing basis and if there are any indications that changes to internalization practices, including internalization that is enabled through the use of dealer systems, are possibly impacting Canadian market quality in a negative way, we will consider appropriate responses at that time.

[4] Specifically, subsection 2.1(8) of NI 21-101CP clarifies that, if a dealer uses a system to match buy and sell orders or pair orders with contra-side orders outside of a marketplace and routes the matched or paired orders to a marketplace as a cross, it may be considered to be operating a marketplace under subparagraph (a)(iii) of the definition of "marketplace".

V. QUESTIONS

Please refer your questions to any of the following:

Kent Bailey Senior Advisor, Trading, Market Regulation Ontario Securities Commission kbailey@osc.gov.on.ca	Kortney Shapiro Legal Counsel, Market Regulation Ontario Securities Commission kshapiro@osc.gov.on.ca
Ruxandra Smith Senior Accountant, Market Regulation Ontario Securities Commission ruxsmith@osc.gov.on.ca	Roland Geiling Analyste en produits dérivés Direction de l'encadrement des bourses et des OAR Autorité des marchés financiers roland.geiling@lautorite.qc.ca
Serge Boisvert Analyste en réglementation Direction de l'encadrement des bourses et des OAR Autorité des marchés financiers serge.boisvert@lautorite.qc.ca	Lucie Prince Analyste Direction de l'encadrement des bourses et des OAR Autorité des marchés financiers lucie.prince@lautorite.qc.ca
Jesse Ahlan Regulatory Analyst, Market Structure Alberta Securities Commission jesse.ahlan@asc.ca	Meg Tassie Senior Advisor British Columbia Securities Commission mtassie@bcsc.bc.ca
Kevin McCoy Vice-President, Market Policy & Trading Conduct Compliance IIROC kmccoy@iiroc.ca	

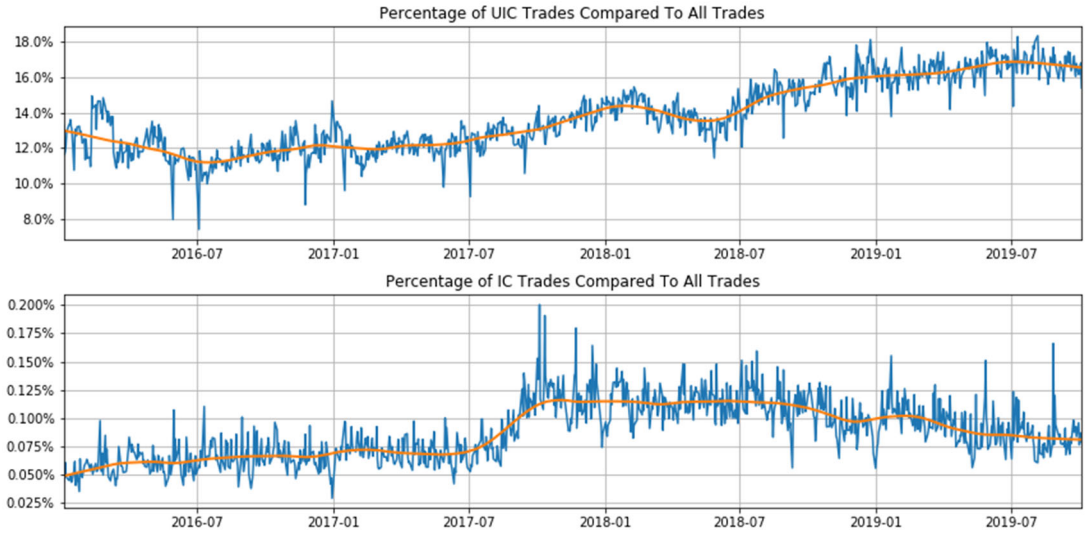
Appendix A

Quantitative Analysis of Internalization on Canadian Marketplaces

Appendix A looks quantitatively at trading activity and features associated with the internalization of orders and updates the data that was initially published as Part 1 of Appendix A to the Consultation Report.

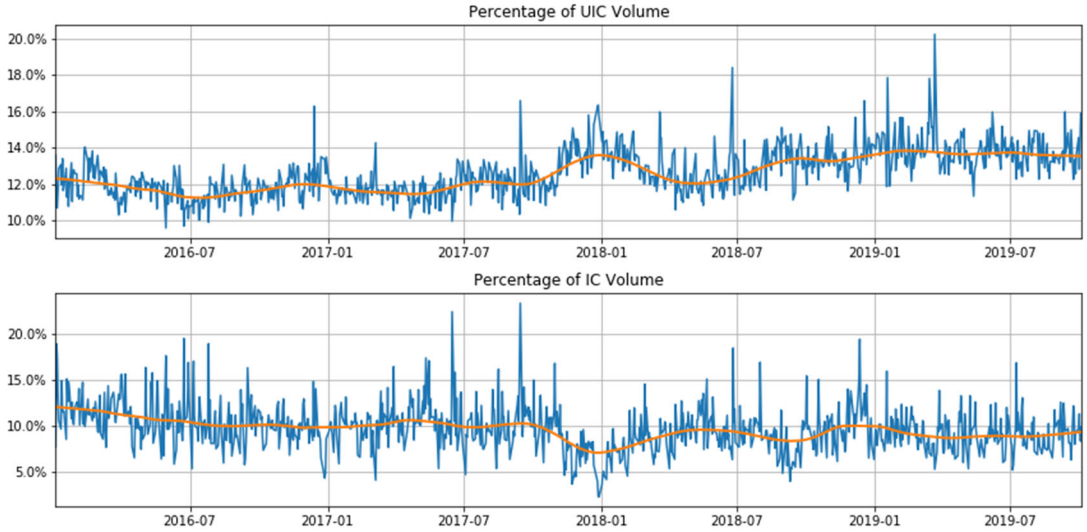
This appendix provides data with respect to the occurrences of intentional and unintentional crosses on all Canadian marketplaces for the period of January 2016 to October 2019, and relies on data received by IIROC through the Market Regulation Feed submitted by each marketplace.

Fig. 1 – Percentage of Total Trades Executed as Intentional (IC) or Unintentional Crosses (UIC)



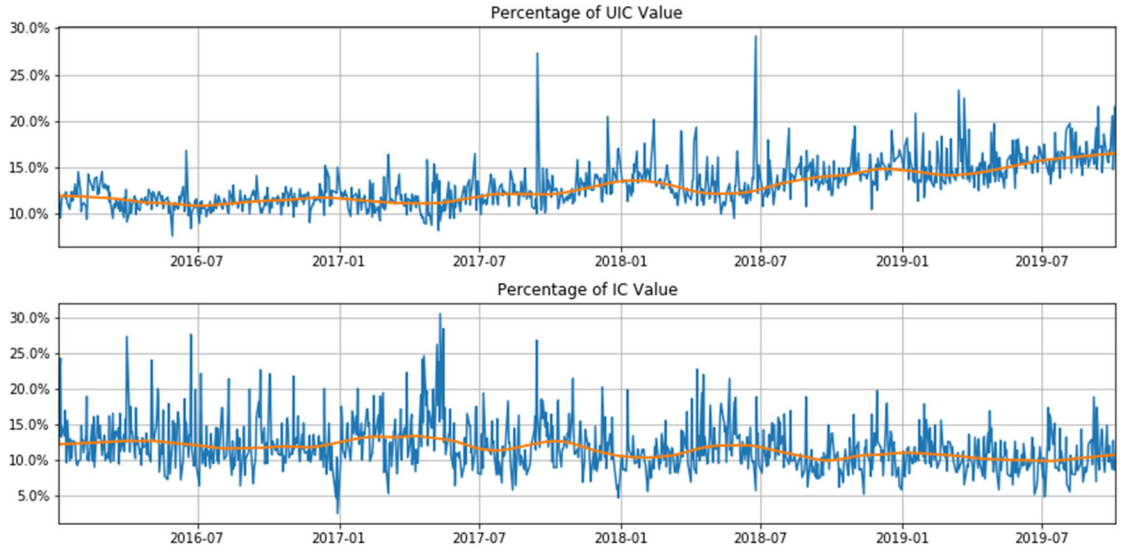
This figure shows overall crosses as a percentage of total number of trades. The upper chart shows unintentional crosses and the lower chart shows intentional crosses. Table 1 provides a summary of the averages and the percentage change over the

Fig 2 - Percentage of Total Volume Executed as Intentional or Unintentional Crosses



This figure shows overall crosses as a percentage of total volume traded. The upper chart shows unintentional crosses and the lower chart shows intentional crosses. Table 1 provides a summary of the averages and the percentage change over the

Fig 3 - Percentage of Total Value Executed as Intentional or Unintentional Crosses



This figure shows overall crosses as a percentage of total value traded. The upper chart shows unintentional crosses and the lower chart shows intentional crosses. Table 1 provides a summary of the averages and the percentage change over the period.

Table 1 – Six-month Averages of Intentional and Unintentional Crosses

	2016 Period 1	2016 Period 2	2017 Period 3	2017 Period 4	2018 Period 5	2018 Period 6	2019 Period 7	Change between Period 1 and 7		Change between Jan 2016- Jun 2018 & Jul 2018 – Oct 2019	
	Jan-June	July-Dec	Jan-June	July-Dec	Jan-June	July-Dec	Jan-June	Net Change	% Change	Net Change	% Change
Unintentional by Trade	12.27%	11.64%	12.07%	13.12%	13.91%	15.38%	16.32%	4.05%	33.04%	3.44%	27.26%
Unintentional by Volume	11.85%	11.70%	11.58%	12.62%	12.75%	13.23%	13.90%	2.05%	17.34%	1.49%	12.28%
Unintentional by Value	11.44%	11.39%	11.48%	12.65%	13.40%	14.21%	15.12%	3.68%	32.16%	2.99%	24.74%
Intentional by Trade	0.06%	0.07%	0.07%	0.10%	0.11%	0.11%	0.10%	0.04%	63.72%	0.02%	18.76%
Intentional by Volume	11.53%	10.03%	10.46%	9.41%	8.87%	9.46%	9.09%	-2.45%	-21.21%	-0.82%	-8.19%
Intentional by Value	13.18%	12.13%	13.82%	12.09%	11.67%	10.88%	10.43%	-2.75%	-20.84%	-1.94%	-15.40%

Table 1 shows the average percentages of total trade executions executed as intentional and unintentional crosses by number of trade, total volume and value averaged over six-month periods. Net change between period 1 and 7 is calculated by comparing period 7 (Jan-June 2019) to period 1 (Jan-June 2016). % Change between period 1 and 7 is the net change as a percentage of the period 1 percentage.

Fig 4 – Average Cross Trades by Account Type – Compared Against Average Non-cross (NC) Trades

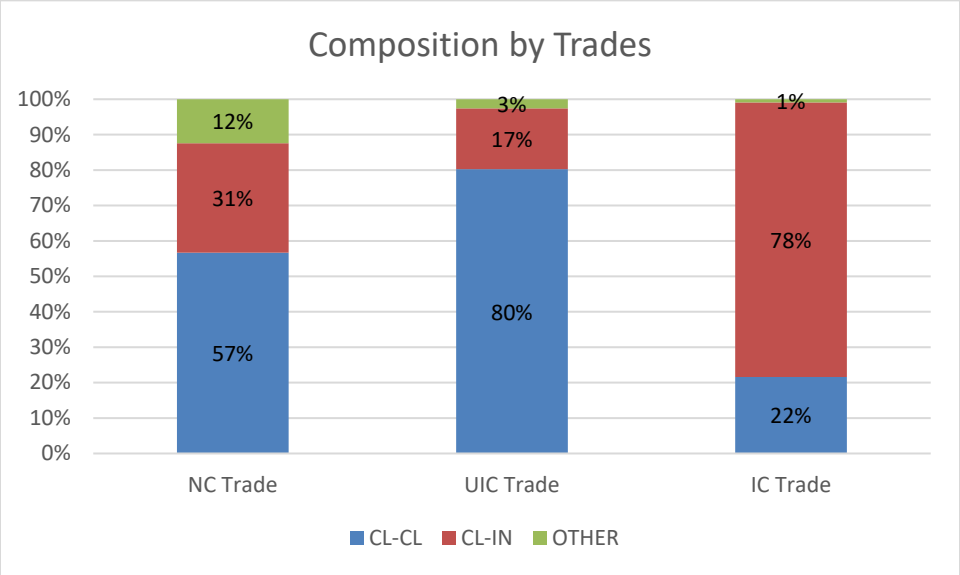


Fig 4 shows the percentage of intentional and unintentional crosses by number of trades and client types. Client types of non-cross trades are provided for comparison purposes. "OTHER" refers to any trade involving an account type market that is not CL-CL (Client to Client) or CL-IN (Client to Inventory).

Fig 5 – Average Cross Volume by Account Type – Compared Against Average Non-cross Volume

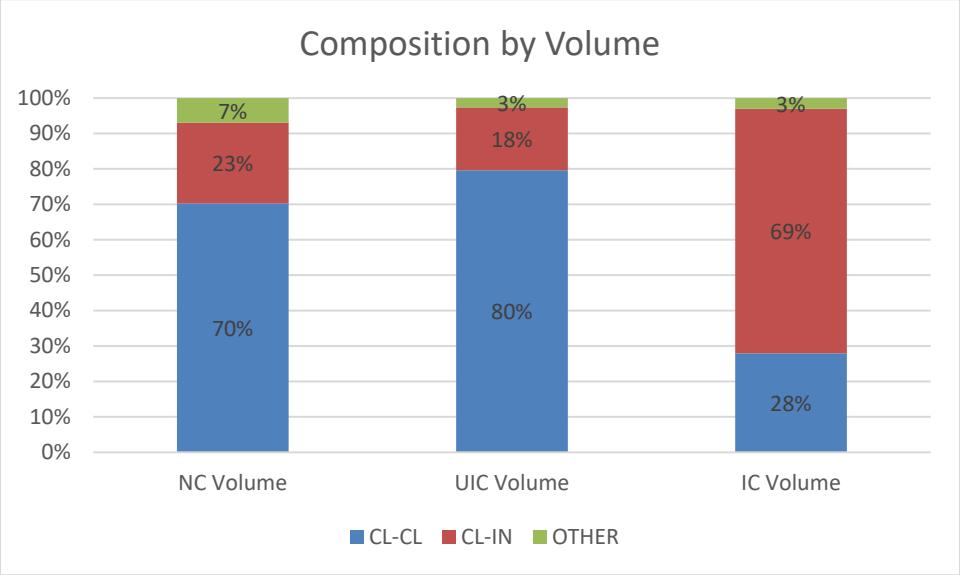


Fig 5 shows the percentage of intentional and unintentional crosses by volume and client types. Client types of non-cross trades are provided for comparison purposes.

Fig 6 – Average Cross Value by Account Type – Compared Against Average Non-cross Value

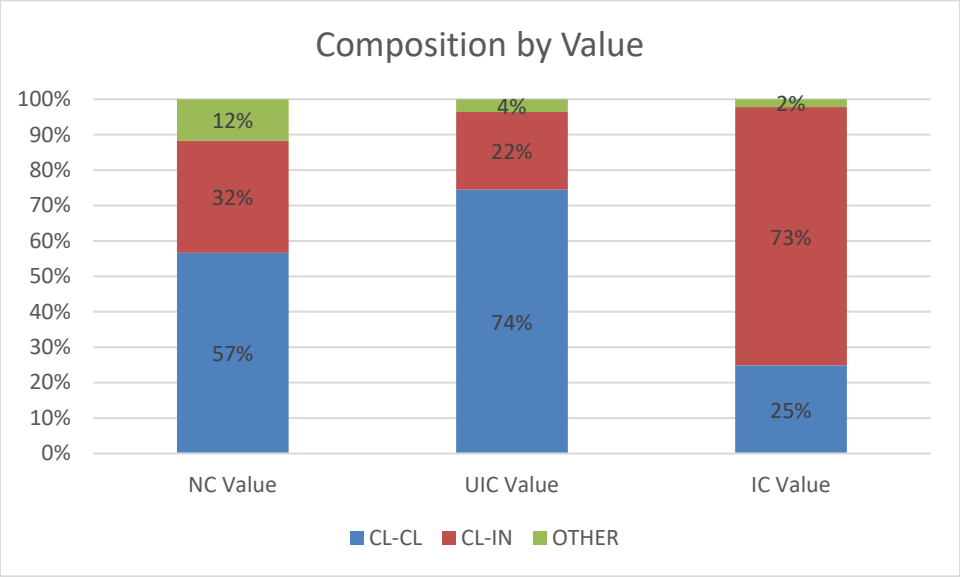


Fig 6 shows the percentage of intentional and unintentional crosses by value traded and client types. Client types of non-cross trades are provided for comparison purposes.

Fig 7 – Crosses by Account Type

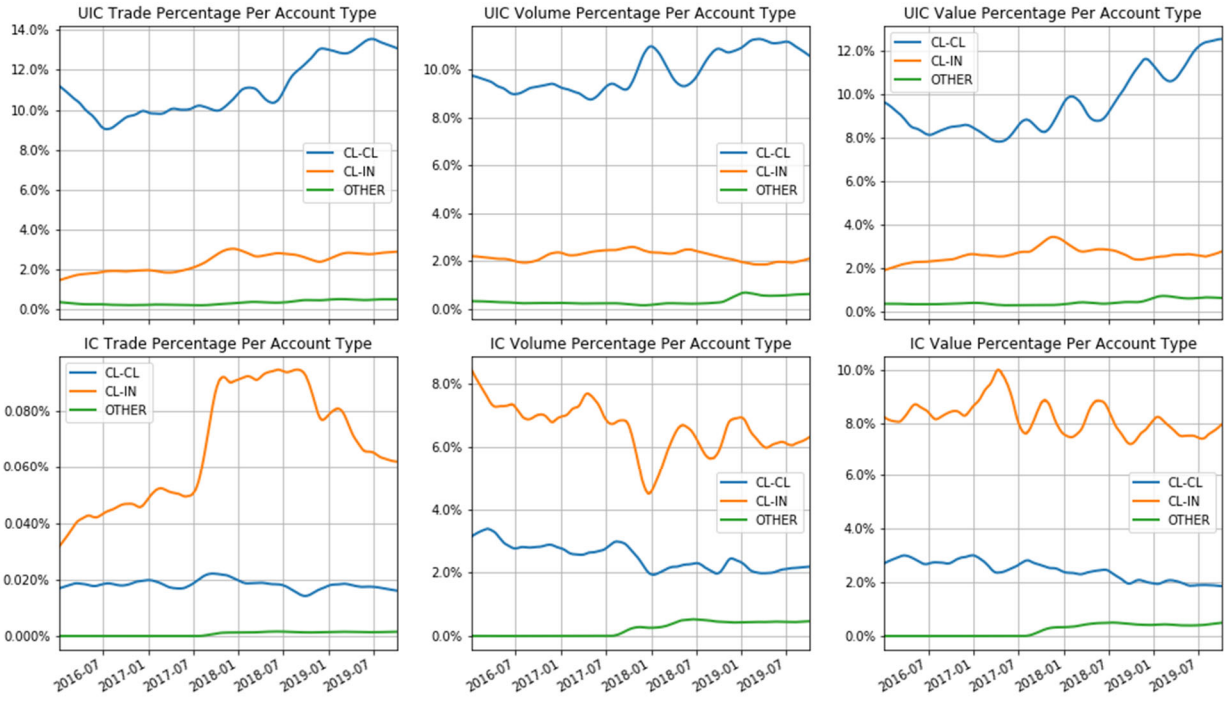


Fig 7 shows the change over the period by number of trades, total volume traded and total value traded by client type. The percentages are measured against the total trading that occurred on all marketplaces.

Table 2 – Cross by Account Types – 6-month Averages

		2016 Period 1	2016 Period 2	2017 Period 3	2017 Period 4	2018 Period 5	2018 Period 6	2019 Period 7	Change between Period 1 and 7		Change between Jan 2016 – Jun 2018 & Jul 2018 – Oct 2019	
Cross	Account Type	Jan-June	July-Dec	Jan-June	July-Dec	Jan-June	Jul-Dec	Jan-June	Net Change	% Change	Net Change	% Change
Unintentional by Trade	CL-CL	10.25%	9.47%	9.89%	10.13%	10.72%	12.35%	13.02%	2.77%	27.00%	2.73%	27.00%
	CL-IN	1.73%	1.95%	1.95%	2.74%	2.81%	2.58%	2.79%	1.07%	61.73%	0.50%	22.35%
	OTHER	0.29%	0.23%	0.24%	0.25%	0.39%	0.45%	0.51%	0.22%	75.44%	0.21%	76.05%
Unintentional by Value	CL-CL	8.80%	8.46%	8.22%	8.79%	9.95%	10.95%	11.46%	2.66%	30.19%	2.72%	30.73%
	CL-IN	2.25%	2.53%	2.91%	3.51%	3.00%	2.78%	2.93%	0.68%	30.20%	0.03%	1.20%
	OTHER	0.39%	0.40%	0.36%	0.35%	0.45%	0.48%	0.73%	0.34%	88.34%	0.23%	60.36%
Unintentional by Volume	CL-CL	9.37%	9.31%	8.97%	9.83%	10.12%	10.69%	11.32%	1.96%	20.92%	1.49%	15.61%
	CL-IN	2.18%	2.14%	2.38%	2.58%	2.40%	2.19%	1.97%	-0.21%	-9.44%	-0.26%	-11.20%
	OTHER	0.30%	0.25%	0.23%	0.21%	0.23%	0.35%	0.60%	0.30%	98.79%	0.26%	106.71%
Intentional by Trade	CL-CL	0.018%	0.020%	0.019%	0.023%	0.019%	0.017%	0.019%	0.0005%	2.52%	-0.002%	-9.04%
	CL-IN	0.04%	0.05%	0.05%	0.08%	0.09%	0.09%	0.08%	0.04%	87.98%	0.02%	26.13%
	OTHER	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	NA *	0.001%	NA *
Intentional by Value	CL-CL	4.13%	3.75%	3.56%	3.23%	2.56%	2.26%	2.03%	-2.10%	-50.92%	-1.33%	-38.50%
	CL-IN	9.04%	8.38%	10.26%	8.65%	8.64%	8.11%	7.92%	-1.12%	-12.44%	-0.96%	-10.69%
	OTHER	0.00%	0.00%	0.00%	0.20%	0.47%	0.51%	0.49%	0.48%	NA *	0.35%	NA *
Intentional by Volume	CL-CL	3.54%	3.16%	2.96%	2.94%	2.24%	2.44%	2.09%	-1.45%	-40.87%	-0.69%	-23.37%
	CL-IN	7.99%	6.86%	7.50%	6.24%	6.16%	6.44%	6.46%	-1.53%	-19.19%	-0.53%	-7.69%
	OTHER	0.00%	0.00%	0.00%	0.23%	0.48%	0.58%	0.54%	0.54%	NA *	0.40%	NA *

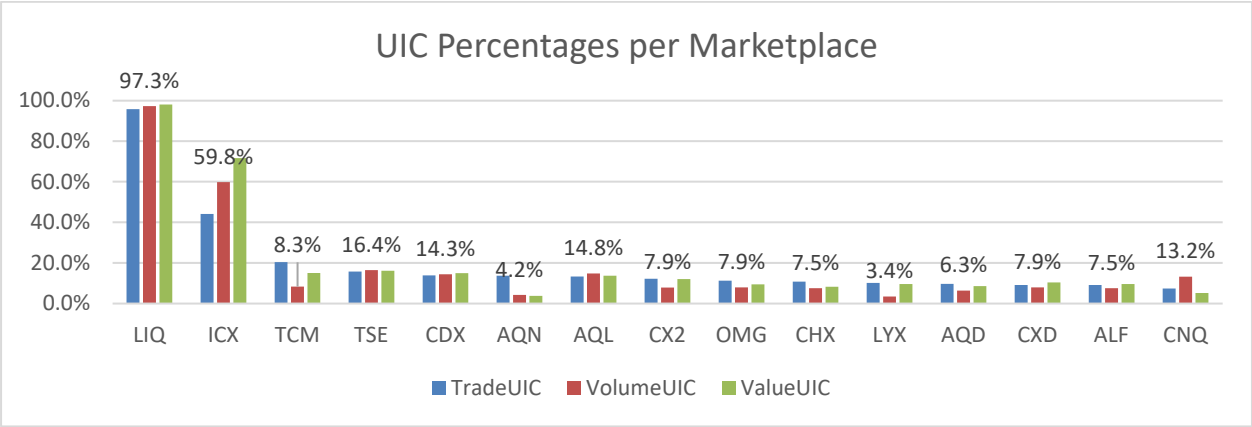
Table 2 shows the average percentages of intentional and unintentional crosses by client type and number of trades, total volume and value averaged over six-month periods. Net change is calculated by comparing period 7 (Jan-June 2019) to period 1 (Jan-June 2016). % Change between period 1 and 7 is the net change as a percentage of the period 1 percentage.
* Due to the negligible values in the denominator, the % changes are not informative. Thus, they are marked as NA.

Table 2.1 – Marketplace Reference Data

Market Name	Market Alias	Dark Market	Market Full Name
ALF	ALF	No	Alpha
AQD	AQD	Yes	NEO-D
AQL	AQL	No	NEO-L
AQN	AQN	No	NEO-N
CDX	TSXV	No	TSX Venture
CHX	CHX	No	Nasdaq CXC
CNQ	CSE	No	Canadian Securities Exchange
CX2	CX2	No	Nasdaq CX2
CXD	CXD	Yes	Nasdaq CXD
ICX	ICX	Yes	Instinet ICX
LIQ	LIQ	Yes	Liquidnet
LYX	LYX	No	Lynx
OMG	OMG	No	Omega

PTX	PTX	No	Pure
TCM	TCM	Yes	MATCHNow
TSE	TSX	No	TSX

Fig 8 – Average Cross Percentage by Marketplace – Relative to Own Trading



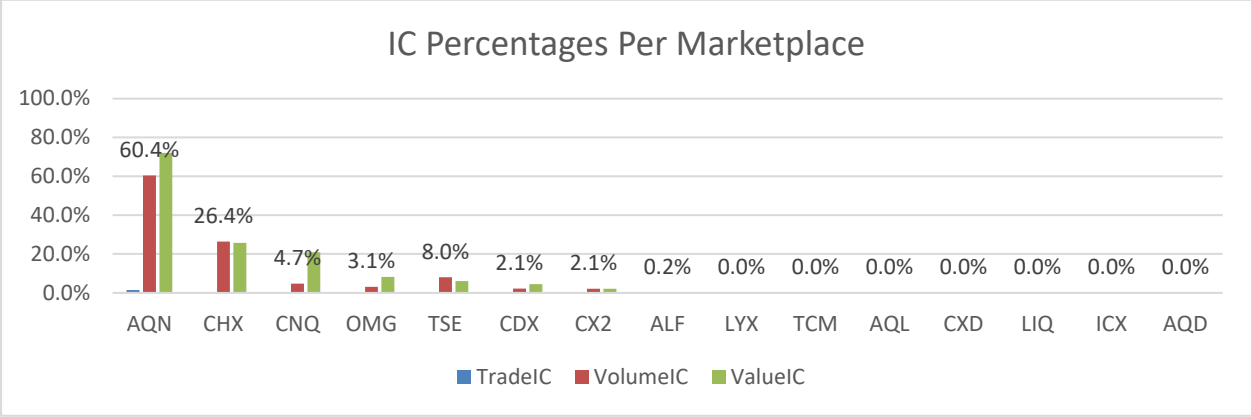


Fig 8 shows the percentage of intentional and unintentional crosses by total trades, total volume and total value measured against each marketplace's own trading. Percentages displayed above the bars correspond to volume.

Fig 9 – Average Contribution by Marketplace

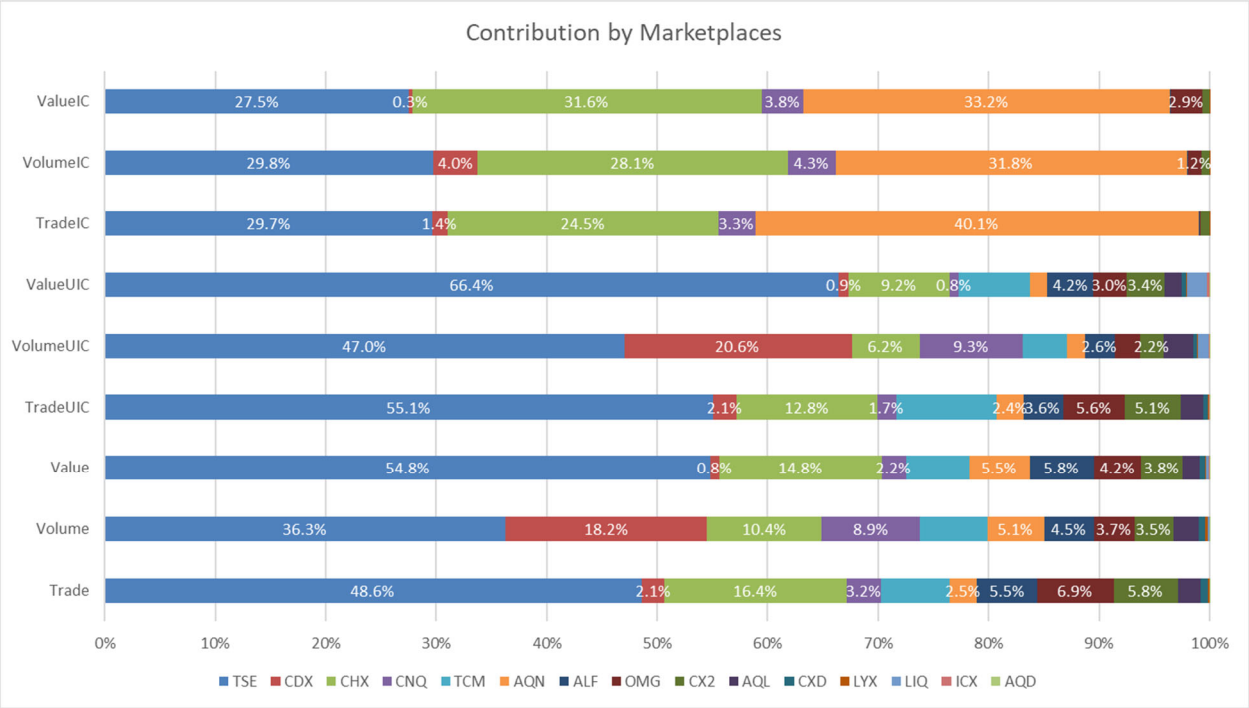


Fig 9 shows the percentage contribution by each marketplace against the total traded by all marketplaces. For comparison purposes, total (including cross and non-cross activity) number of trades, volume and value has been included. This chart is generated based on the exact data in Table 2.2.

Table 2.2 – Average contribution by each marketplace in terms of intentional / unintentional cross trades and overall trades

Market	Trade	Volume	Value	Trade UIC	Volume UIC	Value UIC	Trade IC	Volume IC	Value IC
TSE	48.6%	36.3%	54.8%	55.1%	47.0%	66.4%	29.7%	29.8%	27.5%
CDX	2.1%	18.2%	0.8%	2.1%	20.6%	0.9%	1.4%	4.0%	0.3%
CHX	16.4%	10.4%	14.8%	12.8%	6.2%	9.2%	24.5%	28.1%	31.6%
CNQ	3.2%	8.9%	2.2%	1.7%	9.3%	0.8%	3.3%	4.3%	3.8%
TCM	6.2%	6.1%	5.7%	9.1%	4.0%	6.5%	0	0	0
AQN	2.5%	5.1%	5.5%	2.4%	1.7%	1.5%	40.1%	31.8%	33.2%
ALF	5.5%	4.5%	5.8%	3.6%	2.6%	4.2%	0.1%	0.1%	0.1%
OMG	6.9%	3.7%	4.2%	5.6%	2.3%	3.0%	0.1%	1.2%	2.9%
CX2	5.8%	3.5%	3.8%	5.1%	2.2%	3.4%	0.8%	0.8%	0.7%
AQL	2.1%	2.3%	1.5%	2.0%	2.6%	1.5%	0	0	0
CXD	0.6%	0.6%	0.5%	0.4%	0.4%	0.4%	0	0	0
LYX	0.2%	0.3%	0.1%	0.1%	0.1%	0.1%	0.001%	0.000%	0.000%
LIQ	0.001%	0.1%	0.2%	0.0%	1.0%	1.8%	0	0	0
ICX	0.017%	0.020%	0.045%	0.1%	0.1%	0.2%	0	0	0
AQD	0.004%	0.004%	0.007%	0.003%	0.002%	0.004%	0	0	0
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Fig 10 – CL-CL Crosses by Security Price

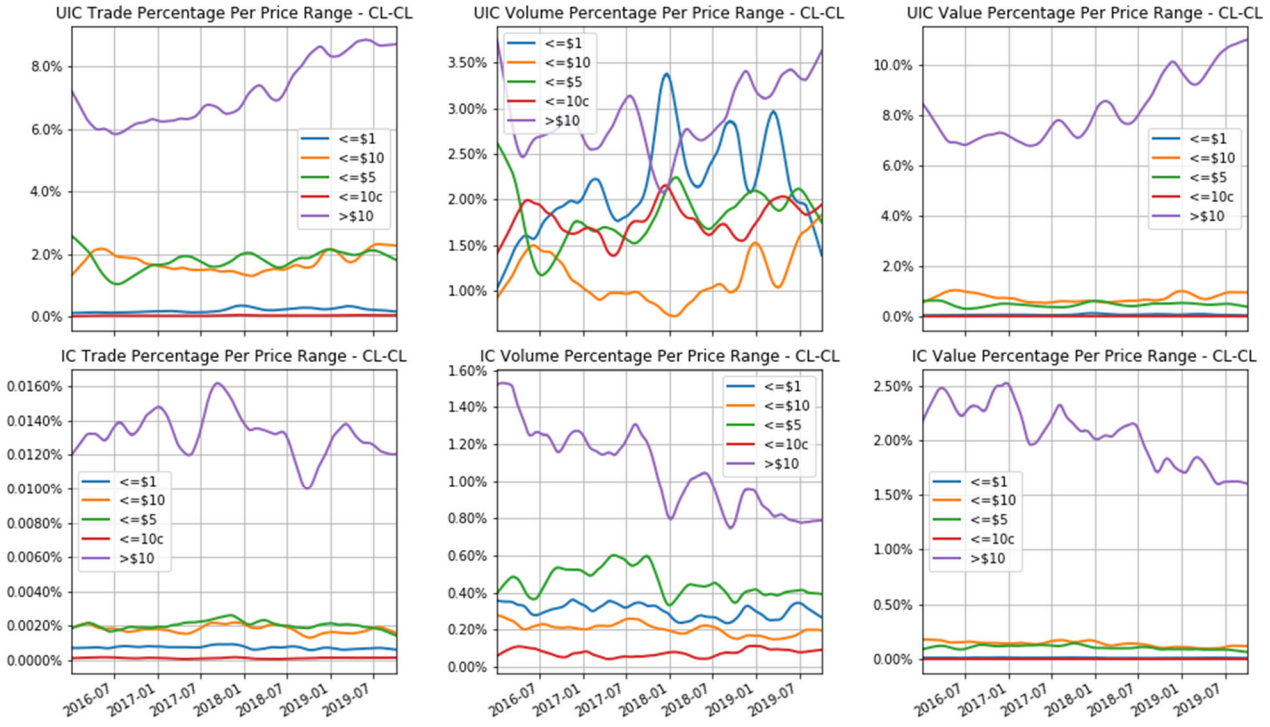


Fig 10 shows a breakdown of intentional and unintentional client-client crosses as a percentage of total trading activity over the period by security price. 5 buckets are used: =<.10, >.10 - $1, >$1 - $5, >$5 - $10, >$10.

Fig 11 – CL-IN Crosses by Security Price

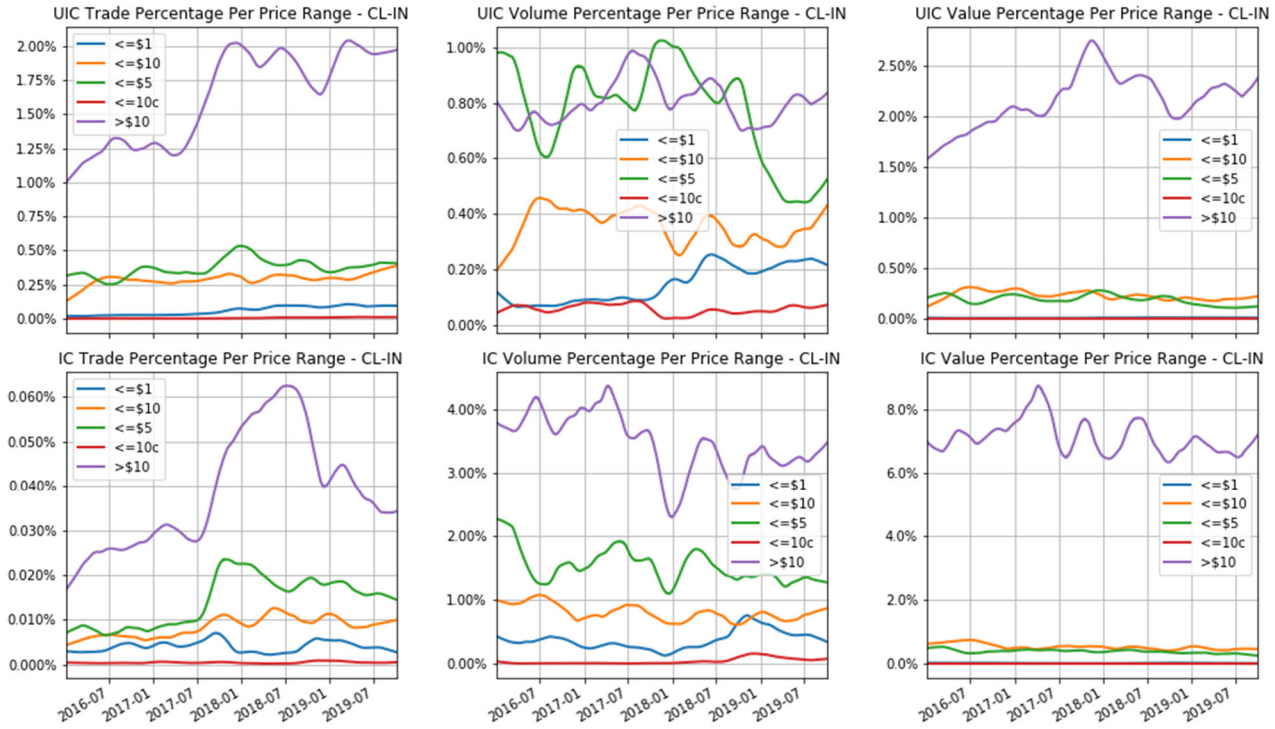


Fig 11 shows a breakdown of intentional and unintentional client-inventory crosses as a percentage of total trading activity over the period by security price. 5 buckets are used: =<.10, >.10 - $1, >$1 - $5, >$5 - $10, >$10.

Fig 12 –Crosses by Liquidity

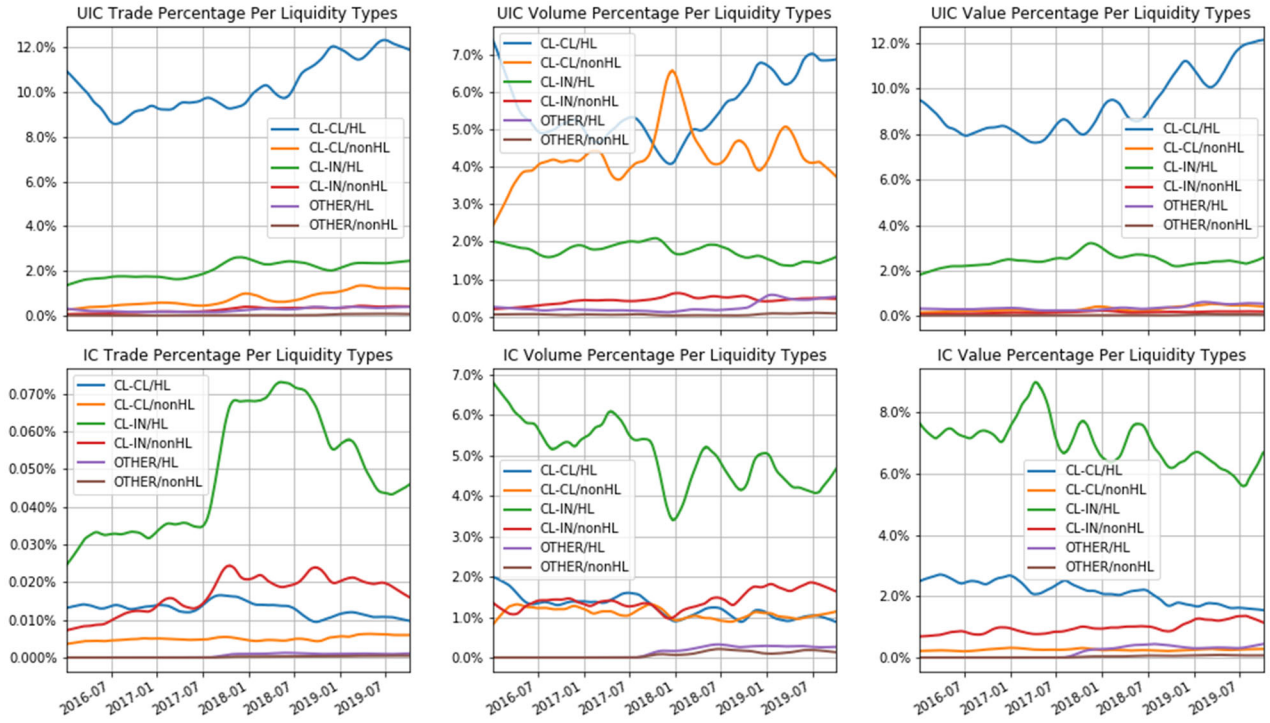


Fig 12 shows a breakdown of intentional and unintentional crosses as a percentage of total trading activity by client type over the period by liquidity. For the calculation of liquidity, the IIROC highly-liquid security list was used.

Table 3 – Average Contribution by Top 15 Dealers

Total Value	88.04%
Total Volume	81.87%
Total Trades	87.77%
Intentional Crosses - Value	85.97%
Intentional Crosses - Volume	77.11%
Intentional Crosses - Trades	81.16%
Unintentional Crosses - Value	94.75%
Unintentional Crosses - Volume	94.68%
Unintentional Crosses - Trades	98.59%

Table 3 aggregates the activity of the top 15 dealers as measured by trading activity. Percentages reflect the aggregate contribution over the period. For comparison purposes, total (including cross and non-cross trades) number of trades, volume and value have been included.

Fig 13 – Top 15 Dealers - Crosses - Percentage of Own Trading

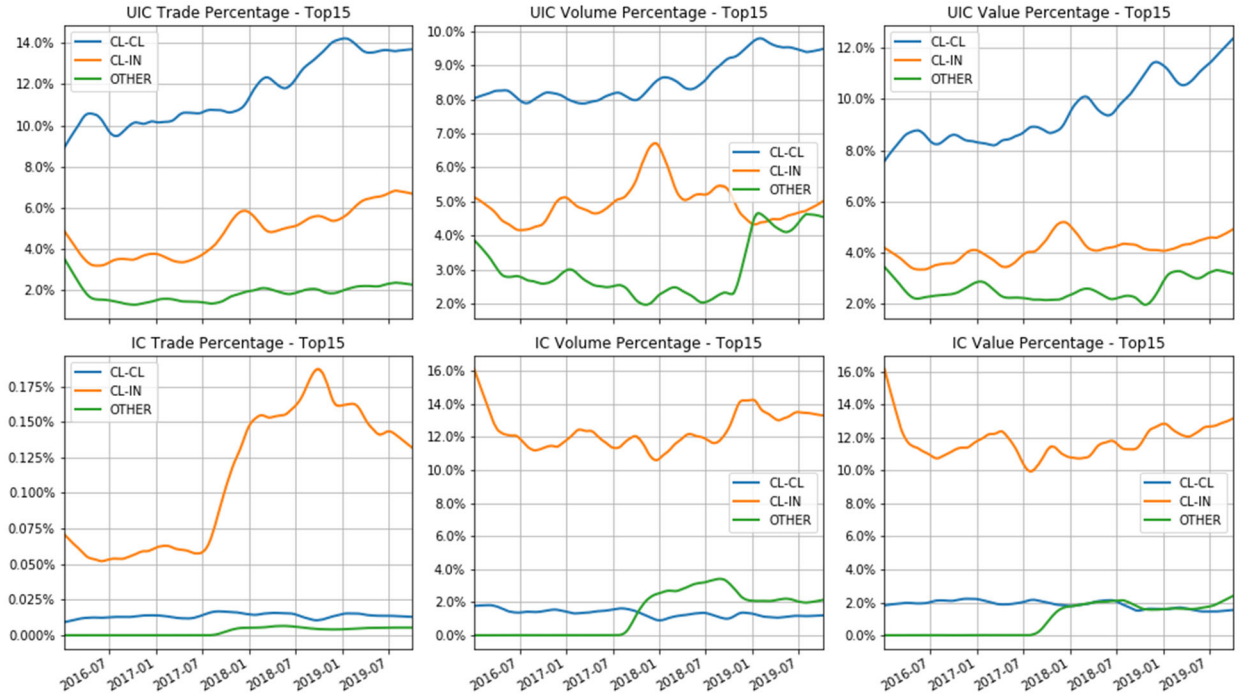


Fig 13 shows the percentage of intentional and unintentional crosses by client type of the top 15 dealers as compared against the total trading activity of the same top 15 dealers on all marketplaces.

Fig 14 – Top 15 Dealers - Crosses - Percentage of Total Trading

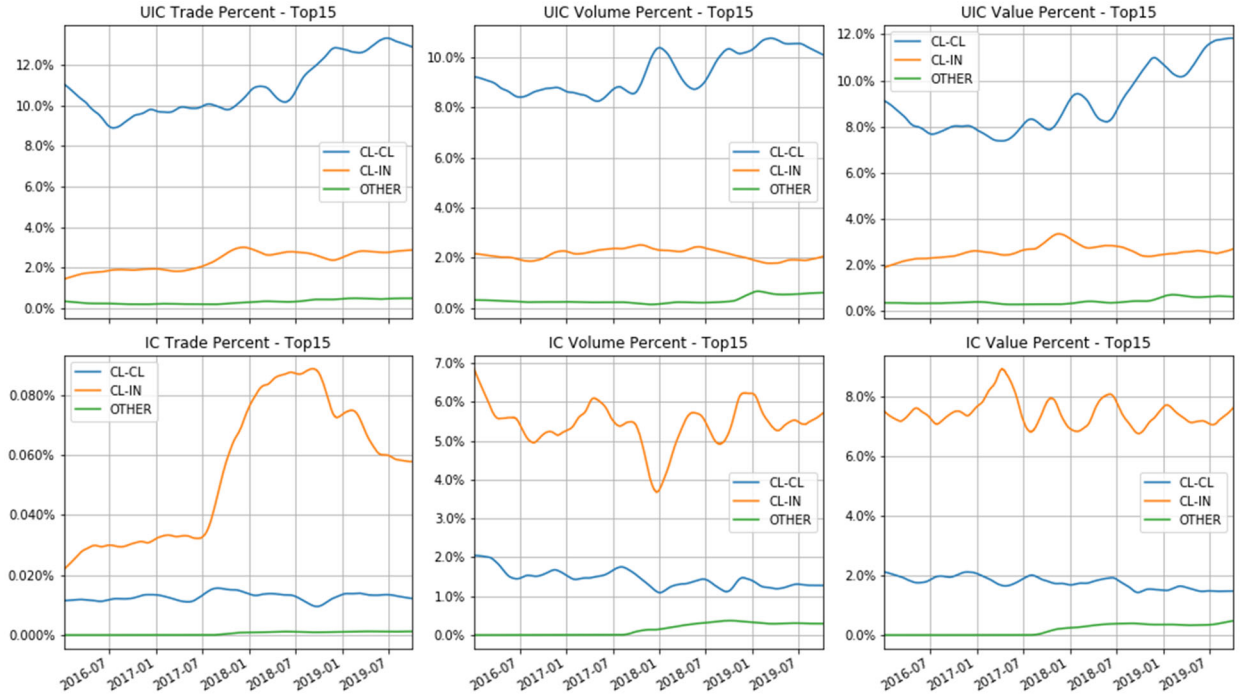


Fig 14 shows the percentage of intentional and unintentional crosses by client type of the top 15 dealers as compared against the total trading activity of all dealers on all marketplaces.

APPENDIX B

Summary of comments received and responses

LIST OF COMMENTERS

1. The Canadian Advocacy Council for Canadian CFA Institute Societies
2. Leede Jones Gable Inc. – Jason Jardine
3. Buy Side Investment Management Association – Brent Robertson
4. Select Vantage Canada Inc. – Daniel Schlaepfer, Hugo Kruyne and Mario Josipovic
5. Canadian Foundation for Advancement of Investor Rights
6. NEO Exchange Inc. – Cindy Petlock
7. TD Direct Investing – Paul Clark
8. TD Securities Inc. – David Panko
9. Desjardins Securities
10. Acumen Capital Finance Partners Limited – Myja Miller
11. Ian Bandeen
12. Independent Trading Group
13. TMX Group Limited – Kevin Sampson
14. BMO Capital Markets – Dave Moore
15. Investment Industry Association of Canada – Susan Copland
16. RBC Dominion Securities Inc. Capital Markets and Wealth Management – Thomas Gajer
17. Scotiabank - Alex Perel
18. National Bank Financial Inc. – Nicolas Comtois, Alain Katchouni and Patrick McEntyre
19. Canadian Security Traders Association Inc.
20. Nasdaq Canada
21. CIBC World Markets Inc.

Topic	Summary of Comments	CSA/IIROC Response
General Comments	One commenter suggested that the consultation process is biased towards large market participants and suggested that regulators hold both formal and informal roundtables in order to solicit views from all industry participants. Conversely, one commenter was supportive of what they believed was a collaborative consultation process. One respondent expressed the view that regulatory concern in Canada stems from related concerns with the securities industry in the United States, and noted differences in market structure between both countries, particularly with respect to retail internalization/wholesaling.	The public comment process specifically solicited views from all interested stakeholders and we received comments from both large and small participants. While we agree with the view that notable differences in market structure exist between Canada and the United States, we do not agree with the belief that the regulatory concern with respect to internalization in Canada stems from similar concerns that are present in the United States. We note, as an example, that broker preferencing is an important element of the concerns expressed and is an aspect of market structure that is generally unique to Canada.
Question 1 – How do you define internalization?	The Consultation Paper defined internalization as being generally "*a trade that is executed with the same dealer as both the buyer and the seller.*" Most commenters agreed with the Consultation Paper's definition of the term. One respondent believed, however, that for the purposes of the Consultation Paper, the definition should focus on methods of internalization that are intentional and have a high degree of certainty of the outcome, whether facilitated by technology or performed manually.	The definition set out in the Consultation Paper was not intended to focus on methods of internalization, but rather to provide a broad definition from which we could solicit feedback on several related issues.
Question 2 – (Key attributes of a market) - Are all of these attributes relevant considerations from a regulatory policy perspective? If not, please identify those which are not relevant, and why.	Most commenters agreed that the attributes set out in the Consultation Paper are relevant considerations from a regulatory policy perspective. One commenter believed that rather than applying the attributes strictly, they should be applied to the *entire* market ecosystem to recognize the role that dealers play in contributing to market quality.	We agree that the key market attributes that were described as early as 1997, and which have guided the consideration of market structure policy changes should be applied broadly to the entire market. We note that these attributes have influenced policy decisions over the years that are related not only to marketplaces, but to issues that impact all stakeholders.

Question 3 – (Key attributes of a market) - How does internalization relate to each of these attributes? If other attributes should be considered in the context of internalization, please identify these attributes and provide rationale.	Most respondents articulated that internalization can impact the stated attributes, either positively or negatively. One commenter stated that internalization harms all the attributes. Another commenter stated that internalization increases segmentation, which in turn affects various attributes. Specifically, some argued that increased levels of internalization will impact liquidity through wider spreads and more unstable quotes, while others believed that internalization enhances both liquidity and immediacy of order execution. Some commenters believed that changes to the rules related to internalization, particularly broker preferencing, may cause dealers to seek to replicate the benefits that they receive in other ways, which may negatively impact key market attributes.	We highlight the differing views presented by respondents. We believe that the diversity of comments supports the position that while some attributes may be impacted through internalization, the magnitude of the impact cannot be easily quantified. We note this response as an example that recognizes the need to be cautious that regulatory policy changes are balanced and do not result in unintended outcomes.
Question 4 - Please provide your thoughts on the question of the common versus the individual good in the context of internalization and best execution.	Most commenters characterized internalization as being detrimental to the common good, however many also expressed a desire to find a balance between the individual good (e.g. internalization, broker preferencing) and the common good (e.g. fair access, price discovery). However, a few commenters supported internalization over the common good. Several commenters prioritized the common good over the individual good, while others expressed concern about the outcomes of increased internalization, including its impacts on liquidity and overall market toxicity. One respondent believed that market participants who benefit from internalization may have little incentive to promote the common good. One commenter, however, expressed concern over focusing primarily on the common good because in doing so, it may ultimately sacrifice execution quality and pose a risk of losing global order flows into the Canadian market.	We highlight the reference to balance as a common theme throughout many of the responses received. We are of the view that balance is an important consideration in evaluating any policy work in relation to the concerns raised. We recognize the underlying concerns with respect to increased levels of internalization. While we do not believe that the current data regarding internalization indicates concerns that warrant an immediate policy response, we intend to monitor data on an ongoing basis, both specific to the magnitude of internalization as well as general market quality measures. Where we see evidence of negative impacts, we will consider appropriate policy responses at that time. As previously noted, we recognize the need to continue to ensure a competitive Canadian market while also being cautious that regulatory policy changes do not result in unintended outcomes.
Question 5 - Please provide any data regarding market quality measures that have been impacted by internalization. Please include if there are quantifiable differences between liquid and illiquid equities.	The sole direct respondent to this question asserted that it is difficult to measure the impact of internalization on market quality without conducting a formal study. Furthermore, they believe that the U.S. market has a higher execution quality than in Canada, and believes this may be a result of greater liquidity available through internalization.	We highlight the lack of available data from respondents and reiterate that we have not seen specific negative impacts that warrant an immediate policy response.

Question 6 - Market participants: please provide any data that illustrates the impacts to you or your clients resulting from your own efforts (or those of dealers that execute your orders) to internalize client orders (e.g. cost savings, improved execution quality) or the impacts to you or your clients resulting from internalization by other market participants (e.g. inferior execution quality/reduced fill rates).	The sole respondent to this question asserted their clients benefit from internalization through higher fill rates on passive orders, reduced market impact of marketable orders, lower indirect cost of execution and a reduction in adverse selection.	See above re: Question 5.

Question 7 – Please provide your views on the benefits and/or drawbacks of broker preferencing?	Commenters highlighted many benefits and drawbacks to broker preferencing. Generally, respondents were divided in their support or opposition.
	<u>Specific benefits that were noted included:</u>
	• immediacy of trade execution and reduced execution costs;
	• improves the ability of retail and institutional clients to capture the spread;
	• reduction in the market impact of larger orders;
	• broker preferencing is preferable to other alternatives, including an expansion in the number of dark pools and/or dealers setting up their own trading venues; and
	• as compared to U.S. market structure, it is preferable because:
	  o it is more fair;
	  o the primary beneficiaries are retail clients; and
	  o it encourages the posting of liquidity on public marketplaces and client-to-client order matching.
	<u>Drawbacks that were noted included:</u>
	• a negative impact on fairness and/or the principles of a fair and open market by creating an unlevel playing field, as not all participants have the chance to interact with a given order; and
	• a negative impact on immediacy for displayed orders and a resulting negative perception of fairness if orders are not executed or if immediacy is reduced.
	
	Several commenters noted that the concerns raised may be especially impactful where broker preferencing is leveraged on a systematic basis.
	
	Many respondents offered comments in relation to potential changes to the application of broker preferencing. Commenters were divided in this regard.
	
	Several commenters supported either a full prohibition of broker preferencing, or a limitation of its application to smaller orders (typically less than 50 standard trading units).
	
	Respondents who were not in favour of changes or restrictions, were of the view that this would result in increased costs and complexity and that alternatives could lead to greater market fragmentation and an increased advantage to market participants who utilize low latency trading strategies.
	
	It was also noted that restrictions are unnecessary as Rule 6.3 *Order Exposure* of the Universal Market Integrity Rules (UMIR)already facilitates price discovery, immediacy and liquidity.
	
	One commenter also believed that restrictions on broker preferencing could impact the competitiveness of the Canadian market by increasing costs.
		As referenced above, we believe that the diversity of views expressed in the comments we received is supportive of the position that the magnitude of the impact of broker preferencing cannot be easily quantified, and we again highlight the theme of balance. We are of the view that a policy response at this time, absent clear evidence of a market structure that is negatively impacting the common good, may affect the balance of Canadian market structure and result in other outcomes. As part of our ongoing monitoring, we are committed to continuing to evaluate the extent to which order execution results from broker preferencing, and any corresponding impacts.
		
		We refer to previous responses related to potential unintended outcomes that may result from immediate policy responses that are not supported by measurable evidence of an existing issue.
		
		We will continue to monitor our trading rules and that the policy objectives continue to be met. We may propose amendments where appropriate if we identify rules that are not meeting the intended policy objectives.

Question 8 - Market participants: where available, please provide any data that illustrates the impact of broker preferencing on order execution for you or your clients (either positive or negative).	One commenter observed that, based on its internal statistics, no one client segment benefits disproportionately from broker preferencing.	We highlight the lack of available data illustrating specific negative impacts that warrant an immediate policy response.
Question 9 - Please provide your thoughts regarding the view that broker preferencing conveys greater benefits to larger dealers.	Most commenters supported the view that larger firms gain greater benefits relative to smaller dealers. One commenter noted that broker preferencing creates an incentive for liquidity providers to become clients of larger dealers. Others were less supportive of this view and offered a number of qualifying comments. Respondents expressed the view that broker preferencing does not only benefit larger dealers, but any dealer with two-sided volume of client orders, with diversified business lines or with a large amount of active (i.e. marketable) order flow. One commenter believed that broker preferencing benefits smaller dealers as it provides greater liquidity, price discovery and access to order flow as compared to alternative market structures that exclude small dealers entirely.	We recognize the concerns that, in relation to broker preferencing, smaller dealers may be at a disadvantage as compared to larger dealers that have significantly higher volume of orders. We note that benefits of broker preferencing are not exclusive to larger dealers and that small dealers can also benefit both in circumstances where they have existing orders in an order book, and potentially by access to greater liquidity provided through the trading activity of other dealers. Absent clear evidence of an unbalanced market structure that is causing measurable negative impacts, we are cautious of proposing changes at this time, but will continue to monitor for impacts going forward.

Question 10 – Does broker preferencing impact (either positively or negatively) illiquid or thinly-traded equities differently than liquid equities?	A couple of commenters noted that they were not aware of any studies covering the impact of broker preferencing on either liquid or illiquid securities. Those that responded to the question had mixed views. A couple of commenters noted that there is a higher trading volume in liquid securities which ultimately leads to a higher frequency of broker preferencing. Most of those who responded to this question thought that the impact of broker preferencing is more pronounced on illiquid securities, for reasons including: • the value of time priority is large for thinly traded securities or for those where trading is concentrated on one marketplace; • queue-jumping resulting from broker preferencing may have a greater impact on the perception of fairness with respect to illiquid securities; • concerns about the liquidity of these securities are already high; and • broker preferencing may incentivize dealers to make markets, thus contributing to liquidity when it is most needed. A couple of commenters thought the impact of broker preferencing is higher on liquid securities. One commenter noted that more liquid securities trade in multiple order books with deep queues, especially at lower price points. It is difficult for resting orders to be filled on time priority alone, thus they benefit from broker preferencing. Another respondent thought that broker preferencing is not a key factor in the liquidity of thinly-traded securities, as liquidity is primarily a function of institutional ownership, retail interest, research coverage and not of market microstructure. Finally, one commenter noted that the impact is likely the same for liquid and illiquid securities.	We believe that the divergent views support the position that the magnitude of any impacts of broker preferencing between liquid and less-liquid securities cannot be easily determined. We will continue to monitor market quality measures and the magnitude of broker preferencing and will consider the liquidity profile of a security.

Question 11 – Do you believe that a dealer that internalizes orders on an automated and systematic basis should be captured under the definition of a marketplace in the Marketplace Rules? Why, or why not?	Two commenters, representing sell-side participants, were of the view that if dealers are automating what could be done manually, or what was done manually in the past, they should not be considered a marketplace as defined in the Marketplace Rules. The application of technology should not change how an activity is classified from a regulatory perspective. One of the commenters noted, however, that mechanisms for holding large numbers of client orders away from the open market while systematically seeking to find matches within those orders would be outside what can be done manually by dealers and such systems would be a marketplace. Most commenters, however, thought that a dealer or any system that automates the internalization of orders should be considered a marketplace. These commenters noted that the Canadian market is relatively small and has large intermediaries and significant retail participation. Creating silos of liquidity would not only reduce efficiency but so too negatively impact fairness. If considered marketplaces, the fair access requirements in the Marketplace Rules would therefore apply.	We are of the view that, if a dealer's activities are similar to those undertaken by a marketplace, in that the dealer systematically matches buy and sell orders of securities with limited discretion by the dealer in the execution process, it may meet the definition of a marketplace. The CSA will consider whether additional clarification should be provided in relation to when a system is a "marketplace". We share the concerns of respondents in relation to silos of liquidity and potential negative impacts on the Canadian market, but do not believe that the current available data illustrates concerns that require an immediate policy response. As highlighted in previous responses, we intend to continue monitoring for such negative impacts and will consider appropriate policy measures where, and if necessary.

Question 12 – Do you believe segmentation of orders is a concern? Why, or why not? Do your views differ between order segmentation that is achieved by a dealer internalizing its own orders and order segmentation that is facilitated by marketplaces?	The majority of commenters thought segmentation of orders is a concern, for reasons including: • it runs contrary to the principle of fair access; • it siloes liquidity and reduces opportunities for the broadest degree of order interaction; • undermining the diversity of orders in the market would make it less liquid and less competitive; • segmentation of retail orders in particular, is an unhealthy trend, particularly in a smaller market like Canada where there are liquidity challenges; • removal of one category of orders would negatively impact price discovery; it was noted that the removal of retail order flow would negatively impact price discovery as it is a significant contributor to price discovery; • removal of retail order flow would increase toxicity among the remaining non-retail market, driving the non-retail market away from transparent markets; • segmentation is often associated with information leakage; and • it may erode market quality in Canada. Some commenters noted the proliferation of order types and incentives offered by marketplaces. One also noted that these marketplace offerings drive unnecessary intermediation. One commenter indicated that there should be a distinction between implicit and explicit segmentation. The commenter noted that there is a difference between competing commercial models that incentivize participants to seek out the services that best meet their objectives, but marketplace features should be accessible to all and users can choose how to use them. However, there should not be features that explicitly segment orders and restrict access. Some commenters noted that the concerns with respect to segmentation are the same regardless of whether it occurs at the dealer level, through internalization, or through marketplace features. It was noted that marketplaces and dealers enabling segmentation have been treated differently from a regulatory perspective, which is a concern. One commenter was of the view that some level of segmentation is necessary in order to improve execution quality for certain classes of orders, however, if it were excessive, it would impact market quality. The commenter noted that the segmentation of retail orders in the U.S., through wholesaling, has been successful in improving immediacy, execution quality and market impact for retail clients. The same commenter was of the view that the erosion of the Canadian market share is directly related to the inability to segment retail order flow in the existing regulatory framework.	We note that we share some of the concerns highlighted, especially as they relate to overall quality of the Canadian market. As noted in the Consultation Paper, segmentation of orders may result from different mechanisms including: • marketplace fee models (i.e. fee and rebate structures); • other marketplace functionality (e.g. order processing delays, market maker programs); and • dealer trading practices or processes that seek to internalize retail, or potentially other order flow. In the review of various marketplace proposals, we consider issues related to segmentation, particularly in the context of fair access and leakage of information, and the impacts of marketplace proposals on Canadian market quality. We have not currently identified concerns from segmentation of orders that we believe necessitates an immediate policy response.

Question 13 – Do you believe that Canadian market structure and the existing rule framework provides for optimal execution outcomes for retail orders? Why or why not?	While not necessarily agreeing in all cases with the term "optimal", commenters were generally supportive of Canadian market structure relative to other jurisdictions and were of the view that the Canadian market structure and the existing rule framework provide for favourable execution outcomes for retail orders. Some highlighted certain rules and requirements supporting retail order execution, while another noted that retail orders are the beneficiaries of low trading fees charged by retail dealers. One commenter noted the inherent challenge in the obligation for dealers to improve retail order execution outcomes, and the potential impact on the wider market. This sentiment was echoed by another commenter who suggested that any additional decisions taken to benefit retail should be undertaken with caution to avoid tradeoffs between the common and individual good. One commenter disagreed with the notion that retail orders receive optimal execution outcomes and suggested that retail orders receive better execution in the U.S. This commenter highlighted the importance of ensuring that Canadian markets are competitive with the U.S. to protect our market share while attracting additional orders.	While we are of the view that a "perfect" market structure likely does not exist, we believe that the current Canadian market ecosystem represents a reasonable equilibrium between the needs of various market participants, including retail investors. We agree with the importance of ensuring the Canadian market continues to be competitive, especially where trading in securities listed in Canada can easily be effected in Canada and/or in other jurisdictions.

Question 14 - Should the CSA and IIROC consider changes to the rule framework to address considerations related to orders from retail investors? If yes, please provide your views on the specific considerations that could be addressed and proposed solutions.	Many respondents provided views on potential changes to the rule framework to address concerns related to retail orders. One commenter highlighted existing rules and noted that IIROC and the CSA should continue ensuring that dealers comply, including with respect to order exposure, best execution, and client-principal trading.	
	Several commenters specifically highlighted UMIR Rule 6.3 *Order Exposure* and expressed the view that the order size thresholds associated with its application should be reviewed with the possibility of amending them in a way that strengthens the rule and the corresponding benefits for retail orders. It was noted that this may similarly strengthen other UMIR Rules to which the thresholds are applicable.	As part of the on-going work associated with this project, IIROC will review many of the provisions within UMIR to ensure the intended policy objectives continue to be met. IIROC will consider rules amendments as appropriate.
	Several respondents identified the "guaranteed fill" facilities or functionality in place at various Canadian marketplaces and which typically apply to the execution of retail orders. Some were of the view that these facilities should be revisited in a way that either limits or reconsiders their use entirely, although one commenter noted that such facilities have allowed retail dealers to find better liquidity for retail order execution. One commenter also suggested that such facilities only be permitted to be offered by a listing exchange in the context of a formal market making program.	The CSA has considered the various 'guaranteed fill' facilities in the context of balancing the obligations of exchange market makers relative to the benefits afforded. The CSA believes that they are currently balanced appropriately and note that while some may view such facilities as a benefit rather than an obligation, the programs are typically designed to supplement liquidity in an exchange's order book and further note that existing displayed orders receive execution priority.
	A number of commenters recommended that the CSA and IIROC introduce order routing and execution reporting requirements both in the context of retail and institutional orders.	The CSA has proposed such reporting requirements in the past, but did not move forward with finalizing proposals. If warranted, the CSA would again consider whether reporting would provide meaningful benefits.
	Two commenters suggested a dedicated facility for the execution of retail orders that would have open access for anyone seeking to provide liquidity to retail orders on a multilateral basis. One of these commenters believed that this would provide some of the advantages of the wholesale model in the U.S., but ensure multilateral interactions.	The CSA and IIROC are supportive of innovation that might help to improve Canadian market structure and would review any marketplace proposals in this regard in accordance with the normal processes.
	One commenter recommended that the CSA and IIROC require the provision of access to real-time data for retail investors and investment advisors to provide a better view of available liquidity and how orders are executed, while supporting more informed investment decisions.	Like many jurisdictions globally, we are considering a variety of issues associated with market data. Any proposals in relation to market data would be made under a separate policy initiative.

Question 15 – Are there other relevant areas that should be considered in the scope of our review?	Some respondents offered additional areas that they believed would be relevant for consideration. One commenter highlighted the mandated trading increments defined in UMIR as being at the core of internalization activities and the practice of spread capture. This commenter suggested that reducing or eliminating the minimum trading increment would benefit investors and the potential for spread reductions could result in greater volume and improved liquidity. Another respondent suggested that the CSA reconsider fee structures that discriminate between different types of participants with the goal of providing a better balance between the individual and the common good. Further related to fee structures, one commenter expressed support for the proposed CSA trading fee rebate pilot, noting that trading fees and trading fee models are some of the biggest contributors to segmentation. While not expressing support for the pilot, another respondent suggested capping rebates for liquidity-removal paid by marketplaces with inverted "taker-maker" fee schedules. One commenter suggested that orders that are created solely to take advantage of existing orders are not appropriate.	We acknowledge the comment but note that removing the minimum trading increment would result in trades quoted at sub-penny increments. We are cautious of any potential unintended consequences and impacts to the industry.

1.2 Notices of Hearing

1.2.1 ESW Capital, LLC and Optiva Inc. – s. 104

FILE NO.: 2020-26

IN THE MATTER OF
ESW CAPITAL, LLC

AND

IN THE MATTER OF
OPTIVA INC.

NOTICE OF HEARING
Section 104 of the *Securities Act,* RSO 1990, c S.5

PROCEEDING TYPE: Application for Transactional Proceeding

HEARING DATE AND TIME: August 21, 2020 at 10:00 a.m.

LOCATION: By Videoconference

PURPOSE

The purpose of this proceeding is to consider the Application filed by ESW Capital, LLC dated August 6, 2020, requesting an order granting exemptive relief from the requirement set forth in section 2.29.1(c) of National Instrument 62-104 - *Take-Over Bids and Issuer Bids*.

The hearing set for the date and time indicated above is the first attendance in this proceeding, as described in subsection 7(1) of the Commission's *Practice Guideline*.

REPRESENTATION

Any party to the proceeding may be represented by a representative at the hearing.

FAILURE TO ATTEND

IF A PARTY DOES NOT ATTEND, THE HEARING MAY PROCEED IN THE PARTY'S ABSENCE AND THE PARTY WILL NOT BE ENTITLED TO ANY FURTHER NOTICE IN THE PROCEEDING.

FRENCH HEARING

This Notice of Hearing is also available in French on request of a party. Participation may be in either French or English. Participants must notify the Secretary's Office in writing as soon as possible if the participant is requesting a proceeding be conducted wholly or partly in French.

AVIS EN FRANÇAIS

L'avis d'audience est disponible en français sur demande d'une partie, que la participation à l'audience peut se faire en français ou en anglais et que les participants doivent aviser le Bureau du secrétaire par écrit dès que possible si le participant demande qu'une instance soit tenue entièrement ou partiellement en français.

Dated at Toronto this 12th day of August, 2020

"Grace Knakowski"
Secretary to the Commission

For more information

Please visit www.osc.gov.on.ca or contact the Registrar at registrar@osc.gov.on.ca.

1.4 Notices from the Office of the Secretary

1.4.1 ESW Capital, LLC and Optiva Inc.

FOR IMMEDIATE RELEASE
August 12, 2020

ESW CAPITAL, LLC and
OPTIVA INC.,
File No. 2020-26

TORONTO – On August 12, 2020 the Commission issued a Notice of Hearing pursuant to Section 104 of the *Securities Act,* RSO 1990, c S.5 to consider the Application filed by ESW Capital, LLC dated August 6, 2020, requesting an order granting exemptive relief from the requirement set forth in section 2.29.1(c) of National Instrument 62-104 - *Take-Over Bids and Issuer Bids*.

The hearing will be held on August 21, 2020 at 10:00 a.m.

A copy of the Notice of Hearing dated August 12, 2020 and the Application dated August 6, 2020 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

For Media Inquiries:

media_inquiries@osc.gov.on.ca

For General Inquiries:

1-877-785-1555 (Toll Free)
inquiries@osc.gov.on.ca

1.4.2 First Global Data Ltd. et al.

FOR IMMEDIATE RELEASE
August 14, 2020

FIRST GLOBAL DATA LTD.,
GLOBAL BIOENERGY RESOURCES INC.,
NAYEEM ALLI,
MAURICE AZIZ,
HARISH BAJAJ, AND
ANDRE ITWARU,
File No. 2019-22

TORONTO – The Commission issued an Order in the above named matter.

A copy of the Order dated August 13, 2020 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

For Media Inquiries:

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For General Inquiries:

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inquiries@osc.gov.on.ca

1.4.3 Joseph Debus

FOR IMMEDIATE RELEASE
August 18, 2020

JOSEPH DEBUS,
File No. 2019-16

TORONTO – The Commission issued its Reasons for Decision in the above named matter.

A copy of the Reasons for Decision dated August 18, 2020 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

For Media Inquiries:

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1.4.4 Canada Cannabis Corporation et al.

FOR IMMEDIATE RELEASE
August 18, 2020

CANADA CANNABIS CORPORATION,
CANADIAN CANNABIS CORPORATION,
BENJAMIN WARD,
SILVIO SERRANO, and
PETER STRANG,
File Nos. 2019-34 and 2020-13

TORONTO – Take notice that an attendance in the above-named matters is scheduled to be heard on August 26, 2020 at 10:00 a.m.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

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For General Inquiries:

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Picton Mahoney Asset Management et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from short selling and cash borrowing restrictions in NI 81-102 to permit alternative mutual funds to conduct physical short sales and cash borrowing up to a combined aggregate limit of 100% of the fund's net asset value, subject to conditions.

Relief also granted from custody and collateral restrictions in NI 81-102 to permit excluding, from the 25% of an alternative mutual fund's net asset value that may be deposited with a borrowing agent that is not the fund's custodian or sub-custodian as security in connection with a short sale, the aggregate market value of proceeds from outstanding short sales of portfolio securities held by the borrowing agent, subject to conditions.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 2.6, 2.6.1, 2.6.2, 6.1, 19.1.

July 7, 2020

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS
IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
PICTON MAHONEY ASSET MANAGEMENT
(the Filer)

AND

IN THE MATTER OF
PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND
PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND
PICTON MAHONEY FORTIFIED MULTI STRATEGY ALTERNATIVE FUND
PICTON MAHONEY FORTIFIED INCOME ALTERNATIVE FUND
PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND
PICTON MAHONEY FORTIFIED ARBITRAGE PLUS ALTERNATIVE FUND
(the Existing Funds) and the investment funds, including exchange traded funds, structured as "alternative mutual funds" as defined in National Instrument 81-102 *Investment Funds* (NI 81-102) managed and advised by the Filer in the future (the Future Funds and, collectively with the Existing Funds, the Funds)

DECISION

Background

The principal regulator in the Jurisdiction has received an application (the **Application**) from the Filer on behalf of the Funds for a decision under the securities legislation of the Jurisdiction (the **Legislation**) exempting each Fund from:

(i) the following restrictions of NI 81-102 to permit each Fund to sell securities short and/or borrow cash up to a combined aggregate total of 100% of the net asset value (**NAV**) of the Fund:

(a) Subparagraph 2.6.1(1)(c)(v), which restricts a Fund from selling a security short if, at the time, the aggregate market value of all securities sold short by the Fund exceeds 50% of the Fund's NAV (together with ((i)(c) below, the **Short Selling Limit**);

(b) Subparagraph 2.6(2)(c), which restricts a Fund from borrowing cash if the value of cash borrowed, when aggregated with the value of all outstanding borrowing by the Fund, exceeds 50% of the Fund's NAV (together with (i)(c) below, the **Cash Borrowing Limit**);

(c) Section 2.6.2, which restricts a Fund from borrowing cash or selling securities short if, immediately after entering into a cash borrowing or short selling transaction, the aggregate value of cash borrowed combined with the aggregate market value of all securities sold short by the Fund (the **Combined Aggregate Value**) would exceed 50% of the Fund's NAV and which requires a Fund, if the Combined Aggregate Value exceeds 50% of the Fund's NAV, as quickly as commercially reasonable, to take all necessary steps to reduce the Combined

Aggregate Value to 50% or less of the Fund's NAV; and

(ii) the requirement in subsection 6.1(1) of NI 81-102 that, except as provided, all portfolio assets of a Fund be held under the custodianship of one qualified custodian, to permit a Fund to deposit portfolio assets with a borrowing agent that is not the Fund's custodian or sub-custodian in connection with a short sale of securities, if the aggregate market value of the portfolio assets held by the borrowing agent after such deposit, excluding the aggregate market value of the proceeds from outstanding short sales of securities held by the borrowing agent, does not exceed 25% of the NAV of the Fund at the time of deposit (the **Short Sale Collateral Relief**);

((i) (a) and (c) together, the **Short Selling Relief**, (i) (b) and (c) together, the **Cash Borrowing Relief**, and collectively with the Short Sale Collateral Relief, the **Requested Relief**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

(i) the Ontario Securities Commission is the principal regulator for the Application;

(ii) the Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-202 *Passport System* (**MI 11-102**) is intended to be relied upon in each of British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut (the **Other Jurisdictions** and, together with the Jurisdiction, the **Jurisdictions**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions* have the same meaning if used in this decision, unless otherwise defined;

AIF means an annual information from of a Fund prepared in accordance with Form 81-102F2 *Contents of Annual Information Form*, as amended from time to time;

Prime Broker means any entity that acts as a lender or borrowing agent, as the case may be, to one or more investment funds;

Prospectus means a prospectus of a Fund prepared in accordance with Form 81-101F1 *Contents of Simplified Prospectus* or Form 41-101F2 *Information Required in an Investment Fund Prospectus*, as each may be amended from time to time;

Securities Lending Agreements means agreements which effect securities lending, repurchase or reverse repurchase transactions between a Fund, as lender of the securities, third party borrowers and the Fund's securities lending agent;

Representations

This decision is based on the following facts represented by the Filer:

The Filer

1. The Filer is a general partnership formed under the laws of the Province of Ontario. The head office of the Filer is in Toronto, Ontario.

2. The Filer is the investment fund manager and portfolio manager of each Existing Fund and will be the investment fund manager and portfolio manager of each of the Future Funds. As such, the Filer is, or will be, responsible for managing the assets of the Funds and has, or will have, complete discretion to invest and reinvest the Funds' assets and is, or will be, responsible for executing all portfolio transactions.

3. The Filer is registered as an investment fund manager, portfolio manager and exempt market dealer in the Province of Ontario and is registered as an adviser in the category of commodity trading manager under the *Commodity Futures Act* (Ontario).

4. The Filer is also registered as an investment fund manager, portfolio manager and exempt market dealer in the Province of Québec; an investment fund manager and exempt market dealer in the Province of Newfoundland and Labrador; an exempt market dealer in the Province of Alberta; and as a portfolio manager and exempt market dealer in the provinces of British Columbia, Saskatchewan, Manitoba and Prince Edward Island.

5. The Filer is not in default of applicable securities legislation in any of the Jurisdictions.

The Funds

6. Each of the Funds is, or will be, organized as a trust established under the laws of the Province of Ontario or another Jurisdiction.

7. Each of the Existing Funds is, and each of the Future Funds will be, an open-ended public "alternative mutual fund" as defined in and governed by NI 81-102.

8. Units of the Funds are, or will be, offered by Prospectus, AIF, fund facts and, in certain instances, ETF facts, filed in one or more of the Jurisdictions and, accordingly, each Fund is, or will be, a reporting issuer in the Jurisdictions where the Requested Relief is relied upon.

9. Each of the Existing Funds is not in default of applicable securities legislation in any of the Jurisdictions.

Reasons for the Requested Relief

Short Selling Relief and Cash Borrowing Relief

10. The investment objective of each Fund will differ but, in each case, key investment strategies which may be utilized by a Fund will include (a) the use of market-neutral, offsetting, inverse or shorting strategies requiring the use of short selling in excess of the Short Selling Limit and/or (b) the use of cash borrowing to provide additional investment exposure in connection with the investment strategies of the Fund in excess of the Cash Borrowing Limit.

11. Market-neutral strategies are well-recognized for limiting market risk, balancing long and short positions within an investment portfolio with the objective of providing positive returns regardless of whether the broader market rises, falls or is flat. Market-neutral strategies are designed to have less volatility than the broader market when measured over medium to long-term periods. Market-neutral strategies also provide diversification to investors as returns are intended to be uncorrelated to the performance of the broader market – such strategies are designed to effectively remove any "beta" component from their returns and investment exposures.

12. As part of an investment strategy, short positions can serve as both a hedge against exposure to a long position or a group of long positions and also as a source of returns with an offsetting long position or positions. The Funds will generally seek to generate an attractive risk/return profile independent of the direction of the broad equity markets. As such, at the portfolio level, these strategies will seek to hedge out a Fund's exposure to the direction of broad equity markets, and to generate positive performance from the difference, specifically, the spread between the performance of the portfolio's long and short positions.

13. The ability to engage in additional short selling and cash borrowing in connection with the investment strategies of a Fund may provide material cost savings to the Fund compared to obtaining the same level of investment exposure through the use of specified derivatives while, at the same time, not increasing the overall level of risk to the Fund.

14. The costs to the Funds of engaging in physical short sales and cash borrowing are typically less when compared to the equivalent derivative transactions due to a number of factors which may include:

    (a) Prime Brokers typically have greater flexibility to offer more favourable financing terms to a Fund in relation to the aggregate amount of the Fund's assets held in the prime brokerage margin account. Derivative instruments, such as futures contracts and over the counter (OTC) derivatives, are not held in a prime brokerage account and therefore reduce the ability of a Fund to obtain the most beneficial pricing terms available.

    (b) Margin requirements for derivative instruments are primarily based on the underlying investment exposure and, as a result, can be high.

    (c) Certain derivative instruments (such as futures contracts) require cash or near cash securities (such as government treasuries) to be deposited with the counterparty as collateral. This would require a Fund to use these portfolio assets to satisfy collateral requirements rather than utilizing them in connection with the Fund's investment strategy.

15. The Funds may use cash borrowing as a more flexible and cost-efficient means of providing additional leverage for investment strategies such as merger arbitrage strategies where the use of derivative instruments to provide the same level of exposure may not be not practical. In connection with such strategies, the Filer is typically required to respond in a timely manner to public disclosure relating to a transaction and market movements in the share price of the target and/or acquiror company. The use of cash borrowing in such circumstances provides an easily accessible tool which enables the Filer to implement the investment decision more quickly compared to the use of derivative instruments which provide the same level of exposure on a synthetic basis.

16. Cash borrowing is more efficient to utilize on a day to day basis compared to derivative instruments which generally require a higher degree of negotiation and ongoing administration on the part of the Filer. The Cash Borrowing Relief would provide the Filer with access to a more functional source of additional leverage to utilize on behalf of the Funds at a lower cost which, in turn, would benefit investors.

17. The investment strategies of each Fund permit, or will permit, it to:

    (a) sell securities short provided that, at the time the Fund sells a security short (i) the aggregate market value of securities of any one issuer (other than "government securities" as defined in NI 81-102) sold short by the Fund does not exceed 10% of the NAV of the Fund and (ii) the

aggregate market value of all securities sold short by the Fund does not exceed 100% of its NAV;

(b) borrow cash provided that, at the time, the value of cash borrowed when aggregated with the value of all outstanding borrowing by the Fund does not exceed 100% of the Fund's NAV;

(c) borrow cash or sell securities short, provided that the aggregate value of cash borrowed combined with the aggregate market value of the securities sold short by the Fund does not exceed 100% of the Fund's NAV (the **Total Borrowing and Short Selling Limit**). If the Total Borrowing and Short Selling Limit is exceeded, the Fund shall, as quickly as is commercially reasonable, take all necessary steps to reduce the aggregate value of cash borrowed combined with the aggregate market value of securities sold short to be within the Total Borrowing and Short Selling Limit; and

(d) borrow cash, sell securities short or enter into specified derivatives transactions, provided that immediately after entering into a cash borrowing, short selling or specified derivative transaction, the aggregate value of cash borrowed combined with the aggregate market value of securities sold short and aggregate notional amount of the Fund's specified derivatives positions (other than positions held for hedging purposes, as defined in NI 81-102) would not exceed 300% of the NAV of the Fund as set out in section 2.9.1 of NI 81-102 (the **Leverage Limit**). If the Leverage Limit is exceeded, the Fund shall, as quickly as is commercially reasonable, take all necessary steps to reduce the aggregate value of cash borrowed combined with the aggregate market value of securities sold short and the aggregate notional amount of the Fund's specified derivatives positions (other than positions held for hedging purposes) to be within the Leverage Limit.

18. An alternative mutual fund that is subject to NI 81-102 is permitted to take leveraged long and short positions using specified derivatives up to the Leverage Limit. As such, the Short Selling Relief and Cash Borrowing Relief would not be required if the Funds utilized solely specified derivatives (such as over-the-counter total return swaps) to obtain short exposure to the underlying securities or to provide additional investment exposure in connection with the Fund's investment strategies. NI 81-102 contemplates that alternative mutual funds may utilize shorting strategies using a combination of short sale transactions (subject to the Short Selling Limit) and specified derivative positions and obtain additional investment exposure using a combination of cash borrowing (subject to the Cash Borrowing Limit) and specified derivative positions subject, in all cases, to the Leverage Limit. Alternative mutual funds that were previously known as commodity pools provide 100% or 200% inverse exposure through the use of specified derivatives, which is consistent with the Leverage Limit and does not trigger the application of the Short Selling Limit or Cash Borrowing Limit for which the Filer is requesting exemptive relief. Accordingly, the Short Selling Relief and Cash Borrowing Relief would simply allow the Funds to do directly what they could otherwise do indirectly through the use of specified derivatives.

19. The Funds require the flexibility to enter into physical short positions and borrow cash when doing so is, in the opinion of the Filer, in the best interests of the applicable Fund and to not be obligated to utilize an equivalent short position or amount of leverage synthetically through the use of specified derivatives as a result of regulatory restrictions in NI 81-102 that the Filer believes do not provide any material additional benefit or protection to investors.

20. Certain Existing Funds have used derivative instruments to synthetically achieve the exposure for which the Short Selling Relief and the Cash Borrowing Relief is requested. The Filer believes that the Short Selling Relief and the Cash Borrowing Relief would allow the Filer to more effectively manage each Fund's investment exposure by providing it with the ability to respond to market developments in a timely manner and enabling the Filer to reduce the related expenses incurred by the Funds. In addition, specified derivative options may not be readily available for certain securities, may be relatively illiquid or may require large capital commitments on the part of the Fund.

21. While there may be certain situations where using a synthetic short position may be preferable, physical short positions are typically less costly, because of the ability to execute trades with a larger number of counterparties, compared to a single counterparty for synthetic shorts. This can result in lower borrowing costs for the Fund and reduce its exposure to counterparty risk (e.g. counterparty default, counterparty insolvency and premature termination of derivatives) compared to a synthetic short position.

22. The Filer, as a registrant and a fiduciary, is in the best position to determine, depending on the surrounding circumstances, whether the Funds should enter into a physical short position and/or obtain additional investment exposure via cash

borrowing versus achieving the same result through the use of specified derivatives. The Short Selling Relief and Cash Borrowing Relief would provide the Filer with the required flexibility to make timely trading decisions between physical and synthetic short sale positions and/or achieving additional investment exposure through cash borrowing or synthetic transactions. Accordingly, the Short Selling Relief and the Cash Borrowing Relief would permit the Filer to implement more effective portfolio management activities on behalf of a Fund and its investors. Investors would benefit by obtaining access to a more diversified set of investment opportunities than are currently available, while remaining within the overall investment limits set out in NI 81-102.

23. Any physical short position or cash borrowing transaction entered into by a Fund will be consistent with the investment objectives and strategies of the applicable Fund.

24. The Prospectus, AIF, fund facts and ETF facts, as applicable, will comply with the applicable requirements of National Instrument 81-101 *Mutual Fund Prospectus Disclosure* and Form 41-101F4 *Information Required in an ETF Facts Document* for alternative mutual funds, including cover page text box disclosure in the fund facts and ETF facts to highlight how the Fund differs from other mutual funds and alternative mutual funds and emphasize that the short selling and cash borrowing strategies and increased ability to engage in short selling and cash borrowing permitted for the Fund are outside the scope of the restrictions in NI 81-102 applicable to both mutual funds and alternative mutual funds.

25. The investment strategies of each Fund will clearly disclose that the short selling and cash borrowing strategies and abilities of the Fund are outside the scope of NI 81-102, including that the aggregate market value of all securities sold short by the Fund and/or the aggregate amount of cash borrowed may exceed 50% of the NAV of the Fund. The Prospectus will also contain appropriate risk disclosure, alerting investors of any material risks associated with such investment strategies.

26. The Filer does not consider that granting the Short Selling and Cash Borrowing Relief would constitute either a fundamental or material change for the Existing Funds under NI 81-102 or National Instrument 81-106 *Investment Fund Continuous Disclosure*.

27. The Filer will determine the risk rating for each Fund using the Investment Risk Classification Methodology as set out in Appendix F of NI 81-102. The Filer does not anticipate that the current risk ratings of the Existing Funds would change if the Short Selling and Cash Borrowing Relief were granted.

28. The Filer has comprehensive risk management policies and/or procedures that address the risks associated with short selling and cash borrowing in connection with the implementation of the investment strategy of each Fund.

29. Each Fund will implement the following controls when conducting a short sale:

    (a) The Fund will assume the obligation to return to the borrowing agent the securities borrowed to effect the short sale;

    (b) The Fund will receive cash for the securities sold short within normal trading settlement periods for the market in which the short sale is effected;

    (c) The Filer will monitor the short positions within the constraints of the Requested Relief as least as frequently as daily;

    (d) The security interest provided by the Fund over any of its assets that is required to enable the Fund to effect a short sale transaction is made in accordance with industry practice for that type of transaction and relates only to obligations arising under such short sale transactions;

    (e) The Filer will maintain appropriate internal controls regarding short sales, including written policies and procedures for the conduct of short sales, risk management controls and proper books and records; and

    (f) The Filer will keep proper books and records of short sales and all assets of a Fund deposited with borrowing agents as security.

30. The Filer believes that it is in the best interests of each of the Funds to be permitted to engage in physical short selling and to obtain additional investment exposure through the use of cash borrowing in excess of the current limits set out in NI 81-102.

Short Sale Collateral Relief

31. As part of its investment strategies, each Fund that engages in short sales of securities is permitted to grant a security interest in favour of and to deposit pledged portfolio assets with its Prime Broker. If a Fund engages as its Prime Broker an entity that is not its custodian or sub-custodian, then a Fund may only deliver to its Prime Broker portfolio assets having a market value, in the aggregate, of not more than 25% of the NAV of the Fund at the time of deposit.

32. A Prime Broker may not wish to act as the borrowing agent for a Fund that has the ability to sell securities short that have an aggregate market value of up to 50% of the Fund's NAV (or more if the Short Selling Relief is granted) if the Prime Broker is only permitted to hold, as security for such transactions, portfolio assets having an aggregate market value that is not in excess of 25% of the NAV of the Fund.

33. Prime Brokers that are qualified to act as a custodian or sub-custodian under NI 81-102 are not widely appointed as custodians or sub-custodians under NI 81-102 as it can be both operationally challenging and costly to appoint them to act in such capacity.

34. Given the typical collateral requirements that Prime Brokers impose on their customers who engage in the short sale of securities, if the Short Sale Collateral Limits apply, the Funds would need to retain multiple Prime Brokers in order to sell short securities to the extent permitted under Section 2.6.1 of NI 81-102 and, if granted, the Short Selling Relief described above. Managing and overseeing relationships with multiple Prime Brokers introduces unnecessary operational and administrative complexities and additional costs of operation for the Funds.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Requested Relief is granted provided that:

In respect of the Short Selling and Cash Borrowing Relief:

1. A Fund may sell a security short or borrow cash only if, immediately after the cash borrowing or short selling transaction:

   (a) the aggregate market value of all securities sold short by the Fund does not exceed 100% of the Fund's NAV;

   (b) the aggregate value of all cash borrowing by the Fund does not exceed 100% of the Fund's NAV;

   (c) the aggregate market value of securities sold short by the Fund combined with the aggregate value of cash borrowing by the Fund does not exceed 100% of the Fund's NAV; and

   (d) the Fund's aggregate exposure to short selling, cash borrowing and specified derivatives does not exceed the Leverage Limit.

2. In the case of a short sale, the short sale:

   (a) otherwise complies with all of the short sale requirements applicable to alternative mutual funds under section 2.6.1 and 2.6.2 of NI 81-102; and

   (b) is consistent with the Fund's investment objectives and strategies.

3. In the case of a cash borrowing transaction, the transaction:

   (a) otherwise complies with all of the cash borrowing requirements applicable to alternative mutual funds under section 2.6 and 2.6.2 of NI 81-102; and

   (b) is consistent with the Fund's investment objectives and strategies.

4. The Prospectus under which securities of a Fund are offered:

   (a) discloses that the Fund can sell securities short or borrow cash up to, and subject to, the limits described in condition 1 above; and

   (b) describes the material terms of this decision.

In respect of the Short Sale Collateral Relief:

5. Each Fund otherwise complies with subsections 6.8.1(2) and (3) of NI 81-102.

"Darren McKall"
Manager
Investment Funds and Structured Products Branch
Ontario Securities Commission

2.1.2 Georgeson Shareholder Communications Canada Inc.

Headnote

Company finding lost shareholders for issuers exempt from dealer registration – relief limited to facilitating sales orders for found securityholders of their claimed securities – execution through appropriately registered IIROC investment dealers.

Statute cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 1(1), 25, 74.

August 13, 2020

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF APPLICATIONS
IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
GEORGESON SHAREHOLDER COMMUNICATIONS CANADA INC.
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction (the **Legislation**) that the Filer be exempt from the dealer registration requirement in the Legislation in connection with facilitating trades pursuant to the Share Selling Service (as defined below) (the **Exemption Sought**).

Under National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* (for a passport application):

(a) the Ontario Securities Commission is the principal regulator for this application; and

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Yukon and Nunavut (together with the Jurisdiction, the **Jurisdictions**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meanings in this decision, unless otherwise defined.

Representations

The decision is based on the following facts represented by the Filer:

The Filer

1. The Filer is a corporation with its head office located in Toronto, Ontario.

2. The Filer is a wholly-owned, indirect subsidiary of Computershare Limited.

3. The Filer is not registered under applicable securities legislation of any province or territory of Canada. The Filer is not in default of securities legislation in any jurisdiction of Canada.

4. The business of the Filer is to provide asset reunification services to issuers and their securityholders, which operates as follows:

a. The Filer is engaged by issuers to assist them in locating securityholders who:

   i. hold interests of entities (including securities of such entities) acquired by or merged into the issuer (or parties related to the issuer),

   ii. hold securities which have by their terms matured or terminated or have been redeemed,

   iii. hold interests that have been converted (whether by conversion of the interest by the entity and/or conversion of the entity itself and including, without limitation, the conversion of a mutual company into a shareholder-owned company (*e.g.*, a demutualization of an insurance company)),

   iv. by virtue of their ownership of securities of the issuer are entitled to receive securities of an entity that has been spun-out by the issuer, or

   v. have an entitlement to a cash payment in lieu of the interests set out in subparagraphs (i) to (iv) above, and

   have failed to tender their securities or other interest or to take whatever other action is required to receive any entitlement resulting therefrom.

b. Once a securityholder has been actually or potentially located (**Found Securityholders**), the Filer offers to assist the securityholder in exchanging the unexchanged securities or the claiming of additional securities or cash entitlements, as the case may be, through the delivery of an explanatory notice to such Found Securityholders detailing the steps that the Found Securityholders will be required to take to claim their entitlements (the **Claim Notice**). The Claim Notice will include the following information, along with the information referred to paragraphs (c) and (d), and paragraphs 5, 6 and 13 below:

   i. Role of the Filer in assisting the specified issuer in locating securityholders,

   ii. Name of the specified issuer and the specific entitlements of the Found Securityholder,

   iii. Details on how the Found Securityholder can claim an entitlement, which will include an Asset Reunification Form for completion by the Found Securityholder,

   iv. Details on the service fee payable by the Found Securityholder for the Asset Reunification Service and an explanation that the fee will be paid to the Filer,

   v. Details on the optional Share Selling Service;

   vi. Details on the fees payable by the Found Securityholder to the Filer for the Share Selling Service, if applicable,

   vii. Toll-free phone numbers, along with hours of operation, of the Filer, which Found Securityholders are encouraged to use,

   viii. An explanation of the Filer's privacy policy, and

   ix. An explanation of what will happen if the Found Securityholder fails to respond to the Claims Notice.

c. Found Securityholders are under no obligation to use the Filer to exchange their unexchanged securities or claim their entitlements. The issuer may have the capability to arrange for the exchanges and claims separate and apart from the Filer through a transfer agent or other internal process. As part of the Claim Notice, if applicable, the Filer informs Found Securityholders that they can claim the unexchanged securities or their entitlements through the transfer agent, or such other process, if they wish.

d. If a Found Securityholder elects to engage the Filer to exchange their unexchanged securities or claim their entitlements, the Filer charges a service fee to the Found Securityholder, which is detailed and disclosed in the Claim Notice.

e. The Filer will verify the Found Securityholder's entitlement to the unexchanged securities or to the additional securities or cash and will work with the issuer and its transfer agent to:

   i. have the applicable security certificates or 'direct registration statements' issued in the Found Securityholder's name and sent to the Found Securityholder, or

ii. have payment of the cash entitlement sent by cheque or other form of payment to the Found Securityholder, or

iii. have a combination of security certificates/DRS and cash entitlement sent to the Found Securityholder.

5. Once a Found Securityholder has exchanged the unexchanged securities it holds for its entitlement, or claimed the additional securities to which it is entitled, the Filer wishes to offer the Found Securityholder the ability to sell those securities by using a third party registered dealer to execute the trade at the prevailing market price (the **Share Selling Service**). The Share Selling Service will only be available for publicly listed securities. The Share Selling Service will be outlined in the Claim Notice and it will be clear that only Found Securityholders who elect to use the Filer to exchange their unexchanged securities or claim their entitlements to additional securities may use the Share Selling Service.

6. Found Securityholders are not required to sell the securities they receive in respect of any exchange or entitlement and will not be required to sell their shares through the Filer. Found Securityholders who wish to sell their securities or entitlements in another manner (for example, by transferring their holdings to another dealer with whom they have a brokerage relationship) will be able to do so. This ability to do this will be outlined in the Claim Notice and the Filer will not charge a fee in respect of any such transfer.

7. Under the Share Selling Service, Found Securityholders, subject to applicable foreign laws, will be able to sell their securities they acquired through the entitlement by contacting the Filer either through written instructions (sent by mail or delivered in person or provided via an internet web portal) or by telephone.

8. Under the Share Selling Service, Found Securityholders will only be able to instruct the Filer to sell the securities at the market price. The Found Securityholders will not be able to place a “price limit order” with the Filer. The Filer and its directors, officers, employees, contractors and agents will not be providing recommendations or advice regarding the decision to sell or hold the applicable securities to Found Securityholders. The Filer will inform all Found Securityholders with inquiries concerning the decision to sell or hold the applicable securities to contact a professional advisor.

9. The Filer will establish an account with a registered investment dealer and member of the Investment Industry Regulatory Organization of Canada (the **Assisting Dealer**). The Assisting Dealer may change from time to time.

10. The Filer will transfer the securities to the Assisting Dealer for execution and will arrange with the Assisting Dealer to sell the securities of any Found Securityholder, who wishes to use the Share Selling Service to sell his/her securities. The Assisting Dealer will take instructions from the Filer (as per the Filer’s communication with the Found Securityholders) and will execute the trade at the market price.

11. The Assisting Dealer will provide the Filer with settlement advice and the settlement proceeds. The Filer will remit the proceeds of the trade, less applicable fees, to the Found Securityholders, as soon as possible following the receipt of the settlement proceeds from the Assisting Dealer.

12. The Filer holds any client securities and client cash separate and apart from the Filer’s own property, and, client cash will be held in a designated trust account held at a Canadian financial institution in trust for Found Securityholders, pending distribution out to the Found Securityholders. The Filer maintains records sufficient to show the beneficial ownership of the cash and securities of each Found Securityholder. The Filer maintains sufficient insurance coverage for its business activities.

13. Any Found Securityholder that wishes to use the Share Selling Service will pay the Filer a fee plus, depending on the program, a cents-per-share fee for each sale of securities under the Share Selling Service. The nature of the fee to be paid to the Filer will depend on the specific asset reunification program and will be negotiated with the particular issuer engaging the Filer. The Claim Notice will outline the fees to be paid by the Found Securityholder to the Filer in respect of the Share Selling Service. No other fees are paid by the Found Securityholder in relation to the Share Selling Service. The Filer itself will pay the brokerage commissions to the Assisting Dealer.

14. Any materials distributed to Found Securityholders regarding the Share Selling Service will not contain any recommendations or advice as to whether the Found Securityholder should hold or sell their securities.

15. Found Securityholders who choose to use the Filer to exchange their unexchanged securities or claim their entitlements, but who do not elect to use the Share Selling Service at the time they notify the Filer of their decision to use the asset reunification services of the Filer, will not be able to later use the Share Selling Service, and will not receive further communications regarding the Share Selling Service.

16. In providing the Share Selling Service, the Filer will be facilitating trades pursuant to the Share Selling Service by: (i) receiving orders from Found Securityholders to sell their securities, (ii) instructing the Assisting Dealer to execute the

order to sell the securities, (iii) remitting the proceeds less applicable fees from the sale of securities to the Found Securityholders, and (iv) receiving a fee from the Found Securityholders for the Share Selling Service.

17. The Filer submits that the Exemption Sought would not be prejudicial to the public interest because:

    a. A significant number of the Found Securityholders may not have any prior experience in share ownership or brokerage relationships, and so would have to take additional steps to independently establish an account, and bear any associated costs. Given the relatively small number of securities that they may hold, brokers may not be interested in opening individual accounts for such small security holdings.

    b. The Share Selling Service is an efficient and effective way by which Found Securityholders can obtain their unclaimed assets, in a cash form, that they may not otherwise obtain due to their lack of experience in share ownership or brokerage relationships and given the small number of securities that they will likely hold.

    c. It is considered good corporate governance for issuers to engage asset reunification firms, such as the Filer, to locate securityholders who have not claimed their entitlements and to allow such Found Securityholders to have options in monetizing their holdings through the Share Selling Service.

18. Upon the granting of the Exemption Sought, the Filer will be a "market participant" as defined in the Legislation. As a market participant, among other requirements, the Filer will be required to comply with the record keeping and provision of information provisions under the Legislation, which include the requirement to keep such books, records and other documents as are necessary for the proper recording of business transactions and financial affairs and the transactions executed on behalf of others and to deliver such records to the principal regulator if required.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted, provided that all of the following conditions are met:

    a. The Filer facilitates only the sale of securities from Found Securityholders through an Assisting Dealer, which will be an investment dealer and member of the Investment Industry Regulatory Organization of Canada.

    b. The Filer deals honestly, fairly and in good faith with the Found Securityholders.

    c. The Filer and its directors, officers, employees, contractors and agents will not be providing recommendations or advice regarding the decision to sell or hold the applicable securities to Found Securityholders.

    d. The Filer will inform all Found Securityholders with inquiries concerning the decision to sell or hold the applicable securities to contact a professional advisor.

    e. The Filer holds any client securities and client cash separate and apart from the Filer's own property and holds client cash in a designated trust account held at a Canadian financial institution in trust for Found Securityholders, pending distribution out to the Found Securityholders.

    f. The Filer maintains records sufficient to show the beneficial ownership of the cash and securities of each Found Securityholder.

    g. The Filer remits the proceeds of any trade made under the Share Selling Service, less applicable fees, to the Found Securityholders, as soon as possible following the receipt of the settlement proceeds from the Assisting Dealer.

    h. Where a Found Securityholder uses the Share Selling Service, the Filer will provide Found Securityholders with a statement outlining the detail of the trade(s) made under the Share Selling Service, including the number of securities sold, the proceeds of any sale and the fees paid by the Found Securityholder.

    i. The Filer will not require, recommend or advise that Found Securityholders sell the securities they receive in respect of any exchange or entitlement and Found Securityholders who wish to sell such securities will not be required to do so through the Filer's Share Selling Service. These facts will be outlined in the Claim Notice.

    j. Within 30 days of the end of the first year (2021) and the third year (2023) after the date of this Decision, the Filer provides to the principal regulator the following information for each issuer for whom the Filer has established a Share Selling Service for the applicable period since the date of this Decision or the date of the last report, as applicable:

i. The number of Found Securityholders who elect to use the Filer to sell their shares pursuant to the Share Selling Service,

ii. The proportion of Found Securityholders who use the Share Selling Service out of all Found Securityholders who elect to use the Filer to exchange their unexchanged securities or to claim the additional securities or cash entitlements,

iii. The number of shares and value of those shares sold pursuant to the Share Selling Service,

iv. The fees paid to the Filer by the Found Securityholders using the Share Selling Service, and

v. Any complaints received from the Found Securityholders relating to the Share Selling Service and how those complaints were resolved.

k. The Filer will provide, on a timely basis, any report, document or information to the principal regulator that may be requested by the principal regulator from time to time for the purpose of monitoring compliance with securities legislation and the conditions in the Decision, in a format acceptable to the principal regulator.

l. This decision may be amended by the Ontario Securities Commission from time to time upon prior written notice to the Filer in accordance with applicable securities legislation.

“Wendy Berman”
Vice Chair
Ontario Securities Commission

“Tim Moseley”
Vice Chair
Ontario Securities Commission

2.1.3 Wealthsimple Digital Assets Inc.

Headnote

CSA Regulatory Sandbox – Application for time-limited relief from certain registrant obligations, prospectus requirement and trade reporting requirements – suitability relief to allow the Filer to distribute Crypto Contracts Rights and operate a platform that facilitates the buying, selling and holding of crypto assets – relief granted subject to certain conditions set out in the decision, including investment limits, account appropriateness and reporting requirements – relief is time-limited to allow the Filer to operate in a test environment and will expire upon the earlier of twenty-four (24) months or the date the filer transitions the platform to its IIROC affiliate – relief granted based on the particular facts and circumstances of the application with the objective of fostering capital raising by innovative businesses in Canada and liquidity for investors – decision should not be viewed as precedent for other filers in the jurisdictions of Canada.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as amended, ss. 1(1), 53 & 74.
Multilateral Instrument 11-102 Passport System, ss. 4.7.
National Instrument 21-101 Marketplace Operation, ss. 1.1.
National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 12.1, 13.3.
OSC Rule 91-506 Derivatives: Product Determination, ss. 2 & 4.
OSC Rule 91-507 Trade Repositories and Derivatives Data Reporting, Part 3.

August 7, 2020

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)
AND
ALBERTA, BRITISH COLUMBIA, MANITOBA, NEW BRUNSWICK,
NEWFOUNDLAND AND LABRADOR, NORTHWEST TERRITORIES, NOVA SCOTIA,
NUNAVUT, PRINCE EDWARD ISLAND, SASKATCHEWAN, AND YUKON

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF APPLICATIONS
IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
WEALTHSIMPLE DIGITAL ASSETS INC.
(the Filer)

DECISION

Background

As set out in CSA Staff Notice 21-327 *Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets* (**CSA SN 21-327**), securities and/or derivatives legislation may apply to platforms that facilitate the buying and selling of crypto assets, including crypto assets that are commodities, because the user's contractual right to the crypto asset may itself constitute a security and/or a derivative (**Crypto Rights Contract**).

To foster innovation and respond to novel circumstances, the CSA has considered an interim, time-limited registration framework that would allow crypto asset platforms to operate within a regulated environment, with regulatory requirements tailored to the crypto asset platform's operations. The overall goal of the regulatory framework is to ensure there is a balance between the need to be flexible and facilitate innovation in the Canadian capital markets, while upholding the regulatory mandate of promoting investor protection and fair and efficient capital markets.

The Filer has made an application to the CSA Regulatory Sandbox, an initiative of the CSA to support fintech businesses seeking to offer innovative products, services and applications in Canada. It allows firms to test their products, services and applications throughout the Canadian market under a flexible process and on a time-limited basis.

The Filer wishes to operate, on an interim basis, a platform that permits clients resident in Canada to enter into Crypto Rights Contracts to purchase, hold and sell Bitcoin and Ether (together, the **Crypto Assets**) through the Filer. The Filer wishes to

ultimately carry on this activity through its affiliated entity, which is registered as an investment dealer and a member of the Investment Industry Regulatory Organization of Canada (**IIROC**). While the Filer is engaged in discussions with IIROC on a regulatory approach for its affiliated entity to carry on this activity, the Filer wishes to commence operations and conduct beta testing. In the context of the CSA Regulatory Sandbox, the Filer filed an application to be registered in the category of restricted dealer and an application to be exempted from certain requirements under applicable securities legislation. This Decision has been tailored for the specific facts and circumstances of the Filer, and the securities regulatory authority or regulator in the Applicable Jurisdictions (as defined below) or in any other jurisdiction will not consider this Decision as constituting a precedent for other filers, whether in the Applicable Jurisdictions or in any other jurisdiction.

Relief Requested

The securities regulatory authority or regulator in the Jurisdiction has received an application from the Filer (the **Passport Application**) for a decision under the securities legislation of the Jurisdiction (the **Legislation**) exempting the Filer from:

a) the prospectus requirements under the Legislation in respect of the Filer entering into Crypto Rights Contracts with clients to purchase, hold and sell Crypto Assets (the **Prospectus Relief**); and

b) the requirement in subsection 12.10(2) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) to deliver annual audited financial statements to the regulator and the requirement in section 13.3 of NI 31-103 to take reasonable steps to ensure that, before it makes a recommendation to or accepts instructions from a client to buy or sell a security, the purchase or sale is suitable for the client (collectively, the **Registrant Obligations Relief**).

The securities regulatory authority or regulator in the Jurisdiction and each of the other jurisdictions referred to in **Appendix A** (the **Coordinated Review Decision Makers**) have received an application from the Filer (collectively with the Passport Application, the **Application**) for a decision under the securities legislation of those jurisdictions exempting the Filer from certain reporting requirements under the Local Trade Reporting Rules (as defined in Appendix A) (the **Trade Reporting Relief**, and together with the Prospectus Relief and Registrant Obligations Relief, the **Requested Relief**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a hybrid application):

a) the Ontario Securities Commission is the principal regulator for this Application (the **Principal Regulator**),

b) in respect of the Prospectus Relief and Registrant Obligations Relief, the Filer has provided notice that, in the jurisdictions where required, subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of the other provinces and territories of Canada except Québec (the **Non-Principal Jurisdictions**, and, together with the Jurisdiction, the **Applicable Jurisdictions**), and

c) the decision in respect of the Trade Reporting Relief is the decision of the Principal Regulator and evidences the decision of each Coordinated Review Decision Maker.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this Decision, unless otherwise defined.

Representations

This decision (the **Decision**) is based on the following facts represented by the Filer:

The Filer

1. The Filer is a corporation incorporated under the federal laws of Canada with its principal office in Toronto, Ontario.

2. The Filer is a wholly owned subsidiary of Wealthsimple Financial Corp. (**WFC**), a holding company that owns 100% of the issued and outstanding securities of several operating companies that are registered under applicable securities legislation in each of the provinces and territories of Canada, including Wealthsimple Inc., a registered adviser in the category of portfolio manager, and Canadian ShareOwner Investments Inc. (**ShareOwner**), a registered dealer in the category of investment dealer and member of IIROC.

3. The Filer does not have any securities listed or quoted on an exchange or marketplace in any jurisdiction inside or outside of Canada. However, a majority of the voting and non-voting securities of WFC are controlled by subsidiaries and entities affiliated with Power Corporation. Power Corporation is a reporting issuer under the legislation of the Applicable Jurisdictions and its securities are listed for trading on the Toronto Stock Exchange.

4. Concurrent with this application, the Filer is seeking registration as a dealer in the category of restricted dealer with the

Applicable Jurisdictions, except in Québec where it is seeking registration as a derivatives dealer and in a separate decision, exemptions from certain requirements applicable to a derivatives dealer as well as the qualification requirement under the *Derivatives Act* (Québec).

5. The Filer's books and records, financial controls and compliance systems (including its policies and procedures) are designed to closely resemble in all material respects, except as necessary to address operational differences, those in place today at ShareOwner. The ultimate designated person (**UDP**) and chief compliance officer (**CCO**) of the Filer are the same individuals who are also the UDP and CCO of ShareOwner.

6. The Filer's personnel consists, and will consist, of software engineers, compliance professionals and finance professionals who each have deep experience operating in a regulated financial services environment and expertise in blockchain technology. All of the Filer's personnel have passed, and new personnel will have passed, criminal records and credit checks. The Filer will not have any dealing representatives at the time of registration.

7. Neither the Filer nor ShareOwner is in default of securities legislation of any of the Applicable Jurisdictions.

Wealthsimple Crypto

8. The Filer will operate under the business name of "Wealthsimple Crypto". The Filer has been established to operate, on an interim basis, a proprietary and fully automated internet-based platform (the **Platform**) that will enable clients to enter into Crypto Rights Contracts with the Filer to buy, sell and hold the Crypto Assets through the Filer.

9. The Filer's role under Crypto Rights Contracts is to buy or sell Crypto Assets and to manage the custody of all purchased Crypto Assets with third parties.

10. The Filer's trading of Crypto Rights Contracts is consistent with activities described in CSA SN 21-327 and constitutes the trading of securities and/or derivatives.

11. The Filer and ShareOwner would like the Platform to be operated by ShareOwner. The Filer and ShareOwner have begun discussions with IIROC on a regulatory approach to transition the Platform to ShareOwner in the future. The Filer and ShareOwner will work actively and diligently with IIROC to transition the operation of the Platform from the Filer to ShareOwner.

12. The Filer wishes to commence operations by initially beta testing the Platform. Beta testing will involve inviting individuals, who have signed up to join the Wealthsimple Crypto waitlist, to open accounts and begin using the Platform. The Filer will gradually invite more individuals to use the Platform so long as the Filer continues to achieve internal operational metrics. The Filer will solicit feedback from early users to improve the Platform and transition from beta testing to normal operation.

13. The Filer will not hold any proprietary positions in Crypto Assets for itself; it will not take a long or short position in a Crypto Asset with any party, including clients.

14. The Filer does not have any authority to act on a discretionary basis on behalf of clients and will not manage any discretionary accounts.

15. The Filer will not be a member firm of the Canadian Investor Protection Fund (**CIPF**) and the Crypto Assets custodied with third parties will not qualify for CIPF coverage. The Risk Statement (defined below) will include disclosure that there will be no CIPF coverage for the Crypto Assets and clients must acknowledge that they have received, read and understood the Risk Statement before opening an account with the Filer.

16. The preparation of audited financial statements for a registered dealer in Canada that trades Crypto Rights Contracts and holds Crypto Assets in trust at a third-party custodian is novel. In consultation with its external auditors and external legal counsel, the Filer has worked diligently, for a sustained period of time, to establish a suitable framework for preparing audited financial statements. The Filer anticipates that it will be able to obtain audited financial statements for the Filer's 2021 financial year end.

17. During the period of this relief:

    a) the Filer will work closely with its auditors to be able to file annual audited financial statements in accordance with subsection 12.10(2) of NI 31-103, and

    b) the financial statements of the Filer will be consolidated with the annual audited financial statements of its parent, WFC, and until such time as the Filer can deliver annual audited financial statements, the Filer will file both annual unaudited financial statements and the annual audited financial statements of WFC with the Principal Regulator.

Account Opening

18. The Platform will be available to any individual who is resident in Canada, who has reached the age of majority, and who has the legal capacity to open a securities brokerage account.

19. Clients of the Filer will open a Wealthsimple Crypto account using the Wealthsimple Trade mobile app (the **App**), which is owned by Wealthsimple Technologies Inc., a wholly-owned subsidiary of WFC. Clients will use their Wealthsimple Crypto accounts to trade in Crypto Rights Contracts.

20. Clients will also use the App to open accounts with ShareOwner. Clients' cash will be held in these accounts with ShareOwner. ShareOwner will not take orders from clients to buy or sell Crypto Assets. ShareOwner's role will be limited to processing debits and credits into and out of a client's cash brokerage account, based on instructions received from a client or from the Filer acting with the client's authorization. Clients' cash will only be sent from their account with ShareOwner to the Filer and from the Filer to their account with ShareOwner, unless the client wishes to withdraw their cash from ShareOwner.

21. The Filer will comply with the applicable "know your client" account opening requirements under applicable legislation and the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and its regulations.

22. As part of the account opening process, the Filer will provide a prospective client with a separate statement of risks that clearly explains, in plain language, the Crypto Rights Contracts and Crypto Assets and the risks associated with the Crypto Rights Contracts and Crypto Assets, including the disclosure in Appendix B of this decision (the **Risk Statement**).

23. In accordance with section 14.2 of NI 31-103, the Filer will also deliver to a prospective client relationship disclosure information that includes a description of the Crypto Rights Contracts, the location and manner in which Crypto Assets are held for the client, the risks and benefits to the client of the Crypto Assets being held at that location and in that manner, the manner in which the Crypto Assets are accessible by the Filer, and the risks and benefits to the client arising from the Filer having access to the Crypto Assets in that manner.

24. In order for a prospective client to open and operate a Wealthsimple Crypto account:

    a) the Filer will obtain an electronic acknowledgement from the prospective client confirming that the prospective client has received, read and understood the Risk Statement. Such acknowledgement will be prominent and separate from other acknowledgements provided by the prospective client as part of the account opening process; and

    b) the Filer will determine, prior to opening the account, whether it would be appropriate for the prospective client to use the Platform to enter into a Crypto Rights Contract in order to buy and sell Crypto Assets.

25. The Filer will have policies and procedures for updating the Risk Statement to reflect any material changes to the disclosure or include any material risks that may develop with respect to the Crypto Rights Contracts and Crypto Assets. In the event the Risk Statement is updated, existing clients of the Filer will be promptly notified and provided with a copy of the updated Risk Statement.

26. The Filer will also prepare and make available to its clients, on an ongoing basis and in response to emerging issues in Crypto Assets, educational materials and other informational updates about trading on the Platform and the ongoing development of Crypto Assets and Crypto Asset trading markets. To do so, the Filer will build upon the existing communication channels and techniques used by affiliates in the WFC group of companies.

Platform Operations

27. All Crypto Rights Contracts entered into by clients to buy and sell Crypto Assets will be placed with the Filer through the App. Clients will be able to submit market buy and sell orders, either in units of the applicable Crypto Asset (i.e., BTC or ETH) or in Canadian dollars, 24 hours a day, 7 days a week.

28. The Platform is similar to those developed for order execution only online brokerages in that the client trades without other communication with, or advice from, the dealer or its personnel. In this regard, the Filer will not provide recommendations or advice to clients or conduct a trade-by-trade suitability determination for clients, but will rather perform account and product assessments, taking into account the investor's experience in investing in Crypto Assets, the investor's experience in using order execution only online brokerages, and the investor's risk tolerance. These factors will be used by the Filer to evaluate whether entering into a Crypto Rights Contract with the Filer is appropriate for a prospective client before the opening of an account. After completion of the assessments, a prospective client will receive appropriate messaging about using the Platform to enter into a Crypto Rights Contract, which could include

messaging to a prospective client that WDA believes that using the Platform to enter into a Crypto Rights Contract is not appropriate for them.

29. Over time, the Filer intends to continue to develop the Platform, in part based on user feedback from beta testing.

30. The Filer will rely upon multiple crypto asset trading firms (**Liquidity Providers**) to act as sellers of Crypto Assets that may be purchased by the Filer for its clients. Liquidity Providers will also buy any Crypto Assets from the Filer that a client has purchased using the Platform and wishes to sell.

31. The Filer will evaluate the price obtained from its Liquidity Providers on an ongoing basis against global benchmarks to provide fair and reasonable pricing to its clients.

32. The Filer has verified or will verify that each Liquidity Provider is appropriately registered and/or licensed to trade in the Crypto Assets in their home jurisdiction, or that their activities do not require registration in their home jurisdiction, and that they are not in default of securities legislation in the Applicable Jurisdictions.

33. The Filer has verified that each Liquidity Provider has effective policies and procedures to address concerns relating to fair price, fraud and market manipulation.

34. A Crypto Rights Contract is a bilateral contract between a client and the Filer. Accordingly, the Filer will be the counterparty to each buy or sell transaction initiated by a client. For each client transaction, the Filer will also be a counterparty to a corresponding Crypto Assets buy or sell transaction with a Liquidity Provider. The Filer will trade as a riskless principal, in that the Filer will not take any proprietary positions when trading with clients or with a Liquidity Provider.

35. After the order has been placed by a client, the Platform will obtain a price for the Crypto Asset from a Liquidity Provider, after which the Platform will incorporate a 'spread' to compensate the Filer, and will present this adjusted price to the client as the price at which the Filer is willing to transact against the client.

36. If the client finds the price agreeable, the client will accept the price and agree to the trade.

37. In a buy transaction under a Crypto Rights Contract, this will result in the client instructing WDA to request cash from the client's account with ShareOwner in order to fund the purchase. In a sell transaction under a Crypto Rights Contract, cash proceeds will be transferred by WDA to the client's account with ShareOwner.

38. The Filer will not extend margin or otherwise offer leverage to clients.

39. The Filer will confirm the transaction with the Liquidity Providers.

40. The Filer will record in its books and records the particulars of each trade.

41. The Filer will promptly, and no later than two days after the trade, settle transactions with the Liquidity Providers on a net basis. Where there are net purchases of Crypto Assets, the Filer will arrange for the cash to be transferred to the Liquidity Provider and Crypto Assets to be sent by the Liquidity Provider to the Filer's custodian. Where there are net sales of Crypto Assets, the Filer will arrange for Crypto Assets to be sent from the Filer's custodian to the Liquidity Provider in exchange for cash received by the Filer from the Liquidity Providers.

42. Clients will receive electronic trade confirmations and monthly statements setting out the details of the transaction history in their account with the Filer.

43. The Platform is a "closed loop" system. Clients will not be permitted to transfer into their account with the Filer any Crypto Assets they purchased outside the platform or withdraw from their account with the Filer any Crypto Assets they have purchased pursuant to their Crypto Rights Contracts with the Filer. Any Crypto Assets that may be purchased under a Crypto Rights Contract will be held by the Filer in trust for the client and by default must be sold in a trade with the Filer. Notwithstanding the foregoing, the Filer may, in certain limited circumstances and for a fee, deliver possession and/or control of the Crypto Assets purchased under a Crypto Rights Contract to another Crypto Asset trading platform or a personal crypto asset wallet at the direction of the client, subject to satisfying all applicable legal and regulatory requirements, including anti-money laundering requirements.

44. The Filer believes a closed loop system will significantly reduce the likelihood of fraud, money laundering or client error in sending or receiving Crypto Assets to incorrect wallet addresses. However, a closed loop system may also expose the client to insolvency risk (credit risk), fraud risk or proficiency risk on the part of the Filer.

45. The Filer will be compensated by the spread on trades. It does not currently charge any account opening or maintenance fees, commissions, or other charges of any kind.

46. In addition to the client risk disclosure and ongoing education initiatives described in paragraphs 22-26 above, and the account and product appropriateness exercise described in paragraph 28 above, the Filer will also monitor client activity, and contact clients to discuss their trading behaviour if it indicates a lack of knowledge or understanding of Crypto Asset trading, in an effort to identify and deter behaviours that may indicate that trading a Crypto Rights Contract is not appropriate for the client, or that additional education is required. The outcome of this engagement with a client may result, in some cases, in a decision by the Filer to close a client's account.

Custody of Crypto Assets and Cash

47. The Filer will not maintain its own hot or cold wallets to hold Crypto Assets. Instead, Gemini Trust Company, LLC (**Gemini**), a third-party custodian, will act as custodian of the Crypto Assets purchased by clients through the Filer. Gemini is a licensed digital asset exchange and a New York trust company regulated by the New York State Department of Financial Services. Gemini is a "qualified custodian" for purposes of NI 31-103 and has completed a SOC 2 Type 2 examination. The Filer has conducted due diligence on Gemini, including a review of the SOC 2 Type 2 examination report, and has not identified any material concerns.

48. Gemini will operate a custody account for the Filer to use for the purpose of holding clients' Crypto Assets. The Filer is not permitted to pledge, re-hypothecate or otherwise use any Crypto Assets owned by its clients in the course of its business.

49. Gemini will hold all Crypto Assets in trust for clients of the Filer in an omnibus account in the name of the Filer and separate and distinct from the assets of the Filer, the Filer's affiliates, and all of Gemini's other clients.

50. Gemini has established and applies policies and procedures that manage and mitigate the custodial risks, including, but not limited to, an effective system of controls and supervision to safeguard the Crypto Assets for which it acts as custodian.

51. The Filer has assessed the risks and benefits of using Gemini and, has determined that in comparison to a Canadian custodian (as that term is defined in NI 31-103) it is more beneficial to use Gemini, a U.S. custodian, to hold client assets than using a Canadian custodian.

52. A client can maintain their Crypto Rights Contract with the Filer indefinitely.

53. Neither the Filer nor Gemini will hold client cash. As set out in paragraph 20 above, each client of the Filer will open a non-registered cash brokerage account with ShareOwner for the sole purpose of holding cash that a client may use to engage in transactions on the Platform.

54. Gemini currently maintains $200 million *in specie* coverage for digital assets, including the Crypto Assets owned by clients of the Filer, held in Gemini's cold storage system. Gemini also maintains separate commercial crime insurance coverage for any digital assets that may be temporarily custodied in its "hot wallet", including the Crypto Assets owned by clients of the Filer.

Marketplace and Clearing Agency

55. The Filer will not operate a "marketplace" as that term is defined in National Instrument 21-101 *Marketplace Operation* and in Ontario, subsection 1(1) of the *Securities Act* (Ontario) (the **Act**).

56. The Filer will not operate a "clearing agency" as defined in securities legislation. Any clearing or settlement activity conducted by the Filer is incidental to the Filer engaging in the business of a Crypto Asset dealer. Any activities of the Filer that may be considered the activities of a clearing agency are related to the Filer arranging or providing for settlement of obligations resulting from agreements entered into on a bilateral basis and without a central counterparty.

Decision

The Principal Regulator is satisfied that the Decision satisfies the test set out in the Legislation for the Principal Regulator to make the Decision and each Coordinated Review Decision Maker is satisfied that the Decision in respect of the Trade Reporting Relief satisfies the test set out in the securities legislation of its jurisdiction for the Coordinated Review Decision Maker to make the Decision in respect of the Trade Reporting Relief.

The Decision of the Principal Regulator under the Legislation is that the Requested Relief is granted, and the Decision of each Coordinated Review Decision Maker under the securities legislation in its jurisdiction is that the Trade Reporting Relief is granted, provided that:

I. Unless otherwise exempted by a further decision of the Principal Regulator, the Filer complies with

a) all of the terms, conditions, restrictions and requirements applicable to a registered dealer under securities legislation, including the Legislation, and any other terms, conditions, restrictions or requirements imposed by a securities regulatory authority or regulator on the Filer;

b) the terms and conditions of the decision granted by the Autorité des marchés financiers dated August 7, 2020 in respect of relief from certain requirements of the *Derivatives Act* (Québec).

II. WDA is registered as a restricted dealer in the Jurisdiction and the jurisdiction in which the client is resident.

III. The Filer will work actively and diligently with IIROC to transition the operation of the Platform from the Filer to ShareOwner.

IV. The Filer, and any representatives of the Filer, will not provide recommendations or advice to any client or prospective client on the Platform.

V. The Filer will only engage in the business of trading Crypto Rights Contracts in relation to Crypto Assets, and performing its obligations under those contracts. The Filer will undertake no other activity.

VI. The Filer will not operate a "marketplace" as the term is defined in National Instrument 21-101 *Marketplace Operation* and in Ontario, in subsection 1(1) of the Act or a "clearing agency" as the term is defined in securities legislation.

VII. At all times, the Filer will hold the Crypto Assets with a custodian that meets the definition of a qualified custodian under NI 31-103.

VIII. The Filer will take reasonable steps to verify that:

a) the custodian has appropriate insurance to cover the loss of Crypto Assets held at the custodian; and

b) the custodian, has established and applies written policies and procedures that manage and mitigate the custodial risks, including, but not limited to, an effective system of controls and supervision to safeguard the specified crypto assets for which it acts as custodian.

IX. The Filer will promptly notify the Principal Regulator if the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission, the Financial Industry Regulatory Authority, or the National Futures Association, makes a determination that the Filer's custodian is not permitted by that regulatory authority to hold client Crypto Assets.

X. The Filer will only use a Liquidity Provider that it has verified is registered and/or licensed, to the extent required in its home jurisdiction, to execute trades in the Crypto Assets and is not in default of securities legislation.

XI. The Filer will evaluate the price obtained from its Liquidity Providers on an ongoing basis against global benchmarks and will provide fair and reasonable prices to its clients.

XII. Before each client opens an account, the Filer will deliver to the client a Risk Statement, and will require the client to provide electronic acknowledgement of having received, read and understood the Risk Statement.

XIII. The disclosure in condition XII will be prominent and separate from other disclosures given to the client as part of the account opening process, and the acknowledgement will be separate from other acknowledgements by the client as part of the account opening process.

XIV. A copy of the Risk Statement acknowledged by a client will be made available to the client in same place as the client's other statements in the App.

XV. The Filer will update the Risk Statement to reflect any material changes to the disclosure or include any material risks that may develop with respect to the Crypto Rights Contracts or Crypto Assets and, in the event of any update to the Risk Statement, will promptly notify each existing client of the update and deliver to them a copy of the updated Risk Statement.

XVI. Prior to the Filer delivering a Risk Statement to a client, the Filer will deliver, or will have previously delivered, a copy of the Risk Statement delivered to the client to the Principal Regulator.

XVII. For each client, prior to opening an account, the Filer will perform an account appropriateness assessment and product-type assessment as described in paragraph 28.

XVIII. The Filer will monitor client activity, and contact clients to discuss their trading behaviour if it indicates a lack of knowledge or understanding of Crypto Asset trading, in an effort to identify and deter behaviours that may indicate that trading a Crypto Rights Contract is not appropriate for the client, or that additional education is required.

XIX. The Filer will ensure that the maximum amount that a client may fund, in a 12-month period, to trade pursuant to Crypto Rights Contracts, is C$30,000.

XX. In the jurisdictions where the Prospectus Relief is required, the first trade of a Crypto Rights Contract is deemed to be a distribution under securities legislation of that jurisdiction.

XXI. The Filer will provide the Principal Regulator with at least 10 days' prior written notice of any:

a) change of custodian; and

b) material changes to the Filer's ownership or its business operations, including its systems, or its business model.

XXII. The Filer will notify the Principal Regulator, promptly, of any material breach or failure of its custodian's system of controls or supervision, and what steps have been taken by the Filer to address each such breach or failure. The loss of any amount of specified crypto asset will be considered a material breach or failure.

Data Reporting

XXIII. The Filer will provide the following information to the Principal Regulator, and to the securities regulatory authority or regulator in each of the Non-Principal Jurisdictions with respect to clients in those jurisdictions individually, within 30 days of the end of each March, June, September and December:

a) aggregate reporting of activity conducted pursuant to Crypto Rights Contracts that will include the following:

1. number of client accounts opened each month in the quarter;

2. number of client accounts closed each month in the quarter;

3. number of trades each month in the quarter;

4. average value of the trades each month in the quarter;

5. number of client accounts that hold over $10,000 of Crypto Assets at the end of each month in the quarter;

6. number of client accounts with no trades during the quarter;

7. number of client accounts that have not been funded at the end of each month in the quarter; and

8. number of client accounts that hold a positive amount of Crypto Assets at end of each month in the quarter;

b) the details of any client complaints received by the Filer during the calendar quarter and how such complaints were addressed; and

c) the details of any fraudulent activity or cybersecurity incidents on the Platform during the calendar quarter, any resulting harms and effects on clients, and the corrective measures taken by the Filer to remediate such activity or incident and prevent similar activities or incidents from occurring in the future.

XXIV. The Filer will deliver to the regulator or the securities regulatory authority in each of the Applicable Jurisdictions, in a form and format acceptable to the regulator or the securities regulatory authority, a report that includes the following anonymized account-level data for activity conducted pursuant to a Crypto Rights Contract for each client within 30 days of the end of each March June, September and December:

a) unique account number and unique client identifier, as applicable;

b) jurisdiction where the client is located;

c) cumulative realized gains/losses since account opening in CAD;

d) unrealized gains/losses as of the report end date in CAD;

e) quantity traded by Crypto Asset during the quarter in number of units;

f) Crypto Asset traded by the client (BTC or ETH);

g) quantity held of each Crypto Asset by the client as of the report end date in units;

h) CAD equivalent aggregate value for each Crypto Asset traded by the client, calculated as the amount in (g) multiplied by the market price of the asset in (f) as of the report end date;

i) age of account in months.

XXV. Until such time as the Filer can deliver annual audited financial statements in accordance with subsection 12.10(2) of NI 31-103, the Filer will deliver annual unaudited financial statements of the Filer and the annual audited financial statements of WFC for each financial year to the Principal Regulator as soon as they are available.

XXVI. In addition to any other reporting required by Legislation, the Filer will provide, on a timely basis, any report, data, document or information to the Principal Regulator, including any information about the Filer's custodian and the Crypto Assets held by the Filer's custodian, that may be requested by the Principal Regulator from time to time as reasonably necessary for the purpose of monitoring compliance with Legislation and the conditions in the Decision, in a format acceptable to the Principal Regulator.

XXVII. Upon request, the Filer will provide the Principal Regulator and the securities regulators or securities regulatory authorities of each of the Non-Principal Jurisdictions with aggregated and/or anonymized data concerning client demographics and activity on the Platform that may be useful to advance the development of the Canadian regulatory framework for trading crypto assets.

XXVIII. This Decision shall expire upon the earlier of:

a) two years from the date of this Decision; or

b) the date of the transition of the Platform to ShareOwner.

XXIX. The Filer will promptly make any changes to its business practices or policies and procedures that may be required to address investor protection concerns that may be identified by the Filer or by the Principal Regulator arising from the operation of the Platform.

XXX. This Decision may be amended by the Principal Regulator upon prior written notice to the Filer.

In respect of the Prospectus Relief:

"Wendy Berman"
Vice Chair
Ontario Securities Commission

"Tim Moseley"
Vice Chair
Ontario Securities Commission

In respect of the Requested Relief other than the Prospectus Relief:

"Pat Chaukos"
Director, Office of Economic Growth and Innovation
Ontario Securities Commission

Appendix A - Local Trade Reporting Rules

In this Decision the “Local Trade Reporting Rules” collectively means each of the following**:**

a. Part 3, Data Reporting of Ontario Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting* (**OSC Rule 91-507**);

b. Part 3, Data Reporting of Manitoba Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting* (**MSC Rule 91-507**); and

c. Part 3, Data Reporting of Multilateral Instrument 96-101 *Trade Repositories and Derivatives Data Reporting* in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Saskatchewan, and Yukon (**MI 96-101**).

Appendix B – Disclosure to be Included in Risk Statement

Disclosure Statement for Crypto Assets

This Statement is presented to you at the time of opening your account and is available to you within your documents settings in the Wealthsimple Trade App. You must acknowledge having received, read and understood this Statement in order to open and operate a Wealthsimple Crypto account. Please read this Statement in its entirety.

The Statement does not disclose all of the risks or relevant considerations of entering into a contract with Wealthsimple Digital Assets (WDA) to buy, sell and hold Crypto Assets. In light of the risks, you should undertake such transactions only if you understand the nature of the contractual relationship with WDA into which you are entering, and the extent of your exposure to the risks associated with trading in Crypto Assets. Please refer to WDA's Client Relationship Disclosure [link] for a more detailed description of this relationship. There are limited circumstances in which you can obtain possession of the Crypto Assets you have purchased (see "Closed Loop System" below). The Crypto Assets that you have purchased will be held in trust for you, in a pooled account that is in the name of WDA, at a third-party custodian independent of WDA. As such, there is a risk you will not be able to successfully obtain possession of the Crypto Assets, and a risk that the assets in this pooled account will not be sufficient to ensure that you receive the value of your interest in the Crypto Assets.

Trading in Crypto Assets may not be suitable for certain members of the public. You should carefully consider whether trading is appropriate for you in light of your knowledge, experience, financial objectives, financial resources and other relevant circumstances.

Introduction

WDA believes that its customers should be aware of the risks involved in the purchase, sale and custody of Crypto Assets. Crypto Asset trading may not be appropriate for you, particularly if you use funds drawn from retirement savings, student loans, mortgages, emergency funds, or funds set aside for other purposes. The volatility and unpredictability of the price of Crypto Assets relative to fiat currency may result in significant loss over a short period of time. The following is a brief non-exhaustive summary of certain more significant factors and special risks you should take into account when deciding whether to trade Crypto Assets.

What are Crypto Assets?

Crypto Assets are digital representations of value that function as a medium of exchange, a unit of account, or a store of value, but do not have legal tender status. Crypto Assets are sometimes exchanged for currencies, but they are not generally backed or supported by any government or central bank. Their value is derived by market forces of supply and demand, and they are traditionally more volatile than fiat currencies. The value of Crypto Assets may be derived from the continued willingness of market participants to exchange fiat currency for Crypto Assets, which may result in the potential for permanent and total loss of value of a particular Crypto Asset should the market for a Crypto Asset disappear entirely. Federal, provincial, territorial or foreign governments may restrict the use and exchange of Crypto Assets, and regulation in North America is still developing.

Crypto Assets differ in their functions, structures, governance and rights. Wealthsimple permits the trading of well established Crypto Assets that function as a form of payment or means of exchange on a decentralized network, such as bitcoin and ether. These Crypto Assets have certain features that are analogous to existing commodities, such as currencies and precious metals, but are also different in many key respects, as described in this disclosure statement.

Risks in Trading Crypto Assets

The following is a brief summary of some of the risks connected with trading Crypto Assets.

(1) Short History Risk

As a relatively new open source technology, it is expected that there will continue to be technical developments in blockchain technology, which could impact the value of a Crypto Asset. Due to this short history, it is not certain whether the economic value, governance or functional elements of Crypto Assets will persist over time. The Crypto Asset community has successfully navigated a considerable number of technical and political challenges since the genesis of the bitcoin blockchain, which WDA believes is a strong indicator that it will continue to engineer its way around future challenges. That said, the continuation of a vibrant Crypto Asset community is not guaranteed, and insufficient software development, contribution rates, community disputes regarding the development of the network and scaling options, or any other unforeseen challenges that the community is not able to navigate could have an adverse impact on the price of a Crypto Asset.

Open source developers of blockchain technology have signalled that they will continue to make efforts to improve the scaleability and security of public blockchains like bitcoin and ethereum. For example, in respect of the ethereum blockchain, developers are planning to replace the current hash-based mining consensus mechanism of proof-of-work with a proof-of-stake mechanism. Changes may also occur to the bitcoin blockchain, for example with the continued development of scaleability

protocols like the Lightning Network, which operate on top of the bitcoin blockchain. The expected timing and impacts of this change are uncertain.

(2) Volatility in the Price of Crypto Asset and Loss of Liquidity

The Crypto Asset markets are sensitive to new developments, and since volumes are still maturing, any significant changes in market sentiment (by way of sensationalism in the media or otherwise) can induce large swings in volume and subsequent price changes. Crypto Asset prices on trading platforms have been volatile and subject to influence by many factors, including the levels of liquidity, public speculation on future appreciation in value, swings in investor confidence and the future growth of alternative Crypto Assets that may gain market share. In certain circumstances, it may become difficult or impossible to assess the value of your Crypto Assets.

The trading of Crypto Assets on public trading platforms has a limited history. The prices available on those platforms have, in some cases, been more volatile and subject to influence by additional factors not specific to the value of Crypto Assets, including liquidity levels and operational interruptions. Operational interruptions can limit the liquidity of Crypto Assets on the trading platform, which could result in volatile prices and reduced confidence in the Crypto Assets traded on those platforms.

Wealthsimple Crypto uses multiple brokers, which we refer to as liquidity providers, to buy and sell the Crypto Assets that we trade for you. These liquidity providers connect to multiple trading platforms in order to ensure ongoing liquidity of Crypto Assets. Use of multiple liquidity providers and multiple trading platforms is designed to reduce the liquidity risk and operational risk associated with any one trading platform. However, there is a risk that the liquidity sources accessed directly and indirectly by Wealthsimple Crypto are unable to return the best possible prices or execution quality on your behalf. This risk may be greater during periods of high market volatility or operational outages at a major trading platform.

(3) Potential Decrease in Global Demand for Crypto Assets

Crypto Assets represent a new form of digital value that is still being digested by society. Their underlying value is driven by their utility as a store of value, means of exchange, or unit of account. Just as oil is priced by the supply and demand of global markets, as a function of its utility to, for instance, power machines and create plastics, so too is a Crypto Asset priced by the supply and demand of global markets for its own utility within remittances, B2B payments, time-stamping, etc. Speculators and investors using Crypto Asset as a store of value then layer on top of means of exchange users, creating further demand. If consumers stop using Crypto Assets as a means of exchange, or their adoption slows, then the price may suffer. Investors should be aware that there is no assurance that Crypto Assets will maintain their long-term value in terms of purchasing power in the future or that the acceptance of Crypto Assets for payments by mainstream retail merchants and commercial businesses will continue to grow.

While the value of bitcoin may be derived primarily from its capitalization and position as first mover, the value of ether relies far more on its underlying blockchain technology. The ethereum blockchain is intended to allow people to operate decentralized applications using blockchain technology that do not rely on the actions of a centralized intermediary. Ether, which is the primary currency of the ethereum blockchain, can then be used to compensate for the effort of others to power these decentralized applications and ensure that any transactions that occur on these applications are recorded in the blockchain. Accordingly, the long term value of ether may be tied to the success or failure of the blockchain technology and the decentralized applications built upon the ethereum blockchain.

(4) The Blockchains on which Crypto Assets operate may Temporarily or Permanently Fork

Both the bitcoin and ethereum blockchain networks are powered by open source software. When a modification to that software is released by developers, and a substantial majority of miners consent to the modification, a change is implemented and the blockchain network continues uninterrupted. However, if a change were to be introduced with less than a substantial majority consenting to the proposed modification, and the modification is not compatible with the software in operation prior to its modification, the consequence would be what is known as a “fork” (i.e. a split) of the blockchain. One blockchain would be maintained by the pre-modification software and the other by the post-modification software. The effect is that both blockchains would operate in parallel, but independently. There are examples of such forks occurring in the past on both the bitcoin and ethereum blockchain networks. In the future, such a fork could occur again, and affect the viability or value of a Crypto Asset. Wealthsimple Crypto may choose not to support any future fork of the underlying blockchain of the Crypto Assets available on our platform, in which case you may not have any rights to the new crypto assets that may be created as a result of that fork.

(5) Issues with the Cryptography Underlying the Crypto-networks

In the past, flaws in the source code for digital assets have been exposed and exploited, including flaws that disabled some functionality for users, exposed users’ personal information and/or resulted in the theft of users’ digital assets. Although the bitcoin and ethereum blockchains have demonstrated resiliency and integrity over time, the cryptography underlying either one could, in the future, prove to be flawed or ineffective. For example, developments in mathematics and/or technology, including advances in digital computing, algebraic geometry and quantum computing, could result in the cryptography of the blockchain network being vulnerable to attack. This could negatively affect the value of Crypto Assets traded with Wealthsimple Crypto.

(6) Uncertainty in Regulation and Future Financial Institution Support

The regulation of Crypto Assets continues to evolve in Canada and in foreign jurisdictions, which may restrict the use of Crypto Assets or otherwise impact the demand for Crypto Assets. There may be limitations on the ability of a securities regulator in Canada to enforce Canadian laws on foreign entities, and foreign rules that apply to Crypto Asset activities which occur in other jurisdictions may not necessarily be enforced in that jurisdiction. Furthermore, banks and other financial institutions may refuse to process funds for Crypto Asset transactions, process wire transfers to or from Crypto Asset trading platforms, Crypto Asset-related companies or service providers, or maintain accounts for persons or entities transacting in Crypto Assets.

(7) Concentration Risks

Certain addresses on the bitcoin and ethereum blockchain networks hold a significant amount of the currently outstanding bitcoin and ether, respectively. If one of these addresses were to exit their bitcoin or ether positions, it could cause volatility that may adversely affect the price.

Further, if anyone gains control over 51% of the computing power (hash rate) used by the blockchain network, they could use their majority share to double spend their Crypto Assets. If such a “51% attack” were to be successful, this would significantly erode trust in public blockchain networks like bitcoin and ethereum to store value and serve as a means of exchange, which may significantly decrease the value of Crypto Assets.

(8) Electronic Trading and Dependence on the Internet

There are risks associated with using an internet-based trade execution software application including, but not limited to, the failure of hardware and software. WDA maintains an independent and secure ledger of all transactions to minimize loss, and maintains contingency plans to minimize the possibility of system failure. However, WDA does not control signal power, reception, routing via the internet, configuration of your equipment or the reliability of your connection to the internet. The result of any failure of the foregoing may be that you are unable to place an order, your order is not executed according to your instructions, or your order is not executed at all. Under certain market conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price. This can occur, for example, when the market for a particular Crypto Asset suddenly drops, or if trading is halted due to recent news events, unusual trading activity, or changes in the underlying Crypto Asset system. The greater the volatility of a particular Crypto Asset, the greater the likelihood that problems may be encountered in executing a transaction. In addition to normal market risks, you may experience losses due to one or more of the following: system failures, hardware failures, software failures, network connectivity disruptions, and data corruption.

(9) Cyber Security Risk

The nature of Crypto Assets may lead to an increased risk of fraud or cyber attack. A breach in cyber security refers to both intentional and unintentional events that may cause WDA to lose proprietary information or other information subject to privacy laws, suffer data corruption, or lose operational capacity. This in turn could cause WDA to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss. Cyber security breaches may involve unauthorized access to WDA’s digital information systems (e.g. through “hacking” or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e. efforts to make network services unavailable to intended users). In addition, cyber security breaches of WDA’s third-party service providers (e.g. the liquidity providers and custodian) can also give rise to many of the same risks associated with direct cyber security breaches. As with operational risk in general, WDA has established risk management systems designed to reduce the risks associated with cyber security.

(10) Closed Loop System

When you enter into a contract with WDA to buy and sell Crypto Assets, that contract provides you with certain rights and imposes certain responsibilities; the contract, and your contractual right to the crypto assets that you may buy, hold and sell pursuant to the contract, constitute a security or derivative. In particular, the contract you sign with WDA enables you to buy, sell and hold Crypto Assets without the need for you to receive and hold your Crypto Assets in your own private wallet. We refer to this as a “closed loop” system. We believe that a closed loop system significantly reduces the likelihood of user error in sending or receiving Crypto Assets to incorrect wallet addresses. However, a closed loop system may also expose you to insolvency risk (credit risk), fraud risk or proficiency risk on the part of WDA or the custodian designated to hold your Crypto Assets.

(11) Lack of Investor Protection Insurance

Crypto Assets purchased and held in an account with WDA are not protected by the Canadian Investor Protection Fund, the Canadian Deposit Insurance Corporation or any other investor protection insurance scheme.

(12) Commission and Other Charges

Although WDA does not charge a commission fee, there are certain costs built into the spread offered on your purchase and sale of Crypto Assets, as disclosed to you within the Wealthsimple Trade app. Fees are based in part on the fees charged to us by our third-party liquidity providers and custodian, which are subject to change.

2.1.4 Mercer Global Investments Canada Limited

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted to registered adviser from certain provisions of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations amended or introduced under the Client Relationship Model Phase 2, specifically sections 14.2, 14.2.1, 14.14.1, 14.14.2, 14.17 and 14.18 I – in respect of certain institutional clients that do not meet the definition of "permitted client" and are not individuals.

Applicable Legislative Provisions

Multilateral Instrument 11-102 Passport System, s. 4.7.
National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 14.2, 14.2.1, 14.14.1, 14.14.2, 14.17, 14.18, 15.1.

August 14, 2020

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE
RELIEF APPLICATIONS
IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
MERCER GLOBAL INVESTMENTS CANADA LIMITED
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application (the **Application**) from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) that pursuant to section 15.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) with regard to the Overflow Accounts and the Institutional Investor Accounts described below, the Filer is exempt from the reporting requirements in sections 14.2, 14.2.1, 14.14.1, 14.14.2, 14.17 and 14.18 of NI 31-103 (the **CRM2 Reporting**) (the **Requested Relief**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

(a) the Ontario Securities Commission is the principal regulator for the Application;

(b) the Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut (the **Passport Jurisdictions** and, together with Ontario, the **Jurisdictions**); and

(c) the decision of the principal regulator automatically results in an equivalent decision in the Passport Jurisdictions.

Interpretation

Terms defined in MI 11-102, National Instrument 14-101 *Definitions* and NI 31-103 have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

The Filer

1. The Filer is a corporation existing under the laws of Canada with its head office located in Toronto, Ontario.

2. The Filer is registered:

   (a) under the securities legislation of all provinces and territories of Canada as a portfolio manager and an exempt market dealer;

   (b) under the securities legislation of Ontario, Québec, Newfoundland and Labrador and Manitoba as an investment fund manager;

   (c) under *The Commodity Futures Act* (Manitoba) as an adviser;

   (d) under the *Commodity Futures Act* (Ontario) as a commodity trading manager; and

   (e) under the *Derivatives Act* (Québec) as a derivatives portfolio manager.

3. The Filer is not in default of securities legislation in any jurisdiction of Canada.

4. One of the Filer's lines of business is called the "Outsourced Chief Investment Officer" (the **OCIO**), which offers discretionary investment management services to institutional permitted clients.

5. The Filer has another line of business called "Private Wealth", which provides wealth

management services primarily to high net worth individuals. The Filer currently provides CRM2 Reporting to its clients within the "Private Wealth" line of business. The OCIO and "Private Wealth" lines of business are distinct business units that serve very distinct market segments with different products and services that are tailored to their respective clients' specific needs.

6. The Filer's clients utilizing the OCIO services are exclusively institutional permitted clients (the **Existing Permitted Clients**). The Existing Permitted Clients are sophisticated institutional investors. The Filer has worked collaboratively with the Existing Permitted Clients to develop tailored institutional reporting that provides a level of transparency to best suit their governance needs and reporting obligations to their beneficiaries, auditors, governance committees, etc. This institutional reporting includes tailored and detailed requirements with respect to format, frequency and content of account statements and performance reports, and, in some cases, include more disclosure than what is required under the CRM2 Reporting requirements.

CRM2 Reporting

7. Under NI 31-103, registered firms, such as the Filer, are required to provide CRM2 Reporting to non-permitted clients and all individual clients. The CRM2 Reporting applies to all categories of registered dealers and registered advisers, with some application to investment fund managers.

8. CRM2 Reporting includes performance reporting requirements and enhanced cost disclosure and client statement requirements.

9. CRM2 Reporting includes certain exemptions for permitted clients that are not individuals.

The Accounts

10. Certain of the Filer's Existing Permitted Clients may from time to time:

    a. request that the Filer open new accounts for related entities that do not qualify as permitted clients only because they fall short of the financial tests in the definition of permitted client in section 1.1 of NI 31-103, but otherwise have the characteristics of an institutional investor (an **Overflow Account**); and/or

    b. due to market or other conditions after an account is opened with the Filer, fall short of the financial tests in the definition of permitted client in section 1.1 of NI 31-103, but otherwise continue to have the characteristics of an institutional investor (an **Institutional Investor Account** and with an Overflow Account, an **Account**).

11. The Filer considers these clients to be "institutional" clients because they meet other criteria common to institutional clients. In particular, each client with an Institutional Investor Account will be a permitted client at account opening but may, over time, technically cease to be a permitted client due to market or other conditions causing the client to fall below the financial tests in the definition of permitted client in section 1.1 of NI 31-103.

12. Without the Requested Relief, the Filer must provide the Accounts with the CRM2 Reporting.

13. The Accounts in aggregate will not exceed 2% of the Filer's total assets under management.

14. The Existing Permitted Clients have worked with the Filer to provide institutional reporting tailored to meet specific client requirements.

15. In common with Existing Permitted Clients, the Accounts are expected to have detailed requirements with respect to the format, frequency or content of the account statements and performance reports they receive because of the reporting they have to provide for their stakeholders including beneficiaries, auditors, governance committees, etc.

16. In common with Existing Permitted Clients, the Accounts may also engage professional advisors, such as consultants, auditors or legal counsel, who may recommend specific reporting (form, frequency, tailored content etc.) which may, in some cases, differ from CRM2 Reporting.

17. In common with Existing Permitted Clients, the Accounts are expected to require reporting content that is highly detailed and transparent. The reporting will be robust and comprehensive and may, in some cases, include more disclosure than what is required by CRM2 Reporting.

18. The Institutional Investor Accounts will want to continue to receive the same tailored institutional reporting even if they no longer strictly meet the definition of permitted client. It is important for consistency of reporting to such a client, including the reporting that such a client must provide to its stakeholders, that they continue to receive the same reporting after failing to meet the definition of permitted client.

19. The Overflow Accounts are often overseen by the same governance bodies as the Existing Permitted Clients. It would be undesirable to provide the same governance body of the related Overflow Account with reporting that complies with CRM2 Reporting, but differs from the tailored institutional reporting already being received by the Existing Permitted Client.

20. The OCIO service operates in a business unit that is distinct from the Filer's line of business that

provides CRM2 Reporting to clients. It would be costly and burdensome for the Filer to build the CRM2 Reporting capabilities to the OCIO business unit and economically infeasible for the very small number of Accounts contemplated under the Requested Relief. It would also be undesirable from the perspective of the Existing Permitted Client if its related Account was transferred to a different business unit and serviced outside of the OCIO business unit.

21. The Filer would incur significant costs and resource-strain to implement CRM2 Reporting for the Accounts.

22. Each Account will be informed by the Filer that it will not receive the CRM2 Reporting that it would have been entitled to but for the Requested Relief and will receive an explanation of what is provided with CRM2 Reporting as compared to the current reporting it receives.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Requested Relief is granted provided that:

(a) the Requested Relief applies to the Accounts serviced by the Filer under the OCIO service (or as the OCIO service evolves over time, provided that such future service substantially meets the representations set out herein);

(b) the Accounts in aggregate do not exceed 2% of the Filer's total assets under management at the end of each fiscal year of the Filer;

(c) the Accounts receive comprehensive account reporting from the Filer on an ongoing basis which is consistent with the reporting provided by the Filer to the Existing Permitted Clients;

(d) each Account is informed that it will not receive the CRM2 Reporting that it would have been entitled to but for the Requested Relief;

(e) each Account receives an explanation of what is provided with CRM2 Reporting as compared to the reporting it will receive; and

(f) if the Filer opens any new accounts for (i) clients that are not permitted clients at the time of account opening, other than the Accounts, or (ii) permitted clients that are individuals, it will provide CRM2 Reporting for those new accounts, unless it obtains other exemptive relief in respect of them.

"Felicia Tedesco"
Deputy Director
Compliance and Registrant Regulation Branch
Ontario Securities Commission

2.1.5 Ninepoint Partners LP

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted to mutual funds for extensions of lapse dates of their prospectuses – Relief granted to mutual funds to allow the combination of the simplified prospectus of an alternative mutual fund with the simplified prospectus of a conventional mutual fund – Filer will incorporate offering of the funds under the same offering documents when they are renewed – Extensions of lapse dates will not affect the currency or accuracy of the information contained in the current prospectuses.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 62(5).
National Instrument 81-101, ss. 6.1, 5.1(4).

July 21, 2020

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE
RELIEF APPLICATIONS
IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
NINEPOINT PARTNERS LP
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of certain alternative mutual funds as listed in Schedule A (collectively, the **Existing Alternative Funds**) and Ninepoint Enhanced U.S. Equity Class (the **Proposed Alternative Fund**, and collectively, with the Existing Alternative Funds, the **Existing Funds**) and any alternative mutual fund established or restructured in the future and managed by the Filer or an affiliate of the Filer (the **Future Funds**, and collectively, with the Existing Funds, the **Funds**), for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) that:

(a) the time limits for the renewal of the simplified prospectus of the Existing Alternative Funds dated November 8, 2019 be extended to the time limits that would apply if the lapse date of the simplified prospectus of the Existing Alternative Funds was April 21, 2021 (the **Lapse Date Relief**); and

(b) grants relief to the Funds from the requirement in subsection 5.1(4) of National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**) which states that a simplified prospectus for an alternative mutual fund must not be consolidated with a simplified prospectus of another mutual fund if the other mutual fund is not an alternative mutual fund (the **Consolidation Relief** and together with the Lapse Date Relief, the **Requested Relief**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

(a) the Ontario Securities Commission is the principal regulator for this application; and

(b) the Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of the other provinces and territories of Canada (together with Ontario, the **Jurisdictions**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is a limited partnership formed and organized under the laws of the Province of Ontario. The general partner of the Filer is Ninepoint Partners GP Inc., a corporation incorporated under the laws of the Province of Ontario. The head office of the Filer is located in Ontario.

2. The Filer is registered as (i) an investment fund manager in Ontario, Quebec and Newfoundland and Labrador, (ii) a portfolio manager in Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia and Newfoundland and Labrador, and (iii) an exempt market dealer in Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador and Quebec.

3. The Filer is the trustee and manager of each of the Existing Alternative Funds. The Filer is also the manager of 18 other mutual funds as listed in Schedule B (the **Other Funds**), including the Proposed Alternative Fund that are offered in each of the Jurisdictions under a simplified prospectus with a lapse date of April 21, 2021.

4. Neither the Filer nor any of the Existing Funds is in default of securities legislation in any of the Jurisdictions.

5. Each of the Existing Alternative Funds is an open-ended mutual fund trust established under the laws of Ontario. The Proposed Alternative Fund represents one class of shares of Ninepoint Corporate Class Inc., a mutual fund corporation created under the laws of Ontario. Each of the Existing Funds is a reporting issuer in each of the Jurisdictions.

6. Securities of the Existing Alternative Funds are currently qualified for distribution in each of the Jurisdictions under the current simplified prospectus of the Existing Alternative Funds dated November 8, 2019, as amended by amendment no. 1 dated April 9, 2020 and amendment no. 2 dated May 1, 2020 (the **Current Prospectus**).

7. The lapse date for the Current Prospectus is November 8, 2020 (the **Current Lapse Date**). Accordingly, under the Legislation, the distribution of securities of each of the Existing Alternative Funds would have to cease on the Current Lapse date unless: (i) the Existing Alternative Funds file a *pro forma* simplified prospectus at least 30 days prior to its Current Lapse Date; (ii) the final simplified prospectus is filed no later than 10 days after its Current Lapse Date; and (iii) a receipt for the final simplified prospectus is obtained within 20 days after its Current Lapse Date.

8. Securities of the Proposed Alternative Fund are currently qualified for distribution in each of the Jurisdictions under the current simplified prospectus of the Other Funds dated April 21, 2020, as amended by amendment no. 1 dated May 27, 2020.

9. The Filer wishes to combine the simplified prospectus of the Existing Alternative Funds with the simplified prospectus of the Other Funds in order to reduce renewal, printing and related costs. Offering the Existing Alternative Funds under the same renewal simplified prospectus and annual information form (the **Prospectus Documents**) as the Other Funds would facilitate the distribution of the Existing Alternative Funds in the Jurisdictions under the same prospectus disclosure and enable the Filer to streamline disclosure across the Filer's fund platform. The Existing Alternative Funds share many common operational and administrative features with the Other Funds and combining them in the same simplified prospectuses will allow investors to more easily compare the features of the Other Funds and the Existing Alternative Funds.

10. The Filer may make changes to the features of the Other Funds as part of the process of renewing the Other Funds' Prospectus Documents. The ability to file the Prospectus Documents of the Existing Alternative Funds with those of the Other Funds will ensure that the Filer can make the operational and administrative features of the Existing Alternative Funds and the Other Funds consistent with each other, if necessary.

11. If the Lapse Date Relief is not granted, and assuming that the Consolidation Relief is granted, it will be necessary to renew the Prospectus Documents of the Existing Alternative Funds twice within a short period of time in order to consolidate the Prospectus Documents of the Existing Alternative Funds with the Prospectus Documents of the Other Funds, and it would be unreasonable for the Filer to incur the costs and expenses associated therewith, given investors would not be prejudiced by the Lapse Date Relief.

12. There have been no material changes in the affairs of the Existing Alternative Funds since the date of the Current Prospectus. Accordingly, the Current Prospectus and current fund facts document(s) of each of the Existing Alternative Funds continue to provide accurate information regarding the Existing Alternative Funds.

13. Given the disclosure obligations of the Filer and the Existing Alternative Funds, should any material change in the business, operations or affairs of the Existing Alternative Funds occur, the Current Prospectus and current fund facts document(s) of the applicable Existing Alternative Fund(s) will be amended as required under the Legislation.

14. New investors of the Existing Alternative Funds will receive delivery of the most recently filed fund facts document(s) of the applicable Fund(s). The Current Prospectus of the Existing Alternative Funds will remain available to investors upon request.

15. The Lapse Date Relief will not affect the accuracy of the information contained in the Current Prospectus or the respective fund facts document(s) of each of the Existing Alternative Funds, and will therefore not be prejudicial to the public interest.

16. As noted above, consolidating the simplified prospectuses would reduce renewal, printing and related costs. Offering the Existing Funds under the same renewal simplified prospectus and annual information form as the Other Funds would

facilitate the distribution of the Existing Funds in the Jurisdictions under the same prospectus and enable the Filer to streamline disclosure across the Filer's fund platform. Even though the Existing Funds are, or will be, alternative mutual funds, they share many common operational and administrative features with the Other Funds that are conventional mutual funds and combining them in the same simplified prospectuses will allow investors to more easily compare the features of the Other Funds and the Funds.

17. NI 41-101 does not contain an equivalent provision to subsection 5.1(4) of NI 81-101. Accordingly, an investment fund manager that manages exchange-traded funds (ETFs) is permitted to consolidate a prospectus under National Instrument 41-101 General Prospectus Requirements (NI 41-101) for its ETFs that are alternative mutual funds with a prospectus for its ETFs that are conventional mutual funds. There is no reason why mutual funds filing a prospectus under NI 81-101 should be treated differently from ETFs filing a prospectus under NI 41-101.

18. If the Consolidation Relief is not granted, it will be necessary to add the Proposed Alternative Fund into the prospectus documents of the Existing Alternative Funds very quickly after the restructuring of the Proposed Alternative Fund from a conventional mutual fund to an alternative mutual fund is completed, and it would be unreasonable for the Filer to incur the costs and expenses associated therewith, given investors would not be prejudiced by the Consolidation Relief.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Requested Relief is granted.

"Darren McKall"
Manager, Investment Funds and Structured Products
Ontario Securities Commission

Schedule A

Ninepoint FX Strategy Fund
Ninepoint Alternative Credit Opportunities Fund

Schedule B

Ninepoint Diversified Bond Fund
Ninepoint Energy Fund
Ninepoint Global Infrastructure Fund
Ninepoint Global Real Estate Fund
Ninepoint Gold and Precious Minerals Fund
Ninepoint High Interest Savings Fund
Ninepoint Alternative Health Fund
Ninepoint International Small Cap Fund
Ninepoint Concentrated Canadian Equity Fund
Ninepoint Diversified Bond Class
Ninepoint Resource Class
Ninepoint Silver Equities Class
Ninepoint Enhanced Balanced Class
Ninepoint Enhanced Equity Class
Ninepoint Enhanced U.S. Equity Class
Ninepoint Focused Global Dividend Class
Ninepoint Gold Bullion Fund
Ninepoint Silver Bullion Fund

2.2 Orders

2.2.1 Alchemist Mining Incorporated

Headnote

National Policy 11-207 Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions – Application by an issuer for a revocation of cease trade orders issued by the Commission and British Columbia Securities Commission – cease trade order issued because the issuer had failed to file certain continuous disclosure materials required – defaults subsequently remedied by bringing continuous disclosure filings up-to-date – Ontario opt-in to revocation order issued by British Columbia Securities Commission, as principal regulator.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss.127, 144.
National Policy 11-207 Failure to File Cease Trade Orders and Revocations in Multiple Jurisdictions.

Citation: 2020 BCSECCOM 294

REVOCATION ORDER

Alchemist Mining Incorporated
Under the securities legislation of
British Columbia and
Ontario
(the Legislation)

Background

Alchemist Mining Incorporated (the Issuer) is subject to a failure-to-file cease trade order (the FFCTO) issued by the regulator of the British Columbia Securities Commission (the Principal Regulator) and Ontario (each a Decision Maker) respectively on September 4, 2019.

¶ 1 The Issuer has applied to each of the Decision Makers under National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocation in Multiple Jurisdictions* (NP 11-207) for an order revoking the FFCTOs.

¶ 2 This order is the order of the Principal Regulator and evidences the decision of the Decision Maker in Ontario.

Interpretation

¶ 3 Terms defined in National Instrument 14-101 *Definitions* or in NP 11-207 have the same meaning if used in this order, unless otherwise defined.

Order

¶ 4 Each of the Decision Makers is satisfied that the order to revoke the FFCTO meets the test set out in the Legislation for the Decision Maker to make the decision.

¶ 5 The decision of the Decision Makers under the Legislation is that the FFCTO is revoked.

¶ 6 July 29, 2020

“Allan Lim, CPA, CA”
Manager
Corporate Finance

2.2.2 First Global Data Ltd. et al.

FILE NO.: 2019-22

IN THE MATTER OF
FIRST GLOBAL DATA LTD.,
GLOBAL BIOENERGY RESOURCES INC.,
NAYEEM ALLI,
MAURICE AZIZ,
HARISH BAJAJ, and
ANDRE ITWARU

Timothy Moseley, Vice-Chair and Chair of the Panel

August 13, 2020

ORDER

WHEREAS on August 13, 2020, the Ontario Securities Commission held a hearing by video conference, at the request of the parties;

ON HEARING the oral submissions of the representatives for Staff of the Commission, Global Bioenergy Resources Inc., Nayeem Alli, Maurice Aziz, Harish Bajaj and Andre Itwaru, no one appearing for First Global Data Ltd.;

IT IS ORDERED THAT:

1. Any motion regarding the schedule or mode of the merits hearing shall be heard on September 2, 2020, at 10:00 a.m., by video conference, or on such other date or time as may be agreed to by the parties and set by the Office of the Secretary. The motion materials shall be served and filed according to the following deadlines:

    a. moving parties' motion records and written submissions by August 24, 2020; and

    b. responding affidavits, if any, and written submissions by August 31, 2020;

2. By August 19, 2020:

    a. Staff shall serve the respondents with a hearing brief containing copies of the documents, and identifying the other things, that Staff intends to produce or enter as evidence at the merits hearing; and

    b. each respondent shall serve every other party with any documents, and identify any other things, that have not previously been produced to Staff and that the respondent intends to produce or enter as evidence at the merits hearing;

3. By August 26, 2020, each respondent shall serve every other party with:

    a. a hearing brief containing copies of the documents, and identifying the other things, that are not already contained in Staff's hearing brief and that the respondent intends to produce or enter as evidence at the merits hearing; and

    b. a list of the documents or things contained in Staff's hearing brief that the respondent intends to produce or enter as evidence at the merits hearing.

"Timothy Moseley"

2.2.3 Horizons ETFs Management (Canada) Inc.

Headnote

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – Application for an order that terminating exchange-traded funds are not reporting issuers under applicable securities laws – relief granted.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10)(a)(ii).

July 23, 2020

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)

AND

IN THE MATTER OF
THE PROCESS FOR CEASE TO BE
A REPORTING ISSUER APPLICATIONS

AND

IN THE MATTER OF
HORIZONS ETFS MANAGEMENT (CANADA) INC.
(the Filer)

AND

HORIZONS MORNINGSTAR HEDGE FUND INDEX ETF
HORIZONS ABSOLUTE RETURN GLOBAL CURRENCY ETF
(each, a Horizons Fund, and collectively, the Horizons Funds)

ORDER

Background

The principal regulator in the Jurisdiction has received an application from the Filer, on behalf of the Horizons Funds, for an order under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) that each Horizons Fund has ceased to be a reporting issuer in all jurisdictions of Canada in which each Horizons Fund is a reporting issuer (the **Order Sought**).

Under the Process for Cease to be a Reporting Issuer Applications (for a passport application):

(a) the Ontario Securities Commission is the principal regulator for this application, and

(b) the Filer has provided notice that subsection 4C.5(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of the other provinces and territories of Canada.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this order, unless otherwise defined.

Representations

This order is based on the following facts represented by the Filer:

1. none of the Horizons Funds are OTC reporting issuers under Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*;

2. the outstanding securities of each Horizons Fund are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide;

3. no securities of any of the Horizons Funds, including debt securities, are traded in Canada or another country on a marketplace as defined in National Instrument 21-101 *Marketplace Operation* or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported;

4. the Filer is applying for an order that each Horizons Fund has ceased to be a reporting issuer in all of the jurisdictions of Canada in which each Horizons Fund is currently a reporting issuer; and

5. none of the Horizons Funds are in default of securities legislation in any jurisdiction.

Order

The principal regulator is satisfied that the order meets the test set out in the Legislation for the principal regulator to make the order.

The decision of the principal regulator under the Legislation is that the Order Sought is granted.

“Darren McKall”
Investment Funds and Structured Products Branch
Ontario Securities Commission

2.2.4 Lendified Holdings Inc.

Headnote

Section 144 of the Securities Act (Ontario) – Application for a partial revocation of a failure-to-file cease trade order – Issuer cease traded due to failure to file audited annual financial statements of a wholly-owned subsidiary – Issuer applied for a variation of the cease trade order to permit the Issuer to complete a private placement of securities to accredited investors – Issuer will use proceeds to bring itself into compliance with its continuous disclosure obligations and to fund certain expenses to maintain operations – Partial revocation granted subject to conditions.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 144.
National Policy 11-207 Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions.

IN THE MATTER OF
LENDIFIED HOLDINGS INC.

PARTIAL REVOCATION ORDER
Under the securities legislation of
Ontario
(the Legislation)

Background

1. Lendified Holdings Inc. (the **Issuer**) is subject to a failure-to-file cease trade order (the **FFCTO**) issued by the Ontario Securities Commission (the **Principal Regulator**) on July 9, 2020.

2. The Issuer has applied to the Principal Regulator for a partial revocation order of the FFCTO.

Interpretation

Terms defined in the Legislation, National Instrument 14-101 – *Definitions* or National Policy 11-207 – *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions* have the same meaning if used in this order, unless otherwise defined.

Representations

3. This decision is based on the following facts represented by the Issuer:

   a) The Issuer was incorporated on August 13, 2018 pursuant to the provisions of the *Canada Business Corporations Act* under the name “Hampton Bay Capital Inc.”. The Issuer completed a qualifying transaction, announced on December 24, 2019 (the **Qualifying Transaction**), pursuant to which the Issuer merged with Lendified Holdings Inc. and changed its name to Lendified Holdings Inc.

   b) The Issuer's registered office is located at 365 Bay Street, Suite 811, Toronto, Ontario M5H 2V1 and its head office is located at 365 Bay Street, Suite 811, Toronto, Ontario M5H 2V1.

   c) The Issuer is a reporting issuer under the securities legislation of the provinces of Ontario, British Columbia and Alberta. The Issuer is not a reporting issuer in any other jurisdiction in Canada.

   d) The authorized share capital of the Issuer consists of an unlimited number of common shares and an unlimited number of preferred shares (issuable in series). The Issuer currently has 95,154,575 common shares and no preferred shares issued and outstanding. In addition, the Issuer has issued 19,158,437 warrants to acquire common shares, has granted 841,463 stock options to acquire common shares and has outstanding $6,000,000 principal amount of debt convertible into 17,142,856 common shares.

   e) The Issuer's Common Shares are listed on the TSX Venture Exchange under the symbol “LHI”. A trading halt was implemented on July 10, 2020 following the issuance of the FFCTO after the close of trading on July 9, 2020.

   f) The FFCTO was issued as a result of the Issuer's failure to file the following continuous disclosure materials as required by Ontario securities law:

- audited annual financial statements for the year ended December 31, 2019 of Lendified PrivCo Holding Corporation (**Subco**), a wholly-owned subsidiary of the Issuer acquired in connection with the Qualifying Transaction, pursuant to section 4.10(2)(a)(i) of National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**).

(the **Required Annual Filings**).

g) The Required Annual Filings were not filed due to several factors including (i) the former Chief Financial Officer of the Issuer resigned, as disclosed in a press release dated June 9, 2020 and the Issuer only recently filled the position; (ii) the Issuer changed auditors from BDO Canada LLP to McGovern, Hurley LLP, which was disclosed on May 19, 2020 (iii) the COVID-19 pandemic had a significant effect on the Issuer; and (iv) the Qualifying Transaction took the time and attention of senior management to complete.

h) No later than July 14, 2020, the Issuer was required to file the following continuous disclosure materials:

i) Subco's interim financial report for the three months ended March 31, 2020 as required by NI 51-102;

ii) the Issuer's interim financial report for the three months ended March 31, 2020 as required by NI 51-102;

iii) the Issuer's management's discussion and analysis (the **MD&A**) for the period covered by the Interim Financial Report as required by NI 51-102; and

iv) certifications of the Interim Financial Report pursuant to National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

(collectively, the **Required Interim Filings**, and together with the Required Annual Filings, the **Required Filings**).

i) Although the Issuer did not file the Required Interim Filings by the July 14, 2020 deadline, the Issuer subsequently filed the Issuer's interim financial report, MD&A and certifications referred to in (h)(ii), (iii) and (iv) above.

j) The Issuer is seeking a partial revocation of the FFCTO to complete a private placement (the **Private Placement**) for aggregate gross proceeds of up to $1,427,318 in order to raise the funds necessary to complete and file the outstanding Required Filings and fund the expenses as outlined below. The Private Placement securities will consist of units (the **Units**) at a price of a minimum of $0.015 per Unit, with each Unit comprised of one Common Share and one share purchase warrant (**Warrant**). Each Warrant is exercisable to acquire one Common Share at a price of $0.05 per share for a period of 36 months following the closing date of the Offering. Assuming the maximum proceeds are raised at a price of $0.015 per Unit, the Issuer will issue 95,154,575 Common Shares and 95,154,575 Warrants pursuant to the Offering.

k) The Private Placement will be conducted on a prospectus exempt basis with subscribers in Ontario, British Columbia and other provinces who are accredited investors (as defined in section 73.3 of the *Securities Act* (Ontario) (the **Act**) and National Instrument 45-106 – *Prospectus Exemptions*.

l) The Issuer intends to prepare and file the Required Filings (other than the Issuer's interim financial report, MD&A and certifications, which have been filed as of the date hereof) in order to bring itself into compliance with its disclosure obligations and pay all outstanding fees as set out below. The Issuer also intends to apply to the Principal Regulator to have the FFCTO fully revoked within a reasonable time following completion of the Private Placement.

m) The Private Placement is subject to the approval of the TSX Venture Exchange and will be completed in accordance with all applicable laws.

n) The Issuer is not considering, nor is it involved in, any discussions relating to a reverse take-over, merger, amalgamation or other form of combination or transaction similar to any of the foregoing.

o) Other than the failure to file the Required Filings, the Issuer is not in default of any of the requirements of the Act or the rules and regulations made pursuant thereto. The Issuer's SEDAR and SEDI profiles are up to date.

p) The Issuer intends to allocate the proceeds from the Private Placement as follows:

Description	Cost *(thousands)*
Payroll and other employee-related costs (but not including any fees payable to senior management);	$ 336
Accounting, audit and legal fees associated with the preparation and filing of the relevant continuous disclosure documents;	$ 163
Costs and fees associated with the Private Placement;	$ 98
Filing fees associated with obtaining the partial revocation order and the full revocation order, including fees payable to the applicable regulators, including the Principal Regulator;	$ 5
Legacy accounts payable, including accounting and legal fees, consulting fees and outstanding transfer agent fees; and	$ 675
Working capital and general and administrative expenses.	$ 150
Total:	$ 1,427

q) The Issuer reasonably believes that, while there are no assurances that the Private Placement will be completed in full, if completed in full it will be sufficient to bring its continuous disclosure obligations up to date and pay all related outstanding fees and provide it with sufficient working capital to enable it to continue operations.

r) As the Private Placement would involve a trade of securities and acts in furtherance of trades, the Private Placement cannot be completed without a partial revocation of the FFCTO.

s) Prior to completion of the Private Placement, the Issuer will:

i) provide any subscriber to the Private Placement with a copy of the FFCTO and a copy of the partial revocation order;

ii) obtain from each subscriber or recipient of Common Shares in connection with the Private Placement a signed and dated acknowledgment which clearly states that all of the Issuer's securities, including any common shares and warrants issued in connection with the Private Placement, will remain subject to the FFCTO, and that the issuance of a partial revocation order does not guarantee the issuance of a full revocation order in the future; and

iii) will make available a copy of the written acknowledgements referred to in paragraph 4(t) to staff of the Principal Regulator on request.

t) Additionally, the Issuer will issue a press release announcing the order and the intention to complete the Private Placement. Upon completion of the Private Placement, the Issuer will issue a press release and file a material change report. As other material events transpire, the Issuer will issue appropriate press releases and file a material change report as applicable.

ORDER

4. The Principal Regulator is satisfied that a partial revocation order of the FFCTO meets the test set out in the Legislation for the Principal Regulator to make the decision.

5. The decision of the Principal Regulator under the Legislation is that the FFCTO is partially revoked solely to permit the trades in securities of the Issuer (including for greater certainty, acts in furtherance of trades in securities of the Issuer) that are necessary for and are in connection with the Private Placement, provided that:

a) Prior to completion of the Private Placement, the Issuer will:

i) provide to each subscriber under the Private Placement a copy of the FFCTO;

ii) provide to each subscriber under the Private Placement a copy of this Order; and

iii) obtain from each subscriber under the Private Placement a signed and dated acknowledgment, which clearly states that all of the Issuer's securities, including the common shares and warrants issued in connection with the Private Placement will remain subject to the FFCTO, and that the issuance of a partial revocation order does not guarantee the issuance of a full revocation order in the future.

b) the Issuer will make available a copy of the written acknowledgements referred to in paragraph 5(a)(iii) to staff of the Principal Regulator on request;

c) the partial revocation order only varies the FFCTO order and does not provide an exemption from the prospectus requirement; and

d) this Order will terminate on the earlier of (A) the closing of the Private Placement and (B) 60 days from the date hereof.

DATED this 14th day of August, 2020.

"Lina Creta"
Manager, Corporate Finance
Ontario Securities Commission

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Reasons

3.1.1 Joseph Debus

Citation: *Debus (Re)*, 2020 ONSEC 20
Date: 2020-08-18
File No. 2019-16

IN THE MATTER OF
JOSEPH DEBUS

REASONS FOR DECISION

Hearing:	In writing	
Decision:	August 18, 2020	
Panel:	M. Cecilia Williams	Commissioner and Chair of the Panel
Submissions received from:	Dalbir Kelley	For Joseph Debus
	Kathryn Andrews Sally Kwon	For Staff of the Investment Industry Regulatory Organization of Canada
	Katrina Gustafson	For Staff of the Ontario Securities Commission

REASONS FOR DECISION

I. OVERVIEW

[1] Joseph Debus has applied for a hearing and review of an Investment Industry Regulatory Organization of Canada (**IIROC**) decision,[1] in which an IIROC panel found that Debus breached IIROC's rules and imposed sanctions on him. There have been several appearances before the Ontario Securities Commission (the **Commission**) to determine dates of the hearing and for the exchange of materials by the parties in advance of the hearing.

[2] The hearing was scheduled to begin on July 29, 2020. On July 22, 2020, Debus sought an adjournment of the hearing until October 2020 and an extension of the timeline for filing his reply submissions, citing the continued unavailability of his counsel, Mark M. Persaud, due to health reasons. Debus provided a medical note from Persaud's physician in support of his request (the **Medical Note**).

[3] On July 28, 2020, I ordered[2] that:

a. the Medical Note be marked as confidential;

b. Debus serve and file written reply submissions, if any, by no later than September 22, 2020; and

c. the hearing be held by videoconference on September 29 and 30, 2020.

[4] I advised that my reasons for that decision would follow. These are my reasons.

II. HISTORY OF THE PROCEEDING

[5] On August 21, 2019, I scheduled the hearing for March 23 and 24, 2020, and ordered Debus to provide his hearing brief, witness summaries, if any, and written submissions (**Materials**) by January 17, 2020.

1 *Debus (Re)*, 2019 IIROC 5; *Debus (Re)*, 2019 IIROC 18
2 *Debus (Re)*, (2020), 43 OSCB 6097

[6] On January 14, 2020, Debus requested a four-week extension to file his Materials due to his counsel's unspecified health issues. I granted an extension, on consent of the parties, to February 14, 2020.

[7] At an attendance on February 24, 2020, Debus requested that I issue a summons to a third party for the delivery of certain documents. I asked the parties to provide written submissions with respect to that request.

[8] Because of the need for submissions on the summons issue, I extended the deadline for Debus to deliver his Materials to April 23, 2020, and adjourned the hearing to May 21 and 22, 2020 (the **First Adjournment**).

[9] Debus failed to serve and file his Materials by April 23, 2020. On April 24, 2020, again citing his counsel's health issues, Debus requested a 60-day extension of the time to serve and file his Materials, a similar extension of the relevant timelines for service of materials by IIROC and Staff, and an adjournment of the hearing to September 2020.

[10] On May 8, 2020, I:

a. ordered that Debus serve and file his Materials by June 22, 2020 (60 days from the April 23, 2020, deadline);

b. granted extensions to IIROC and Staff for the service and filing of their materials to July 8, 2020 and July 15, 2020, respectively;

c. ordered that Debus serve and file any reply submissions by July 22, 2020; and

d. set July 29 and 30, 2020, as the dates for the hearing (the **Second Adjournment**).

III. ANALYSIS

A. Confidentiality of the Medical Note

[11] As a preliminary matter I address my decision to mark the Medical Note, which contained intimate personal information, as confidential.

[12] Counsel did not request that the Medical Note be marked as confidential. However, under Rule 22(4) of the Commission's *Rules of Procedure and Forms*[3] and subsection 2(2) of the *Tribunal Adjudicative Records Act, 2019*[4], a Panel may order an adjudicative record to be kept confidential, if it determines that "intimate financial or personal matters or other matters contained in the record are of such a nature that the public interest or the interest of a person served by avoiding disclosure outweighs the desirability of adhering to the principle that the record be available to the public."[5]

[13] In my view, the objective of transparency is adequately served by the general description of the contents of the Medical Note in paragraph [22] below. Disclosure of the specifics would infringe on Persaud's privacy for no good reason. I therefore concluded that Persaud's interest in avoiding the disclosure of those specifics outweighs the desirability that the Medical Note be made available to the public. Therefore, I ordered the Medical Note to be marked as confidential.

B. Does Debus's counsel's continued unavailability warrant a further adjournment of this matter?

[14] The main issue I must decide is whether the fact that Debus's counsel continues to be unavailable due to health reasons justifies a further adjournment of the hearing.

[15] Rule 29(1) of the *Rules* provides that every merits hearing shall proceed on the scheduled date unless the party requesting an adjournment "satisfies the Panel that there are exceptional circumstances requiring an adjournment."

[16] The Commission has ruled that the standard set out in Rule 29(1) is a "high bar" that reflects the important objective set out in Rule 1, that Commission proceedings be conducted in a "just, expeditious and cost-effective manner".[6] This objective must be balanced against parties' ability to participate meaningfully in the hearing and present their case.[7]

[17] The balancing of these objectives is necessarily fact-based and must take into account the circumstances of the parties and the manner in which they have conducted themselves in the proceeding.[8]

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3 (2019) 42 OSCB 9714, r 22(4) (the ***Rules***)
4 SO 2019, c 7, Sch 60
5 *Tribunal Adjudicative Records Act, 2019,* s 2(2)(b)
6 *Pro-Financial Asset Management Inc (Re)*, 2018 ONSEC 18, (2018) 41 OSCB 3512 at para 28; *Money Gate Mortgage Investment Corporation (Re)*, 2019 ONSEC 40, (2020) 43 OSCB 35 (***Money Gate***) at para 54
7 *Money Gate* at para 54
8 *Money Gate* at para 54

[18] Debus has already been granted an extension of the filing timelines in this matter and two adjournments. In my May 21, 2020 reasons for decision granting the Second Adjournment I assessed how the behaviour of the parties factored into my decision to grant that adjournment. I considered the timeline extension due to Debus's counsel's health issues to be a negative factor, while the First Adjournment was a neutral factor in my analysis.[9]

[19] In my May 21, 2020 reasons for decision I weighed the circumstances relating to the request for the Second Adjournment and I consider that request to be neutral with respect to my analysis of this request.

[20] The fact that Persaud was experiencing health issues was one of the circumstances that factored into my decision to grant the Second Adjournment.

[21] For the purposes of this request I have been provided with new evidence, the Medical Note. Up to this point, Persaud's health issues had been unspecified.

[22] The Medical Note stated that Persaud is under active care for a condition that had recently worsened, and that he was, as a result, unable to participate in any prolonged matter that lasts more than a couple of hours. The Medical Note also indicated that the condition was unlikely to have sufficiently improved by the end of July to permit Persaud to return to his regular work functions.

[23] While both the *Statutory Powers Procedure Act*[10] and the *Rules* provide that a party appearing before the Commission has the right to be represented by counsel, that right is not absolute.

[24] Limitations have been placed, in an administrative context, on the right of a party to be represented by counsel of choice. The right to be represented by counsel does not include the right of a party to insist on adjournments due to the unavailability of counsel, where such adjournments would unreasonably delay the course of the proceedings.[11]

[25] While Debus's counsel's health has been an issue for some months, the Medical Note provides specificity and makes clear that a hearing in July was not possible. An adjournment into late September should provide time for Persaud's care to continue and for Debus to assess whether or not alternate arrangements may be necessary for the hearing to proceed as scheduled. I find that the circumstances meet the level of "exceptional" for the purposes of a further adjournment of this matter.

IV. CONCLUSION

[26] On July 28, 2020, I ordered that the Medical Note be marked as confidential, pursuant to subsection 2(2) of the *Tribunal Adjudicative Records Act, 2019* and Rule 22(4) of the *Rules*.

[27] I also granted an extension of time for Debus to deliver reply submissions, if any, to September 22, 2020.

[28] The hearing is now scheduled to take place by videoconference on September 29 and 30, 2020, commencing at 10:00 a.m. on each scheduled day, or on such other dates or times as may be agreed to by the parties and set by the Office of the Secretary.

Dated at Toronto this 18th day of August, 2020.

"M. Cecilia Williams"

9 *Debus (Re)*, 2020 ONSEC 13 at paras 24 to 26
10 RSO 1990, c S.22
11 *Aseervatham v Canada (Minister of Citizenship and Immigration),* [2000] FCJ No. 804 at para 16 cited in *Re Hollinger Inc.,* 2006 ONSEC 2 at para 22

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Chapter 4

Cease Trading Orders

4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
THERE IS NOTHING TO REPORT THIS WEEK.				

Failure to File Cease Trade Orders

Company Name	Date of Order	Date of Revocation
King Global Ventures Inc.	June 22, 2020	August 13, 2020
iAnthus Capital Holdings, Inc.	June 22, 2020	August 14, 2020

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order	Date of Lapse
THERE IS NOTHING TO REPORT THIS WEEK.		

4.2.2 Outstanding Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Performance Sports Group Ltd.	19 October 2016	31 October 2016	31 October 2016		

Company Name	Date of Order	Date of Lapse
RYU Apparel Inc.	17 June 2020	

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Chapter 5

Rules and Policies

5.1.1 Start-up Crowdfunding Guide for Businesses

Start-up Crowdfunding Guide for Businesses

Crowdfunding is a process through which an individual or a business can raise small amounts of money from a large number of people, typically through the Internet. The objective is to raise sufficient funds in order to carry out a specific project. There are different types of crowdfunding, such as by donation, pre-selling of products or securities crowdfunding. This guide discusses securities crowdfunding.

Securities crowdfunding

With securities crowdfunding, a business raises funds through the Internet by issuing securities (such as bonds or shares) to many people. This type of crowdfunding is overseen by the regulator of the province or territory where the business and potential purchasers are located.

> Valérie has a brilliant idea. She has developed a soft drink flavoured with maple syrup and other local products. She has prepared a detailed business plan and hopes to turn a profit from her business venture. She thinks there is a market for maple soft drinks in gourmet grocery stores, bars and restaurants. She wants to begin production. She needs $75,000 in order to bottle and market her soft drinks. She applied to a financial institution for a loan, but was refused. She is thinking about raising the funds she needs by issuing shares through a securities crowdfunding campaign.

Legal Obligations

In Canada, all trading of securities is subject to legal obligations. For example, a business seeking to raise capital by issuing securities must file a prospectus with the securities regulator of their province or territory or have an exemption from the prospectus requirement under securities law.

These obligations, however, can be costly for start-ups and early stage businesses. The securities regulators in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick and Nova Scotia (the **participating jurisdictions**) allow start-ups and small businesses (**issuers**) to raise funds using securities crowdfunding without filing a prospectus or preparing financial statements. In this guide, we refer to this as the "**start-up crowdfunding exemptions**" or "**start-up crowdfunding.**"

Start-up crowdfunding allows a start-up or early stage issuer to raise relatively small amounts of capital by distributing securities to investors without filing a prospectus (**start-up prospectus exemption**).

A funding portal is permitted to facilitate trades of those securities without having to register as a dealer (**start-up registration exemption**). In all participating jurisdictions, a funding portal can also be operated by a registered dealer.

The purpose of this guide is to assist issuers intending to raise funds by relying on the start-up prospectus exemption. In this guide, "**regulator**" means the securities regulator or regulatory authority in a participating jurisdiction.

How Start-up Crowdfunding Works

In order to raise funds using the start-up prospectus exemption, issuers must prepare and post an offering document on a funding portal's crowdfunding website. Investors will then be able to read about the offering and decide whether to invest. Before investing, investors will have to confirm that they have read the offering document and understood that the investment is risky.

When should an issuer consider start-up crowdfunding?

Before launching a start-up crowdfunding campaign, the management of the issuer should:

- Evaluate other sources of funding, such as a loan from a financial institution
- Assess whether they are willing to invest the time and efforts needed to prepare and run a start-up crowdfunding campaign
- Determine the type and characteristics of securities that will be sold
- Determine the number of securities to be sold and at what price
- Assess if they have the capabilities to manage a great number of security holders

If a start-up crowdfunding campaign is successful, the founders of the issuer may have to give up part of the ownership of the issuer to investors. The issuer will also need to be accountable to investors. Investors will expect to be informed about successes and failures of the issuer's business. Management of the issuer should assess whether they are willing to spend the time and effort to maintain contact with investors.

The start-up prospectus exemption is not available to reporting issuers. Reporting issuers are companies that are required to make continuous disclosure to the public of their business activities by filing financial statements and other documents as required by securities legislation. These types of issuers are considered to be more established than the start-up or early stage issuers that are permitted to use start-up crowdfunding.

Where is start-up crowdfunding available?

The start-up prospectus exemption is only available to issuers that have a head office located in one of the participating jurisdictions (British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick or Nova Scotia). In addition, the investor must be a resident in one of the participating jurisdictions.

If an issuer wants to raise funds in a participating jurisdiction, the issuer will want to make sure that the funding portal they choose is also operating in that participating jurisdiction.

What is the maximum amount that can be raised? Are there any time limitations for raising that amount?

$250,000 per start-up crowdfunding distribution.

The offering document must indicate a minimum amount that has to be raised before the offering can close. The issuer has a maximum of 90 days to raise the minimum amount, starting on the day the issuer's offering document is first made available to investors through a funding portal's website.

The money will be held in trust by the funding portal until the minimum amount of the offering is reached. The issuer may then complete the offering by issuing the securities.

If the minimum amount is not reached, or the start-up crowdfunding campaign is withdrawn, the funding portal must return the money to the investors.

How often can an issuer raise money using start-up crowdfunding?

An issuer group may complete a maximum of two start-up crowdfunding distributions per calendar year. The issuer group cannot have more than one start-up crowdfunding campaign running at the same time or on different funding portals for the same purpose. The issuer group must wait until the first campaign has ended before launching a second one.

The "**issuer group**" means the issuer, any affiliates of the issuer and any other issuer that is engaged in a common enterprise with the issuer or an affiliate, or whose business is founded or organized by the same person or company who founded or organized the issuer.

What is the maximum amount an issuer can raise from each investor?

$1,500 per start-up crowdfunding distribution. However, this amount can be increased to $5,000 if:

- the investor resides in British Columbia, Alberta, Saskatchewan or Ontario;
- the issuer has a head office in British Columbia, Alberta, Saskatchewan or Ontario;
- the start-up crowdfunding distribution is made through a registered dealer; and
- the dealer has determined that the investment is suitable for the investor.

The issuer may require a minimum amount per investor (e.g. $500).

Compliance with the start-up prospectus exemption

Although each of the participating jurisdictions has their own Start-up Crowdfunding order, the start-up crowdfunding prospectus exemption in each order is substantially harmonized with the other participating jurisdictions.

Nevertheless, the issuer must ensure that they are in compliance with the order in each participating jurisdiction where they are raising funds. Please check the applicable order which can be found on the regulator's website.

If an issuer does not meet the conditions of the start-up prospectus exemption, then it can no longer rely on that exemption to raise money from investors.

Launching a Start-up Crowdfunding Campaign

Once an issuer has determined that it will launch a start-up crowdfunding campaign, it will need to prepare an offering document and choose a funding portal to post its offering document. Issuers are required to prepare the offering document using Form 1 *Start-up Crowdfunding – Offering Document*.

What is a funding portal?

A funding portal lists start-up crowdfunding campaigns on its website and facilitates the payment of the purchase price from the investor to the issuer. Funding portals will generally charge issuers for hosting a start-up crowdfunding campaign.

The funding portal is responsible for:

- Providing a risk warning form to potential investors
- Holding all investor funds in trust until the issuer raises the minimum funding target

- Returning funds to investors, without deduction, if the issuer does not reach its minimum funding target or if the issuer withdraws the start-up crowdfunding campaign

Please refer to the *Start-up Crowdfunding Guide for Funding Portals* for more information on funding portal requirements for the different types of funding portals.

What types of funding portals are available?

There are two types of funding portals that may facilitate start-up crowdfunding in Ontario:

- funding portals that are operated by registered investment dealers or exempt market dealers that must provide advice on suitability of the investment to investors, and
- funding portals that are operated by persons relying on the start-up registration exemption and that cannot provide suitability advice.

The issuer has the choice of which type of funding portal to use for its start-up crowdfunding campaign.

A funding portal operated by an investment dealer or exempt market dealer must confirm in writing to the issuer that it can provide certain services necessary for start-up crowdfunding, including that it will make the offering document and risk warnings available to the purchaser through its website. The issuer may also check with a regulator to determine whether the funding portal is authorized to operate in jurisdictions that it proposes to conduct start-up crowdfunding. The contact information for the participating jurisdictions can be found at the end of this guide. In addition, the issuer may want to evaluate other aspects of the funding portal's business, such as finding out about the individuals operating the funding portal, how it handles the funds collected from investors, what participating jurisdiction the funding portal is operating in, and what fees it will charge the issuer for posting its start-up crowdfunding offering document.

What information needs to be in the offering document?

The offering document must include basic information about the business and the offering, how it will use the money and any risk to the project. The offering document must also include the minimum amount needed to be raised to accomplish the issuer's business goals.

The information contained in the offering document must be kept up to date throughout the duration of the start-up crowdfunding campaign. If information contained in the offering document is no longer true, the issuer must amend the offering document as soon as practicable and send the new version to the funding portal. The funding portal will post the new version of the offering document on its website and will notify investors about the amendment.

The offering document does not need to be updated after the start-up crowdfunding campaign is over.

If the issuer raises funds in Québec, the offering document and the risk acknowledgement form must be made available to investors in Québec in French or in French and English.

For additional details on the offering document, including instructions on how to prepare this document, please refer to "*Preparing an Offering Document*" below.

What if an investor changes their mind?

Investors have the right to withdraw their investment within 48 hours following the investor's subscription. Investors also have the right to withdraw their investment within 48 hours of the funding portal notifying the investor of an amendment to an offering document.

To exercise this right of withdrawal, investors must notify the funding portal. The funding portal must give investors the opportunity to exercise this right. The funding portal must return the funds to an investor who exercises this right, without any deduction, within five business days after the notice.

Completing a Start-up Crowdfunding Campaign

Once the minimum amount has been raised, the issuer has the discretion to close the start-up crowdfunding campaign by issuing the securities to investors. However, the issuer must wait until each investor's 48-hour withdrawal period has expired.

If the issuer has disclosed in the offering document what it will do with any extra funds raised above the minimum amount, then the issuer can continue raising funds provided the issuer closes the offering within the 90-day maximum offering period and up to the maximum amount indicated in the offering document. This maximum amount cannot be more than $250,000.

At the closing of the distribution, the funding portal releases the funds raised to the issuer.

Can an issuer use another prospectus exemption to meet the minimum amount?

Although an issuer cannot have two start-up crowdfunding campaigns running at the same time or on more than one funding portal, the issuer can raise funds using other prospectus exemptions during a start-up crowdfunding campaign. For example, the issuer may issue securities to an accredited investor. Other prospectus exemptions, such as the accredited investor exemption, are found in the instruments and rules of the local regulator, including National Instrument 45-106 *Prospectus Exemptions*. The funds raised under other prospectus exemptions can be used to reach the minimum amount stated in the offering document if they are unconditionally available to the issuer. This would not trigger the requirement to amend the offering document by the issuer.

> Valérie's objective is to raise a minimum of $75,000. Through the funding portal, she raised $45,000 from investors under the start-up crowdfunding exemption. At the same time, Paul, who is considered to be an "accredited investor" because of his income and assets, unconditionally undertakes to invest $30,000 in Valérie's enterprise. The minimum amount has been reached because Valérie can include Paul's $30,000 investment as part of the start-up crowdfunding offering minimum amount. By including this amount, Valérie would not have to amend her start-up offering document. Valérie can now close her start-up crowdfunding distribution and ask the funding portal to release the $45,000 raised on its crowdfunding website as soon as the 48-hour withdrawal period has expired for all investors.

If an issuer raises funds under other prospectus exemptions, it must comply with the start-up crowdfunding exemptions and the legal requirements of the other exemptions. An issuer should seek professional advice if it has any questions regarding compliance.

After the closing

Filing of the offering document and report of exempt distribution

The offering document and a report of exempt distribution must be filed with the regulator of each participating jurisdiction where investors are located no later than 30 days after the closing of the distribution. For example, if the issuer has raised money in Ontario and Québec, the offering document and report of exempt distribution must be filed with the Ontario Securities Commission and the Autorité des marchés financiers.

When filing the offering document, the issuer must include all copies of the offering document, including any amended versions.

In addition, the offering document and report of exempt distribution must be filed with the regulator of the participating jurisdiction where the issuer's head office is located, even if no investors were located in this jurisdiction.

The issuer must follow the filing requirements of the applicable participating jurisdiction(s) as indicated in the table below:

Participating Jurisdiction	**Filing requirements**
British Columbia	What to file: • Form 1 *Start-up Crowdfunding - Offering Document* • Form 45-106F1 *Report of Exempt Distribution* How to file: • Electronically via BC's eServices website (https://eservices.bcsc.bc.ca/). When submitting a report of exempt distribution for a start-up crowdfunding distribution, there will be an option to attach the offering document.
Manitoba New Brunswick Nova Scotia Québec Saskatchewan	What to file: • Form 1 *Start-up Crowdfunding - Offering Document* • Form 5 *Start-up Crowdfunding - Report of Exempt Distribution* o Schedule 1 to Form 5 *Start-up Crowdfunding – Purchaser Information* How to file: • Electronically through **SEDAR**, in accordance with National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* (SEDAR) The Canadian Securities Administrators (**CSA**) has information regarding the SEDAR filing requirements. Please see: • CSA Staff Notice 13-323 – *Frequently Asked Questions About Making Exempt Market Offering and Disclosure Filings on SEDAR* • CSA website on *Reports of Exempt Distribution* contains links to the reports for start-up crowdfunding prospectus exemption for SEDAR filing

Alberta	What to file: • Form 1 *Startup Crowdfunding – Offering Document* • Form 45-106F1 *Report of Exempt Distribution* How to file: • See instructions for Manitoba, New Brunswick, Nova Scotia, Québec and Saskatchewan, above.
Ontario	What to file: • Form 1 *Start-up Crowdfunding - Offering Document* • Form 45-106F1 *Report of Exempt Distribution* How to file: • Electronically through the OSC Electronic Filing Portal at https://www.osc.gov.on.ca/filings

Different filing requirements

An issuer may be subject to different filing requirements if they are required to file documents in Ontario and in any of the other participating jurisdiction(s).

> Valérie's brilliant idea raised $55,000 through start-up crowdfunding. She raised the following funds from investors: $10,000 in Ontario, $10,000 in Québec, $12,000 in New Brunswick, and $23,000 in British Columbia.
>
> To meet her filing requirements, Valérie will need to file:
>
> - the Form 1 and Form 45-106F1 electronically through the OSC Electronic Filing Portal at https://www.osc.gov.on.ca/filings;
> - the Form 1 and Form 5 electronically through SEDAR (she indicates on SEDAR that she is filing for both Québec and New Brunswick); and
> - the Form 1 and Form 45-106F1 electronically via BC's eServices website (https://eservices.bcsc.bc.ca/).

Confirmation notice to investors

Within 30 days after the closing of the distribution, the issuer must send a confirmation notice to each investor who purchases securities with the following information:

- The date of subscription and the closing date of the distribution
- The quantity and description of securities purchased
- The price paid per security
- The total commission, fee and any other amounts paid by the issuer to the funding portal in respect of the start-up crowdfunding distribution

Preparing an Offering Document

Issuers are responsible for preparing an offering document that investors will read to determine if they want to invest in that issuer. The offering document must be prepared using Form 45-506 F1 *Start-up Crowdfunding – Offering Document*. The issuer must provide information for each of the items in the form.

The following will help issuers complete certain items of the offering document and should be read together with the form.

Item 2: The issuer

2.1 (a) The organizing documents are the issuer's articles of incorporation, limited partnership agreement or other similar documents.

(b) The head office is generally where the people managing the issuer, including the CEO, maintain their offices. This may be the same address, or different from the registered office address, depending on the legal structure of the corporation. The address of the head office should be a physical address and not be a P.O. Box.

Item 4: Management

4.1 The people named here are important for investors to assess if they want to invest in the issuer. These people should preferably have experience in managing a business, or in the same industry as the issuer.

Director: An individual occupying the position of director with the issuer. If the issuer is a limited partnership, information should also be provided for the directors of the general partner.

Officer: Includes the chief executive officer, president, vice-president, corporate secretary, general manager or any other individual who performs functions of officer for the issuer. If the issuer is a limited partnership, information should also be provided for the officers of the general partner.

Promoter: A person who takes the initiative in founding or organizing the issuer is generally considered a promoter of the issuer.

Control person: A person that holds more than 20% of the voting rights, alone or with other persons acting in concert, is generally considered a control person of the issuer.

4.2 If any of the persons listed in item 4.1 is or has been subject to any of the proceedings described in item 4.2, state this fact. Provide the name of the person involved and enough details on the time, nature and the outcome of the proceedings.

A quasi-criminal offence may include offences under the *Income Tax Act* (R.S.C. 1985, c. 1 (5th Suppl.)), the *Immigration and Refugee Protection Act* (R.S.C., 2001, c. 27) or the tax, immigration, drugs, firearms, money laundering or securities legislation of any province or territory of Canada or foreign jurisdiction.

Item 5: Start-up crowdfunding distribution

5.1 The issuer must provide the offering document to a funding portal. The funding portal must make the offering document available on its website before the issuer can begin to raise money. If the issuer is using a funding portal that is operated by a registered dealer, it must provide the name of the registered dealer in addition to the name of the funding portal. The offering document can only be posted on one funding portal.

5.3 (a) A start-up crowdfunding distribution is not allowed to close if the minimum offering amount has not been reached within 90 days. The offering document will be posted on the funding portal's website on the date agreed to by the issuer and the funding portal.

(b) During the offering period, the issuer must immediately amend the offering document if the information that it contains is no longer true. Provide the date the amended offering document is posted on the funding portal's website and a description of the information that was amended. If the offering document is amended, the issuer must not modify the date in (a). Investors will have the right to withdraw their subscription within 48 hours of the funding portal notifying the investor that the offering document has been amended.

If the offering document has not been amended, (b) is not applicable.

5.5 The issuer must tell investors what rights are attached to the securities described in item 5.4, if any. This information is usually found in the organizing documents referred to in item 6.3.

5.6 The restrictions and conditions to be described here are generally found in shareholder's agreements or limited partnership agreements.

A tag-along right is a contractual obligation used to protect minority shareholders. The right assures that if the majority shareholder sells his stake, minority shareholders have the right to join and sell their securities on the same terms and conditions as would apply to the majority shareholder.

A drag-along right is designed to protect a majority shareholder. A drag-along right enables a majority shareholder to force minority shareholders to join in the sale of a company, by giving the minority shareholders the same price, terms, and conditions as any other seller.

A pre-emptive right is the right of existing shareholders to acquire new shares issued by the issuer. It can allow existing shareholders to maintain their proportional ownership of the issuer, preventing stock dilution.

5.7 The issuer must set a minimum amount to be raised before it can close a start-up crowdfunding distribution. The maximum amount cannot exceed $250,000.

The amount raised needs to be equal to the total number of securities the issuer wishes to issue multiplied by the price per security.

5.8 The issuer has the option to set a minimum investment amount per investor. This amount cannot be over $1,500. If the issuer does not wish to set a minimum investment amount, item 5.8 should be left blank. The minimum investment amount per investor cannot be below the price per security.

Item 6: Issuer's business

6.1 The description of the issuer's business is a very important part of the offering document. Enough details should be provided for an investor to clearly understand what the issuer does, or intends to do. Consideration should be given to the following:

- What makes the issuer's business special and different from other competitors in the industry?
- What milestones has the issuer already reached?
- Where does the issuer see its business in three, five and ten years?
- What are the issuer's future plans and hopes for its business and how does it plan to get there?
- What is the issuer's management experience in running a business or in the same industry?

6.2 Indicate whether the issuer is a corporation, a limited partnership, a general partnership or other. Also, indicate the province, territory or state where the issuer is incorporated or organized.

6.3 Specify where investors can review the issuer's organizing documents. Online access to these documents is convenient for investors.

6.5 The issuer is not required to provide financial statements to investors in connection with a start-up crowdfunding distribution. However, many investors use financial statements to assess and compare investment opportunities and may be reluctant to invest in a business that does not provide this type of information.

The issuer can choose to make financial statements available to investors. If so, it must include the statement provided in item 6.5 in the offering document. The issuer may want to post the financial statements on the issuer's website for the convenience of its investors.

The issuer should not, however, include the financial statements with or provide a link to the financial statements in the offering document. If the issuer chooses to include the financial statements or a link in the offering document, there may be an obligation under securities laws to prepare the financial statements using certain accounting principles and to audit the financial statements using certain auditing standards.

Item 7: Use of funds

7.1 If the issuer has previously raised funds, specify for which purpose they were used. Include enough details so an investor can clearly understand:

- How much money the issuer has already raised
- How the issuer raised it
- What prospectus exemption was used
- How has that money been used

If the issuer has not previously raised funds, state this fact.

7.2 The issuer must tell investors what it will do with the money raised from this start-up crowdfunding distribution by providing enough details to allow investors to make a reasoned investment decision. Incomplete or unrealistic information will not help the issuer raise more money. Therefore, the issuer should make sure its plans are realistic and achievable.

Item 8: Previous start-up crowdfunding distributions

8.1 Provide the information listed under item 8.1 if any of the persons listed in item 4.1 have been involved in a start-up crowdfunding distribution in any of the participating jurisdictions in the past five years, whether with the issuer, or with another issuer.

Item 9: Compensation paid to funding portal

9.1 Describe the fees (e.g., commission, arranging fee or other fee) that the funding portal is charging for its services. Describe each type of fee and the estimated amount to be paid for each type. If a commission is being paid, indicate the percentage that the commission will represent of the gross proceeds of the offering (assuming both the minimum and maximum offering).

Item 10: Risk factors

10.1 Explain the risks of investing in the issuer for the investor in a meaningful way, avoiding overly general or "boilerplate" disclosure. Disclose both the risk and the factual basis for it. Risks can relate to the issuer's business, its industry, its clients, etc.

Issuers should be truthful, reasonable and clear. Investors deserve to be able to make a reasoned decision based on all the information, even the downside. Issuers may indicate how they plan to mitigate these risks, but should not de-emphasize the risks by including excessive caveats or conditions.

Item 11: Reporting obligations

11.1 Tell investors how the issuer will keep them informed about the business and their investment.

The regulator does not require that the issuer report to investors, but investors will want to be kept informed. If the issuer fails to do this, it may create disgruntled investors that can make it difficult for the issuer to raise money in the future.

Setting out a reasonable reporting plan is important. Issuers should make sure the plan is realistic. Reporting doesn't have to be complex or costly. Reporting can be through newsletters, social media sites, e-mail, financial statements or similar documents. Issuers should go over the milestones that have been met, confirm how investors' money was used, and discuss future plans.

Where can I get further information?

For more information about the start-up crowdfunding exemptions in the participating jurisdictions, please refer to the following contact information:

British Columbia	British Columbia Securities Commission Telephone: 604-899-6854 or 1-800-373-6393 E-mail: inquiries@bcsc.bc.ca www.bcsc.bc.ca
Alberta	Alberta Securities Commission Telephone: 403-355-4151 E-mail: inquiries@asc.ca www.albertasecurities.com
Saskatchewan	Financial and Consumer Affairs Authority of Saskatchewan Securities Division Telephone: 306-787-5645 E-mail: exemptions@gov.sk.ca www.fcaa.gov.sk.ca
Manitoba	The Manitoba Securities Commission Toll free in Manitoba: 1-800-655-2548 E-mail: exemptions.msc@gov.mb.ca www.msc.gov.mb.ca

Ontario	Ontario Securities Commission Toll free: 1-877-785-1555 E-mail: inquiries@osc.gov.on.ca www.osc.ca
Québec	Autorité des marchés financiers Direction du financement des sociétés Toll free in Québec: 1-877-525-0337 E-mail: financement-participatif@lautorite.qc.ca www.lautorite.qc.ca
New Brunswick	Financial and Consumer Services Commission Toll free: 1-866-933-2222 E-mail: emf-md@fcnb.ca www.fcnb.ca
Nova Scotia	Nova Scotia Securities Commission Toll free in Nova Scotia: 1-855-424-2499 E-mail: nssc.crowdfunding@novascotia.ca www.nssc.novascotia.ca

The information in this Guide is for educational purposes only and does not constitute legal advice.

If any information in this Guide is inconsistent with Ontario Instrument 45–506 Start-Up Crowdfunding Registration and Prospectus Exemptions (Interim Class Order), please follow the instrument and the related forms.

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5.1.2 Start-up Crowdfunding Guide for Funding Portals

Start-up Crowdfunding Guide for Funding Portals

Crowdfunding is a process through which an individual or a business can raise small amounts of money from a large number of people, typically through the Internet. The objective is to raise sufficient funds in order to carry out a specific project. There are different types of crowdfunding, such as by donation, or pre-selling of products, and securities crowdfunding. This guide discusses securities crowdfunding.

Securities crowdfunding

In Canada, all trading of securities is subject to legal obligations. For example, a person cannot be in the business of trading securities unless the person is registered in the province or territory where it is carrying on this business or has an exemption from the registration requirement under securities laws. Similarly, a business seeking to raise capital by issuing securities must file a prospectus with the securities regulator of their province or territory or have an exemption from the prospectus requirements under securities laws.

These obligations, however, can be costly for start-ups and early stage issuers. The securities regulators in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick and Nova Scotia (the **participating jurisdictions**) have made available exemptions to facilitate securities crowdfunding (the start-up crowdfunding exemptions) to help make it easier for start-ups and early-stage businesses to raise money by issuing securities.

The start-up crowdfunding exemptions allow:

- a start-up or early stage issuer to raise relatively small amounts of capital by distributing securities to investors without filing a prospectus (the start-up prospectus exemption); and
- a funding portal to facilitate trades of those securities without having to register as a dealer (the **start-up registration exemption**), although a funding portal can be operated by a registered dealer.

Start-ups and early stage issuers intending to conduct a start-up crowdfunding offering must use a funding portal. A funding portal posts information about investment opportunities and facilitates the payment of the purchase price from the investor to the issuer.

The purpose of this guide is to assist funding portals. In this guide, “regulator” means the securities regulator or regulatory authority in a participating jurisdiction.

There are two types of funding portals that may facilitate start-up crowdfunding:

- funding portals operated by persons relying on the start-up registration exemption
- funding portals operated by registered investment dealers or exempt market dealers

Funding portals operating under the start-up registration exemption

A person operating a funding portal does not have to register as a dealer if they meet all conditions of the start-up registration exemption. These conditions include, among other things, that the funding portal must:

- have its head office in Canada
- have a majority of its directors be Canadian residents
- not be registered under Canadian securities legislation
- not tell investors an investment is suitable for them or otherwise discuss the merits of an investment
    - This means the funding portal cannot tell an investor that the securities offered are a good investment or that the investor should make an investment for whatever reason. The funding portal must refrain from saying or doing anything that might lead an investor to think that they should buy the securities because the securities somehow meet their investment needs or objectives.
    - However, the funding portal can give factual information about the securities. For example, it may tell investors about the features of the securities, the risks of the investment, how start-up crowdfunding works, and other items of a general, factual nature.
- must make available the issuers’ offering documents and risk warnings on its website

- A funding portal can carry out reviews of issuers before making their offering documents available on its website to protect the funding portal's own interests or reputation.
- Funding portals may want to be mindful that their website could be used in ways not intended by the funding portal. For example, peer-to-peer messaging systems on a funding portal's website might be used by the funding portal's visitors to solicit the purchase and sale of other securities without the portal's knowledge. This may result in the funding portal indirectly facilitating illegal securities distributions.

- ensure that investors confirm online, by ticking a box, that they have read and understood the offering document and risk warning available on the funding portal
- take reasonable measures to ensure that the head office of each issuer using the funding portal is in a participating jurisdiction and that each investor is a resident of a participating jurisdiction
- not allow entry to its website by any person until that person acknowledges that they are entering a website of a funding portal:
  - that is not operated by a registered dealer under Canadian securities legislation, and
  - that will not provide advice about the suitability or the merits of any investment

  the regulators call this the "**pop-up acknowledgement**". For further information on the mechanics of the pop-up acknowledgement, please see the section in this guide entitled *Pop-up Acknowledgement*
- not receive a commission or fee from an investor
- discloses on its website:
  - the full legal name, municipality and jurisdiction of residence, business mailing and e-mail address, and business telephone number of each promoter,[1] director, officer and control person[2] (**principals**) of the funding portal, and
  - the names of the participating jurisdictions where the funding portal is operating and relying on the start-up registration exemption
    - Each of the participating jurisdictions has their own Start-up Crowdfunding Exemptions order (**blanket order**). With some exceptions, each blanket order is substantially harmonized with the other participating jurisdictions. However, the funding portal must ensure that they are in compliance with the blanket order in each participating jurisdiction where they are operating. Please check the applicable blanket orders which can be found on the regulators' website.

  The regulators expect that these disclosures will be prominently displayed on the funding portal's website
- hold investors' assets separate from the funding portal's property, in trust for the investor and, in the case of cash, at a Canadian financial institution
  - This requirement is a fundamental obligation of the start-up registration exemption. Funding portals should expect that regulators will assess how the funding portal is handling client assets at both the initial stage and during future compliance reviews. The regulators intend to ensure that these conditions are followed closely.
- keep its books and records, including its compliance procedures, at its head office for eight years from the date a record is created
- not facilitate the distribution of securities to purchasers under prospectus exemptions other than the start-up prospectus exemption.

[1] A person who founded, organized or significantly reorganized the funding portal is generally considered to be a promoter.

[2] A person who holds a sufficient number of voting rights to control the funding portal or who holds 20% or more of the voting rights of the funding portal is generally considered a control person of the funding portal.

In Ontario, an unregistered funding portal must also disclose on its website the process the funding portal will use to notify purchasers if it becomes insolvent or discontinues operations, and how the funding portal will return the purchasers' assets it is holding to those purchasers.

Before starting operations

Step one

A funding portal intending to rely on the start-up registration exemption must deliver the following forms to regulators:

- a completed Form 3 – *Start-up Crowdfunding - Funding Portal Information Form* (Form 3)
- a completed Form 4 – *Start-up Crowdfunding - Funding Portal - Individual Information Form* (Form 4) for each principal of the funding portal
- any other completed documents and any additional information that may be requested by the regulators

Submitting the following documents to the regulators with the Form 3 may help expedite the process:

- business plans and financial statements, if the funding portal intends to facilitate start-up crowdfunding distributions in Québec
- organizing documents such as articles and certificate of incorporation or partnership agreement if the funding portal intends to facilitate start-up crowdfunding distributions in Saskatchewan, Manitoba, Ontario, Québec, or Nova Scotia
- business registration numbers and proof of extra-provincial registration if the funding portal intends to facilitate start-up crowdfunding distributions in Saskatchewan, Manitoba, Ontario, Québec, or Nova Scotia
- documents describing the funding portal's process and procedure for handling investors' funds, including the following details:
    - the name of the Canadian financial institution where the trust account for investors' cash is located
    - the name of the signatories on that trust account and their role with the funding portal
    - how the investors' assets will be kept separate and apart from the funding portal's assets
    - how the cash will flow from: (i) the investors to the funding portal's trust account; (ii) from the funding portal's trust account back to the investors' bank accounts in the event that the offering does not close; and (iii) from the funding portal's trust account to the issuer in the event that the offering does close
- a copy of the trust agreement for the funding portal's trust account with a Canadian financial institution or details surrounding the establishment of this account

The regulators may also request access to the funding portal's website in a test environment when the website is complete and ready for viewing.

The funding portal must deliver the forms and documents by e-mail to the regulator in each participating jurisdiction where the funding portal intends to facilitate start-up crowdfunding distributions. For example, a funding portal with a head office in Saskatchewan that intends to seek funds from investors in all participating jurisdictions must deliver the forms and documents described in this guide to the Financial and Consumer Affairs Authority of Saskatchewan and the regulators in each of the other participating jurisdictions.

Delivery of the forms, and documents by the funding portal is only the first step and does not mean that the funding portal can start operations. The regulators may have questions for the funding portal regarding these forms and documents.

Step two

Before starting operations, the funding portal must receive written confirmation from the regulator that the forms and documents delivered to the regulator in step one are complete.

Please note that the regulator may notify the funding portal that it cannot use the start-up registration exemption because its principals, or their past conduct, demonstrate a lack of integrity, financial responsibility or relevant knowledge or expertise. (In

Ontario, the regulator will make this assessment based on the criteria set out in the registration exemption in the Ontario Blanket Order, Ontario Instrument 45-506 *Start-Up Crowdfunding Registration and Prospectus Exemptions (Interim Class Order))*.

If a change occurs and the information in the forms and documents delivered to a regulator are no longer up-to-date, the funding portal must update the information by delivering a new form or document setting out the change. For example, if management at a funding portal changes, an updated funding portal information form as well as a funding portal individual information form for each new officer must be delivered to the regulators.

In Ontario, an unregistered funding portal must file the Form 3, Forms 4 and supporting documents and then wait 30 days before soliciting investors. During the 30-day waiting period the regulator may notify the funding portal that it has not satisfied the start-up registration exemption and cannot operate as an exempt funding portal until such time as the funding portal is able to demonstrate it meets the conditions of the start-up registration exemption.

Some of the reasons this notification may be given include:

- **the documents the funding portal delivered are incomplete,**
- **the funding portal or any of its principals, or any entity it or its principals has been the principal of has had a judgment, sanction or similar order imposed against it based on fraud, theft, breach of trust, insider trading, or allegations of similar conduct, or**
- **the policies and procedures for handling funds in relation to a start-up crowdfunding distribution described in the funding portal information form and supporting documents does not satisfy the conditions of the start-up registration exemption.**

Compliance with laws and regulations

The funding portal's activities are subject to the securities laws of the jurisdictions where its head office or other places of business are located, as well as the jurisdictions where the issuers and purchasers are resident.

If a funding portal intending to rely on the start-up registration exemption has its head office located in a jurisdiction where that exemption is not available then the funding portal may be required to be registered as a dealer. Once registered as a dealer in any jurisdiction then the start-up registration exemption is no longer available (see later section on *Funding portals operated by registered dealers*).

Failing to comply with local securities laws is a serious offence that could prevent the funding portal from being able to rely on the start-up registration exemption. The funding portal must also ensure that it complies with all other applicable laws and regulations of a participating jurisdiction. We encourage funding portals to consult a lawyer for advice.

Regulators in the participating jurisdictions plan to conduct compliance reviews of funding portals relying on the start-up registration exemption soon after the commencement of operations. If a funding portal does not meet the conditions of the start-up registration exemption, then it cannot rely on that registration exemption.

In Ontario, an unregistered funding portal must certify, within ten days of a calendar year-end, that it has sufficient working capital to continue its operations for at least the next 12 months. This is done by filing the necessary Form 5 with the Ontario Securities Commission.

A funding portal's working capital is calculated based on current assets less current liabilities. The terms "current assets" and "current liabilities" are defined under Canadian GAAP. Current assets generally include assets such as cash, accounts receivable, inventory and other assets that can be realised, sold or consumed within a year. Current liabilities generally include accounts payable, wages, taxes, and the portion of debt to come due within a year.

Good practices for compliance with this condition include:

- **Keeping documentation that is regularly maintained to ensure effective monitoring; and**
- **Establishing, maintaining and applying a system of controls and supervision sufficient to ensure the accuracy of the documents, including financial statements, used to support the funding portal's assessment of working capital.**

"Pop-up" Acknowledgement

The start-up crowdfunding exemptions require investors to acknowledge certain information before entering the platform of a funding portal, which may be the funding portal's website or app. This requirement does not distinguish between where or how the investor enters the funding portal's platform. As a result, funding portals must design their platform so that investors acknowledge the required information regardless of whether those investors enter the platform through the funding portal's home page or through another page on the funding portal's website.

The funding portal should also manage the risk that potential investors are visiting the funding portal's platform using a shared computer, tablet, or other mobile device. In other words, multiple people in a household may be entering the funding portal's platform at different times using the same device. As a result, in order to comply with the pop-up acknowledgment requirements, the funding portal should consider designing their website so that the required pop-up acknowledgements reappear each time the investor's internet browser is closed and re-opened.

We expect the pop-up acknowledgement to appear in the following circumstances:

The pop-up acknowledgement should appear upon the first and every subsequent time a person enters a funding portal's website. This means that after opening their internet browser: (a) If a person lands on any page of a funding portal's platform (home page or other page) the pop-up acknowledgment should appear. (b) If the person clicks "I acknowledge" and then immediately closes out of their browser, when the person goes back to any page on a funding portal's platform, the pop-up acknowledgment should appear. The result is that the same person will have to click on "I acknowledge" to go back into the funding portal's platform regardless of the fact that they had just been to that platform.
The pop-up acknowledgement should appear regardless of a person's entry point to the platform (home page or other page). For example: (c) If a person were to search the name of the funding portal and finds a link to the funding portal's platform, the link would take the person to the funding portal's home page and a pop-up acknowledgement would appear. (d) If a person were to search the name of the funding portal and finds a link to the funding portal's issuer-offering page, the link would take the person to that page of the funding portal's platform and a pop-up acknowledgement would appear.
Once a person clicks "I acknowledge" and enters the funding portal's platform, they can navigate from page to page within the platform without the re-appearance of the pop-up acknowledgement.

Funding portals operated by registered dealers

Registered exempt market dealers and investment dealers are allowed to operate start-up funding portals. Exempt market dealers and investment dealers that operate funding portals must:

- meet their existing registration obligations under securities legislation (including the know-your-client, know-your-product and suitability obligations owed to investors)
- confirm to issuers that the funding portal meets certain of the conditions in the start-up prospectus exemption, such as making an offering document and risk warning available to investors on the funding portal's website
- prompt any person entering the funding portal's website to acknowledge that the funding portal is operated by a registered dealer that will provide suitability advice
- file a Form 33-109F5 *Change of Registration Information* that describes the change in its business to include operating a funding portal
- must disclose all fees charged to investors in accordance with relationship disclosure requirements under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*

A funding portal operated by a registered dealer is permitted to facilitate a larger investment. Typically, an investor may invest up to $1,500 under the start-up prospectus exemption. However, in British Columbia, Alberta, Saskatchewan and Ontario, investors can purchase up to $5,000 if the registered dealer has determined that the investment is suitable for the investor.

How does start-up crowdfunding work?

Issuers are responsible for preparing an offering document that complies with the prescribed form in the province they are based, and the province the investor resides in. In particular, issuers must indicate the minimum amount necessary to close a start-up crowdfunding distribution. Issuers will provide the offering document to the funding portal to post online. The funding portal must take reasonable measures to ensure that the issuer is a resident of a participating jurisdiction where the offering document is made available. Investors will read the offering document and decide whether or not to invest.

Before accepting an investment, a funding portal must obtain confirmation from the investor that he or she has read and understood the offering document and the risks described in the risk acknowledgement form. A funding portal must obtain the investor's personal information and take reasonable measures to ensure the investor resides in a participating jurisdiction.

An issuer cannot close a distribution if it has not raised the minimum amount set out in its offering document and before each purchaser's right to withdraw has expired. At the closing:

- the issuer distributes shares or other eligible securities to investors
- the funding portal releases funds to the issuer

No later than 15 days following the closing of the distribution, the funding portal must notify investors that the funds have been released to the issuer, and it must provide the issuer with the following information on each investor:

- Full name
- Address
- Telephone number
- E-mail address
- Number of securities purchased
- Total purchase price

The issuer requires this investor information in order to complete a report of exempt distribution. When providing investor information to the issuer, we encourage the funding portal to use the same spreadsheet that the issuer is required to use for filing. Please refer to the *Start-up Crowdfunding Guide for Businesses* for more information on the issuer's filing requirements.

If the issuer withdraws its start-up crowdfunding offering or does not raise the minimum amount within 90 days after the funding portal posts the offering document online, all the funds must be returned in full to investors within five business days. No deductions are permitted. The funding portal must also send a notice to the issuer and each investor confirming that the funds have been returned to investors.

The funding portal may send notices to investors and issuers by e-mail.

Related-party restriction

A funding portal cannot act in a start-up crowdfunding distribution if one of its principals is also a principal of the issuer group. The issuer group means the issuer, an affiliate of the issuer, and any other issuer that is engaged in a common enterprise with the issuer or an affiliate, or whose business is founded or organized by the same person or company who founded or organized the issuer.

Investor's right to withdraw

Investors have the right to withdraw their investment within 48 hours following the investor's subscription. Investors also have the right to withdraw their investment within 48 hours of the funding portal notifying the investor of an amendment to the offering document.

To exercise this right of withdrawal, an investor must notify the funding portal. The funding portal must give investors the opportunity to exercise this right. The funding portal must return the funds to an investor who exercises this right, without any deduction, within five business days after the notice.

Amendments to the offering document

An issuer must amend its offering document after it has been posted online if the information it contains is no longer true. This could be the case if, for example, an issuer wants to change the price of the securities or the minimum or maximum offering amount. The issuer must send the amended version to the funding portal for posting on the funding portal's website. The funding portal must notify investors about the amendment.

Issuer's financial statements

Under the start-up prospectus exemption, issuers are not required to provide financial statements to investors with the offering document.

If an issuer wants to make its financial statements available to investors, it can place a hyperlink on the funding portal leading to the financial statements. However, the hyperlink must not appear in the offering document because the financial statements do not form part of it.

Where can I get further information?

For more information about the start-up crowdfunding exemptions in the participating jurisdictions, please refer to the following contact information:

British Columbia	British Columbia Securities Commission Telephone: 604-899-6854 or 1-800-373-6393 E-mail: inquiries@bcsc.bc.ca www.bcsc.bc.ca
Alberta	Alberta Securities Commission Telephone: 403-355-4151 E-mail: inquiries@asc.ca Website: www.albertasecurities.com
Saskatchewan	Financial and Consumer Affairs Authority of Saskatchewan Securities Division Telephone: 306-787-5645 E-mail: exemptions@gov.sk.ca Website: www.fcaa.gov.sk.ca
Manitoba	The Manitoba Securities Commission Toll free in Manitoba: 1-800-655-2548 E-mail: exemptions.msc@gov.mb.ca Website: http://www.mbsecurities.ca/
Ontario	Ontario Securities Commission Toll free: 1-877-785-1555 E-mail: inquiries@osc.gov.on.ca Website: www.osc.ca
Québec	Autorité des marchés financiers Direction du financement des sociétés Toll free in Québec: 1-877-525-0337 E-mail: financement-participatif@lautorite.qc.ca Website: www.lautorite.qc.ca
New Brunswick	Financial and Consumer Services Commission Toll free: 1-866-933-2222 E-mail: emf-md@fcnb.ca Website: www.fcnb.ca
Nova Scotia	Nova Scotia Securities Commission Toll free in Nova Scotia: 1-855-424-2499 E-mail: nssc.crowdfunding@novascotia.ca Website: nssc.novascotia.ca

The information in this Guide is for educational purposes only and does not constitute legal advice.

If any information in this Guide is inconsistent with Ontario Instrument 45–506 Start-Up Crowdfunding Registration and Prospectus Exemptions (Interim Class Order), please follow the instrument and the related forms.

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5.1.3 Start-up Crowdfunding Guide for Investors

Start-up Crowdfunding Guide for Investors

Crowdfunding is a process through which an individual or a business can raise small amounts of money from a large number of people, typically through the Internet. The objective is to raise sufficient funds in order to carry out a specific project. There are different types of crowdfunding, such as by donation, pre-selling of products, or securities crowdfunding. This guide discusses securities crowdfunding.

Securities crowdfunding

With securities crowdfunding, a business raises funds through the Internet by issuing securities (such as bonds or shares) to many people.

In Canada, all trading of securities is subject to legal obligations. For example, a business seeking to raise capital by issuing securities must file a prospectus with the securities regulator of their province or territory or have an exemption from the prospectus requirement under securities laws.

These obligations, however, can be costly for start-ups, small businesses and other issuers. The securities regulators in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick and Nova Scotia (the **participating jurisdictions**) allow start-ups and small businesses to raise funds using securities crowdfunding without filing a prospectus or preparing financial statements. In this guide, we refer to this as the "**start-up crowdfunding exemptions**" or "**start-up crowdfunding**".

Top 3 things to do before investing in a start-up crowdfunding project:

#1 Know the process

#2 Do your homework

#3 Understand the risks

#1 – Know the Process

How Start-up Crowdfunding Works

Start-ups and small businesses (issuers)

The business has an idea but needs to raise funds to make it happen. It must prepare an offering document that includes basic information about the business and the offering, how it will use the money and the risks in investing in the business. The business must state the minimum amount it needs to raise to accomplish its goal. The business must use a crowdfunding website called a funding portal to raise funds this way.

Investor (you)

You, the investor, spot an interesting business on a funding portal website. After reading the business' offering document and doing your homework, you may decide to invest up to the amount described in the "How Much Can I Invest?" section of this guide. Before you complete your investment, the funding portal will ask you to confirm that you understand the risks and have read and understood the business' offering document. You have 48 hours after your investment to change your mind and get your money back.

Crowdfunding website (funding portal)

The funding portal posts start-up crowdfunding projects on its website. The funding portal is responsible for:

- providing a risk warning form to potential investors;
- holding all investor funds in trust until the business raises the minimum funding target; and
- returning funds to investors, without deduction, if the business does not reach its minimum funding target or if the business withdraws the start-up crowdfunding campaign.

When you enter a funding portal website, you will see a pop-up notice telling you whether the funding portal is:

- operated by a registered dealer under Canadian securities legislation. Before you invest, these portals must determine if the investment is suitable for you; or
- not registered under Canadian securities legislation. These portals cannot give you advice. You must decide for yourself if the investment is right for you.

You will be asked to acknowledge that you have read this pop-up notice before entering the funding portal website.

You can check to see if the funding portal can do business in Ontario. You can do this by contacting the Ontario Securities Commission at (toll free) 1-877-785-1555 or by e-mail at inquiries@osc.gov.on.ca.

#2 Do your homework

Before investing, you should:

- Read the start-up crowdfunding offering document posted on the funding portal. It contains basic information about the business' activities, its management, its financial condition, the amount it wants to raise, how the money raised will be used and the risks. **The securities regulators have not reviewed or approved the offering document. It is your responsibility to understand the information in the offering document.**
- Search the Internet for information on the business, its industry and the people operating its business. Check their background to see if they were ever disciplined for bad business practices. You can contact the business and the funding portal for further information.
- The business may also raise funds at the same time other than through start-up crowdfunding. Those investors may receive more or less information than what you are provided in the start-up crowdfunding offering document.
- You can ask the business about any previous successes or failures it may have had trying to raise funds in the past. The start-up offering document must disclose whether that business had any previous start-up crowdfunding distributions and whether they were successful or not. However, businesses are not required to report any failed or withdrawn offerings if they raised funds in another way.
- If the business gives you financial statements, **you should know that those financial statements have not been provided to or reviewed by securities regulators and they are not part of the offering document**. You should ask the business whether the financial statements have been audited and which accounting standards were used to prepare the financial statements. Do the financial statements include a balance sheet, income statement, statement of changes in financial position and detailed supporting notes?

- Consider their business plan. How is the business going to grow? How will it make money and within what period? Watch for unsupportable claims about the business' future success.

- Consider how you will receive a return on your investment. What type of securities is the business going to give you in exchange for your investment? The securities must be described in the offering document. If the business is offering debt securities, consider when the business intends to pay you back. If the business is offering equity securities, such as common shares, read the rights attached to these securities described in the offering document.

- Review all documents relating to your investment. There may be other rights and restrictions about the investment detailed in the business shareholder's agreement or other agreements.

- Think carefully about your risk tolerance and what you can afford to lose if the investment doesn't turn out as expected. Consider the *cons* as well as the *pros.*

- Ask the business any other questions you may have. The offering document will provide contact information for someone at the business who is able to answer your questions.

#3 Understand the risks

To make an informed decision, you must have a good understanding of the risks related to the start-up crowdfunding offering. These include:

- Securities of start-ups or small businesses are risky. Statistics show that a high percentage of start-ups and small businesses fail. You could lose the entire amount you paid for your investment.

- What is your risk tolerance? If your risk tolerance is low, an investment in a start-up or small business may not be suitable for you.

- What do you know about the individuals operating the business? Do they have the knowledge and experience required to manage it? Businesses are sometimes managed by inexperienced individuals. Find out more about the individuals operating the business before investing.

- Do you have the resources to be patient? If you think you will have to resell your securities in the short term, this type of investment may not be suitable for you. Securities purchased through start-up crowdfunding offerings are not publicly traded. You may have to wait indefinitely before reselling the securities or you may not be able to resell them at all.

- A great deal of information and analysis is available about public corporations. This is not the case for start-ups and small businesses. Unlike reporting issuers (such as companies listed on an exchange), start-ups and small businesses are not required to file audited financial statements or other periodic disclosure. You may receive much less information about the business before or after you invest.

- Once you have made the investment, the start-up or small business will not generally have any obligation to provide you with updates (such as an annual report). You will have to track your investment on your own.

If you are willing to take risks and invest in a start-up, you may want to consider investing in a business that operates in a sector you know well. You may be in a better position to assess its likelihood of success.

The start-up crowdfunding process – an example

> Oliver has heard about start-up crowdfunding. He goes to ABC Funding Portal's website and sees a pop-up notice that says ABC Funding Portal is not registered. He checks the names of their management and does some research to see if they have ever been disciplined for bad business practices.

> After satisfying himself about ABC Funding Portal, Oliver browses through the start-up crowdfunding projects listed on its website. He comes across Valerie's Maple Cola Company. Valerie wants to raise $75,000 to market and bottle soft drinks flavoured with

maple syrup and other local products. Oliver thinks the investment looks interesting.

Oliver reads Valerie's Maple Cola Company's start-up crowdfunding offering document carefully, particularly the section that warns of the risks of this investment. Oliver does some additional research on Valerie's Maple Cola Company, Valerie herself as well as the rest of her management team, and the beverage manufacturing business.

Oliver decides he wants to invest $750 in Valerie's Maple Cola Company. He reviews the risk warning on ABC Funding Portal website. He confirms, by ticking a box, that he has read the offering document and understands the risks he is taking. He pays for the investment.

ABC Funding Portal holds Oliver's money in trust until Valerie raises at least $75,000. If Valerie doesn't raise her $75,000 target, ABC Funding Portal must return Oliver's money to him, without any deductions.

If Valerie successfully raises $75,000, she can proceed to complete the start-up crowdfunding offering. Oliver is now a shareholder of Valerie's Maple Cola Company. Upon completion of the offering, Oliver receives a confirmation setting out the number of the common shares he purchased and how much he paid.

There is no guarantee as to the future value of Oliver's investment. Oliver will have to hold onto these securities for an indefinite period or even be unable to resell them at all.

Frequently asked questions about start-up crowdfunding

Where can I find start-up crowdfunding offerings?

You will find start-up crowdfunding offerings posted on the websites of funding portals. Before a funding portal can operate in any Canadian jurisdiction, it must meet certain conditions such as delivering mandatory documents to the securities regulatory authority in that jurisdiction. You can check with the OSC to see whether any particular funding portal is allowed to do business in Ontario by calling the phone number listed below under "*Where can I get further information*?"

Should I get investment advice?

You should use a registered portal if you want or need investment advice because they must determine whether an investment is suitable for you.

If you are viewing offerings on an unregistered funding portal, you will not receive investment advice; they are prohibited from telling you whether the securities you are subscribing for are a good investment. You must be prepared to make your own investment decision when investing through an unregistered funding portal. Unregistered portals are also prohibited from charging you a fee or commission for investing through their website.

When you enter a funding portal website, a pop-up notice will inform you whether or not the funding portal is operated by a registered dealer. To check if the funding portal is operated by a registered dealer, go to www.aretheyregistered.ca.

How much can I invest?

You can invest up to $1,500 in a start-up crowdfunding offering. However, this amount can be increased to $5,000 if all of the following apply:

- you live in British Columbia, Alberta, Saskatchewan or Ontario;
- you are interested in investing in a business with a head office in British Columbia, Alberta, Saskatchewan or Ontario;
- the start-up crowdfunding distribution is made through a registered dealer; and
- the dealer has determined that the investment is suitable for you.

What will I get in return for investing in a start-up crowdfunding project?

With securities crowdfunding, investors receive securities in exchange for their investment. This is different than other types of crowdfunding, where you may get a product. Start-up crowdfunding is restricted to particular types of securities: debt securities, such as bonds; equity securities, such as common shares or preference shares; limited partnership units; and convertible securities, such as warrants, that are convertible into either common shares or preference shares.

The offering document must describe the type of security you will receive in exchange for your investment.

What if I change my mind?

Once you have committed to purchasing securities:

- You may withdraw your investment within 48 hours of subscription if you no longer wish to invest; or
- If the business amends the offering document, you will also have the right to withdraw your investment within 48 hours of the funding portal notifying you that the offering document has been amended.

In either case, you must notify the funding portal that you wish to withdraw before the end of this 48-hour period. After receiving your notification, the funding portal will return your funds to you within 5 business days.

Where can I get further information?

For more information about the start-up crowdfunding exemptions in the participating jurisdictions, please refer to the following contact information:

British Columbia	British Columbia Securities Commission Telephone: 604-899-6854 or 1-800-373-6393 E-mail: inquiries@bcsc.bc.ca www.bcsc.bc.ca
Alberta	Alberta Securities Commission Telephone: 403-355-4151 E-mail: inquiries@asc.ca Website: www.albertasecurities.com
Saskatchewan	Financial and Consumer Affairs Authority of Saskatchewan Securities Division Telephone: 306-787-5645 E-mail: exemptions@gov.sk.ca www.fcaa.gov.sk.ca
Manitoba	The Manitoba Securities Commission Toll free in Manitoba: 1-800-655-2548 E-mail: exemptions.msc@gov.mb.ca www.msc.gov.mb.ca
Ontario	Ontario Securities Commission Toll free: 1-877-785-1555 E-mail: inquiries@osc.gov.on.ca www.osc.ca
Québec	Autorité des marchés financiers Direction du financement des sociétés Toll free in Québec: 1-877-525-0337 E-mail: financement-participatif@lautorite.qc.ca www.lautorite.qc.ca
New Brunswick	Financial and Consumer Services Commission Toll free: 1-866-933-2222 E-mail: emf-md@fcnb.ca www.fcnb.ca

Nova Scotia	Nova Scotia Securities Commission Toll free in Nova Scotia: 1-855-424-2499 E-mail: nssc.crowdfunding@novascotia.ca www.nssc.novascotia.ca

The information in this Guide is for educational purposes only and does not constitute legal advice.

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesSource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 11

IPOs, New Issues and Secondary Financings

INVESTMENT FUNDS

Issuer Name:
Canada Life Pathways Canadian Concentrated Equity Fund
Canada Life Pathways Canadian Equity Fund
Canada Life Pathways Core Bond Fund
Canada Life Pathways Core Plus Bond Fund
Canada Life Pathways Emerging Markets Equity Fund
Canada Life Pathways Emerging Markets Large Cap Equity Fund
Canada Life Pathways Global Core Plus Bond Fund
Canada Life Pathways Global Multi Sector Bond Fund
Canada Life Pathways Global Tactical Fund
Canada Life Pathways International Concentrated Equity Fund
Canada Life Pathways International Equity Fund
Canada Life Pathways Money Market Fund
Canada Life Pathways U.S. Concentrated Equity Fund
Canada Life Pathways U.S. Equity Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated August 14, 2020 to Final Simplified Prospectus dated October 21, 2019
Received on August 14, 2020
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Quadrus Investment Services Ltd.
Promoter(s):
Mackenzie Financial Corporation
Project #2813915

Issuer Name:
GreenWise Balanced Portfolio
GreenWise Conservative Portfolio
GreenWise Growth Portfolio
Principal Regulator – Quebec
Type and Date:
Preliminary Simplified Prospectus dated Aug 10, 2020
NP 11-202 Preliminary Receipt dated Aug 12, 2020
Offering Price and Description:
Class F Units, Class A Units and Class P Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3094128

Issuer Name:
AGF Global Opportunities Bond ETF
AGF Global Sustainable Growth Equity ETF
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated Aug 12, 2020
NP 11-202 Preliminary Receipt dated Aug 13, 2020
Offering Price and Description:
Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3095998

Issuer Name:
DFA Global Sustainability Core Equity Fund
Principal Regulator – British Columbia
Type and Date:
Preliminary Simplified Prospectus dated Aug 17, 2020
NP 11-202 Preliminary Receipt dated Aug 17, 2020
Offering Price and Description:
Class F Units, Class A(H) Units, Class I Units, Class A Units, Class I(H) Units and Class F(H) Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3098198

Issuer Name:
AGFiQ Global Balanced ETF Portfolio Fund
AGFiQ Global Income ETF Portfolio Fund
Principal Regulator – Ontario
Type and Date:
Preliminary Simplified Prospectus dated Aug 12, 2020
NP 11-202 Preliminary Receipt dated Aug 13, 2020
Offering Price and Description:
Mutual Fund Series Units and Series F Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3095992

Issuer Name:
Evolve Gold Miners Fund
Principal Regulator – Ontario
Type and Date:
Preliminary Long Form Prospectus dated Aug 17, 2020
NP 11-202 Preliminary Receipt dated Aug 17, 2020
Offering Price and Description:
ETF Shares
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3098175

Issuer Name:
Renaissance Canadian Balanced Fund
Renaissance Canadian Monthly Income Fund
Renaissance Canadian Growth Fund
Renaissance Canadian Equity Private Pool
Renaissance Canadian Equity Private Pool
Principal Regulator - Ontario
Type and Date:
Amendment #1 to Final Simplified Prospectus dated August 6, 2020
NP 11-202 Final Receipt dated Aug 12, 2020
Offering Price and Description:
Class A units, Class A (Pools) units, Class C units, Class F units, Class F-Premium T4 units, Class F-Premium T6 units, Class F-Premium units, Class I units, Class N-Premium T4 units, Class N-Premium T6 units, Class N-Premium units, Class O units, Premium T4 Class units, Premium class units and Premium-T6 Class units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3071450

Issuer Name:
Ninepoint Diversified Bond Fund
Ninepoint Energy Fund
Ninepoint Global Infrastructure Fund
Ninepoint Global Real Estate Fund
Ninepoint Gold and Precious Minerals Fund
Ninepoint High Interest Savings Fund
Ninepoint Alternative Health Fund
Ninepoint International Small Cap Fund
Ninepoint Concentrated Canadian Equity Fund
Ninepoint Diversified Bond Class
Ninepoint Resource Class
Ninepoint Silver Equities Class
Ninepoint Risk Advantaged U.S. Equity Index Class (formerly, Ninepoint Enhanced Equity Class)
Ninepoint Return Advantaged U.S. Equity Index Class (formerly, Ninepoint Enhanced U.S. Equity Class)
Ninepoint Focused Global Dividend Class
Ninepoint Gold Bullion Fund
Ninepoint Silver Bullion Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated to Final Simplified Prospectus dated August 7, 2020
NP 11-202 Final Receipt dated Aug 12, 2020
Offering Price and Description:
Series A Securities, Series D Securities, Series F Securities, Series FT Units, Series I Securities, Series P Units, Series PF Units, Series PFT Units, Series PT Units, Series Q Units, Series QF Units, Series QFT Units, Series QT Units,
Series T Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3033523

Issuer Name:
Canada Life North American Specialty Fund
Canada Life Canadian Dividend Fund (Laketon)
Canada Life Canadian Value Fund (FGP)
Canada Life Canadian Equity Fund (Beutel Goodman)
Canada Life Canadian Low Volatility Fund (London Capital)
Principal Regulator - Ontario
Type and Date:
Amendment #1 to Final Simplified Prospectus dated August 14, 2020
NP 11-202 Final Receipt dated Aug 17, 2020
Offering Price and Description:
D5 series securities, D8 series securities, H series securities, H5 series securities, H8 series securities, HW series securities, HW5 series securities, HW8 series securities, L series securities, L5 series securities, L8 series securities, N
series securities, N5 series securities, N8 series securities, Q series securities, QF series securities, QF5 series securities, QFW series securities and QFW5 series securities
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3034790

Issuer Name:
CIBC Monthly Income Fund
CIBC Global Monthly Income Fund
CIBC Balanced Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 to Final Simplified Prospectus dated August 6, 2020
NP 11-202 Final Receipt dated Aug 12, 2020
Offering Price and Description:
Class A units, Class F units, Class O units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3052709

Issuer Name:
Fidelity Canadian Opportunities Fund
Fidelity Dividend Fund
Fidelity Greater Canada Fund
Fidelity Special Situations Fund
Fidelity American Equity Systematic Currency Hedged Fund
Fidelity U.S. Focused Stock Fund
Fidelity U.S. Focused Stock Systematic Currency Hedged Fund
Fidelity Small Cap America Fund
Fidelity U.S. Dividend Fund
Fidelity Women's Leadership Fund
Fidelity Women's Leadership Systematic Currency Hedged Fund
Fidelity AsiaStar® Fund
Fidelity Europe Fund
Fidelity Global Fund
Fidelity Global Large Cap Fund
Fidelity Global Concentrated Equity Fund
Fidelity Global Concentrated Equity Currency Neutral Fund
Fidelity Japan Fund
Fidelity NorthStar® Fund
(Series E5 units)
Fidelity International Growth Fund
Fidelity Global Monthly Income Fund
Fidelity Tactical High Income Fund
(Series E2T5 units)
Fidelity Conservative Income Fund
(Series E1T5 units)
Fidelity Global Balanced Portfolio
Fidelity Growth Portfolio
Fidelity Global Growth Portfolio
Fidelity ClearPath® 2005 Portfolio
Fidelity ClearPath® 2015 Portfolio
Fidelity ClearPath® 2020 Portfolio
Fidelity ClearPath® 2025 Portfolio
Fidelity ClearPath® 2035 Portfolio
Fidelity ClearPath® 2045 Portfolio
Fidelity ClearPath® Income Portfolio
Fidelity Corporate Bond Fund
Fidelity Canadian Short Term Bond Fund
Fidelity Tactical Fixed Income Fund
Fidelity U.S. Money Market Fund
Fidelity Floating Rate High Income Fund
Fidelity Strategic Income Fund
Fidelity Global Bond Fund
Principal Regulator - Ontario
Type and Date:
Amendment #5 to Final Simplified Prospectus and Amendment #7 to AIF dated July 31, 2020
NP 11-202 Final Receipt dated Aug 12, 2020
Offering Price and Description:
Series A units, Series B units, Series E1 units, Series E1T5 units, Series E2 units, Series E2T5 units, Series E3 units, Series E3T5 units, Series E4 units, Series E4T5 units, Series E5 units, Series F units, Series F5 units, Series F8 units, Series O units, Series P1 units, Series P1T5 units, Series P2 units, Series P2T5 units, Series P3 units, Series P3T5 units, Series P4 units, Series P4T5 units, Series P5 units, Series P5T5 units, Series S5 units, Series S8 units, Series T5 units and Series T8 units
Underwriter(s) or Distributor(s):

N/A
Promoter(s):
N/A
Project #2967181

Issuer Name:
Fidelity Greater Canada Class
Fidelity True North® Class
Fidelity North American Equity Class
Fidelity U.S. Focused Stock Class
Fidelity Small Cap America Class
Fidelity U.S. Growth Opportunities Class
Fidelity U.S. Growth Opportunities Systematic Currency Hedged Class
Fidelity China Class
Fidelity Emerging Markets Class
(Series P3 shares)
Fidelity Global Class
Fidelity Global Disciplined Equity® Currency Neutral Class
Fidelity Global Large Cap Class
Fidelity International Disciplined Equity® Class
Fidelity International Disciplined Equity® Currency Neutral Class
Fidelity NorthStar® Class
Fidelity NorthStar® Currency Neutral Class
Fidelity Insights Currency Neutral Class
Fidelity Global Growth, Value Currency Neutral Class
Fidelity Global Real Estate Class
Principal Regulator - Ontario
Type and Date:
Amendment #2 to Final Simplified Prospectus and Amendment #3 to AIF dated July 31, 2020
NP 11-202 Final Receipt dated Aug 12, 2020
Offering Price and Description:
Series A shares, Series B shares, Series E1 shares, Series E1T5 shares, Series E2 shares, Series E2T5 shares, Series E3 shares, Series E3T5 shares, Series E4 shares, Series E4T5 shares, Series E5 shares, Series F shares, Series F5 shares, Series F8 shares, Series P1 shares, Series P1T5 shares, Series P2 shares, Series P2T5 shares, Series P3 shares, Series P3T5 shares, Series P4 shares, Series P4T5 shares, Series P5 shares, Series P5T5 shares, Series S5 shares, Series S8 shares, Series T5 shares and Series T8 shares
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3018443

Issuer Name:
Imperial Canadian Equity Pool
Imperial U.S. Equity Pool
Principal Regulator - Ontario
Type and Date:
Amendment #2 to Final Simplified Prospectus dated August 6, 2020
NP 11-202 Final Receipt dated Aug 12, 2020
Offering Price and Description:
Class A Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2979153

NON-INVESTMENT FUNDS

Issuer Name:
Atlantic Power Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Shelf Prospectus dated August 12, 2020
NP 11-202 Preliminary Receipt dated August 13, 2020
Offering Price and Description:
US$250,000,000.00
Common Shares
Debt Securities
Warrants
Subscription Receipts
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #3096372

Issuer Name:
Auxly Cannabis Group Inc.
Principal Regulator - Ontario
Type and Date:
Amendment dated August 10, 2020 to Preliminary Shelf Prospectus dated May 13, 2020
NP 11-202 Preliminary Receipt dated August 11, 2020
Offering Price and Description:
$50,000,000.00
COMMON SHARES
PREFERRED SHARES
DEBT SECURITIES
SUBSCRIPTION RECEIPTS
WARRANTS
UNITS
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #3057964

Issuer Name:
Boralex Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated August 14, 2020
NP 11-202 Preliminary Receipt dated August 14, 2020
Offering Price and Description:
$175,032,800.00
5,288,000 Common Shares
Price: $33.10 per Common Share
Underwriter(s) or Distributor(s):
NATIONAL BANK FINANCIAL INC.
CIBC WORLD MARKETS INC.
RBC DOMINION SECURITIES INC.
TD SECURITIES INC.
DESJARDINS SECURITIES INC.
BMO NESBITT BURNS INC.
INDUSTRIAL ALLIANCE SECURITIES INC.
RAYMOND JAMES LTD.
SCOTIA CAPITAL INC.
Promoter(s):
-
Project #3095345

Issuer Name:
Docebo Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated August 17, 2020
NP 11-202 Preliminary Receipt dated August 17, 2020
Offering Price and Description:
$75,000,000.00
1,500,000 Common Shares
Price: $50.00 per Common Share
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
TD SECURITIES INC.
MORGAN STANLEY CANADA LIMITED
GOLDMAN SACHS CANADA INC.
SCOTIA CAPITAL INC.
NATIONAL BANK FINANCIAL INC.
CIBC WORLD MARKETS INC.
CORMARK SECURITIES INC.
EIGHT CAPITAL
Promoter(s):
-
Project #3095532

Issuer Name:
Enthusiast Gaming Holdings Inc. (formerly J55 Capital Corp.)
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated August 12, 2020
NP 11-202 Preliminary Receipt dated August 13, 2020
Offering Price and Description:
$15,000,000.00 - 10,000,000 Common Shares
Price of $1.50 per Common Share
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
PARADIGM CAPITAL INC.
HAYWOOD SECURITIES INC.
Promoter(s):
-
Project #3096381

Issuer Name:
Hapbee Technologies, Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated August 13, 2020
NP 11-202 Preliminary Receipt dated August 13, 2020
Offering Price and Description:
21,655,908 Units
Issuable on Conversion of Outstanding Debentures
Underwriter(s) or Distributor(s):
-
Promoter(s):
Scott Donnell
Project #3096701

Issuer Name:
Hydro One Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Shelf Prospectus dated August 12, 2020
NP 11-202 Preliminary Receipt dated August 12, 2020
Offering Price and Description:
$2,000,000,000.00
Common Shares
Preferred Shares
Debt Securities
Subscription Receipts
Warrants
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #3095845

Issuer Name:
Score Media and Gaming Inc. (formerly theScore, Inc.)
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated August 11, 2020
NP 11-202 Preliminary Receipt dated August 11, 2020
Offering Price and Description:
$25,025,000.00
38,500,000 Class A Subordinate Voting Shares
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
EIGHT CAPITAL
CORMARK SECURITIES INC.
INFOR FINANCIAL INC.
SCOTIA CAPITAL INC.
Promoter(s):
-
Project #3093452

Issuer Name:
VSBLTY Groupe Technologies Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated August 10, 2020
NP 11-202 Preliminary Receipt dated August 11, 2020
Offering Price and Description:
Minimum Public Offering: $3,500,000.00 / 29,166,666 Units
Maximum Public Offering: $6,000,000.00 / 50,000,000 Units
Price: $0.12 per Unit
Underwriter(s) or Distributor(s):
ECHELON WEALTH PARTNERS INC.
EIGHT CAPITAL
Promoter(s):
-
Project #3094639

Issuer Name:
Neovasc Inc.
Principal Regulator - British Columbia
Type and Date:
Final Shelf Prospectus dated August 12, 2020
NP 11-202 Receipt dated August 13, 2020
Offering Price and Description:
U.S.$100,000,000.00
Common Shares
Preferred Shares
Debt Securities
Subscription Receipts
Units
Warrants
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #3087357

Issuer Name:
Nextech AR Solutions Corp.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated August 12, 2020
NP 11-202 Receipt dated August 13, 2020
Offering Price and Description:
Up to $15,000,000.00 - 2,307,692 Units
Price: $6.50 per Unit
Underwriter(s) or Distributor(s):
Mackie Research Capital Corporation
Promoter(s):
-
Project #3086172

Issuer Name:
Padlock Partners UK Fund I
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated August 13, 2020
NP 11-202 Receipt dated August 13, 2020
Offering Price and Description:
Minimum: $15,000,000.00 of Class A Units, Class F Units, Class C Units and/or Class U Units
Maximum: $40,000,000.00 of Class A Units, Class F Units, Class C Units and/or Class U Units
Underwriter(s) or Distributor(s):
CIBC WORLD MARKETS INC.
RICHARDSON GMP LIMITED
CANACCORD GENUITY CORP.
NATIONAL BANK FINANCIAL INC.
RAYMOND JAMES LTD.
Promoter(s):
PADLOCK CAPITAL PARTNERS, LLC
Project #3081966

Issuer Name:
Reconnaissance Energy Africa Ltd.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated August 12, 2020
NP 11-202 Receipt dated August 12, 2020
Offering Price and Description:
Minimum Offering: $6,000,000.00 (8,571,428 Units)
Maximum Offering: $22,000,000.00 (31,428,571 Units)
Underwriter(s) or Distributor(s):
HAYWOOD SECURITIES INC.
Promoter(s):
-
Project #3091128

Issuer Name:
RIOCAN REAL ESTATE INVESTMENT TRUST
Principal Regulator - Ontario
Type and Date:
Final Shelf Prospectus dated August 10, 2020
NP 11-202 Receipt dated August 11, 2020
Offering Price and Description:
$3,000,000,000.00
Debt Securities (Senior Unsecured)
Units
Preferred Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #3090171

Issuer Name:
TFI International Inc.
Principal Regulator - Quebec
Type and Date:
Amendment dated August 11, 2020 to Final Shelf Prospectus dated October 12, 2018
NP 11-202 Receipt dated August 11, 2020
Offering Price and Description:
$1,000,000,000.00
Common Shares
Preferred Shares
Subscription Receipts
Warrants
Debt Securities
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2828913

Issuer Name:
Treasury Metals Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated August 13, 2020
NP 11-202 Receipt dated August 14, 2020
Offering Price and Description:
10,666,666 Common Shares and 5,333,333 Warrants Issuable upon Conversion of
32,000,000 Subscription Receipts
Underwriter(s) or Distributor(s):
HAYWOOD SECURITIES INC.
PI FINANCIAL CORP.
SPROTT CAPITAL PARTNERS LP
CANACCORD GENUITY CORP.
Promoter(s):
-
Project #3085002

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	C.S.T. Asset Management Inc.	Portfolio Manager	August 12, 2020
Firm Name Change	From: VectorGlobal IAG Canada Inc. To: VectorGlobal Investment Advisory Group Canada Inc.	Portfolio Manager	August 16, 2019
Firm Name Change	From: VectorGlobal Investment Advisory Group Canada Inc. To: VectorGlobal Investment Advisory Group Canada ULC	Portfolio Manager	August 16, 2019
Firm Name Change	From: Equinox Investment Management Ltd. To: PSC Investment Counsel Ltd.	Portfolio Manager	February 18, 2020
Change in Registration Category	First Affiliated Securities Inc.	From: Mutual Fund Dealer and Exempt Market Dealer To: Exempt Market Dealer	August 13, 2020
Change in Registration Category	Forstrong Global Asset Management Inc.	From: Portfolio Manager To: Portfolio Manager, Exempt Market Dealer and Investment Fund Manager	August 13, 2020

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Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.2 Marketplaces

13.2.1 Canadian Securities Exchange – Amendments to Trading System Functionality & Features – Notice and Request for Comment

CANADIAN SECURITIES EXCHANGE

SIGNIFICANT CHANGE SUBJECT TO PUBLIC COMMENT

AMENDMENTS TO TRADING SYSTEM FUNCTIONALITY & FEATURES

NOTICE AND REQUEST FOR COMMENT

CNSX Markets Inc., ("CSE") is filing this Notice in accordance with the process for the Review and Approval of Rules and Information Contained in Form 21-101F1 and the Exhibits Thereto attached as Appendices to the Exchange's recognition orders (the "Protocol"). The CSE intends to implement enhancements to its trading system in response to customer feedback. The proposed changes are described below.

A. Description of the Proposed Changes

Regular Hours Only (RHO) Option

CSE is proposing an RHO option on orders. The RHO option can be added to any order to restrict trading to the Primary Market regular trading hours for the security (which are typically between 09:30 AM and 4:00 PM), with "Primary Market" meaning the exchange on which a security is listed.

- RHO orders entered before the Primary Market open are queued until the Primary Market open occurs ("release time").
- RHO orders do not participate in the opening match or CSE Closing Price Session (CCP).
- RHO orders expire from the order book at the Primary Market close of the security ("expiry time").
- Between the release time and expiry time, orders marked RHO do not change their designated behaviour and will execute accordingly.
- The RHO option can be applied to all CSE-supported order types (including on-stops and Icebergs).
- With the exception of oddlot and special term orders, any orders with the RHO option that are entered before the Primary Market open will be defaulted to OPR Reject/Cancel if no other OPR instructions are present.
- When the RHO option orders are released from the queue at the Primary Market open, the integrity of price/time priority is maintained with the orders already present in the order book and with the queued orders relative to each other based on time of receipt. Orders entered before the queue release will maintain higher time priority than the queued orders.

  Below is an example of a queue release at 9:30 AM to demonstrate price/time priority is maintained.

  Visible order book just prior to 9:30AM, (prior to the release of RHO Orders)

Order Type	Volume	Bid Price	Offer Price	Volume	Order Type
Non-RHO Order	100	10.00	10.01	100	Non-RHO Order
Non-RHO Order	100	10.00	10.02	100	Non-RHO Order

Non-RHO Order	100	9.99			

There is an RHO Order to buy 100 shares at 10.00 in the release queue.

Visible order book after 9:30AM (following the release of RHO orders)

Order Type	Volume	Bid Price	Offer Price	Volume	Order Type
Non-RHO Order	100	10.00	10.01	100	Non-RHO Order
Non-RHO Order	100	10.00	10.02	100	Non-RHO Order
RHO Order	100	10.00			
Non-RHO Order	100	9.99			

The RHO Order at 10.00 gets time priority behind the other two bids at 10.00 but gets price priority ahead of the bid at 9.99.

The two non-RHO bids at 10.00 that were in the book would at this point get filled before the released RHO order.

B. Expected Implementation Date: Q4, 2020

C. Rationale and Analysis

CSE is proposing the addition of the RHO order at the request of clients who would like the option to execute other listed securities on the CSE, but only during the Primary Market trading hours.

D. Expected Impact

CSE does not anticipate any adverse impact. The proposed changes are in response to customer requests. The use of this feature is optional. Customers would expend minimal effort to include one new value for the "Time-in-Force" order entry tag. Customers wishing to make greater use of the feature through more elaborate implementations would expend additional effort.

E. Compliance with Ontario and British Columbia Securities Law

There will be no impact on the CSE's compliance with Ontario and British Columbia securities law. The changes will not adversely affect fair access or the maintenance of fair and orderly markets. The changes are consistent with the fair access requirements set out in section 5.1 of NI21-101 as they are not confined to a limited number of marketplace participants and all marketplace participants will remain subject to the same rules and conditions.

F. Technology Changes

Clients already support a similar feature (to the one proposed) on another Canadian marketplace. CSE does not anticipate there will be any need for material technology changes.

G. Other Markets or Jurisdictions

The table below identifies where the proposed functionality is currently available in Canada:

ORDER TYPE	MARKETS AVAILABLE
Regular Hours Only (RHO) Order Type	NEO

MEMX and CBOE also provide an RHO order type.

Comments

Please submit comments on the proposed amendments no later than September 23, 2020 to:

Mark Faulkner
Vice President, Listings and Regulation
CNSX Markets Inc.
220 Bay Street, 9th Floor
Toronto, ON, M5J 2W4
Fax: 416.572.4160
Email: Mark.Faulkner@thecse.com

Market Regulation Branch
Ontario Securities Commission
20 Queen Street West, 20th Floor
Toronto, ON, M5H 3S8
Fax: 416.595.8940
Email: marketregulation@osc.gov.on.ca

Vida Mehin
Senior Legal Counsel, Capital Markets Regulation
British Columbia Securities Commission
701 West Georgia Street
P.O. Box 10142, Pacific Centre
Vancouver, BC, V7Y 1L2
Email: vmehin@bcsc.bc.ca

13.3 Clearing Agencies

13.3.1 Canadian Derivatives Clearing Corporation (CDCC) – Proposed Amendments to the Rules of CDCC with Respect to the CGZ Futures Contract – OSC Staff Notice of Request for Comment

OSC STAFF NOTICE OF REQUEST FOR COMMENT

CANADIAN DERIVATIVES CLEARING CORPORATION (CDCC)

PROPOSED AMENDMENTS TO THE RULES OF CDCC WITH RESPECT TO THE CGZ FUTURES CONTRACT

The Ontario Securities Commission is publishing for public comment the proposed amendments to the CDCC Rules with respect to the Two-Year Government of Canada bond futures ("CGZ") contract.

The purpose of the proposed amendments is to modify the nominal value of the CGZ futures from C$200,000 to C$100,000 of Government of Canada bonds with a 6% notional coupon.

The comment period ends on September 18, 2020.

A copy of the CDCC Notice is published on our website at http://www.osc.gov.on.ca.

Index