

The logo for the Ontario Securities Commission (OSC) consists of the letters "OSC" in white, bold, sans-serif font, centered within a dark teal square.

ONTARIO
SECURITIES
COMMISSION

OSC Staff Notice 51-732

Corporate Finance Branch

2021 Annual Report

November 25, 2021



DIRECTOR'S MESSAGE AND EXECUTIVE SUMMARY

I am pleased to share our annual [Report](#) which provides an overview of the [Branch's](#) operational and policy work for [Fiscal 2021](#) and shares timely guidance for [Issuers](#) and advisors about our expectations and our interpretation of regulatory requirements in certain areas.

Capital raising in Ontario continued to grow at a remarkable pace in [Fiscal 2021](#), leading to a record number of prospectus filings; over 574 prospectuses filed in Ontario were completed, representing a near 50% increase over the comparable [Fiscal 2020](#), and more than our [Branch](#) has seen in over a decade. The high level of prospectus filings has continued into the current fiscal year. Despite these large volumes, [Staff](#) effectively processed files in a timely manner, focusing on material disclosure or public interest concerns. Further, we issued [best practice guidance](#) in January to assist [Issuers](#) in capital raising efforts.

The continued high demand for liquidity underscores the impact of low interest rates and new records in equity market performance in the midst of the continuing [COVID-19](#) pandemic. Our goal continues to be to provide balanced, tailored, flexible and responsive regulation to carry out the [OSC's](#) broad mandate. With this at the forefront, the [Branch](#) also supported [Reporting Issuers](#) through several measures including a multi-pronged approach of financial statement filing extensions, late filing fee waivers and hosting an [OSC](#) virtual webinar on disclosure expectations with access to [OSC](#) staff for real time questions. To assist [Reporting Issuers](#) in meeting their continuous disclosure obligations, we also conducted a comprehensive review of their [COVID-19](#) disclosure and published guidance on our disclosure expectations. We continue to monitor the impacts and challenges of the pandemic on the capital markets and will respond accordingly.

In addition to the significant increase in our operational work, we continue to prioritize and make progress on several new and existing policy projects, as highlighted in this [Report](#). This includes a number of key policy milestones subsequent to [Fiscal 2021](#), such as, the publication of the proposed changes to the [CD](#) requirements to streamline and clarify annual and interim filings, publication of proposed climate-related disclosure requirements, as well as key considerations around broader diversity. Further, throughout [Fiscal 2021](#), the [Branch](#), with its [CSA](#) partners, continued work on several policy initiatives designed to reduce regulatory burden which are outlined in our [Report](#) and will continue to be part of the [Branch's](#) main policy focus in the fiscal year ended March 31, 2022.

Engagement with our stakeholders remains a critical component of our work. As in previous years, we welcome any questions or feedback that you may have.

Lastly, I want to thank [Staff](#) for their continued dedicated support, flexibility and professionalism in carrying out our regulatory role during a time of increased operational activity and uncertainty in the capital markets.

Kind regards,

Sonny Randhawa
Director, Corporate Finance
Ontario Securities Commission

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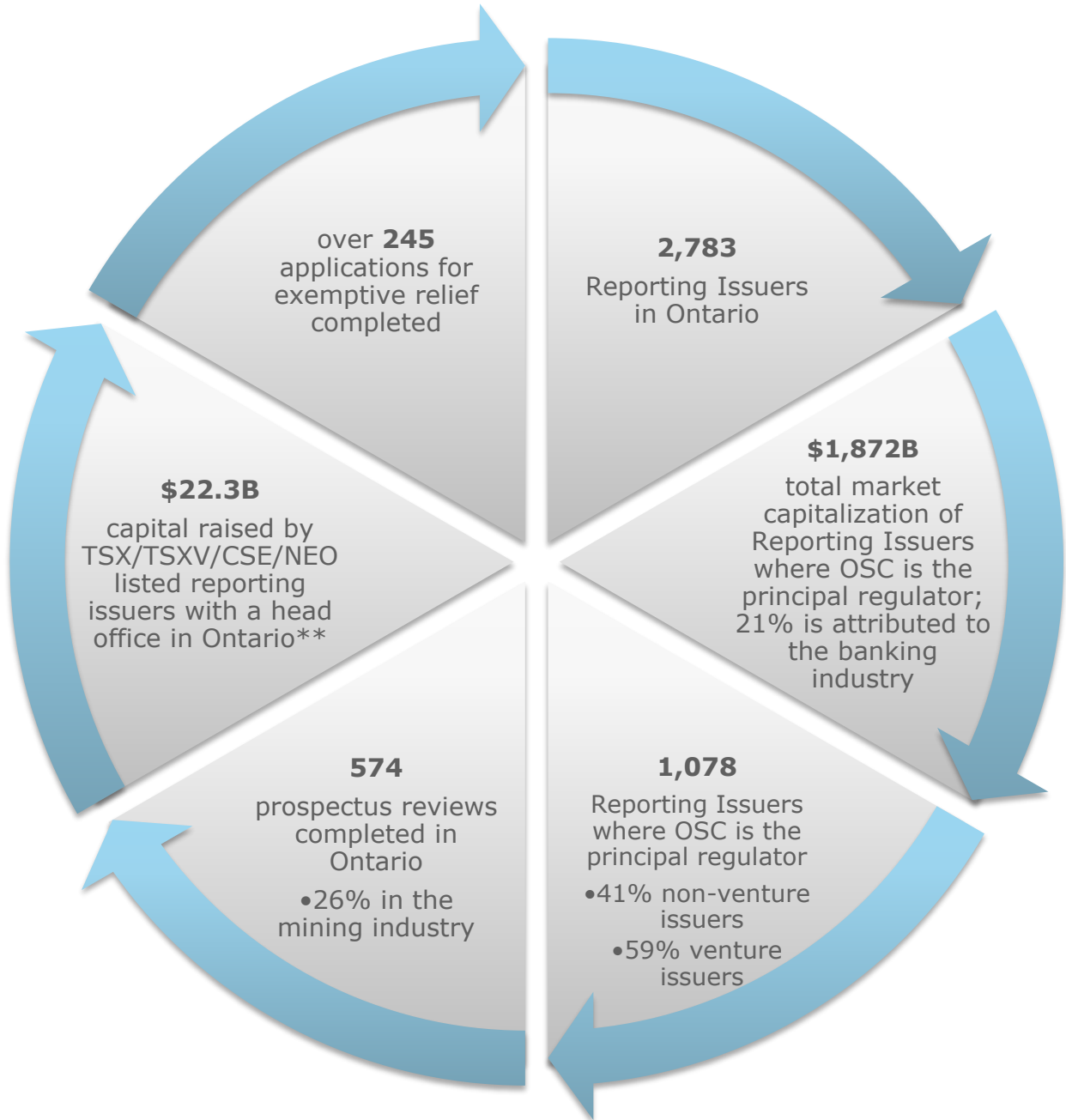
The following terms are used widely throughout the Report and have the meanings set forth below unless otherwise indicated. Words importing the singular number include the plural, and vice versa.

- Act:** means the Securities Act, R.S.O. 1990, chapter s.5.
- AIF:** means an annual information form as such term is defined in [Form 51-102F2](#).
- BAR:** means a business acquisition report as such term is defined in [NI 51-102](#).
- Branch:** means the Corporate Finance branch at the [OSC](#).
- CD:** means the continuous disclosure obligations of a reporting issuer as set out in [NI 51-102](#).
- CDR program:** means the harmonized program established in 2004 by the [CSA](#) for continuous disclosure reviews.
- COVID-19:** means the global pandemic of coronavirus disease 2019.
- CPC:** means a capital pool company as such term is defined in [TSXV Policy 2.4 Capital Pool Companies](#).
- CSA:** means the Canadian Securities Administrators.
- CSE:** means the Canadian Securities Exchange.
- Fiscal 2021:** means the fiscal year ended March 31, 2021.
- Fiscal 2020:** means the fiscal year ended March 30, 2020.
- Form 41-101F1:** means Form 41-101F1 *Information Required in a Prospectus* as set out in the [Act](#).
- Form 45-106F1** means Form 45-106F1 *Report of Exempt Distribution* as set out in the [Act](#).
- Form 51-102F1:** means Form 51-102F1 *Management's Discussion & Analysis* as set out in the [Act](#).
- Form 51-102F2:** means Form 51-102F2 *Annual Information Form* as set out in the [Act](#).
- Form 51-102F5:** means Form 51-102F5 *Information Circular* as set out in the [Act](#).
- FLI:** means forward-looking information, as such term is defined in [NI 51-102](#).
- IFRS:** means the standards and interpretations adopted by the International Accounting Standards Board, as amended from time to time.
- IOR:** means an issue-oriented review conducted by the [Branch](#).
- IOSCO:** means the International Organization of Securities Commissions.
- IPO:** means an initial public offering as such term is defined in the [Act](#).
- Issuer:** means an issuer as such term is defined in the [Act](#).
- MD&A:** means a management's discussion and analysis as such term is defined in [Form 51-102F1](#).
- Modernization Taskforce:** means the Capital Markets Modernization Taskforce appointed by the Ontario government in 2020.
- Modernization Taskforce Report:** means the [final report](#) issued by the [Modernization Taskforce](#) in January 2021.

GLOSSARY

- NI 31-103:** means National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* as set out in the [Act](#).
- NI 41-101:** means National Instrument 41-101 *General Prospectus Requirements* as set out in the [Act](#).
- NI 43-101:** means National Instrument 43-101 *Standards of Disclosure for Mineral Projects* as set out in the [Act](#).
- NI 43-101CP:** means Companion Policy 43-101CP to NI 43-101.
- NI 44-101:** means National Instrument 44-101 *Alternative Forms of Prospectus* as set out in the [Act](#).
- NI 44-103:** means National Instrument 44-103 *Post-Receipt Pricing* as set out in the [Act](#).
- NI 45-106:** means National Instrument 45-106 *Prospectus Exemptions* as set out in the [Act](#).
- NI 51-102:** means National Instrument 51-102 *Continuous Disclosure Obligations* as set out in the [Act](#).
- NI 51-102CP:** means Companion Policy 51-102CP to [NI 51-102](#).
- NI 52-112:** means National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* as set out in the [Act](#).
- NI 58-101:** means National Instrument 58-101 *Disclosure of Corporate Governance Practices* as set out in the [Act](#).
- NP 11-202:** means National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions* as set out in the [Act](#).
- NGFM:** Non-GAAP Financial Measures as such term is defined in [NI 52-112](#).
- OSC:** means the Ontario Securities Commission.
- OSC Rule 45-501:** means OSC Rule 45-501 *Ontario Prospectus and Registration Exemptions* as set out in the [Act](#).
- PEA:** Preliminary Economic Assessment as such term is defined in [NI 43-101 Standards of Disclosure for Mineral Projects](#).
- PIF:** means a personal information form as such term is defined in NI 41-101.
- QT:** means a qualifying transaction as such term is defined in [TSXV policy 2.4 Capital Pool Companies](#).
- Report:** means this 2021 annual report, published by the [Branch](#).
- Reporting Issuer:** means a reporting issuer as such term is defined in the [Act](#).
- SEDAR:** means the system for electronic document analysis as such term is defined in National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* of the [Act](#).
- SEDI:** means the system for electronic disclosure by insiders.
- SN 51-352:** means [CSA](#) Staff Notice 51-352 *Issuers with U.S. Marijuana-Related Activities*.
- SN 52-306:** means [CSA](#) Staff Notice 52-306 (Revised) *Non-GAAP Financial Measures*.
- Staff:** means staff at the [Branch](#).
- TSX:** means the Toronto Stock Exchange.
- TSXV:** means the TSX Venture Exchange.

FISCAL 2021 SNAPSHOT*



* Note: all figures are as at / for the fiscal year ended March 31, 2021 and are approximate or rounded.

** Includes [IPOs](#), public offerings and private placements of equity and convertible debentures.

INTRODUCTION

This [Report](#) provides an overview of the [Branch's](#) operational and policy work during [Fiscal 2021](#), including a summary of key findings and outcomes from our regulatory oversight program ([Part A](#)), and the nature, purpose and status of ongoing issuer-related policy initiatives ([Part B](#)). The [Report](#) is intended for entities and individuals we regulate, their advisors, as well as investors.

In publishing this [Report](#) we aim to

- **REINFORCE** the importance of compliance with regulatory obligations,
- **PROVIDE GUIDANCE** to improve disclosure in regulatory filings,
- **HIGHLIGHT** trends in the capital markets, and
- **INFORM AND UPDATE** on new and ongoing policy initiatives.

ONTARIO SECURITIES COMMISSION

The [OSC](#) continues to implement the Ontario government's five-point capital markets plan focused on strengthening investment in Ontario, promoting competition and facilitating innovation.¹

- **OSC VISION:** to be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.
- **OSC MANDATE:** to provide protection to investors from unfair, improper or fraudulent practices, to foster fair, efficient and competitive capital markets and confidence in the capital markets, to foster capital formation, and to contribute to the stability of the financial system and the reduction of systemic risk.

- **OSC VALUES:**

Professional, People, and Ethical:

- protecting the public interest is our purpose and our passion;
- we value dialogue with the marketplace;
- we are professional, fair-minded and act without bias.

Each year, the [OSC](#) publishes a statement of priorities that sets out the [OSC's](#) strategic goals, priorities, and specific initiatives for the year. Our priorities are aligned with our statutory mandate and the annual mandate letter from the Minister of Finance.

¹ See the [2021 annual report published by the Ontario Securities Commission](#).

Our 2020–2021 [OSC](#) Goals are

- **GOAL 1** promote confidence in Ontario’s capital markets,
- **GOAL 2** reduce regulatory burden,
- **GOAL 3** facilitate financial innovation, and
- **GOAL 4** strengthen our organizational foundation.

CORPORATE FINANCE BRANCH: WHO WE ARE & WHAT WE DO

In support of the [OSC’s](#) mandate, the [Branch](#) regulates approximately **1,100 Reporting Issuers** in Ontario that are not investment funds. The [Branch](#) is responsible for assessing that [Reporting Issuers](#) in Ontario provide the required level of disclosure of material information to investors so they can make informed investment decisions. As a result of this oversight role, the [Branch](#) aids in the [OSC’s](#) goal to improve transparency, trustworthiness, and efficiency in Ontario’s capital markets.

To do this, our work includes, but is not limited to:

- ✓ review of public offerings of securities;
- ✓ review of capital raising activities;
- ✓ review of [CD](#) filed by [Reporting Issuers](#);
- ✓ review and consideration of applications for exemptive relief from regulatory requirements;
- ✓ consideration and formulation of policy initiatives;
- ✓ review of insider reporting;
- ✓ review of credit rating agencies that are designated rating organizations;
- ✓ oversight of the listed [Issuer](#) function for [OSC](#) recognized exchanges;
- ✓ engagement with stakeholders through a number of activities, including external advisory committees; and
- ✓ delivery of [Issuer](#) education and outreach programs.

We also regularly consult and partner with other branches across the [OSC](#) in executing our work. For example, we partner with the [Market Regulation](#) branch for oversight of recognized exchanges, the [Compliance and Registrant Regulation](#) branch for oversight of the exempt market and the [Enforcement](#) branch on matters of non-compliance.

Part A: Compliance

- 1. Continuous Disclosure Review Program
- 2. Public Offerings
- 3. Exemptive Relief Applications
- 4. Insider Reporting
- 5. Our Service Commitments
- 6. Administrative Matters

1. CONTINUOUS DISCLOSURE REVIEW (CDR) PROGRAM

This section of the [Report](#) provides an overview of the key findings and outcomes from our [CDR Program](#) conducted during [Fiscal 2021](#). Here, we discuss key or novel issues, suggest best practices, and specify applicable legislation and relevant guidance to assist companies in addressing each of the topic areas.

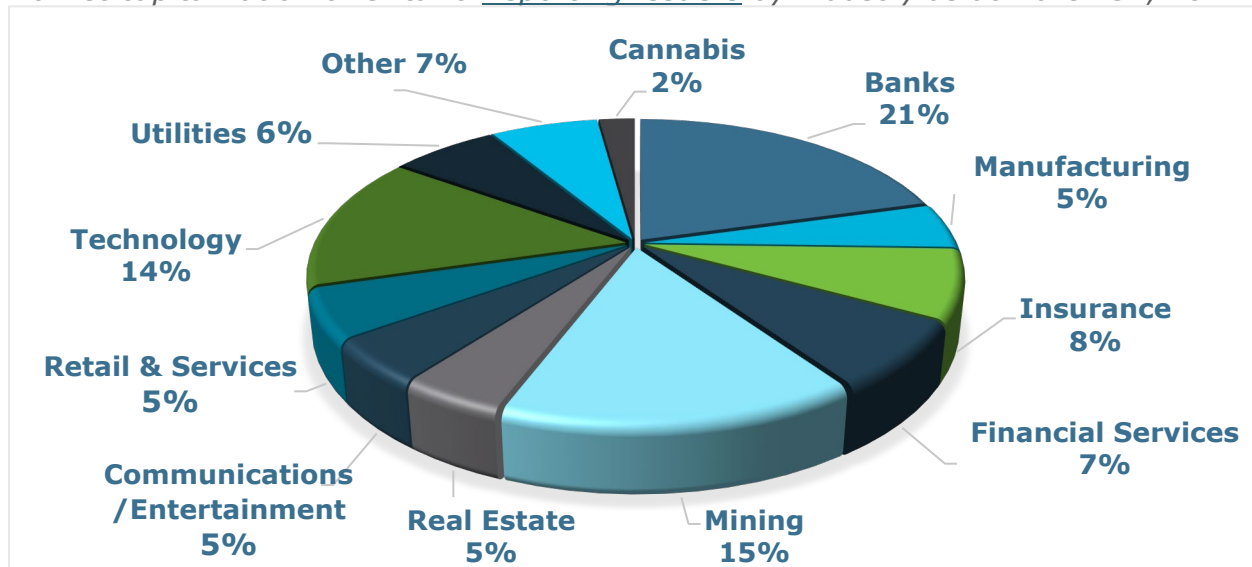
Under Canadian securities laws, a [Reporting Issuer](#) must provide timely and periodic CD about its business and affairs.

CD includes periodic filings such as

- interim and annual financial statements,
- [MD&As](#),
- certificate of annual and interim filings,
- management information circulars,
- [AIFs](#), and
- technical reports.

The [Branch](#) oversees approximately **1,100 Reporting Issuers** for which the [OSC](#) has primary responsibility as principal regulator² with an aggregate market capitalization of **\$1,872 billion** as at March 31, 2021. The three largest industries by market capitalization were banking, mining, and technology.

Market capitalization of Ontario [Reporting Issuers](#) by industry as at March 31, 2021

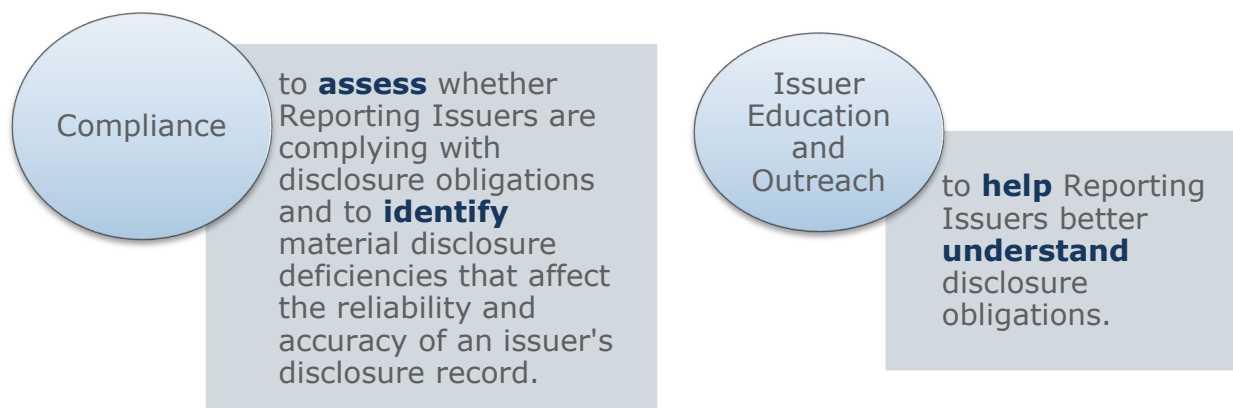


² For a prospectus filing, pursuant to [NP 11-202](#), an [Issuer's](#) principal regulator is the regulator of the jurisdiction in which the [Issuer's](#) head office is located. If the regulator identified is not in a specified jurisdiction, the principal regulator is the regulator in the specified jurisdiction with which the [Issuer](#) has the most significant connection. See subsections 3.4(4) – 3.4(8) of [NP 11-202](#).

A) Overview

Our [CDR program](#) is risk-based and outcome focused. It includes planned reviews based on risk criteria as well as ongoing monitoring through news releases, media articles, complaints, and other sources. The [CDR program](#) is conducted pursuant to the powers in subsection 20(1) of the [Act](#) and is part of a harmonized [CD](#) review program conducted by the [CSA](#).³

I) Objectives of the CDR program

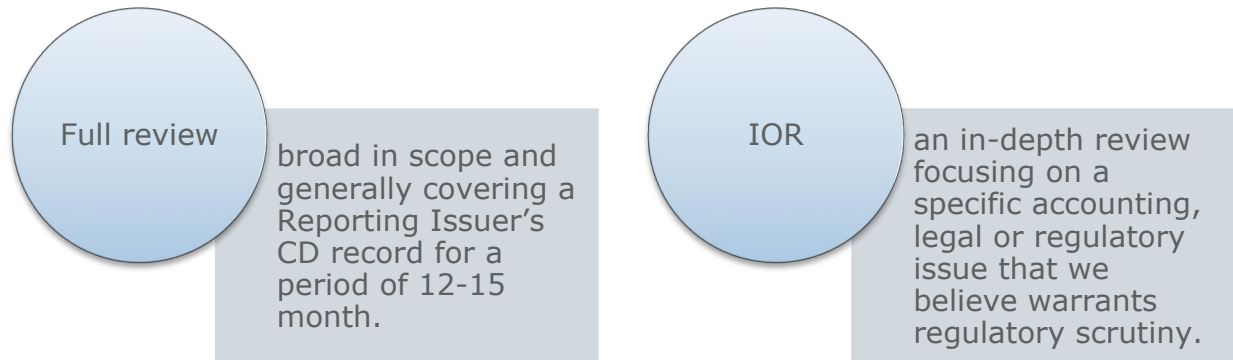


We assess compliance with [CD](#) requirements through a review of a [Reporting Issuer's](#) filed documents, its website and social media. This review function is critical to facilitating fair and efficient markets, investor protection, and informed investment decision making and trading. Enhanced disclosure is important not only when a [Reporting Issuer](#) first enters the market, but also on an ongoing basis; for example, many [Reporting Issuers](#) raise funds through short form prospectuses which incorporate [CD](#) documents by reference.

³ For more information see *CSA Staff Notice 51-312 (Revised)* Harmonized Continuous Disclosure Review Program.

II) Types of CD reviews

In general, we conduct either a full review or an [IOR](#) of a [Reporting Issuer's CD](#).



In planning full reviews, we draw on our knowledge of [Reporting Issuers](#) and the industries in which they operate and use risk-based criteria to identify [Reporting Issuers](#) with a higher risk of non-compliant disclosure. The criteria are designed to identify [Reporting Issuers](#) whose disclosure is likely to be materially improved or brought into compliance with securities laws or accounting standards as a result of our intervention. Our risk-based assessment incorporates both qualitative and quantitative criteria which we review regularly to keep current with our evolving capital markets.⁴ We also monitor novel and high growth areas of financing activity when developing our review program and consider any complaints received regarding the [Reporting Issuer](#).

[IORs](#) are generally focused on a specific accounting, legal or regulatory issue, an emerging issue or industry or to assess compliance with a new or amended rule that recently came into force. Conducting [IORs](#) allows us to

- monitor compliance with [CD](#) requirements by [Reporting Issuers](#),
- communicate [Staff](#) interpretations and expectations on specific requirements, and identify areas of concern,
- quickly address specific areas where there is heightened risk of investor harm,
- identify common deficiencies,
- provide industry specific disclosure guidance that may assist preparers in complying with regulatory requirements, and
- assess compliance with new accounting standards.

⁴ A full review covers the [Issuer's](#) most recent annual and interim financial statements and MD&As, [AIF](#), annual reports, information circulars, news releases, material change reports, website, social media disclosure, investor presentations, and [SEDI](#) filings.

III) What to do when you are selected for a CD review

If you receive a comment letter from [Staff](#) in connection with a [CD](#) review, consider all of the following:

- ✓ read the first paragraph of the letter which will state whether we are conducting a full review or an [IOR](#) review;
- ✓ consider whether you need to seek advice from legal, accounting, and/or other advisors. If so, engage them early in the process;
- ✓ reach out to [Staff](#) if you require clarification about any of the comments. Note that [Staff](#) cannot provide legal or accounting advice;
- ✓ provide a thorough response, referencing securities laws or [IFRS](#), where relevant;
- ✓ continue to file required [CD](#) documents during the course of the review. An ongoing review does not alleviate or alter a [Reporting Issuer's](#) ongoing [CD](#) obligations;
- ✓ note the response deadline and plan accordingly. Reach out to [Staff](#) well in advance of the deadline, should you require additional time to provide a response letter. In appropriate circumstances, [Staff](#) may consider granting an extension request.

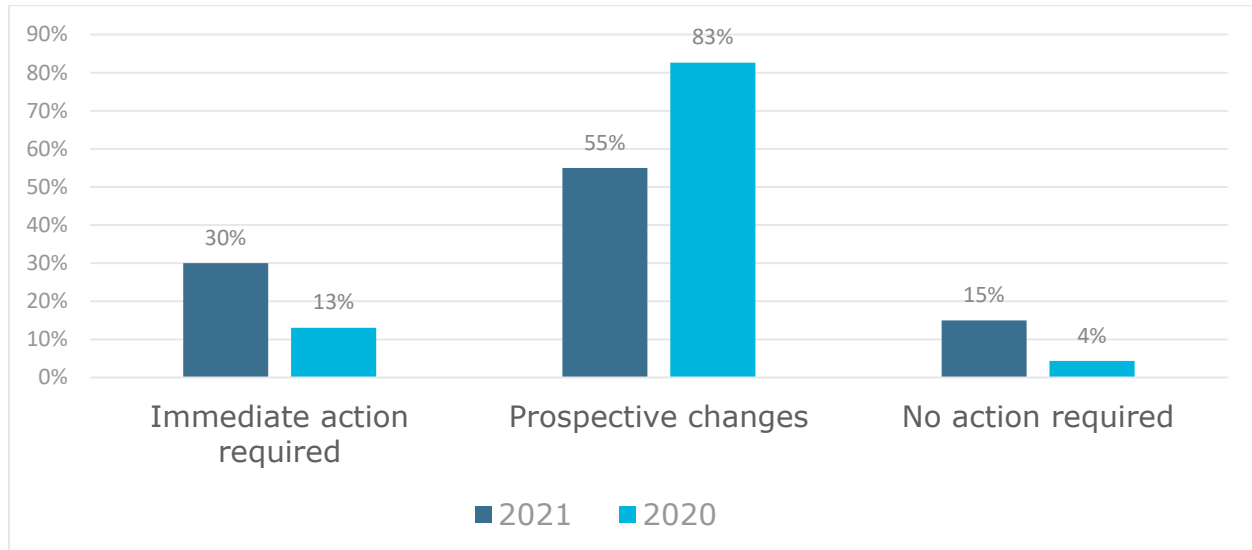
B) CDR program outcomes for Fiscal 2021

For each [Reporting Issuer](#), we measure outcomes of a [CD](#) review by tracking when no action is required, when prospective continuous disclosure enhancements are required, or when immediate corrective action is required for deficiencies identified during a review (for example, a refile of a previously filed [CD](#) document or a referral to the [Enforcement](#) branch). A [CD](#) review may result in more than one outcome. For example, a [Reporting Issuer](#) may be required to refile certain [CD](#) documents while also to commit to prospective disclosure enhancements.

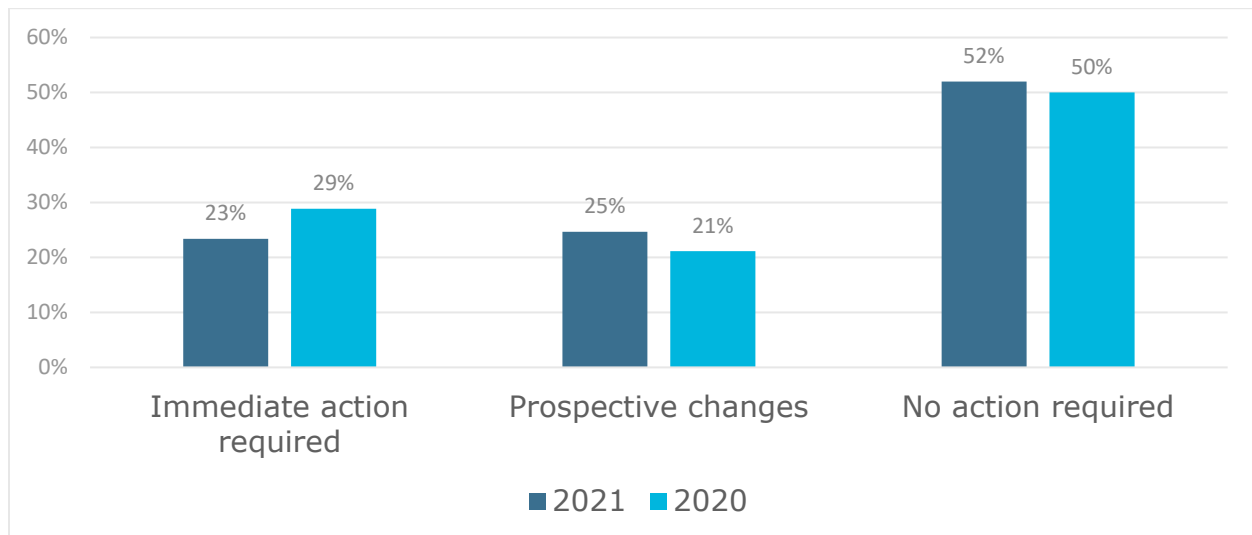
Given our risk-based criteria to identify [Reporting Issuers](#) for review, the outcomes on a year-over-year basis should not be interpreted as trends since the issues and [Reporting Issuers](#) reviewed each year are generally different. Reviews may be issue-specific, focusing on a particular [CD](#) requirement for which we have noted widespread deficiencies. These reviews may result in an increased number of outcomes categorized as “prospective changes” or “immediate action required” if deficiencies identified are prevalent among several [Reporting Issuers](#).

The following is the summary of the [CD](#) review outcomes for [Fiscal 2021](#).

Outcomes of full CD reviews



Outcomes of IOR CD Reviews



The most common instances where immediate action was required from [Reporting Issuers](#) were the following:

- refiling of financial statements to correct material misstatements;
- refiling of an [MD&A](#) where the [MD&A](#) was materially deficient and did not meet the form requirements of [Form 51-102F1](#);
- filing of a clarifying news release when an [Issuer](#) failed to include sufficient disclosure of material assumptions, milestones and risk factors pertaining to [FLI](#) or failed to update the market on [FLI](#);
- refiling of a technical report where the report filed was not in compliance with [NI 43-101](#).

Issuers that refile [CD](#) documents during a [Staff](#) review are placed on the [Refilings and Errors list](#) found on the [OSC](#) Website.

Generally, [MD&A](#), mining technical reports (and related news releases) and material contracts are the documents we most often request [Reporting Issuers](#) to refile or file (in instances when documents were not filed in the first place).

C) Trends and guidance

This section highlights some of the common deficiencies that were observed during our [CD](#) reviews in [Fiscal 2021](#), and includes some best practices and guidance to assist [Reporting Issuers](#) and their advisors in meeting their regulatory obligations. We encourage [Reporting Issuers](#) to continue to review and improve the [CD](#) filed, including with reference to the guidance below.

I) Management's discussion & analysis

The [MD&A](#) is the cornerstone of a [Reporting Issuer's](#) overall financial disclosure and is intended to provide an analytical and balanced discussion of the [Issuer's](#) results of operations and financial condition through the eyes of management. [MD&A](#) disclosure should be specific, useful and understandable. The [MD&A](#) requirements are set out in Part 5 of [Form 51-102F1](#).

The following table presents a summary of certain key issues, observations and best practices identified in our reviews. This is not an exhaustive list.

Since the World Health Organization declared [COVID-19](#) as a global pandemic on March 11, 2020, it has had a material adverse impact on the economy generally. The impact of [COVID-19](#) continues to pose widespread challenges for many [Issuers](#), including, but not limited to, reporting on and disclosing the impact it has had on the [Issuer's](#) business. An [Issuer](#) should consider its specific business and

operations, and provide clear and transparent disclosure of the impact of COVID-19 in its MD&A.⁵

Issue	Observations	Best practices
<p>Updating previously disclosed <u>FLI</u></p>	<p><u>Reporting Issuers</u> who have previously disclosed <u>FLI</u> in a prospectus and/or <u>CD</u> do not provide appropriate updates to those <u>FLI</u> in <u>CD</u> documents.</p>	<p><u>Reporting Issuers</u> that have disclosed <u>FLI</u>, especially in a prospectus, have an obligation to update the <u>FLI</u> in <u>CD</u> documents going forward and to provide a comparison of actual results to the previously disclosed <u>FLI</u>. It is important to provide investors with information to assess how well the <u>Reporting Issuer</u> is progressing towards the achievement of its disclosed targets and objectives.</p> <p><u>Reporting Issuers</u> should</p> <ul style="list-style-type: none"> disclose events and circumstances that are reasonably likely to cause actual results to differ materially from the previously disclosed <u>FLI</u>, disclose expected differences between actual results and previously disclosed <u>FLI</u>, update quantified data that relate to factors and assumptions that may impact future performance and discuss how and why these changes may impact future performance, and disclose the decision to withdraw previously disclosed <u>FLI</u> and discuss events and circumstances that led to the decision to withdraw material <u>FLI</u>, including a discussion of any assumptions in the previously disclosed <u>FLI</u> that are no longer valid. <p>There is flexibility to disclose the updated information in a news release before filing the <u>MD&A</u>. This approach would help</p>

⁵ For additional considerations that result from the impacts of COVID-19, see OSC Staff Notice 51-731, Corporate Finance Branch 2020 Annual Report and section (ii) below COVID-19 disclosure.

Issue	Observations	Best practices
		<p>ensure the new information is communicated to the market on a timely basis. The MD&A must refer to the press release to satisfy the requirement in NI 51-102. Including the information in a news release instead of MD&A is not permitted.</p> <p>We also continue to see other deficiencies in FLI disclosure including a lack of balanced discussion of the key assumptions used and the risk factors inherent in the FLI. Issuers should consider the guidance in prior Corporate Finance Branch Annual Reports.</p>
<p>Non-GAAP Financial Measures (NGFM)</p>	<p>Reporting Issuers continue to present NGFMs where the stated purpose and usefulness of the measure is unclear. The NGFMs are also being presented without the relevant reconciliations to the most directly comparable GAAP measure.</p>	<p>NGFMs can provide investors with additional insight into the performance of the Issuer. However, where the stated purpose and usefulness of the measure is unclear and fails to align with the nature of the adjustments that are being made in the reconciliation, there is potential that investors may be confused or even misled.</p> <p>To assist in understanding the purpose of the NGFM, Issuers are expected to provide a quantitative reconciliation of the NGFM for its current and comparative period to the most directly comparable GAAP measure. To support understandability, explanations for each reconciling item should be provided, as appropriate.</p> <p>Quantitative reconciliations are expected to be included when NGFMs are presented in the MD&A and earnings releases and included or incorporated by reference when NGFMs are included in other documents, such as AIF, investor presentations, websites, etc.</p>

Issue	Observations	Best practices
		<p>Also refer to the discussion on <u>non-GAAP financial measures</u> in section IV below.</p>
<p>Discussion of operations – Variances</p>	<p>The variances in financial statement line items are explained with limited narrative discussion of (a) the factors resulting in the variance, and (b) any trends or potential trends.</p>	<p>The discussion of financial statement variances should</p> <ul style="list-style-type: none"> quantify key changes and clearly explain the factors and reasons for the variances that affect revenues and expenses beyond simply stating the percentage change or amount (for example, variables such as price and volume or other significant factors should be discussed by segment), provide insight into the <u>Issuer’s</u> past and future performance, and be clear and transparent. <p>When discussing the changes in financial condition and results, it is also important to include an analysis of the effect on continuing operations of any acquisition, disposition, write-off, abandonment or other similar transaction.</p> <p>Be specific and disclose information that gives insight into an <u>Issuer’s</u> operations and economic environment that may assist readers in making informed investment decisions.</p>
<p>Discussion of operations – Early stage/development stage Reporting Issuers</p>	<p><u>Reporting Issuers</u> that have projects that have not yet generated revenues do not provide sufficient detail regarding the projects and/or business plans.</p>	<p>Disclosures should include</p> <ul style="list-style-type: none"> a description of each project including the plan for the project and status of the project relative to that plan. For R&D activity, include this discussion for each stage, identification of concrete milestones in the plan, and for each project/stage/milestone, a description of expenditures made and how these relate to anticipated timing

Issue	Observations	Best practices
		and costs to take the project to the next stage of the project plan.

II) COVID-19 disclosure

In the fall of 2020, [CSA](#) staff initiated an [IOR](#) of approximately 85 [Reporting Issuers](#) across various industries to assess compliance of [Reporting Issuers](#)' disclosure of the current and anticipated impacts related to [COVID-19](#) on the [Issuer's](#) operations, its financial condition, liquidity and future prospects. [CSA](#) staff observed that the majority of [Reporting Issuers](#) reviewed provided detailed and quality disclosure. However, [CSA](#) staff also identified instances where [Reporting Issuers](#) did not provide sufficient detail related to the current and expected impact of [COVID-19](#), resulting in requests for those [Reporting Issuers](#) to make prospective disclosure enhancements.

On February 25, 2021, the [CSA](#) published [CSA Staff Notice 51-362 Staff Review of COVID-19 Disclosures and Guide for Disclosure Improvements](#) that summarizes the findings from our review and sets out guidance to assist [Reporting Issuers](#) and advisors in disclosing and reporting on the impact of [COVID-19](#) on its business and operations.

We expect [Reporting Issuers](#) to continue to discuss the impacts of [COVID-19](#) on their business and operations, to the extent applicable.

III) Mining disclosure

Preliminary Economic Assessment

[Reporting Issuers](#) that disclose potential economic outcomes based on mineral resources should be aware that forecasts of cash flows, operating costs, capital costs, production rates, or mine life are all considered to be the results of a [PEA](#). Such disclosure may trigger the requirement to file a technical report supporting these potential economic outcomes.

We continue to see non-compliant disclosure in technical reports of [PEA](#) based on inferred mineral resources which combine potential economic outcomes from [PEAs](#) with economic outcomes based on more advanced mining studies used to support mineral reserves. All [CSA](#) jurisdictions take the position that when a feasibility or pre-feasibility study has estimated a mineral reserve, a [PEA](#) that presents a different development option for any part of the reserve invalidates the earlier study. Disclosure that treats both the mineral reserve estimate and the [PEA](#) results as current may potentially be misleading and [Staff](#) will ask that either the reserve estimate or the [PEA](#) be retracted. [Reporting Issuers](#) that integrated these economic

outcomes in the disclosure have been required to amend and refile the technical report.

Calculation of equivalent grades

It is common for [Reporting Issuers](#) to provide metal-equivalent or mineral-equivalent grades in disclosures of mineral reserve or resource estimates, drill intervals, or other samples. [Reporting Issuers](#) sometimes base mineral reserve or resource estimates on equivalent cut-off grades. [Staff](#) have encountered equivalent grades weighted by commodity prices only, without regard to differing recoveries of the component elements. No operating mine gets 100% recoveries so equivalent grades weighted only by price are potentially misleading.

To avoid potentially misleading disclosure, [Reporting Issuers](#) should calculate equivalent grades taking both recovery of each element, either drawn from test results or reasonably assumed, and prices, into account. They should also consider whether cost factors such as treatment charges and payable ratio may be relevant.

Independence of authors

When independent authors are required for a technical report, all its authors must meet these requirements. Some [Reporting Issuers](#) have sought guidance on whether a particular person is independent for that purpose. The existing guidance in [NI 43-101CP](#), section 1.5, notes that a person's potential for a pecuniary interest in the [Reporting Issuer](#) or the subject mineral property would be relevant to the assessment of an author's independence. Recent experience also suggests that potential employment, potential sale of services or intellectual property, or previous involvement with the mineral property – amounting to reviewing one's own work – may also compromise a report author's independence.

Impacts of COVID-19

Travel restrictions imposed in reaction to the coronavirus epidemic created difficulties for [Reporting Issuers](#) required to file technical reports, as those reports could not be completed without a current personal inspection by a report author. [Reporting Issuers](#) should consider the guidance in [CSA Staff Notice 51-360 \(Updated\) Frequently asked questions regarding filing extension relief granted by way of a blanket order in response to COVID-19](#), dated May 13, 2020, in particular the guidance under P2, *Is there relief from the NI 43-101 requirement for a Current Personal Inspection?* [Staff](#) consider a personal inspection essential if a mineral resource estimate, or any study based on one, is disclosed. For earlier-stage projects, exemptive relief may be possible. We encourage [Reporting Issuers](#) to reach out to [Staff](#) who may be able to provide guidance on options and solutions to comply with the requirements while also respecting the personal health and safety of the qualified person.

Estimation best practices

Staff also reminds Reporting Issuers in the mineral industry that the Canadian Institute of Mining, Metallurgy, and Petroleum (CIM) has revised its guidance on estimation and exploration best practices. CIM Estimation of Mineral Resources & Mineral Reserves Best Practice Guidelines and CIM Mineral Exploration Best Practice Guidelines are significant enhancements of previous CIM best-practice documents, and we encourage Reporting Issuers and practitioners to consult the new editions for current guidance on exploration and mineral resource and reserve estimation practices.

Reminder: Reporting Issuers that disclose a PEA on an advanced property containing mineral reserves should follow the guidance outlined in CSA Staff Notice 43-307 Mining Technical Reports – Preliminary Economic Assessments.

We encourage public mining Reporting Issuers to request a review of the issuer’s publicly filed technical disclosure, as discussed in OSC Staff Notice 43-706 Pre-filing Review of Mining Technical Disclosure.

IV) Non-GAAP financial measures

On May 27, 2021, the CSA published, in final form, NI 52-112, the associated companion policy, and related consequential amendments which will replace existing staff guidance in SN 52-306. NI 52-112 addresses the disclosure surrounding NGFM, non-GAAP ratios, and other financial measures (e.g., capital management measures, supplementary financial measures, and total of segments measures, as defined in the national instrument). Although the definition of a NGFM has been updated from SN 52-306, NI 52-112 has substantially incorporated the disclosure guidance in SN 52-306 for non-GAAP financial measures. To ensure investors appreciate the context of other financial measures, NI 52-112 introduces new disclosure requirements if such financial measures are disclosed outside of the financial statements.

The companion policy includes extensive guidance and examples. NI 52-112 applies to all Reporting Issuers, except investment funds, SEC foreign issuers, and designated foreign issuers. NI 52-112 also applies to non-Reporting Issuers; in particular, to documents prepared by such issuers in connection with certain prospectus exempt offerings or other transactions (such as, but not limited to, an offering memorandum, long-form prospectus, or a filing statement / listing statement).

The rule applies to disclosures for a financial year ending on or after October 15, 2021.

Examples are as follows:

Reporting Issuers

- a non-venture reporting issuer with a December 31st year-end, will first apply the rule in the following documents, such as;
 - in its MD&A for the year-ended December 31, 2021;
 - in its earnings release containing disclosures for the year ended December 31, 2021.

Non-Reporting Issuers

- a non-reporting issuer, will first apply the rule in any document in scope of NI 52-112 after December 31, 2021 (i.e. January 1, 2022 and beyond).

If a non-[Reporting Issuer](#) files a preliminary long form prospectus, or similar document, prior to December 31, 2021, but anticipates that a final long form prospectus may not be filed until after December 31, 2021, the non-[Reporting Issuer](#) should consider preparing the preliminary prospectus in accordance with the rule. A final prospectus filed after December 31, 2021 must comply with [NI 52-112](#) in respect of any specified financial measures disclosed.

V) Diversity on boards and in executive officer positions

The disclosure requirements on the representation of women on boards and in executive officer positions are set out in [NI 58-101](#) and have been in place for seven annual reporting periods. The disclosure requirements are intended to increase transparency for investors and other stakeholders regarding the representation of women in these roles and the approach that specific [TSX-listed Reporting Issuers](#) take in respect of such representation. This transparency is intended to assist investors when making investment and voting decisions.

On March 10, 2021, [CSA Multilateral Staff Notice 58-312 Report on Sixth Staff Review of Disclosure regarding Women on Boards and in Executive Officer Positions](#) (SN 58-312) was published. SN 58-312 reports the findings of our sixth review of disclosure regarding women on boards and in executive officer positions. Of note, 20% of overall board seats were occupied by women, 79% of [Reporting Issuers](#) in the review sample had at least one woman on the board and 65% of [Reporting Issuers](#) in the review sample had at least one woman in an executive officer position.

[CSA Multilateral Staff Notice 58-313 Report on Seventh Staff Review of Disclosure regarding Women on Boards and in Executive Officer Positions](#) (SN 58-313) provides new guidance on how [Reporting Issuers](#) may present the information contemplated by the disclosure requirements in order to improve consistency and comparability amongst [Reporting Issuers](#). During our review, we noted that [Reporting Issuers](#) generally provide disclosure addressing the disclosure requirements in different ways. As a result of this, the format and content of disclosure may vary from [Reporting Issuer](#) to [Reporting Issuer](#). It may also be difficult to locate the relevant disclosure within an information circular and it may be difficult to interpret some of the disclosure. In order to address this, [Reporting Issuers](#) should consider presenting data related to the disclosure requirements in a common format. This would improve consistency and comparability and help investors identify and evaluate the relevant disclosure. SN 58-313 sets out suggested tables for how this data could be presented.

On May 19, 2021 the [CSA](#) published a news release announcing that further research and consultation will be conducted with [Issuers](#), investors and other industry stakeholders in the consideration of broader diversity on boards and executive officer positions. These consultations began in the summer of 2021. The [CSA](#) will use its findings from these consultations to consider recommendations for any necessary changes to the current diversity disclosure framework. A virtual 'Diversity in Capital Markets' roundtable, moderated and hosted by the [OSC](#), was held on October 13, 2021.

VI) Cease Trade Order – Content Deficiency

The [CSA](#) has developed a harmonized list of deficiencies that will generally result in a [Reporting Issuer](#) being noted in default of the securities laws of a particular jurisdiction. We remind [Reporting Issuers](#) that these deficiencies include the failure to file certain continuous disclosure documents *and* content deficiencies in the [Reporting Issuer's](#) continuous disclosure. Cease trade orders may be issued where a [Reporting Issuer](#) has made a required filing but the required filing is deficient in terms of content.⁶

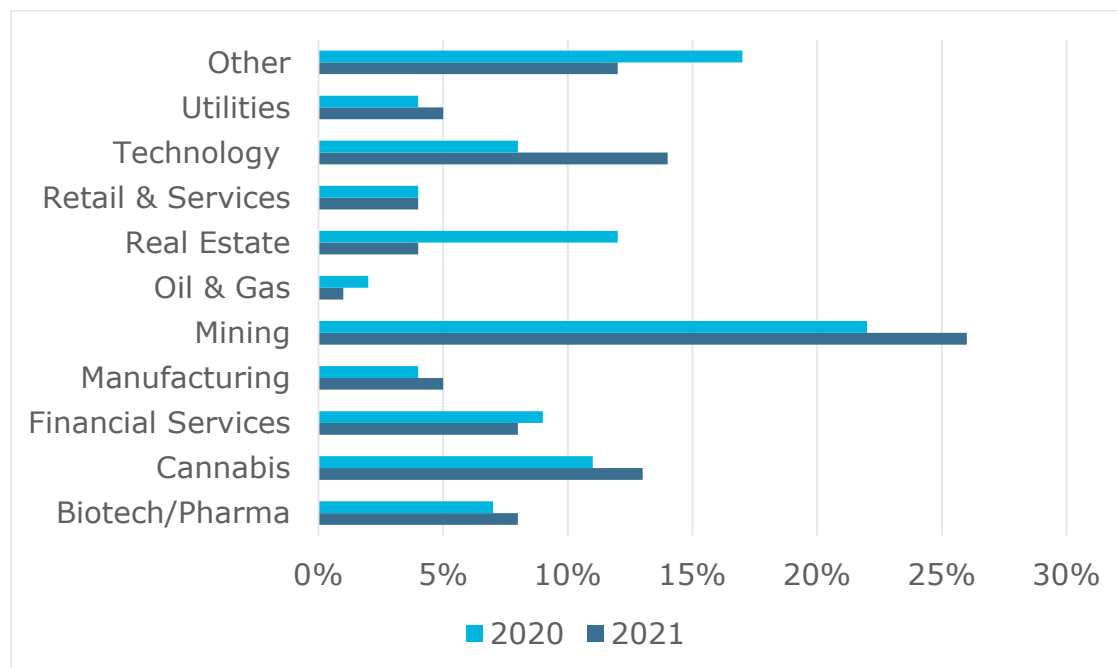
⁶ Examples of content deficiencies are set out in section 2 of [CSA Notice 51-322 Reporting Issuer Defaults](#).

2. PUBLIC OFFERINGS

Under Canadian securities law, to distribute securities, an [Issuer](#) must file and obtain a receipt for a prospectus or rely upon a prospectus exemption. Another key component of our compliance work stream is the review of prospectuses in connection with public offerings. This section outlines statistics and trends with respect to public offerings and provides guidance on common issues that arise during our reviews of prospectuses.

In [Fiscal 2021](#), we completed **574** prospectuses that were filed in Ontario ([Fiscal 2020](#): 388). These filings covered a wide range of industries with mining, technology and cannabis being the most active sectors based on the number of offerings.

Prospectuses completed by industry (%) – Fiscal 2021 & 2020



60) Trends and guidance

In [Fiscal 2021](#), we observed a significant increase in the number of prospectuses where the [OSC](#) was the principal regulator, particularly in the second half of the year. A significant factor in the increase in volume over the year was the overall activity in the market driven by an increase in offerings in the cannabis and psychedelics industries, as well as an increase in offerings in the mining and technology industries.

We also saw an increase in the number of offerings after the initial impacts of [COVID-19](#) in March 2020, and by Q3 and Q4 of [Fiscal 2021](#) we noted a substantial increase in the volumes in offerings.

Tip: The guidance in this section also applies to prospectus-level disclosure included in an information circular in connection with a proposed significant acquisition or a restructuring transaction as required by section 14.2 of [Form 51-102F5](#).

Key takeaways from our reviews of offering documents in [Fiscal 2021](#) are set out below.

I) Primary business in an IPO

[Form 41-101F1](#) requires an [Issuer](#) that is not an investment fund to include certain financial statements in its long form prospectus. This includes the financial statements of the [Issuer](#) and any business or businesses acquired, or proposed to be acquired, if a reasonable investor reading the prospectus would regard the primary business of the [Issuer](#) to be the business or businesses acquired, or proposed to be acquired. The purpose of the primary business requirements is to provide investors with financial history of the business of the [Issuer](#) even if this financial history spanned multiple legal entities over the relevant time period.

On August 12, 2021, the [CSA](#) proposed changes to Companion Policy 41-101CP related to primary business requirements to harmonize the interpretation of the financial statement requirements for a long form prospectus in situations where an [Issuer](#) has acquired a business, or proposes to acquire a business, that a reasonable investor would regard as being the primary business of the [Issuer](#).⁷ The proposed changes provide additional guidance on the interpretation of primary business and predecessor entity including in what situations, and for which time periods, financial statements would be required. The proposed changes provide guidance in circumstances when additional information may be necessary for the prospectus to meet the requirement to contain full, true and plain disclosure of all material facts relating to the securities being distributed. The proposal also clarifies when an [Issuer](#) can use the optional tests to calculate the significance of an acquisition, and when an acquisition of mining assets would not be considered an acquisition of a business for securities legislation purposes.

The comment period ended on October 11, 2021. Subject to the comment process and required approvals, the proposed changes are expected to become effective in July 2022.

⁷ For more information see [CSA Notice and Request for Comment – Proposed Changes to Companion Policy 41-101CP to National Instrument 41-101 General Prospectus Requirements Related to Financial Statement Requirements](#).

II) Timing for inclusion of financial statements in an IPO venture issuer’s prospectus

Under [Form 41-101F1](#), annual financial statements are required to be included in a prospectus for completed financial years ended more than (i) 90 days before the date of the prospectus, or (ii) 120 days before the date of the prospectus if the [Issuer](#) is a venture [Issuer](#). Interim financial statements are subject to a similar requirement for periods ended within 45 and 60 days, respectively. Importantly, the extended deadlines applicable to venture [Issuers](#) **do not** apply to [IPO](#) venture [Issuers](#). This includes an RTO acquirer in the context of a restructuring transaction that is subject to the requirements of [Form 41-101F1](#).

Type of issuer	Deadline for inclusion of annual financial statements	Deadline for inclusion of interim financial statements
Non-venture Issuer	90 days	45 days
IPO venture Issuer	90 days	45 days
RTO acquirer (i.e. target)	90 days	45 days
Venture Issuer (i.e. an existing Reporting Issuer)	120 days	60 days

Reminder: The 90 and 45 day deadlines are also applicable to any “issuer” financial statements that are included in an [IPO](#) venture issuer’s prospectus or similar document in compliance with Item 32 of [Form 41-101F1](#).

III) Description of business

Where the business of the [Issuer](#) is in a preliminary stage, and the business has little or no operations or revenues, we find that [Issuers](#) often do not provide sufficient detail on the business itself and/or its business plan. We note this particularly with [Issuers](#) completing [CPC](#) qualifying transactions and reverse takeover transactions. In order to comply with the requirements in Item 5 of [Form 41-101F1](#), we remind [Issuers](#) that the disclosure of the business and/or business plan must be entity-specific and clearly disclosed in the prospectus under one section (versus information scattered throughout the prospectus). This is important for investors to be able to clearly understand the business and/or business plan of the [Issuer](#).

We also encourage [Issuers](#) to segregate their disclosures about the business into two parts (i) the current business of the [Issuer](#) - describing the [Issuer's](#) current operations, if any, and stage of product/service development, etc., and (ii) future business plans of the [Issuer](#) - describing the [Issuer's](#) anticipated business plans and milestones, including any/applicable research and development.

In discussing current business and future business plans, [Issuers](#) should provide disclosure on at least all of the following:

Current Business

- description of the product/service currently provided;
- markets in which the products/services are being offered;
- regulatory framework applicable to those products/services,
- licenses and permits obtained;
- agreements/partnerships in place with individuals and/or entities to conduct the current business (i.e. distribution, manufacturing, construction, R&D agreements, etc.).

Future Business Plans

- identification of specific milestones in the issuer's business plans;
- for each milestone, a description of the steps and associated costs required to complete it or to take it to the next stage;
- identification of the anticipated timing of completion or timing to achieve the various stages in the business plan;
- regulatory framework applicable to these anticipated operations;
- if an R&D program is part of the anticipated operations, a discussion of the various stages of R&D, regulatory approvals required to achieve the objectives of the program, the activities completed to date, costs incurred to date and timing and costs anticipated to achieve the next stage.

Where business plans are preliminary in nature and there are no binding agreements, or where an [Issuer](#) currently has not commenced its execution of such plans, these should also be clearly disclosed in the prospectus.

In discussing future or anticipated business plans, [Issuers](#) should avoid using overly promotional language that is not based on the [Issuer's](#) current stage of development. For example, [Issuers](#) have often disclosed [FLI](#) and long-range projections reflecting revenue, growth, and market share assumptions, which appear speculative in comparison to the size and scope of the [Issuer's](#) current business plans. Further information on [FLI](#) is included below.

IV) Forward-Looking Information

Multi-Year FLI

We continue to see prospectuses where [Issuers](#) present [FLI](#) that span over multiple years, without providing reasonable and sufficient quantitative and qualitative

assumptions to support such [FLI](#). [Issuers](#) must not disclose a financial outlook unless it is based on assumptions that are reasonable in the circumstances. The assumptions for financial projections should be specific and comprehensive, particularly with respect to quantitative details, such that an investor is able to clearly understand how each assumption was used to develop the [FLI](#) that contributes to the projections. In general, [FLI](#) or future-oriented financial information, must be limited to a time period that can be reasonably estimated, which generally will not go beyond the end of the [Issuer's](#) next fiscal year. Where [FLI](#) is presented for multiple years without sufficient support, [Staff](#) may ask [Issuers](#) to limit the disclosure of [FLI](#) to a shorter supportable period (for example, one or two years).

We may also raise questions in cases where an [Issuer's FLI](#) assumptions are not reflected in the [Issuer's](#) track record. All of the following are examples of such cases:

- [Issuer](#) projects aggressive growth targets (i.e. revenue) over a certain number of years without the benefit of historical experience;
- disclosure does not provide detailed explanations for expected changes to items such as revenue, gross margins, costs or does not provide a reasonable basis for the targets, including the key drivers behind the projected growth with reference to specific plans and objectives that support the projected growth;
- disclosure does not explain why management believes that each of the targets/[FLI](#) is reasonable;
- factors and assumptions do not appear reasonable in light of the [Issuer's](#) track record.

In some cases, [Issuers](#) have been able to address our concerns by amending the [FLI](#) disclosure in one or more of the following ways:

- providing more robust factors and assumptions to support the [FLI](#);
- providing more recent information on the [Issuer's](#) operations since the date of the [Issuer's](#) last [MD&A](#) to better understand the basis for the [FLI](#) included in the prospectus;
- limiting the disclosure of [FLI](#) to a shorter period;
- removing the [FLI](#).

Practice Points

Where FLI is presented for multiple years, we may also ask issuers to specifically confirm that updates will be provided at least annually, in its continuous disclosure documents of its progress towards achieving the targets. The disclosure includes information on the previously disclosed targets, actual results, and a discussion of the variances.

We may also ask the issuer to disclose its policy and processes should it decide to withdraw previously disclosed FLI.

We refer [Issuers](#) to the requirements in Part 4A/4B and section 5.8 of [NI 51-102](#).

Disclaimer Language

We have noted in certain instances (mainly cross-border offerings) where the [Issuer](#) has included financial projections in an offering document and that those projections are often accompanied by disclaimer language. The disclaimer language typically states that the [Issuer’s](#) auditors have not performed any procedures with respect to [FLI](#), including financial projections, and that the auditors disclaim any associations with such [FLI](#).

In our view, without further disclosure, such disclaimer statements are not appropriate and do not reflect the work performed by the auditors in the context of a prospectus offering given the auditor’s consent is required pursuant to section 10.1 of [NI 41-101](#).⁸ We will continue to monitor and raise comments where such inappropriate disclaimer language has been included in offering documents.

V) Disclosure improvements

Our most common outcome during a prospectus review continues to be enhanced disclosure which requires material changes to the disclosure in a prospectus. See our [OSC Staff Notice 51-731 Corporate Finance Branch 2020 Annual Report](#) in addition to the sections highlighted below for areas where we continue to note deficiencies.

⁸ Section 10.1 of [NI 41-101](#) requires that the auditor’s consent, among other things, contains a statement that the auditor has read the prospectus and has no reason to believe that there are any misrepresentations in the information contained in the prospectus that are derived from financial statements upon which the auditor has reported or that are within the auditor’s knowledge as a result of the audit of such financial statements.

Issuers are reminded to include up to date and timely disclosure of COVID-19 impacts and risk factors in a prospectus, or prospectus supplement, to the extent that the filings incorporated by reference do not include such current disclosure.⁹

Issue	Observations	Best practices
<p>Overly promotional statements</p>	<p><u>Issuers</u> often make overly promotional statements in the prospectus about their business without providing sufficient support for the statements.</p>	<p><u>Issuers</u> should not make false, misleading, or unsupported statements or omit facts from a statement necessary to make that statement true or not misleading.</p> <p>For example:</p> <ul style="list-style-type: none"> • a statement that an <u>Issuer</u> is the largest of its industry/market should be supported by objective data that provides the <u>Issuer</u> with a reasonable basis on which to conclude that the statement is accurate; • disclosure of early-stage plans of a new business, objective, or strategy, or material claims about an <u>Issuer's</u> business and the corresponding opportunity should be substantiated or balanced with a discussion of the <u>Issuer's</u> business plans, milestones and expected timing of such, capital requirements and associated risks; • assertions about growth of markets or demand for a product must be supported. <p>We will ask <u>Issuers</u> to revise disclosure to clarify the basis and to provide sources for such statements.¹⁰</p>
<p>Marketing materials distributed during the waiting period</p>	<p><u>Issuers</u> often include information in the marketing materials that is not directly derived</p>	<p><u>Issuers</u> are reminded that all information in the marketing materials concerning the <u>Issuer</u>, the securities or the offering should be disclosed in, or derived from,</p>

⁹ See [CSA Staff Notice 51-362 Staff Review of COVID-19 Disclosures and Guide for Disclosure Improvements](#) for further information.

¹⁰ We refer issuers to [CSA Staff Notice 51-356 Problematic promotional activities by issuers](#) for Staff's views on promotional activities.

Issue	Observations	Best practices
	from the preliminary prospectus.	<p>the preliminary prospectus or the final prospectus.</p> <p><u>Issuers</u> are reminded that additional marketing materials will be deemed to be incorporated by reference in the final prospectus.</p>

VI) Sufficiency of proceeds and financial condition of an Issuer

Subsection 61(2) of the [Act](#) sets out specific circumstances under which a receipt for a prospectus shall not be issued. One example is where the aggregate of the proceeds being raised under the prospectus together with the other resources of the [Issuer](#) are insufficient to accomplish the purpose of the offering as stated in the [Issuer's](#) prospectus. The same considerations apply for a non-offering prospectus.

As such, a critical part of every prospectus review is considering the [Issuer's](#) financial condition and intended use of proceeds (or available funds for a non-offering prospectus). A prospectus must contain clear disclosure of how the [Issuer](#) intends to use the proceeds raised in the offering as well as disclosure of the [Issuer's](#) financial condition, including any liquidity concerns. We may request [Issuers](#) to include additional disclosure to describe an [Issuer's](#) financial condition in more detail, including for example, disclosure about negative cash flows from operating activities, working capital deficiencies, net losses, and significant going concern risks. This disclosure is important to investors because it provides warnings about significant liquidity risks that the [Issuer](#) may face in the short term and may help investors avoid or minimize negative consequences when making investment decisions.

In some instances, an [Issuer's](#) representations about its ability to continue as a going concern and the period during which it expects to be able to continue operations may be inconsistent with the [Issuer's](#) historical statements of cash flows (in particular, its cash flows from operating activities). In these cases, we may request that the [Issuer](#) provide a forecasted cash flow summary to support its expected period of liquidity (i.e., ability to continue operations). However, disclosure on its own may not be sufficient to satisfy our receipt refusal concerns in certain circumstances, particularly where the [Issuer's](#) assumptions on future changes in operations are not objective and supportable.

An [Issuer](#) may need to change the structure of an offering to address concerns regarding the [Issuer's](#) financial condition (e.g. setting a minimum subscription, renegotiating the maturity date of debt, or finding additional sources of financing).

Reminder: A principal purpose of the sufficiency of proceeds receipt refusal provision is to protect the integrity of the capital markets, which would be harmed if an Issuer ceased operations on account of insufficient funds shortly after completing a public offering.

For Reporting Issuers filing a base shelf prospectus, we may take the view that the structure of a base shelf prospectus is not appropriate given the Reporting Issuer's financial condition and uncertainty of financing. Typically, receipt refusal concerns on financial condition arise if the Reporting Issuer does not appear to have sufficient cash resources to continue operations for the next 12 months or to meet concrete developmental milestones expected to be completed in the next 12 months given the business plan and intention of the Reporting Issuer. In these cases, to address our concern that incremental drawdowns may be insufficient to satisfy the Reporting Issuer's short-term liquidity requirements, we may request that the Reporting Issuer

- withdraw the base shelf and file a short form prospectus with a minimum subscription amount,
- withdraw the base shelf and file a short form prospectus with a fully underwritten commitment, or
- arrange for additional committed sources of financing.

Staff note that any arrangements to address our concerns about a Reporting Issuer's financial condition should be finalized before a Reporting Issuer's prospectus is cleared for final.

In addition, Staff may question the size of a base shelf offering if it appears that the amount contemplated under the base shelf is significantly higher than the Reporting Issuer's current market capitalization. This may indicate a potential significant acquisition, transaction or change of business, and as such, Staff will inquire about the rationale for filing a base shelf prospectus with a contemplated offering in excess of its market capitalization.¹¹

¹¹ For more information and guidance, reporting issuers and advisors, including those filing a base shelf or non-offering prospectus, should review CSA Staff Notice 41-307 (Revised) Concerns regarding an issuer's financial condition and the sufficiency of proceeds from a prospectus offering as well as section 5.4 of NI 44-102.

VII) Filing of non-offering prospectus for a qualifying transaction when there are operations in emerging markets

Ontario [CPC Issuers](#), other than natural resource [Issuers](#), are reminded that under subsection 11.1(f) of the [TSXV's Policy 2.4 Capital Pool Companies](#), an [Issuer](#) must file a non-offering prospectus in connection with a [QT](#) where the [QT Issuer's](#) business is not located in Canada or the United States.

For Ontario [CPC Reporting Issuers](#) seeking to complete a [QT](#) with a business located in an emerging market jurisdiction, the non-offering prospectus must include appropriate emerging market disclosure in accordance with the guidance set out in [OSC Staff Notice 51-719 Emerging Markets Issuer Review \(OSC SN 51-719\)](#) and [OSC Staff Notice 51-720 Issuer Guide for Operating in Emerging Markets \(OSC SN 51-720\)](#).

Reminder: As a reminder, [OSC SN 51-719](#) and [OSC SN 51-720](#) focus on [Reporting Issuers](#)

- whose mind and management are largely outside of Canada, and
- whose principal active operations are outside of Canada, in regions such as Asia, Africa, South America and Eastern Europe.

Please consult the emerging market staff notices referred to above for additional information.

VIII) Auditor's review of financial statements

Interim financial report

While a [Reporting Issuer](#) is not required to engage its auditor to review its interim financial report for the purposes of fulfilling its continuous disclosure obligations under [NI 51-102](#), Item 4.3(1) of [NI 44-101](#) requires that all unaudited financial statements incorporated by reference into a short form prospectus be reviewed. If the interim financial report includes a "Notice of No Auditor Review" (in accordance with subsection 4.3(3) of [NI 51-102](#)), we will ask the [Reporting Issuer](#) to confirm that a review is being completed. The [Reporting Issuer](#) will also be asked to update the disclosure in the "documents incorporated by reference" section of the prospectus to exclude the "Notice of No Auditor Review" from being incorporated by reference.

We have noted instances where [Reporting Issuers](#) have engaged auditors to review their interim financial reports subsequent to their filing on [SEDAR](#) for the purposes of incorporating them into their prospectuses, and the reviews have resulted in a restatement of those interim financial reports. Any restatements that occur during the review of the prospectus may result in additional regulatory scrutiny, including the [Reporting Issuer](#) being placed on the [Refilings and Errors List](#).

Business Acquisition Report

Reporting Issuers filing a BAR for CD purposes are only required to audit the most recent annual period included in the BAR; the comparative financial information and any interim financial reports may be unaudited. However, we remind Reporting Issuers that if the BAR is later required to be incorporated by reference into a short form prospectus in accordance with Item 11 of NI 44-101, any unaudited financial statements included in the BAR, including the annual comparative period as well as the interim financial reports, will have to be reviewed. Reporting Issuers can refer to Item 8.10(2) of NI 51-102CP and Item 4.3(1) of NI 44-101.

IX) Audit committees

An audit committee is a committee of a board of directors to which the board delegates its responsibility for oversight of the financial reporting process and for managing the relationship between the Issuer and the external auditors. We have noted that some Issuers have inappropriately relied on exemptions in NI 52-110 to appoint less than three members to the audit committee. NI 52-110 requires audit committees of non-venture Issuers and venture Issuers to be composed of a minimum of three members. While NI 52-110 provides certain exemptions regarding independence and financial literacy, there are no exemptions in the instrument regarding the minimum number of audit committee members. We remind Issuers that

- Part 3 of NI 52-110 provides non-venture Issuers with exemptions for a limited period of time for independence and financial literacy; and
- Part 6 of NI 52-110 provides venture Issuers with exemptions for a limited period of time for the requirement that a majority of the members of the audit committee are not executive officers, employees, or control persons of the venture Issuer or of an affiliate of the Issuer.

In addition, we have identified instances where the description of an audit committee member's biography or work experience does not adequately describe or demonstrate that the member is financially literate in accordance with section 1.6 of NI 52-110. In such cases, it is often not clear whether the audit committee member has the ability to read and understand a set of financial statements that present a breadth and level of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised from the Issuer's financial statements. Subject to the exemptions noted above, Staff may raise comments about whether the member is financially literate and ask for revised disclosure to demonstrate that experience.

X) Post-receipt pricing prospectuses

Over the past year, we have seen an increase in the volume of base post-receipt pricing (PREP) prospectuses filed in accordance with NI 44-103. PREP procedures allow Issuers to file a final base PREP prospectus that omits pricing and other

related information. Once pricing is determined, a supplemented PREP prospectus is filed that contains all the pricing and other omitted information.

As a result, when preliminary PREP prospectuses are filed with bulleted information, [Staff](#) are unable to conduct a complete review. To assist [Staff](#) in its review, it is advisable to provide the estimated amount or range of proceeds that is expected to be raised under the offering. This is especially important for [Issuers](#) that may have financial condition concerns.

In these situations, [Staff](#) will typically request the estimated amounts for the bulleted figures in the prospectus, including pricing, number of shares, estimated total proceeds of the offering, underwriter expenses and use of proceeds disclosures. If this information is available at the time of filing the preliminary base PREP prospectus, we ask that [Issuers](#) provide this information to [Staff](#) in either the cover letter or in the draft prospectus filed. We will require a sufficient period of time to review the information once provided.

Given the uncertainty of the final amount of the offering, if [Staff](#) have financial condition concerns, we may request that the amount of proceeds raised in the offering be included in the final base PREP filed, or we may request that a minimum offering amount be imposed prior to the issuance of a final receipt. We will also consider the ability of the [Issuer](#) to decrease the size of the distribution by 20% (See Item 4.4 of [NI 44-103](#)) in determining the minimum amount of proceeds required to address financial condition concerns.

XI) Confidential prospectus pre-file review

In March 2020, [Staff](#) began accepting confidentially pre-filed prospectuses for review. We did so to provide [Issuers](#) with greater flexibility and more certainty in planning prospectus offerings, and to encourage continued capital formation during the pandemic.¹² On January 28, 2021, [Staff](#) issued a [press release](#) providing best practice guidance for confidential pre-file prospectuses. Since March 2020, we have reviewed **88** prospectuses on a confidential pre-filed basis.

¹² See [CSA Staff Notice 43-310 Confidential Pre-file Review of Prospectuses](#) (for non-investment fund issuers).

Tip: We would like to remind [Issuers](#) and advisors to carefully consider whether the draft preliminary prospectus is at an appropriate stage for a confidential pre-file. We may determine that a draft is not at an appropriate stage for [Staff](#) review and ask that the pre-file be withdrawn. This may occur in any of the following circumstances

- the disclosure in the draft document falls significantly short of the standard required of a preliminary prospectus. The pre-filed prospectus should contain all financial and non-financial disclosure that would be in the actual prospectus filing;
- there is no significant prospect of a transaction occurring within the foreseeable future. A deal timeline should be included in the filed cover letter to assist [Staff](#) in understanding when the review should ideally be completed. [Staff](#) would normally assume that the [Issuer](#) will file a preliminary prospectus shortly after the completion of the review of the pre-filed prospectus;
- the terms and conditions of the offering, and any related transactions, are still in flux.

In addition, the [OSC](#) will not review pre-files of

- non-offering prospectuses, other than non-offering prospectuses pre-filed in connection with cross-border financings or where there is specific legal or accounting matter requiring [Staff](#) input.
- prospectuses that solely qualify the issuance of securities on conversion of convertible securities, such as special warrants.

All prospectuses filed confidentially will be subject to a **full review**, regardless of whether they are long form or short form prospectuses. Any legal or accounting questions where [Staff](#) input is required should be highlighted. Prior to commencing the review of the prospectus, [Staff](#) will assess whether the [Issuer](#) has submitted a substantially complete prospectus, which includes all the required financial statements. We note that if the first comment letter is due after the next set of financial statements is required to be included, those financial statements must be included in the confidentially pre-filed prospectus prior to the commencement of our review.

Once the prospectus submission is deemed to be substantially complete, it will be assigned for review by [Staff](#) and an “**acknowledgment of receipt**” will be sent to counsel. We will use our best efforts to issue our first comment letter within published service standards for a long form prospectus starting from the date of the acknowledgement of receipt.

Reminder: The process to submit a prospectus for a confidential pre-file review is outlined in [CSA Staff Notice 43-310 Confidential Pre-File Review of Prospectuses \(for non-investment fund issuers\)](#). The process to submit a pre-file application regarding interpretation of securities legislation to a particular offering or proposed offering or exemptive relief from securities legislation is outlined in [NP 11-202](#).

Refer to “[Our Service Commitments](#)” below for further information.

As the objective of the confidential prospectus pre-file review process is to provide [Issuers](#) with greater flexibility and more certainty in planning prospectus offerings and not to provide an open-ended review of a draft prospectus, we will consider a pre-filing to be withdrawn and will close the pre-file if [Issuers](#) are unresponsive (i.e. have not provided a response to [Staff](#) comment letters for an extended period of time). For greater certainty, we will consider the pre-file to be withdrawn if there is no response within 90 days of the date [Staff](#) last issued comments. If the pre-filing has not been completed within 180 days from the initial pre-filing date, similar to the timing requirements in Item 2.3 of NI 41-101, [Staff](#) will close the file and the [Issuer](#) will have to re-submit a new pre-filing with the associated fees. In both cases, [Staff](#) will advise counsel that the pre-file will be closed.

XII) Special purpose acquisition corporations

A special purpose acquisition corporation (SPAC) is a shell company that facilitates capital formation by permitting experienced management teams to raise funds from public investors to acquire a business and take it public. Because the business is not known at the time of the [IPO](#), SPACs are often referred to as “blank cheque” companies.

In 2021, we saw significant media attention relating to SPACs due to a marked increase in SPAC activity in the United States. This, in turn, has led to heightened regulatory scrutiny of SPACs south of the border. The SEC has made efforts to highlight the inherent risks with SPACs. The specific steps taken by the SEC include, but are not limited to:

- issuing guidance on disclosure considerations for SPAC [IPOs](#) and [QTs](#);
- highlighting specific concerns relating to the role of the sponsor/founder;
- raising awareness about SPAC liability;
- questioning the optimistic revenue projections used by start-ups that are merging with SPACs¹³;

¹³ In Ontario, this is referred to as the “[QT](#)” and in the United States, it is commonly referred to as the “de-SPAC” transaction.

- issuing new guidance on certain accounting matters (for example, accounting for warrants), which could delay the effectiveness of registration statements until such issues are resolved.

In Canada, SPACs are governed by [TSX](#) and NEO Exchange (NEO) rules. Further to these rules, a prospectus must be filed with the relevant securities commission or authority at the time of the [IPO](#), and a non-offering prospectus must be filed at the time of the [QT](#).

We are continuing to monitor the SPAC developments in the U.S. and internationally though participation in the [IOSCO SPAC Network](#), and will consider whether any policy changes to the SPAC program are necessary.

NEO Growth Acquisition Corporation (G-Corp)

The G-Corp is a pilot program established by NEO, for a new publicly traded acquisition corporation to enable private, mid-market growth companies to access capital and go public. The G-Corp program was introduced in April of 2021 and draws on existing requirements under NEO's SPAC rules. Under the G-Corp program, [Issuers](#) obtain waivers from certain of NEO's existing SPAC rules, some of which are subject to [OSC](#) concurrence and must also comply with additional NEO requirements deemed necessary for the G-Corp program. In order for the G-Corp program in its current, or any altered form, to become permanent, NEO would be required to publish policy amendments for public comment that will be subject to [OSC](#) approval. The [Branch](#) issued a receipt for the first G-Corp prospectus in 2021.

XIII) Concurrent filing of a base shelf prospectus and prospectus supplement

In [Fiscal 2021](#) the [Branch](#) received several filings whereby [Reporting Issuers](#) sought to launch a bought deal offering by concurrently filing a preliminary base shelf prospectus and preliminary (draft) supplement to qualify the shares under the bought deal offering.

Typically, for a bought deal, a [Reporting Issuer](#) either files a short form prospectus or a prospectus supplement to an existing base shelf prospectus. Under these new offerings however, [Reporting Issuers](#) concurrently filed a preliminary base shelf prospectus and draft supplement after the execution of the bought deal offering agreement.

We understand that [Reporting Issuers](#) using this structure have been doing so due to volatile market conditions caused by [COVID-19](#) and to manage "signalling risk".

We strongly encourage [Reporting Issuers](#) seeking to use this type of offering structure to confidentially pre-file **both** the base shelf prospectus and draft prospectus supplement. We remind [Reporting Issuers](#) and their counsel that both the preliminary base shelf prospectus and preliminary supplement are subject to review.

We also note that in order to rely on this type of structure, a [Reporting Issuer](#) must be cash flow positive and the cover letter accompanying the pre-filed prospectus should include the following information:

- details of the expected deal timeline;
- submissions on how the [Reporting Issuer](#) is complying (or proposes to comply) with the marketing requirements under both [NI 44-101](#) and [NI 44-102](#).

[Reporting Issuers](#) and their counsel are reminded of the three-day comment review period set out in [NP 11-202](#). The three-day review period will be applied once the preliminary base shelf prospectus and the supplement are filed and, consequently, this comment period should be considered in planning the [Reporting Issuer's](#) deal timeline. [Reporting Issuers](#) and their counsel are also reminded to consider and allot enough time to resolve any [Staff](#) comments issued in their expected deal timeline.

If a [Reporting Issuer](#) wishes to have the receipt for the preliminary prospectus withheld until after markets close, this request should also clearly be set out in the cover letter.¹⁴

XIV) Use of business combination exemption

We remind [Issuers](#) that responsibility for the appropriate use of, and compliance with, prospectus exemptions rests with the [Issuer](#). For example, if conducting a prospectus exempt rights offering, [Staff](#) are of the view that it would be most appropriate for such a distribution to be conducted pursuant to subsection 2.1(1) of NI 45-106 (the rights offering exemption) notwithstanding that the distribution may be part of an amalgamation, merger, reorganization, or arrangement transaction.

In the context of a prospectus exempt rights offering, [Staff](#) view the conditions of the rights offering exemption as important sources of investor protection and would expect that [Issuers](#) rely on, and comply with the conditions of, the rights offering exemption even if other prospectus exemptions are available.

We also note that when planning a transaction, filing counsel should consider having a pre-file discussion with [Staff](#) to confirm what entities [Staff](#) would consider to be [Reporting Issuers](#) upon completion of the transaction.

XV) Industry specific

Psychedelics

Over the past year, there has been an increased presence of [Issuers](#) that are involved with psychedelic drugs.¹⁵ The recent focus on psychedelic drugs by [Issuers](#)

¹⁴ See [OSC Staff Notice 51-730 Corporate Finance Branch 2019 Annual Report](#).

¹⁵ "Psychedelics" are a class of drugs that affect the brain's serotonin receptors and trigger changes in perception, cognition, mood, behaviour, and possibly state of consciousness. They

is based primarily on its use as medicine, but also for recreational purposes. Issuers have begun conducting clinical trials for drug efficacy to treat conditions such as depression and addiction.

For Issuers performing clinical trials, they are required to obtain appropriate regulatory approval from oversight bodies such as Health Canada, the U.S. Food and Drug Administration and the Canadian National Agency for Food and Drug Administration and Control, among others depending on the nature of the Issuer's operations.

According to the 2020 Report on Psychedelics presented by the NEO Exchange, several companies, located in jurisdictions such as Canada, Germany, the United Kingdom, and the United States, have entered the market for psychedelic drugs, with nearly \$150 million USD invested into this industry in the first half of 2020.¹⁶

The Issuers in the sector are not a homogenous group. The business models and growth plans of each of these companies vary significantly. The legal and regulatory framework also varies depending on the jurisdiction of operations for each Issuer and the market segment in which it operates. An Issuer operating in the psychedelics sector may need to consider compliance with multiple laws and regulatory regimes depending on the market segments in which it is operating.

Due to the illegality of psychedelic drugs in various countries, Issuers engaged in activities related to psychedelic drugs should have clear disclosure regarding the regulatory, licensing and legal framework(s) under which the Issuer operates. Staff also expect to see risks associated with this business appropriately identified, understood, and managed by the board of directors. Depending on the Issuer's business, it may be appropriate to provide disclosures that are analogized to the disclosure expectations set out in SN 51-352.

Staff continue to monitor industry developments in this emerging sector. Staff will review filings by Issuers involved with psychedelic drugs on a case-by-case basis to determine if there are any novel business models which may give rise to public interest concerns which cannot be addressed by disclosure.

In these circumstances, we encourage Reporting Issuers and advisors to consult with Staff on a pre-file basis to discuss the appropriate level of disclosure and potential risks and other novel considerations that may arise.

include drugs such as DMT, ibogaine, ketamine, LSD, MDMA, psilocybin, and psilocin. Although each of these substances are subject to differing regulation and classification under Canadian law, they are all controlled substances.

¹⁶ NEO Exchange Report on Psychedelics Volume I: Learning The Landscape (June 18, 2020) online: Report on Psychedelics <<https://reportonpsychedelics.com/>>.

Cannabis¹⁷

We note that Issuers in the cannabis industry may operate in several different jurisdictions and the regulatory uncertainty, differences in legal and regulatory frameworks across jurisdictions, and other potential risks should be disclosed to investors. Staff will continue to review cannabis filings on a case-by-case basis to determine if there are any novel business models giving rise to public interest concerns, which cannot be addressed by disclosure alone.

As general guidance, Issuers considering entering the cannabis industry, or Issuers considering new investments in the cannabis industry, should ensure that announcements about these new opportunities are balanced and that they are not potentially misleading to investors as a result. Also, Issuers who are substantially dependent on licenses to cultivate or sell cannabis, or using leased facilities for conducting those activities, should file the related licenses/agreements as material contracts on SEDAR.

For specific guidance for Issuers operating in the cannabis industry in Canada, please refer to [OSC Staff Notice 51-731 Corporate Finance Branch 2020 Annual Report](#).

For specific guidance for Issuers operating in the cannabis industry in the United States of America or other foreign jurisdictions, please refer to [OSC Staff Notice 51-730 Corporate Finance Branch 2019 Annual Report](#).

Along with recent rapid growth, the cannabis industry has experienced significant share price volatility, high multiples, rapid consolidation and legislative and regulatory uncertainty. These challenges reinforce the need for cannabis companies to focus on good governance practices. Implementing a corporate governance structure in accordance with high ethical and legal standards will provide confidence to investors and regulators. Issuers may also refer to [CSA Staff Notice 51-357 Staff Review of Reporting Issuers in the Cannabis Industry](#) which highlights good disclosure practices, so that investors are provided with transparent information about financial performance and risks and uncertainties, to support informed investing decisions.

¹⁷ For more information see the following CSA Staff Notices:
[CSA Multilateral Staff Notice 51-359 Corporate Governance Related Disclosure Expectations for Reporting Issuers in the Cannabis Industry](#)
[CSA Staff Notice 51-357 Staff Review of Reporting Issuers in the Cannabis Industry](#)
[CSA Staff Notice 51-352 \(Revised\) Issuers with U.S. Marijuana-Related Activities](#)
[CSA Staff Notice 51-342 Staff Review of Issuers Entering Into Medical Marijuana Business Opportunities](#)
[CSA Staff Notice 51-356 Problematic Promotional Activities by Issuers](#)

XVI) Distributions out

Since the introduction of OSC Rule 72-503 in 2018, [Issuers](#) have been relying on the prospectus exemptions in the rule to distribute securities to investors outside Canada. According to our records, in [Fiscal 2021](#), 620 Reports of Distributions Outside Canada were submitted.

We would like to remind [Issuers](#) of key policy guidance provided by the Commission in the Companion Policy to Rule 72-503 (CP 72-503):

- The Commission expects that an [Issuer](#), selling security holder, an underwriter and other participants in a distribution made in reliance on OSC Rule 72-503 take sufficient measures in the circumstances of the distribution to make it reasonable to conclude that the offered securities come to rest outside Canada, meaning that it is unlikely that they will be redistributed back into Canada by an original purchaser outside Canada that has acquired the securities with a view to distribution, rather than with investment intent.
- The rule's exemptions are intended only for distributions being made in good faith outside Canada, and not as a part of a plan or scheme to conduct an indirect distribution to a person or company in Canada.
- Where the Commission becomes aware of conduct that may bring the reputation of Ontario's capital markets into disrepute, or otherwise impair its mandate, the Commission may assert its jurisdiction and exercise its powers to take appropriate action against [Issuers](#), underwriters, and other person, including those in connection with distributions of securities to an investor outside Canada.

The principal intent for the introduction of OSC Rule 72-503 was to reduce regulatory burden for Canadian listed [Issuers](#) to facilitate cross-border offerings by removing the potentially duplicative application of Ontario prospectus requirements where offerings to an investor outside Canada are made in material compliance with the securities laws of the foreign jurisdiction.

However, in some instances, we have observed that these distributions outside Canada transactions may appear to be undertaken to undermine existing hold periods or provide an unfair advantage to foreign-based dealers. We remind [Issuers](#) and foreign-based dealers that the Commission may exercise its discretionary authority to cease trade securities, make orders to prevent conduct contrary to the public interest, and make regulations to foster fairness, efficiency, and confidence in capital markets irrespective of whether there is a "distribution" in Ontario in breach of section 53 of the [Act](#).

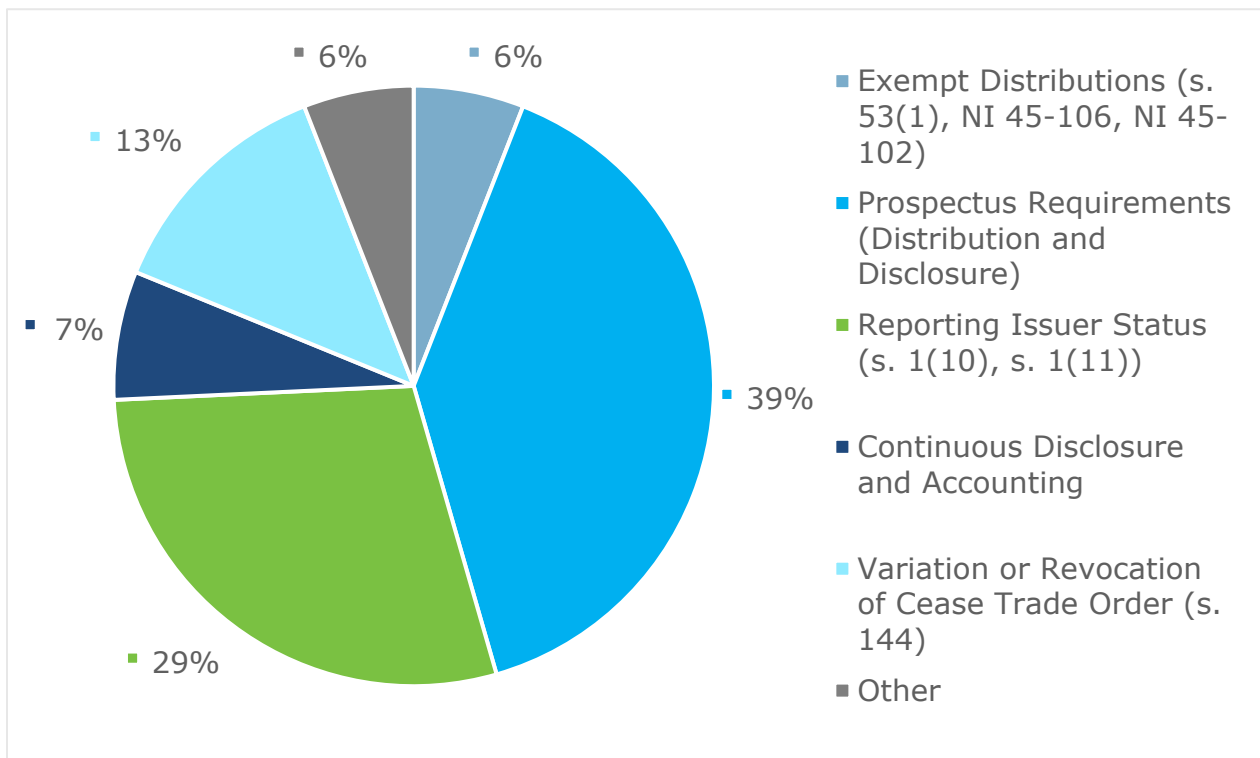
Please also refer to the discussion of OSC Rule 72-503 in [OSC Staff Notice 33-752 Summary Report for Dealers, Advisers and Investment Fund Managers](#) (August 2021).

3. EXEMPTIVE RELIEF APPLICATIONS

Staff review and make recommendations to appropriate decision makers on applications for exemptive relief. The review standard for granting relief varies, but it generally requires a decision maker to determine that granting the requested relief would not be prejudicial to the public interest.

In Fiscal 2021, we completed reviews of approximately **250** applications for exemptive relief from various securities law requirements, similar to Fiscal 2020.

Exemptive Relief Applications by Type - Fiscal 2021



A) Trends and guidance

We have noted approximately the same number of applications received in Fiscal 2021 compared with Fiscal 2020 and the proportion of the various types of applications has also remained consistent with Fiscal 2020. We continue to see applications for relief from certain prospectus requirements and for relief in connection with Reporting Issuer status. These two types of applications for relief have remained the most common.

We will continue to monitor the types of applications we receive and the exemptive relief granted to determine whether we should consider changes to our rules or policies.

Key takeaways from our exemptive relief work in [Fiscal 2021](#) are set out below.¹⁸

I) Start-up crowdfunding

On June 23, 2021, the [CSA](#) published in final form [National Instrument 45-110 Start-up Crowdfunding Registration and Prospectus Exemptions](#) together with related materials (NI 45-110), which came into force on September 21, 2021.

The rule provides a harmonized national framework to facilitate securities crowdfunding for start-ups and early-stage [Issuers](#) and includes

- an exemption from the prospectus requirement to allow a non-reporting [Issuer](#) to distribute eligible securities through an online funding portal, and
- an exemption from the dealer registration requirement for a funding portal to facilitate online distributions by [Issuers](#) relying on the start-up crowdfunding prospectus exemption.

In addition, a firm registered in Ontario in the category of exempt market dealer or investment dealer is allowed to operate a funding portal if it meets the requirements set out in NI 45-110.

Prior to September 21, 2021, market participants could make use of [OSC Instrument 45-506 Start-Up Crowdfunding Registration and Prospectus Exemptions \(Interim Class Order\)](#). The interim class order came into effect on July 30, 2020 and provides registration and prospectus exemptions for start-up crowdfunding that are substantially similar to local exemptions currently available in certain other [CSA](#) jurisdictions. In addition, the interim class order is substantially similar to the framework that is available under NI 45-110. The interim class order will remain in effect until 90 days following the in-force date of NI 45-110.

II) RTO transactions – relief from financial statements

A [Reporting Issuer](#) may be required to prepare an information circular pursuant to [Form 51-102F5](#) in respect of a significant acquisition or a restructuring transaction, including an RTO, under which securities are to be changed, exchanged, issued or distributed. The information circular is required to include prospectus level disclosure (including financial statements) for these entities as referred to in section 14.2 of Form 51-102F5. In instances where the information circular is determined to be deficient; for example, if any required financial statements are missing, this may result in the [Reporting Issuer](#) having to amend its information circular and

¹⁸ Prior [OSC](#) orders and exemptive relief decisions can be found on the [OSC website](#) or on CanLII at <https://canlii.org/en/on/onsec/>.

postpone its shareholders' meeting until a supplement to the information circular is made available on [SEDAR](#).

While exchanges have the ability to waive certain listing requirements, they cannot waive financial statement requirements in respect of information circulars. In these circumstances, if a [Reporting Issuer](#) is requesting relief from a financial statement requirement, the [Reporting Issuer](#) must obtain the exemptive relief prior to mailing the information circular.

III) At-will financing/equity lines

[Staff](#) have recently reviewed filings by [Reporting Issuers](#) that indicate that the [Issuer](#) has entered into an "at-will financing facility" or similar type of financing arrangement with an institutional investor. [Staff](#) note that certain of these financing arrangements appear to be an "equity line financing arrangement" or "equity draw down facility" (collectively, an equity line). Please refer to [OSC Staff Notice 33-752 – Summary Report for Dealers, Advisers and Investment Fund Managers](#) issued by the Compliance and Registrant Regulation branch for further information.

Tip: We remind market participants that, to operate an equity line in Canada, both the [Reporting Issuer](#) and the purchaser generally require dealer and underwriter registration relief. This is because, in an equity line

- a distribution of securities to the purchaser may represent an indirect distribution of securities by the [Reporting Issuer](#) to secondary market investors through the purchaser, acting as an intermediary, and
- the purchaser may be purchasing securities "with a view to distribution" (i.e., the resale of such securities and/or of identical borrowed securities) and may therefore be considered an "underwriter" as defined in subsection 1(1) of the [Act](#).

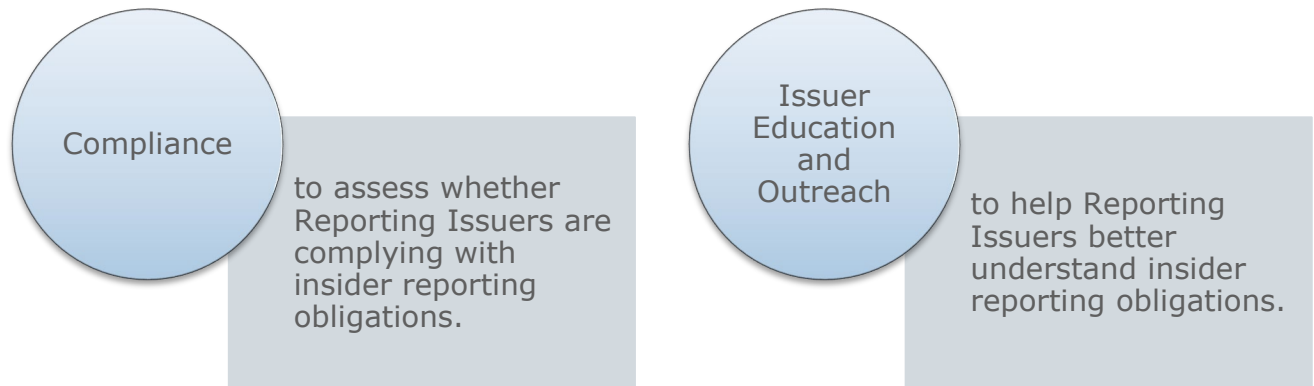
Reporting Issuers, registrants and other market participants should

- carefully consider whether a proposed financing could be considered an equity line arrangement and, if so, consider whether the [Reporting Issuer](#) and purchaser require exemptive relief, and
- take sufficient steps to make it reasonable to conclude that the offered securities come to rest outside Canada if seeking to distribute freely trading securities to purchasers outside of Canada, either under a prospectus or a prospectus exemption.

4. INSIDER REPORTING

We review compliance of reporting insiders and [Issuers](#) with insider reporting requirements through a risk-based compliance program. We actively and regularly assist [Reporting Issuers](#) and advisors by providing guidance on filing matters.

The objective of our insider reporting oversight work is twofold:



Insider reporting serves a number of functions, including deterring improper insider trading based on material undisclosed information, increasing market efficiency by providing investors with information about the trading activities of insiders, and, by inference, the insiders' views of the [Reporting Issuer's](#) future prospects. Non-compliance affects the integrity, reliability, and effectiveness of the insider reporting regime, which in turn has a negative impact on market efficiency. Where we identify non-compliance, we reach out to [Reporting Issuers](#) and request remedial filings. A [Reporting Issuer](#) should make remedial filings as soon as it becomes aware of an error to accurately inform investors of its activities, and to avoid any further late filing fees.

Tip: Staff encourage [Reporting Issuers](#) to remind their insiders regarding their [SEDI](#) filing obligations and to file reports on time to avoid late fees.

Late insider reports (generally, more than five calendar days after the date of the transaction) are subject to late filing fees. Late filing fees are set out in Appendix D of OSC Rule 13-502 *Fees*.

We educate [Reporting Issuers](#) through our compliance reviews and we also reach out to new [Reporting Issuers](#) directly to inform them of insider reporting obligations. We encourage [Reporting Issuers](#) to implement insider trading policies and monitor insider trading to meet best practice standards in [National Policy 51-201 Disclosure Standards](#).

Reminder: The definition of “reporting insider” can be found in [National Instrument 55-104 Insider Reporting Requirements and Exemptions \(NI 55-104\)](#).

We remind [Reporting Issuers](#) and insiders that they should also refer to the definition of “significant shareholder” and the interpretation of “control” in NI 55-104 as well as the interpretation of “beneficial ownership” in the [Act](#) when determining who is required to file on [SEDI](#). Understanding these definitions and interpretations will help [Reporting Issuers](#) identify and comply with their obligations.

[Staff](#) often see problems with reporting the type of ownership. For example, not reporting by type of holding or reporting it incorrectly. For indirect ownership or control or direction holdings, we remind [Reporting Issuers](#) and insiders to report the name of the registered holder.

A person is an indirect beneficial owner when the person's securities are held through an [Issuer](#), an affiliated [Issuer](#), a family trust, a third person or other legal entity. If you are an insider and you are the beneficial owner of the securities held in trust, you must report the holdings and transactions of the trust on your insider report. The key information to be included:

1. Ownership type: Indirect
2. Disclose the name of the trust as the registered holder

If you are an insider and you exercise control or direction over securities held in trust, you must report the holdings and transactions of the trust on your insider report. The key information to be included:

1. Ownership type: Control or Direction
2. Disclose the name of the trust as the registered holder

Refer to sections 3.2 and 3.3 of Companion Policy 55-104CP *Insider Reporting Requirements and Exemptions* for additional information.

Reminder: Check your insider profile to ensure the contact information is correct and file an amended insider profile within ten days of any change in name, relationship to a [Reporting Issuer](#), or if the insider has ceased to be a reporting insider of the [Reporting Issuer](#).

5. OUR SERVICE COMMITMENTS

[Staff](#) remind [Issuers](#) to consider the following when filing a confidential pre-file prospectus, preliminary prospectus or exemptive relief application:

- see our [service commitments](#) on the [OSC website](#) for guidance on when we will aim to respond to inquiries and issue comment letters;

- if you send an email or voicemail to [Staff](#) outside of our normal business hours from 9 am to 5 pm from Monday to Friday, you may not receive a response until the following business day;
- note that novel pre-file prospectuses, preliminary prospectuses or exemptive relief applications that are complex or raise new policy issues generally take longer to review;
- if you file a preliminary short form prospectus or a preliminary base shelf prospectus for a novel product/structure or after completing a reverse take-over transaction, a restructuring transaction or similar transaction, we may place the file on “long form” timing pursuant to subsection 5.5(3) of [NP 11-202](#);
- when you file a preliminary prospectus, please make sure that any [PIFs](#) delivered with the preliminary prospectus have been properly completed (e.g., that the [PIF](#) has a response for each question and is signed). When [PIFs](#) are properly completed, it means that [Staff](#) will not need to raise comments on deficient [PIFs](#) in the first comment letter for the prospectus;
- if an [Issuer](#) is currently subject to an [OSC](#) enforcement proceeding, any application for a “not a [Reporting Issuer](#)” order under subsection 1(10) of the [Act](#) may take longer than usual and would not be considered “routine”.

Tip: Prior to filing a pre-file prospectus, preliminary prospectus or exemptive relief application check the [OSC](#) website at www.osc.ca for precedents, guidance and resources to assist with any questions you may have.

6. ADMINISTRATIVE MATTERS

A) Participation fee form

Under OSC Rule 13-502 *Fees*, if a [Reporting Issuer](#) files its annual financial statements before they are due, the participation fee must also be paid on the same date. If the participation fee is not paid at the same time the annual financial statements are filed, late fees will be applied starting from the date that the annual financial statements were filed.

Each [Reporting Issuer](#) must select the participation fee form applicable to its [Reporting Issuer](#) classification as the forms and related fees are substantively different.

Tip: The class of the [Reporting Issuer](#) is based on its status as at the end of its previous financial year, not at the time of filing. [Reporting Issuers](#) must also ensure that the correct form for Ontario participation fees is completed as other jurisdictions have fee forms that are similar to the [OSC](#) form.

B) Refiling of CD documents

If a [Reporting Issuer](#) must correct a material typographical or administrative error (or omission) in an electronic filing, the [Reporting Issuer](#) must refile the entire corrected document using the appropriate cover page for the filing type as well as a covering letter or a face page for the corrected document describing the correction with the date of the correction.

If information in the refiled document is materially different from information in the originally filed document, refer to section 11.5 of [NI 51-102](#) for the procedure to be followed for refileing.

When refileing a document with materially different information or when filing restated information, the document should be attached to the document type that is identified as "Amended" or "Restated". For example, if an amended material change report is being filed, it should be filed using the document type "Material change report (amended)". If an amended [NI 43-101](#) technical report is being filed, it should be filed using the document type "Amended & restated technical report (NI 43-101)".

C) Making documents private on SEDAR

We often receive requests from [Issuers](#) and [SEDAR](#) filers to make certain documents private on [SEDAR](#). Generally, we will make a document private on [SEDAR](#) if it has been filed on the wrong [Issuer](#) profile or if the document contains errors caused by redaction software. We may also make a document private if the document contains confidential information that is potentially detrimental to the [Issuer](#).

In order to request that a document be marked private, [Issuers](#) will need to complete a request form and send it to the financial examiners at finrenotifications@osc.gov.on.ca. Please note that we only consider requests to make [CD](#) private from those [Issuers](#) whose principal regulator is Ontario. We cannot guarantee that a request will be approved immediately as we require time to review each individual request and consult internally, if necessary.

If an [Issuer's](#) request is denied, we recommend that the [Issuer](#) refile the document including a note to the reader on the face page or cover page of the document explaining the reason for refileing. Making a document private on [SEDAR](#) does not mean that it has not already been disseminated in the public domain. Certain requests to mark a document private may require a formal application under subsection 140(2) of the [Act](#).

D) Reports of Exemption Distribution

In 2016, the [CSA](#) introduced a new harmonized report of exempt distribution (RED) that requires additional information about capital raising activity in the exempt market to facilitate more effective regulatory oversight of the exempt market. The additional information supports our compliance program and informs our policy work in this area. We have historically made limited information available about specific exempt distributions as part of our open data policy, however with the new RED, we have expanded the data available about specific exempt distributions for greater transparency.

As of October 1, 2021, the [OSC](#) has expanded the reports of exempt distribution summary to include all exemptions relied on, as well as the amount raised under each exemption. The expanded summary is available for the reports of exempt distribution filed on or after June 30, 2016. Our previous summary for reports of exempt distribution filed between April 1, 2014 to June 29, 2016 is still available in its original form in a separate spreadsheet.

In addition, [Staff](#) would like to highlight some of the more common form compliance errors which often result in comments and requests for amended reports.

- **Distribution dates (Item 7b):** The distribution dates indicated on the Schedule 1 appear to be different than those referred to on the [Form 45-106F1](#).
- **Unique purchaser count (Item 7f):** The number of unique Ontario purchasers indicated on the Schedule 1 does not match the number indicated on the [Form 45-106F1](#). In calculating the number of unique purchasers per row, count each purchaser only once. Joint purchasers may be counted as one purchaser.
- **Ontario distribution amount (Item 7f):** The total Ontario distribution amount specified on the Schedule 1 does not match the form.
- **Exemptions do not match (Item 7f):** The exemptions relied on in the Schedule 1 appear to be different than those referred to on the [Form 45-106F1](#). Also, subsections should be added, if applicable, in the appropriate columns on Schedule 1.
- **Purchaser data is missing or incorrect (Schedule 1):** All required purchaser information must be completed and correct.

For additional information, please refer to the [Form Instructions](#) and [CSA Staff Notice 45-308 \(Revised\) Guidance for Preparing and Filing Reports of Exempt Distribution under National Instrument 45-106 Prospectus Exemptions](#) (CSA SN 45-308).

Prospectus exemptions can help a company raise money without the time and expense of preparing a prospectus. As of September 21, 2021, exempt distributions can be made under the new prospectus exemption in NI 45-110.

Exempt distributions under NI 45-110 must be reported to the [OSC](#) by filing a **[Form 45-106F1](#) no later than 30 days after the distribution**, whereas distributions under many other prospectus exemptions are required to be reported no later than 10 days after the distribution. Companies that distribute securities using multiple prospectus exemptions may wish to file a single [Form 45-106F1](#). **The [OSC](#) reminds filers that, if an [Issuer](#) distributes securities concurrently under NI 45-110 and another capital raising exemption and the [Issuer](#) wants to file one report of exempt distribution, the report would be due 10 days after the distribution (and not 30 days).**

In situations where a distribution occurs in “tranches” on multiple distribution dates, filers should refer to the guidance in CSA SN 45-308.

Part B: Responsive Regulation

- 1. CD Requirements
- 2. Prospectus Guidance
- 3. Business Acquisition Report
- 4. Listed Issuer Exemption
- 5. Syndicated Mortgages
- 6. Environmental, Social and Corporate Governance
- 7. Cryptocurrency
- 8. Benchmarks
- 9. Designated Rating Organizations

1. CONTINUOUS DISCLOSURE REQUIREMENTS

On May 20, 2021, the [CSA](#) proposed changes to the [CD](#) requirements for non-investment fund [Reporting Issuers](#) to streamline and clarify annual and interim filings.

The proposed changes are as follows:

- streamline and clarify certain disclosure requirements in the [MD&A](#) and [AIF](#) for non-investment fund [Reporting Issuers](#);
- eliminate certain requirements that are redundant or no longer applicable;
- combine the financial statements, [MD&A](#) and, where applicable, [AIF](#) into one reporting document called the annual disclosure statement for annual reporting purposes, and the interim disclosure statement for interim reporting purposes;
- introduce a small number of new requirements to address gaps in disclosure.

The [CSA](#) also consulted on a proposed framework for semi-annual reporting on a limited basis. The framework would allow venture [Issuers](#), that are not SEC issuers, the choice of reporting on a semi-annual rather than a quarterly basis. Alternative disclosure would be required for interim periods where financial statements and [MD&A](#) would not be filed. While a rule was not published for comment, the [CSA](#) sought public comment on whether rules consistent with the proposed framework could further reduce regulatory burden for these [Issuers](#) while still providing investors with adequate information to make informed decisions. The comment period ended on September 17, 2021 and the [CSA](#) received 36 comment letters. The [CSA](#) is considering the feedback received.

2. PROSPECTUS GUIDANCE

In March 2021, the [CSA](#) published revisions to [CSA Staff Notice 41-307 Corporate Finance Prospectus Guidance – Concerns Regarding an Issuer’s Financial Condition and the Sufficiency of Proceeds from a Prospectus Offering](#) to provide guidance on sufficiency of proceeds and financial condition concerns specifically in the context of base shelf prospectus reviews. This notice describes issues that have arisen in past prospectus reviews and explain the types of comments that have been raised about an [Issuer’s](#) financial condition and/or the sufficiency of proceeds from a prospectus offering. The guidance applies to [Issuers](#) that have short-term liquidity concerns and/or offerings that do not appear to be raising sufficient proceeds.

3. BUSINESS ACQUISITION REPORT

On August 20, 2020, the [CSA](#) published [Notice of Amendments to National Instrument 51-102 Continuous Disclosure Obligations and Changes to Certain Policies Related to the Business Acquisition Report Requirements](#). The [BAR](#) amendments came into effect on November 18, 2020.

The [BAR](#) 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 triggered¹⁹, and
- increase the significance test threshold for [Reporting Issuers](#) that are not venture [Issuers](#) from 20% to 30%.

The [BAR](#) amendments are expected to reduce regulatory burden for [Reporting Issuers](#) that are not venture [Issuers](#) by limiting the application of the [BAR](#) requirements while still providing investors with relevant and appropriate information following such transactions.

4. LISTED ISSUER FINANCING EXEMPTION

The [proposed listed issuer financing exemption](#) is expected to reduce costs for [Reporting Issuers](#) raising capital through the public markets. It would also allow [Reporting Issuers](#) greater access to retail investors and provide retail investors with a broader choice of investments. The exemption would allow [Reporting Issuers](#) to distribute freely tradeable securities of a type that trades on a Canadian stock exchange to any class of investor, primarily based on its [CD](#) record.

The prospectus exemption will be available to [Issuers](#) that have been a [Reporting Issuer](#) for at least 12 months and have filed all continuous disclosure documents required under Canadian securities legislation. Eligible [Reporting Issuers](#) must file a short offering document to supplement and confirm the accuracy of the [CD](#) record. Under the proposed exemption, [Reporting Issuers](#) could raise up to the greater of \$5 million or 10 per cent of the [Reporting Issuer's](#) market capitalization, to a maximum of \$10 million, annually. More significant transactions that could affect the [Reporting Issuer's](#) overall business will continue to require the use of a prospectus or other available prospectus exemption.

¹⁹ 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](#): (1) for a reporting issuer that is not a venture issuer, if the result from any one of the three significance tests exceeds 20%; (2) for a venture issuer, if the result of either the asset test or investment test exceeds 100%.

The [Modernization Taskforce Report](#) included a recommendation to introduce a prospectus exemption similar to the proposed exemption.

The comment period ended on October 26, 2021 and nine comment letters were received. We continue to work with the [CSA](#) to finalize the exemption and expect to publish a final proposal next year.

5. SYNDICATED MORTGAGES

On July 1, 2021, amendments to [NI 45-106](#), [NI 31-103](#), and [OSC Rule 45-501](#) related to syndicated mortgages came into force.

Prior to the amendments, under subsections 35(4) and 73.2(3) of the [Act](#), mortgages sold by persons registered or exempt from registration under mortgage brokerage legislation were exempt from the registration and prospectus requirements in Ontario, including for transactions involving syndicated mortgages. These subsections have now been repealed and replaced with corresponding exemptions in [NI 45-106](#) and [NI 31-103](#) that do not extend to syndicated mortgages.

The amendments introduced additional investor protections related to syndicated mortgages distributed under the offering memorandum exemption under section 2.9 of [NI 45-106](#), including enhancing disclosure and requiring the delivery of a current property appraisal prepared by an independent professional appraiser to investors who purchase syndicated mortgage investments.

Syndicated mortgages may no longer be distributed under the private issuer exemption under section 2.5 of [NI 45-106](#) or subsection 73.4(2) of the [Act](#).

More limited prospectus and registration exemptions, that do apply to syndicated mortgages, have been introduced in [OSC Rule 45-501](#) to exempt transactions for which the Financial Services Regulatory Authority (FSRA) will continue to provide primary oversight. These transactions include distributions of qualified syndicated mortgages, which are not expected to present significant investor protection concerns, and transactions with sophisticated parties that fall within the class of permitted clients (as defined in [NI 31-103](#)), in each case, provided that the transactions are undertaken by a mortgage brokerage that is licensed under the *Mortgage Brokerages, Lenders and Administrators Act, 2006*.

As a result of these amendments, higher risk syndicated mortgages sold to retail investors in Ontario will be overseen by the [OSC](#) and subject to the same or stricter requirements as other forms of real estate investments.

6. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The focus on climate-related issues in Canada and internationally has grown rapidly in recent years. Investors and other stakeholders are increasingly focused on climate-related risks and are seeking improved disclosure on [Reporting Issuers'](#) governance processes and the material risks, opportunities, and financial impacts to climate change. Current securities legislation in Canada requires disclosure of certain climate-related information in a [Reporting Issuer's](#) regulatory filings if such information is material.²⁰

The [Modernization Taskforce Report](#) recommended mandated disclosure by public companies of material environmental, social, and corporate governance (ESG) information, specifically climate-related information for [Reporting Issuers](#) through regulatory filing requirements of the [OSC](#).

The 2021 Ontario budget noted the [Modernization Taskforce's](#) consultation and final recommendations. The budget stated that the [OSC](#) would begin policy work to inform further regulatory consultation on ESG disclosure in the second half of 2021.

On October 18, 2021, the [CSA](#) published a notice and request for comment proposed climate-related disclosure requirements in [National Instrument 51-107 Disclosure of Climate-related Matters](#) (the **Notice**) to address the need for more consistent and comparable information to help inform investment decisions. The requirements contemplate disclosure largely consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and are intended to improve comparability of the climate-related information [Issuers](#) disclose and help investors make more informed investment decisions. The requirements are also intended to address costs associated with reporting across multiple disclosure frameworks, improve access to global markets, and facilitate an equal playing field for [Issuers](#). Comments should be submitted by January 17, 2022.

In addition to the proposed climate-related disclosure requirements, in spring 2021, staff in certain [CSA](#) jurisdictions conducted a targeted review of 48 [Reporting Issuers](#) primarily from the S&P/TSX Composite Index and from a diverse range of industries, that focused on the extent to which material climate-related risks, financial impacts and related governance disclosure were provided in [CD](#) filings. The review found that [Reporting Issuers](#) are providing more climate-related information compared with the 2018 review findings published in [CSA Staff Notice 51-354 Report on Climate Change-related Disclosures Project](#). While the volume of climate-related disclosures has increased and the quality has generally improved, review staff noted areas where disclosure of climate-related risks were either boilerplate,

²⁰ The [CSA](#) has also issued publications regarding climate-related disclosures on three previous occasions: [CSA Staff Notice 51-333 Environmental Reporting Guidance \(October 2010\)](#); [CSA Staff Notice 51-354 Report on Climate Change-related Disclosures Project \(April 2018\)](#); and [CSA Staff Notice 51-358 Reporting of Climate Change-related Risks \(August 2019\)](#).

vague or incomplete and/or did not adequately address the financial impact of the identified risks. The findings from this review are included in the Notice.

Finally, the [OSC](#) is involved with [IOSCO](#)'s Sustainable Finance Task Force (STF). In 2020, [IOSCO](#) established the STF to carry out work to improve the consistency, comparability and reliability of sustainability-related disclosures. The STF's work is focused on three areas: (i) Workstream 1: corporate issuers' sustainability-related disclosures; (ii) Workstream 2: asset managers' disclosures and investor protection issues, including greenwashing; and (iii) Workstream 3: the role of ESG data and ratings providers. The [OSC](#) is a member of Workstream 1 and is co-chairing Workstream 2 with the Securities and Futures Commission of Hong Kong. [Staff](#) have provided input on the Workstream 1 and Workstream 2 reports which were published in June 2021. [Staff](#), along with other [OSC](#) representatives, are also involved in the work of the [IOSCO](#) STF Technical Experts Group which is providing input to the International Financial Reporting Standards (IFRS) Foundation as it develops its draft prototype of sustainability disclosure standards.

7. CRYPTOCURRENCY

[CSA Staff Notice 51-363 *Observations on Disclosure by Crypto Assets Reporting Issuers*](#) was published on March 11, 2021. The notice outlines the disclosure expectations of [CSA](#) staff in key areas such as safeguarding crypto assets, the use of crypto asset trading platforms, risk factors, material changes and promotional activities. The notice also provides guidance to crypto asset [Issuers](#) on navigating certain complex accounting and disclosure issues.

8. BENCHMARKS

Financial Benchmarks

On April 29, 2021, the [CSA](#) published the final version of [Multilateral Instrument 25-102 *Designated Benchmarks and Benchmark Administrators*](#) (MI 25-102), which establishes a comprehensive regime for the designation and regulation of financial benchmarks and those that administer them. MI 25-102 came into force in Ontario on July 13, 2021.

The [CSA](#) jurisdictions that have adopted MI 25-102 have also entered into a memorandum of understanding (MOU) respecting the oversight of designated benchmarks and designated benchmark administrators. The MOU sets out a lead/co-lead authority model so that each designated benchmark and designated benchmark administrator will have one or more [CSA](#) members that function as its lead authority or co-lead authorities and are primarily responsible for its oversight. The MOU came into force in Ontario on July 27, 2021.

The [CSA](#) intends to seek to have the European Union (EU) and the United Kingdom (UK) each recognize MI 25-102 as "equivalent" for the purposes of the EU benchmarks regulation and the UK benchmarks regulation so that Canadian

benchmarks would have the benefit of a Canadian domestic regime that has been recognized as equivalent by the EU and the UK.

On September 15, 2021, the [OSC](#) and the Autorité des marchés financiers (the AMF) designated the Canadian Dollar Offered Rate (CDOR) as a designated benchmark and Refinitiv Benchmark Services (UK) Limited (RBSL) as its administrator. CDOR was designated as an “interest rate benchmark” and a “critical benchmark” and the [OSC](#) and the AMF will be the co-lead authorities for CDOR and RBSL. Copies of the designation orders are available on the [OSC website](#) and the AMF website, respectively.

Commodity Benchmarks

On April 29, 2021, the [CSA](#) also published proposed amendments to MI 25-102, which would establish a comprehensive regime for the designation and regulation of commodity benchmarks and those that administer them.

As with adopting MI 25-102 in respect of financial benchmarks, we are pursuing this initiative since we believe there is a need for regulation due to the potential for misconduct, and the need to reflect global developments in benchmarks regulation, including the [IOSCO](#) Principles for Oil Price Reporting Agencies and the EU’s benchmarks regulation.

The comment period ended on July 28, 2021 and we received five comment letters. The next steps for the [CSA](#) on this project will be to complete consideration of the comments received and prepare the final version of the amendments.

9. DESIGNATED RATING ORGANIZATIONS

In April 2012, the [CSA](#) implemented a regulatory oversight regime for credit rating agencies (CRAs) through [National Instrument 25-101 Designated Rating Organizations](#) (NI 25-101) (DROs). The regime recognizes and responds to the role of CRAs in our credit markets, and the role of CRA-issued ratings which are referred to in securities rules and policies. Under the regime, the [OSC](#) has the authority to designate a CRA as a DRO, to impose terms and conditions on a DRO, and to revoke a designation order, or change its terms and conditions, where the [OSC](#) considers it in the public interest to do so.

There are currently five CRAs that have been designated as DROs in Canada under NI 25-101:

1. DBRS Limited
2. Fitch Ratings, Inc.
3. Kroll Bond Rating Agency, LLC (Kroll)
4. Moody’s Canada Inc.
5. S&P Global Ratings Canada

Kroll has only been designated as a DRO for the purposes of the alternative eligibility criteria in section 2.6 of National Instrument 44-101 *Short Form*

Prospectus Distributions and section 2.6 of NI 44-102 for [Reporting Issuers](#) of asset-backed securities to file a short-form prospectus or shelf prospectus, respectively.

In Canada, the [OSC](#) is the principal regulator of these DROs. We conduct reviews of DROs using a risk-based approach. Our reviews focus on credit rating activities of the CRAs in Canada or in respect of Canadian [Issuers](#).

When we identify a concern, or an area of material non-compliance, we may take various actions depending on the nature of the observation and the perceived or potential harm to the marketplace. This may include, but is not limited to, recommending changes to the DRO's policies, procedures or information and documents on the DRO's website, or requiring training or specified oversight of DRO staff in areas where we have seen non-compliance with the DRO's policies or procedures.

Proposed Amendments to NI 25-101

In 2017, the [CSA](#) published for comment proposed amendments to NI 25-101 so that NI 25-101 would be recognized for purposes of the European Union (EU) "equivalence/certification" regime under the EU CRA Regulation. The proposed amendments reflected changes to the EU CRA Regulation that came into effect in 2018 and that are required for purposes of the EU "equivalence/certification" regime. The DROs that submitted comment letters on the proposed amendments expressed concerns about increased regulatory burden.

[OSC Staff](#) have considered developments since the proposed amendments were published for comment. Following Brexit, there is now a UK CRA Regulation which reflects the EU CRA Regulation. Since the 5 existing DROs in Canada are relying on the alternative EU and UK "endorsement" regimes and NI 25-101 continues to be recognized for purposes of those regimes, we have decided not to pursue the proposed amendments.

KEY STAFF NOTICES

Topic	Reference
COVID-19	<ul style="list-style-type: none"> • <u>CSA Staff Notice 51-362 Staff Review of COVID-19 Disclosures and Guide for Disclosure Improvements</u> • <u>CSA Staff Notice 51-360 (Updated) – Frequently Asked Questions Regarding Filing Extension Relief Granted by Way of a Blanket Order in Response to COVID-19</u> • <u>CSA Multilateral Staff Notice 51-361 – Continuous Disclosure Review Program Activities for the fiscal years ended March 31, 2020 and March 31, 2019</u>
Prospectus Practice Directives	<ul style="list-style-type: none"> • <u>CSA Staff Notice 41-307 Corporate Finance Prospectus Guidance – Concerns Regarding an Issuer’s Financial Condition and the Sufficiency of Proceeds from a Prospectus Offering</u> • <u>OSC Staff Notice 41-702 – Prospectus Practice Directive #1 – Personal Information Forms and Other Procedural Matters Regarding Preliminary Prospectus Filings</u> • <u>OSC Staff Notice 41-703 – Corporate Finance Prospectus Practice Directive #2 – Exemption from Certain Prospectus Requirements to be Evidenced by a Receipt</u>
Pre-File Reviews	<ul style="list-style-type: none"> • <u>CSA Staff Notice 43-310 – Confidential Pre-File Review of Prospectuses (for non-investment fund issuers)</u> • <u>OSC Staff Notice 43-706 – Pre-filing Review of Mining Technical Disclosure</u>
Disclosure Obligations	<ul style="list-style-type: none"> • <u>OSC Staff Notice 51-731 Corporate Finance Branch 2020 Annual Report</u> • <u>OSC Staff Notice 51-711 (Revised) – Refilings and Corrections of Errors</u> • <u>OSC Staff Notice 51-723 – Report on Staff’s Review of Related Party Transaction Disclosure and Guidance on Best Practices</u> • <u>CSA Multilateral Staff Notice 51-361 – Continuous Disclosure Review Program Activities for the fiscal years ended March 31, 2020 and March 31, 2019</u>
Forward-Looking Information	<ul style="list-style-type: none"> • <u>OSC Staff Notice 51-721 – Forward-Looking Information Disclosure</u> • <u>CSA Staff Notice 51-356 – Problematic promotional activities by issuers</u>
Non-GAAP Financial Measures	<ul style="list-style-type: none"> • <u>CSA Staff Notice 52-306 (Revised) – Non-GAAP Financial Measures</u>

	<ul style="list-style-type: none"> • <u>CSA Staff Notice 52-329 – Distribution Disclosures and Non-GAAP Financial Measures in the Real Estate Industry</u> • <u>OSC Staff Notice 52-722 – Report on Staff’s Review of Non-GAAP Financial Measures and Additional GAAP Measures</u>
Industries	<ul style="list-style-type: none"> • <u>CSA Staff Notice 51-363 Observations on Disclosure by Crypto Assets Reporting Issuers</u> • <u>CSA Staff Notice 55-317 Automatic Securities Disposition Plans</u> • <u>CSA Staff Notice 43-307 – Mining Technical Reports – Preliminary Economic Assessments</u> • <u>CSA Staff Notice 43-309 – Review of Website Investor Presentations by Mining Issuers</u> • <u>CSA Staff Notice 43-311 – Review of Mineral Resource Estimates in Technical Reports</u> • <u>CSA Staff Notice 51-327 – Revised Guidance on Oil and Gas Disclosure</u> • <u>CSA Staff Notice 51-342 – Staff Review of Issuers Entering Into Medical Marijuana Business Opportunities</u> • <u>CSA Multilateral Staff Notice 51-349 – Report on the Review of Investment Entities and Guide for Disclosure Improvements</u> • <u>CSA Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana-Related Activities</u> • <u>CSA Staff Notice 51-357 – Staff Review of Reporting Issuers in the Cannabis Industry</u> • <u>OSC Staff Notice 51-720 – Issuer Guide for Companies Operating in Emerging Markets</u> • <u>OSC Staff Notice 51-722 – Report on a Review of Mining Issuers’ Management’s Discussion and Analysis and Guidance</u> • <u>OSC Staff Notice 51-724 – Report on Staff’s Review of REIT Distributions Disclosure</u>
Insider Reporting and SEDI	<ul style="list-style-type: none"> • <u>OSC Staff Notice 51-726 – Report on Staff’s Review of Insider Reporting and User Guides for Insiders and Issuers</u> • <u>CSA Staff Notice 55-316 – Questions and Answers on Insider Reporting and the System for Electronic Disclosure by Insiders (SEDI)</u>
Use of the Internet and Cyber Security	<ul style="list-style-type: none"> • <u>CSA Multilateral Staff Notice 51-347 – Disclosure of cyber security risks and incidents</u> • <u>CSA Staff Notice 51-348 – Staff’s Review of Social Media Used by Reporting Issuers</u>

<p>Corporate Governance</p>	<ul style="list-style-type: none"> • <u>CSA Multilateral Staff Notice 58-312 – Report on Sixth Staff Review of Disclosure regarding Women on Boards and in Executive Officer Positions</u> • <u>CSA Multilateral Staff Notice 58-311 Report on Fifth Staff Review of Disclosure regarding Women on Boards and in Executive Officer Positions</u> • <u>CSA Multilateral Staff Notice 58-310 Report on Fourth Staff review of Disclosure regarding Women on Boards and in Executive Officer Positions</u> • <u>CSA Multilateral Staff Notice 51-359 Corporate Governance Related Disclosure Expectations for Reporting Issuers in the Cannabis Industry</u>
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The OSC Inquiries & Contact Centre operates from
8:30 a.m. to 5:00 p.m. Eastern Time, Monday to Friday,
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If you have questions or comments about this Report, please contact:

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