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CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Notice 23-325
Trading Fee Rebate Pilot Study

January 23, 2020

I. INTRODUCTION

The Canadian Securities Administrators (the **CSA** or **we**) have either approved or not objected to[1] the Trading Fee Rebate Pilot Study that applies temporary pricing restrictions on marketplace transaction fees applicable to trading in certain interlisted and non-interlisted securities (the **Pilot Study**). The implementation of the Pilot Study will be conditional on the implementation of a similar study in the United States (the **SEC Fee Pilot**).[2] In the event the SEC Fee Pilot does not proceed, the CSA will not move forward with the implementation of the Pilot Study.

We are publishing the design of the Pilot Study (the **Final Design Report**) at Appendix A and the form of an order for the implementation of the Pilot Study at Appendix B to this Notice. The Final Design Report will also be available on the websites of other CSA jurisdictions, including:

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

The Pilot Study will begin on a date concurrent with the implementation of the SEC Fee Pilot. Once we have confirmation that the SEC Fee Pilot is proceeding, we will publish a notice of implementation that will provide additional details including the start date of the Pilot Study. See Part IV of this Notice for additional information regarding timing and duration.

II. PURPOSE OF THE PILOT STUDY

The CSA is concerned that the payment of rebates by marketplaces may be affecting the behaviour of marketplace participants by:

1. creating conflicts of interest for dealer routing decisions that may be difficult to manage;

2. contributing to increased segmentation of order flow; and

[1] The Autorité des marchés financiers and the Ontario Securities Commission have approved the Trading Fee Rebate Pilot Study. In addition, the Alberta Securities Commission, the British Columbia Securities Commission, the Financial and Consumer Affairs Authority of Saskatchewan, the Financial and Consumer Services Commission of New Brunswick, the Manitoba Securities Commission, the Nova Scotia Securities Commission, the Office of the Superintendent of Securities, Service Newfoundland and Labrador, the Prince Edward Island Office of the Superintendent of Securities, the Department of Justice of the Government of Nunavut, the Office of the Superintendent of Securities of the Northwest Territories and the Office of the Yukon Superintendent of Securities have not objected to the Trading Fee Rebate Pilot Study.
[2] Published at: https://www.sec.gov/rules/final/2018/34-84875.pdf. Please also see the "Notice Establishing the Commencement and Termination Dates of the Pre-Pilot Period of the Transaction Fee Pilot for National Market System Stocks," published at: https://www.sec.gov/rules/other/2019/34-85906.pdf.

3. contributing to increased intermediation in actively traded securities.

The purpose of the Pilot Study is to determine the effects of the prohibition of rebate payments by Canadian marketplaces.

III. THE DEVELOPMENT OF THE PILOT STUDY

The CSA has been considering a pilot study on the payment of trading fee rebates for a number of years as part of our continued work to foster fair and efficient capital markets and confidence in capital markets. On May 15, 2014, we published a Notice and Request for Comment (the **2014 Notice**) that proposed amendments to National Instrument 23-101 *Trading Rules* (**NI 23-101**) in relation to the order protection rule (**OPR**).[3] On April 7, 2016, as a result of our review of OPR, we published a Notice of Approval of Amendments to NI 23-101 and Companion Policy 23-101CP (the **2016 Notice**).[4] In the 2016 Notice, we acknowledged that we had been considering a pilot study to analyse the impact of the payment of trading fee rebates. However, despite stakeholder support, feedback from commenters and academics suggested that there are certain risks to running a pilot study independent of the United States due to the interconnected nature of North American markets and Canadian equity securities that are interlisted in the United States. Therefore, we decided not to move forward with a pilot study unless a similar study was undertaken in the United States.[5]

On March 14, 2018, the United States Securities and Exchange Commission (**SEC**) proposed new Rule 610T of Regulation National Market System (**NMS**) that would conduct a transaction fee pilot for NMS securities,[6] resulting in an opportunity for a Canadian pilot study.

On March 16, 2018, we published CSA Staff Notice 23-322 *Trading Fee Rebate Pilot Study*[7] to provide an update on our plans to study the impacts of transaction fees and rebates on order routing behaviour, execution quality, and market quality, and noted that we have been engaged in dialogue with SEC Staff. In July 2018, we retained three Canadian academics (the **Academics**)[8] to design the Pilot Study and measure the results. Then, on September 12, 2018, the Capital Markets Institute at the Rotman School of Management held an event where the Academics provided a presentation of their preliminary thoughts on the structure of the Pilot Study, followed by a panel discussion and open forum.

On December 18, 2018, we published CSA Staff Notice and Request for Comment 23-323 *Trading Fee Rebate Pilot Study* (the **2018 RFC**)[9] to obtain feedback on the design, specifications, and implementation of the then proposed pilot. The 2018 RFC was published for a 45-day comment period, which, following stakeholder feedback,[10] was extended to March 1, 2019 by way of CSA Staff Notice 11-340 *Extension of Comment Period*.[11] A list of those who submitted comments and a summary of the comments and our responses are attached at Appendix C to this Notice. Copies of the comment letters are available at www.osc.gov.on.ca. Notably, a joint letter submitted by nine Canadian pension plans and global asset managers expressed strong support for the Pilot Study. In contrast, all but one marketplace do not support it. However, the majority of stakeholders, including dealers, are in favour of the Pilot Study.

On December 19, 2018, the SEC published new Rule 610T of Regulation NMS to conduct the SEC Fee Pilot. The SEC Fee Pilot allows for coordination with the Pilot Study and we will continue our discussions with SEC Staff to align the two pilot studies.

IV. SUMMARY OF THE PILOT STUDY

a. Timing and Duration

The Pilot Study will be implemented on a staggered basis consisting of two stages:

1. interlisted securities in tandem with the implementation of the SEC Fee Pilot, if possible; and

2. non-interlisted securities and exchange-traded products (**ETPs**) three months following the introduction of interlisted securities.

[3] Published at: (2014) 37 OSCB 4873.
[4] Published at: (2016) 39 OSCB 3237.
[5] Please refer to section 7 *Pilot Study on Prohibition on Payment of Rebates by Marketplaces* in (2016) 39 OSCB 3237.
[6] Published at: https://www.sec.gov/rules/proposed/2018/34-82873.pdf.
[7] Published at: http://www.osc.gov.on.ca/en/SecuritiesLaw_sn_20180316_23-322_trading-fee-rebate-pilot-study.htm.
[8] The CSA selected the following group of researchers with expertise in Canadian equity market structure to design and conduct the pilot study: Katya Malinova, Andriy Shkilko, and Andreas Park. The announcement regarding the retaining of the Academics was published at: http://www.osc.gov.on.ca/en/NewsEvents_nr_20180801_csa-trading-fees-rebates-pilot-study.htm.
[9] Published at: http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20181218_23-323_trading-fee-rebate-pilot-study.htm.
[10] Please see Comment Letter from Deanna Dobrowsky, Vice President, Regulatory Office of the General Counsel of TMX Group dated January 9, 2019, available at http://www.osc.gov.on.ca/documents/en/Securities-Category2-Comments/com_20190109_23-323_tmx.PDF.
[11] Published at: http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_sn_20190117_11-340_rebate-pilot-study.htm.

We intend to provide market participants with as much notice as is possible prior to implementation of the first stage of the Pilot Study. However, it is important that the implementation of the Pilot Study be aligned with the timing of the SEC Fee Pilot. Given the uncertainty regarding the SEC Fee Pilot, we note that implementation timing may need to be expedited. Once we have confirmation that the SEC Fee Pilot is proceeding, we intend to issue orders in the form at Appendix B of this Notice for each of the applicable marketplaces, outlined in further detail below. These orders will be accompanied by a public notice that sets out additional details of implementation, including the start date of the Pilot Study.

With respect to the duration of the Pilot Study, we expect that it will conclude in tandem with the SEC Fee Pilot, at which point the fee structures of all marketplaces are expected to revert to those in place prior to the Pilot Study. Marketplaces will then be permitted to file any fee change that accords with Canadian securities laws subject to further regulatory action that may result from the analysis of the Pilot Study.

Throughout the Pilot Study, the Academics will review the market quality metrics identified in the Final Design Report on an ongoing basis. Where these metrics indicate that the Pilot Study is having a significant and extended detrimental impact on market quality, the CSA will respond promptly and the Alberta Securities Commission, British Columbia Securities Commission, and Ontario Securities Commission (together, the **Commissions**) will proceed to issue orders under their respective securities legislation revoking or varying the orders implementing the Pilot Study, effectively ending or varying it.[12]

b. Applicable Marketplaces

The Pilot Study will be applicable to all trading fee rebates paid by Canadian marketplaces, both exchanges and alternative trading systems (**ATSs**), for the execution of orders with respect to certain equity securities and ETPs, outlined in greater detail below. The Pilot Study will apply to all trading fee models, including "maker-taker" and "inverted maker-taker."

c. Pilot Study Securities

The Pilot Study will consist of two samples:

1. A set of securities selected from a list of highly liquid securities that is prepared and published by the Investment Industry Regulatory Organization of Canada (**IIROC**);[13] and

2. A set of actively traded, medium liquidity securities that has been constructed by the Academics.

These sample securities include both interlisted and non-interlisted common stocks, as well as ETPs, that are listed on the TSX and TSXV. The list of Pilot Study securities will be appended to the orders implementing the Pilot Study.

Half of the sample securities will be assigned to a treatment group for which a prohibition of trading fee rebates will be applied. Each security in the treatment group will be matched with a control security that has similar characteristics, including firm size, share price, and trading volume. Trading fee rebates will continue to be permitted for those securities in the control group.

The selection of ETPs in the sample will follow the approach described in the Final Design Report. ETPs with the same underlying index will be placed together into either the treatment or control group. ETPs in the treatment group will be matched with other ETPs with the same underlying security type (i.e. fixed income, equity, commodities etc.), but a different underlying index.

d. Pilot Study Design

The Pilot Study prohibits the payment of trading fee rebates, including linked pricing, by marketplaces with respect to trading in treated securities.[14] The Academics will conduct an empirical analysis based on market quality metrics and compare the treated securities with the control securities. This statistical analysis will investigate the effects of the prohibition of rebates by comparing changes in market quality for the treatment and control group securities.

In the event that the SEC Fee Pilot does not proceed, the CSA considered conducting the Pilot Study with only non-interlisted securities. However, we ultimately determined that we should not do so largely because we were not confident of the extent to which the results of such a pilot study could be extended across all securities for policy-making purposes. In addition, it is questionable whether such a pilot study would result in sufficient data to analyze the impact and justify the technology-related costs that would be incurred by industry.

[12] In Ontario, the Ontario Securities Commission will issue orders under s. 144 of the *Securities Act* (Ontario), revoking or varying the orders issued under ss. 21(5) and 21.0.1, as applicable.
[13] Please see: http://www.iiroc.ca/industry/rulebook/Pages/Highly-Liquid-Stocks.aspx.
[14] This will include the prohibition of rebate payments for intentional crosses.

Please see Appendix A for the Final Design Report. Please also refer to GitHub for ongoing code and data analysis from the Academics as the Pilot Study moves forward.[15]

e. Market Making Programs under the Pilot Study

We believe that exchange market makers play an important role in enhancing liquidity and ensuring an orderly market. However, to avoid possible distortion of the Pilot Study and interference with the ability to meaningfully analyze data collected, we are of the view that the payment of trading fee rebates by marketplaces with respect to trading in treated securities for all market participants, including exchange market makers, should be prohibited.

While the payment of rebates for treated securities will be prohibited, we will review fee proposals filed by exchanges for other non-rebate incentives offered as part of an exchange market making program and make decisions according to the customary approval process. Although we believe that the prohibition of linked pricing supports the integrity of the Pilot Study in generating useful market quality metrics, we are of the view that an exception to a linked pricing prohibition to permit non-rebate linked pricing to exchange market makers is appropriate. We believe that non-rebate incentives applicable to registered market making activities are less likely to interfere with the objectives of the Pilot Study and may further encourage the participation of market makers and enhance liquidity provision. Similar to the SEC Fee Pilot, these incentives can be offered only to registered market makers and only for their market making activity. As an example, a marketplace could offer its market makers volume-based incentives on a monthly basis. For clarity, the CSA intends to closely align its approach here with that taken by the SEC.[16]

V. LOCAL MATTERS – IMPLEMENTATION

Certain jurisdictions are publishing other information required by local securities legislation. In Ontario, the Pilot Study will be implemented by orders of the Commission under ss. 21(5) and 21.0.1 of the *Securities Act* (Ontario), as applicable for each exchange and ATS carrying on business in Ontario. The Alberta and British Columbia Securities Commissions will also issue orders implementing the Pilot Study, as applicable for exchanges recognized in those jurisdictions. In each of these three jurisdictions, the respective orders will provide that where a marketplace pays a trading fee rebate with respect to trading in a security that is included in a treatment group in the Pilot Study, that marketplace shall file a fee amendment that would eliminate the rebate payment for the duration of the Pilot Study.

The Commissions will also order that for the duration of the Pilot Study, where a marketplace seeks any amendment to its Form 21-101 F1 or Form 21-101 F2, including the exhibits thereto, that marketplace will file submissions that satisfy the applicable Commission that any proposed amendments do not negatively impact the objective of the Pilot Study. The form of an order, representative of the orders that will be presented to the Commissions to be signed once implementation is confirmed, is attached at Appendix B.

VI. APPENDICES

A. Final Design Report;

B. Form of an order for the implementation of the Pilot Study; and

C. List of commenters along with chart summarizing comments and CSA response.

[15] See: https://github.com/mps-consulting/CSA-feepilot.
[16] See *supra* note 6 at pp. 77-83.

VII. QUESTIONS

Questions and comments may be referred to:

Kent Bailey Trading Specialist, Market Regulation Ontario Securities Commission kbailey@osc.gov.on.ca	Alex Petro Trading Specialist, Market Regulation Ontario Securities Commission apetro@osc.gov.on.ca
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APPENDIX A

Design Report
for the CSA Pilot Study on Rebate Prohibition
(revised to address public comments)*

Katya Malinova
Andreas Park
Andriy Shkilko

First version: July 24, 2018
This version: August 15, 2019

I. Executive Summary

The CSA has proposed a pilot study to better understand the effects of the prohibition of rebate payments by Canadian marketplaces (the Pilot). The United States Securities and Exchange Commission (SEC) has announced its intention to conduct a pilot study examining a similar set of issues (the SEC Pilot).

Rebates are often paid to market participants to attract their orders to a particular platform. The CSA has commissioned the authors of this report to develop the methodology for the Pilot, analyze the results, and complete a final research report detailing the findings. In this document, we propose a design and discuss the framework for the analysis. In particular, we cover the following issues: timing, sample construction, empirical measures, statistical tools, and anticipated challenges. We also address feedback received during public consultations.

An important feature of the Pilot is design simplicity. A complex design that aims to address too many questions may confound the analysis to the detriment of drawing policy-relevant conclusions. Consequently, key conditions for the Pilot to be successful are as follows:

- for a group of securities selected using objective and transparent criteria (hereafter, *treated securities*), marketplaces are prohibited from paying fee rebates[1] to dealers, including offering discounts on liquidity removal fees if such discounts are linked to the dealers' liquidity-providing activities. For all remaining securities, the rules remain unchanged;
- the prohibition applies to all marketplaces trading equity securities;
- with respect to interlisted securities, the timing of the Pilot and the set of the Pilot securities are coordinated with the SEC to the extent possible;
- the Pilot is introduced in two stages, if possible, to mitigate the effects of unexpected market-wide events that may coincide with the Pilot start date;
- in the analysis stage, a set of market quality and order routing metrics is computed using detailed audit-trail-level data;
- a set of standard techniques is applied to examine this data; and
- the codes used in the analysis are publicly available through GitHub, and comments are encouraged.

The sample will be selected from corporate equity securities and Exchange Traded Products (ETPs). The corporate equity securities will be split into highly liquid and medium liquid. Each treated security will be matched with a control security that has similar characteristics, e.g., firm size, share price, and trading volume. The control securities will not be treated. The sample selection will be governed exclusively by statistical considerations. We expect the sample to consist of:

- 50-60 highly liquid and 20-30 medium liquid, interlisted securities, with an equal number of interlisted matches,
- 60-80 highly liquid and 80-100 medium liquid, non-interlisted securities, with an equal number of non-interlisted matches, and

* We thank the Canadian Securities Administrators (CSA), the Canadian Security Traders Association, the Market Structure Advisory Committee of the Ontario Securities Commission, participants at the Rotman Capital Markets Institute Panel Discussion, and respondents to the Request for Comments on the original Design Report for their input. Katya Malinova – DeGroote School of Business, McMaster University, malinovk@mcmaster.ca. Andreas Park – Rotman School of Management, University of Toronto, Institute of Management and Innovation@UTM, andreas.park@rotman.utoronto.ca (corresponding author). Andriy Shkilko – Lazaridis School of Business and Economics, Wilfrid Laurier University, ashkilko@wlu.ca.

[1] This will include the prohibition of rebate payments for intentional crosses.

- 20-30 ETPs, with an equal number of matches selected from among ETPs that follow distinctly different security baskets.

The precise numbers of securities will be determined on the date the sample is finalized prior to the start of the Pilot.

In the analysis stage, we will use standard market quality metrics (e.g., quoted spreads and depths, effective and realized spreads, implementation shortfall, volatility, trade and order autocorrelation, time to execution for competitively priced limit orders, etc.). We will examine these metrics before and after rebate prohibition for the market overall and for several types of market participants separately (e.g., market makers, dealers, retail investors, institutional participants, participants using high frequency strategies, etc.). The final report will present the results taking care to preserve anonymity of the participants.

II. Details

A. Background

In its 2014 Request for Comments on Proposed Amendments to NI 23-101 Trading Rules,[2] the CSA points out that concerns had been raised about the maker-taker model's ability to "distort transparency of the quoted spread, introduce inappropriate incentives and excessive intermediation, and create conflicts of interest" and proposes conducting a pilot study to formally examine these issues. The CSA specifically states that any pilot should "examine the impact of prohibiting the payment of rebates by marketplaces."

In proposing the Pilot design, we seek to better understand how the prohibition of rebates may affect dealers' routing practices, the level of intermediation, and standard measures of market quality. The analysis will be carried out for the market overall and for various groups of market participants separately. We anticipate that this analysis will facilitate future policy decisions with respect to rebates and allow these decisions to be made in the most fair and transparent manner, reflecting the interests and views of all stakeholders.

In what follows, we provide a detailed description of the data, variables, and methods that will allow us to address the issues raised by the CSA. For the results to be meaningful and policy-relevant, it is important to have sufficiently large and well-structured treatment and control samples. Where possible, a staggered introduction of treatment would help minimize the likelihood of an exogenous event confounding the results. Furthermore, we will seek close coordination with the SEC, since trading in Canada may be affected by the implementation of the SEC Pilot.

B. Merits of a Canadian Pilot

Although the U.S. and the Canadian equity markets are similar, there are several key differences that may affect dealer routing decisions. Examples include the practice of retail order internalization in the U.S. and broker-preferencing in Canada. Therefore, while we expect rebate prohibition to have a similar impact on market-wide measures of market quality in both countries, changes in routing practices and the extent to which different groups of market participants are affected may differ. Consequently, a Canadian Pilot, in combination with sufficiently granular data, will substantially improve our understanding of the existing fee system and will be necessary for a well-informed Canadian regulatory policy.

C. Required Data

The Pilot aims to examine discretionary routing practices and the impact of fees on different groups of market participants. Using detailed data, we will define a trader ID as the combination of the dealer ID, user ID, and account type (specialist, client, inventory, etc.). Once defined, we will use trader IDs following the classification of market participants proposed by Devani, Tayal, Anderson, Zhou, Gomez, and Taylor (2014).

III. Pilot Securities and Sample Construction

A. Background

There are about 3,800 securities listed on Canadian stock exchanges, some of which are interlisted on foreign exchanges. Trading characteristics differ significantly across securities and in constructing the sample we must ensure that such differences do not confound the results.

First, many securities trade almost exclusively in rebate-free environments. Examples include CSE-listed securities, as well as TSX- and TSXV-listed securrities priced under $1 that trade on the TSX, TSXV, and MatchNow. Such securities will not be included in the sample.

[2] http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20140515_23-101_rfc-pro-amd.htm.

Second, we expect that our analysis will provide the most statistically reliable results for the highly liquid securities. However, we recognize that there is significant interest in examining the impact of a rebate prohibition on securities with medium activity levels. Therefore, we will analyze a sample of such securities, but we caution that the resulting market quality measures may be statistically noisy. We will also examine the effect of a rebate prohibition on ETPs. We will not examine very illiquid securities, as such an analysis will not yield statistically meaningful insights. We will split the corporate equities into two subsamples: U.S.-interlisted equities and non-interlisted equities. In our analysis, we will present the results separately for the two subsamples.

B. Sample Selection and Matching Criteria for Corporate Securities

The two subsamples of corporate equities will be further split into highly liquid and medium liquid securities. IIROC defines a security to be "highly liquid" if it trades on average at least 100 times per day and with an average trading value of at least $1,000,000 per trading day over the past month.[3] Highly liquid securities account for more than 90 percent of TSX market capitalization and as such are reasonably representative of the wealth invested in publicly-listed Canadian corporate equities. We will define a security as "medium liquid" if it trades on average at least 50 times a day and with an average daily trading value of at least $50,000 over the past month.

To select the treatment and control groups, we will use a procedure that finds stocks similar to each other based on a set of predefined characteristics and then randomly selects a stock to treat from each pair. We will use the following matching characteristics captured prior to the Pilot start date: listing status (single market vs. interlisted), liquidity status (highly liquid vs. medium liquid), firm size (market capitalization), price, and dollar trading volume, with the last three characteristics averaged over the month preceding the selection date. The list of Pilot securities will be appended to the orders implementing the Pilot.

We will follow the approach known as *the nearest-neighbour matching*. Specifically, for each possible pair of securities, *i* and *j*, we will compute the pairwise scaled matching error as follows:

$$matcherror_{ij} = \sum_{k=1}^{M} \left(\frac{C_k^i - C_k^j}{C_k^i + C_k^j} \right)^2, \qquad (1)$$

where C_k is one of the above-mentioned matching characteristics, e.g., firm size, price, and trading volume. We will then sequentially select pairs with the lowest matching errors until all stocks are allocated a pair. Finally, we will randomly assign one stock in each pair for treatment and retain the other stock as a control.

C. Sample Selection and Matching Criteria for ETPs

The comments on the original pilot design were mixed, although largely in support of including ETPs in the study. This said, respondents were concerned that the necessary partition of ETPs into a no-rebate and a control sample could create "winners and losers." As an example, consider two fictional ETPs that have the same underlying basket of securities: ATSX and ZTSX. The similarity of the underlying basket makes it tempting to assign these ETPs as matches, with one in the no-rebate group and the other in the control group. Such an assignment may, however, result in investors favouring one product over the other. If the current system of rebates is beneficial to liquidity, the control product will benefit. If the current system is not beneficial, the treated product will benefit.

To address respondents' concerns and avoid influencing investor preferences for similar ETPs, we will use the underlying index as one of the criteria to assign ETPs into the treatment and control groups. More specifically, both ATSX and ZTSX in the example above will be assigned into either a treatment or a control group. Their matches will be selected from ETPs with different underlying baskets. Further, we expect to match ETPs with the same underlying security type: equity ETPs to equity ETPs, fixed income to fixed income, etc. The rest of the matching procedure will resemble that described earlier for the corporate securities. In particular,

- we will separate ETPs into categories based on the underlying security type;
- within these categories, we will identify ETP groups that have the same underlying basket;
- we will match these groups with the ETP groups that have the same security type but a different underlying basket. Matching will be done by traded volume and price; and
- once matches are identified, we will randomly assign one of the matched groups to be treated and the other as a control.

We do not anticipate active ETPs to be included in the Pilot.

[3] http://www.iiroc.ca/industry/rulebook/Pages/Hightly-liquid-Stocks.aspx

IV. Empirical Measures and Statistical Analysis

A. Empirical Measures

Quoted Liquidity. The quoted spread will be computed as the difference between the Canada-wide best ask and bid prices (the CBBO). We will compute this metric in two ways: (i) across all markets and (ii) for the markets with protected quotes. The quoted spread at time *t* for security *i* is defined as:

$$qs_{it} = ask_{it} - bid_{it}. \qquad (2)$$

We will drop instances of locked markets, when the bid and the ask are equal, and instances of crossed markets, when the bid is greater than the ask.

Spreads usually vary by stock price. As such, it is common practice to compute the proportional spread as:

$$qsp_{it} = \frac{qs_{it}}{m_{it}}, \qquad (3)$$

where m_{it} is the CBBO midquote defined as:

$$m_{it} = \frac{ask_{it} + bid_{it}}{2}. \qquad (4)$$

To aggregate the spread metrics to the daily level, we will compute the *time-weighted* quoted spread on day *d* as follows:

$$twqsp_{id} = \frac{1}{\sum_t \Delta_{t,t+1}} \times \sum_t \Delta_{t,t+1}\ qsp_{it}, \qquad (5)$$

where $\Delta_{t,t+1}$ is the number of time units during which the quote is active. For instance, if a quote is active from 14:35:00.002 to 14:35:08.004, then $\Delta_{t,t+1}$ = 8,002 milliseconds (ms).

Some of the stocks in our sample will likely be constrained by the minimum tick size of one cent. To account for this possibility, we will compute the fraction of the day that a stock is quoted with a one cent spread.

We will compute *quoted depth* as the sum of the number of shares posted on both sides of the CBBO. We will compute *quoted dollar depth* as the sum of the dollar value of shares posted on both sides of the CBBO. We will time-weight both depth metrics.

In addition, we will examine the breadth of liquidity provision and diversification of passive liquidity by counting the number of market participants that provide liquidity and the level of competition among them based on presence at the best quotes and the frequency as well as degree of price improvement.

Price Efficiency. The finance literature has developed a number of metrics that capture the speed with which (and the extent to which) prices incorporate new information. Generally speaking, the faster the price discovery process, the more informationally efficient the prices.

Autocorrelation of Returns. Similarly to Hendershott and Jones (2005), we will compute the autocorrelation of midquote returns for 30-second, 1-minute, and 5-minute intervals. A lower absolute value of autocorrelation is associated with greater market efficiency as prices better resemble a random walk.

Variance Ratios. If prices are efficient and follow a random walk, the variance of midquotes is linear in the time horizon. Campbell, Lo, and MacKinlay (1997) define the scaled ratio of variances over *k* time horizons as: $|(\sigma_{tk}/k\sigma_t) - 1|$ and suggest that the closer this ratio is to 0, the more efficient the market. We will follow the existing literature and compute the variance ratios for two intervals: 30-seconds to 1-minute and 1-minute to 5-minutes.

Intra-Day Volatility. We will compute two volatility metrics: range-based and variance-based. The range-based metric is the daily average of the high-low price range computed over ten-minute intervals, scaled by the interval's midquote defined in equation 4 above. Aggregated over many securities, this metric is usually strongly correlated with overall market volatility as measured by the CBOE Volatility Index (VIX).[4] The variance-based metric is the standard deviation of the one-minute midquote returns for the day.

[4] The VIX is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, midquote prices of S&P 500 Index call and put options.

Activity Levels. To measure market activity, we will compute several trading volume metrics such as volume at the open and close, volume during the continuous market, volume in intentional crosses, and dark volume.

We will further compute a set of order-related metrics, such as the number of orders and their value, the proportion of canceled and executed orders, the proportion of executed order value, the number of orders that match or improve the CBBO, and the proportion of orders one and two cents away from the best quotes, as well as one percent and five percent of the midquote away from the best quotes. We will pay particular attention to changes in order routing practices to examine the effects of incentive changes related to rebate prohibition.

We note that there are no agreed upon economic measures that determine whether a change in market activity levels is beneficial or harmful. Therefore, volume and order submission figures must be interpreted with caution.

Effective Spreads. Effective spreads measure the costs that market participants incur when they trade. It is conventional to base the computation of effective spreads on the midquote of the prevailing CBBO. For security *i*, the proportional effective spread for a trade at time *t* is:

$$esp_{it} = 2 \times q_{it} \times \frac{p_{it} - m_{it}}{m_{it}}, \qquad (6)$$

where p_{it} is the transaction price, m_{it} is the midquote of the CBBO prevailing at the time of the trade, and q_{it} is an indicator variable that equals 1 if the trade is buyer-initiated and −1 if the trade is seller-initiated. The factor 2 is used to make the estimate comparable to the quoted spread by capturing the cost of a round-trip transaction. We will also examine a variation of the effective spread, entitled *investable spread*, which is the dollar cost of trading of a standard size order.

To obtain a daily effective spread estimate, it is common to volume-weight transaction-specific estimates, i.e., for trades of volumes $v_{it,}$ the effective spread on day *d* is the sum of the trades' effective spreads weighted by the trades' shares of total daily volume:

$$vwesp_{id} = \frac{1}{\sum_t v_{it}} \times \sum_t v_{it} esp_{it}. \qquad (7)$$

The purpose of the Pilot is to gain a better understanding of the effects of the prohibition of rebate payments by Canadian marketplaces, and we will therefore compute the "cum fee" effective spread (often referred to in the industry as the "economic" spread):[5]

$$cum\ fee\ esp_{it} = esp_{it} + 2 \times taker\ fee_{it}/m_{it}. \qquad (8)$$

Price Impact and Realized Spread. It is common practice to decompose the effective spread into the *price impact* and the *realized spread*. The price impact measures by how much the trade moves the price and is formally defined as:

$$primp_{it} = 2 \times q_{it} \times \frac{m_{i,t+\tau} - m_{it}}{m_{it}}, \qquad (9)$$

where $m_{i,t+\tau}$ is the CBBO midquote τ time units after the trade. The idea behind this measure is that trades reveal information about the fundamental value of the underlying security and the market needs time to incorporate this information into prices. The time horizon τ usually varies between five milliseconds for frequently traded stocks and five minutes for less frequently traded ones.

The price impact is directly related to the realized spread, which is defined as:

$$rsp_{it} = esp_{it} - primp_{it} \qquad (10)$$

and is interpreted as the revenue that liquidity providers receive net of the adverse selection costs captured by the price impact. Analogously to the cum fee effective spreads, we will account for the rebates that liquidity providers are eligible to receive and will compute the cum rebate realized spreads as follows:

$$cum\ fee\ rsp_{it} = rsp_{it} + 2 \times maker\ rebate/m_{it}. \qquad (11)$$

[5] This measure will be computed per transaction. We caution that it will be difficult to determine precisely which fees apply; dark, lit, and post-only orders may all command different fees, market-makers may receive bulk-discounts, etc. We will apply a uniform rule by employing only the "most common" fee that applies on the specific venue.

Implementation Shortfall. Buy-side institutions often trade amounts that are larger than the depth available at the best prices and therefore commonly slice large "parent" orders into smaller "child" orders. The child orders may move market prices away from the price prevalent at the beginning of the large trade and as such increase the total cost of the parent order. Buy-side traders therefore worry about the total cost of their parent orders, which is usually measured by the implementation shortfall (IS).

While we likely cannot identify buy-side trades directly, we will proxy for parent orders by identifying instances where a single trader executes several trades in the same direction on a given day and trades only in that direction. The total cost associated with such a string of trades will be measured by the implementation shortfall defined as:

$$IS_{it} = q_{it} \times (\$vol_{it} - p_{i0} \times vol_{it}) \qquad (12)$$

where q_{it} is +1 for a string of buys and −1 for a string of sales that begins at time t in stock i, $\$vol_{it}$ is the total dollar volume for the string, p_{i0} is the prevailing midquote at the time of the first trade in the string, and vol_{it} is the total share volume for the string.

A positive shortfall indicates that prices move in the same direction as the parent order. In our reporting, the aggregate shortfall will be computed in basis points of the aggregate dollar volume traded. We will consider two types of trade strings: (i) those that originate from marketable orders only and (ii) those that originate from marketable and non-marketable orders.

Passive Order Execution Quality. We will examine the impact of the Pilot on orders of a variety of different types, paying particular attention to liquidity-providing orders. For retail orders and for large trade strings, we will compute the resting time of non-marketable orders. We will specifically focus on orders with prices that suggest that the submitter is interested in a timely execution. As such, we will consider orders that are submitted at prices that match or improve the CBBO.

For large trade strings, we will also report the average fraction of volume that is traded with marketable orders. A change in this measure captures the possibility that institutional investors may change their strategies and choose to "cross the spread" more/less often.

We will also examine the ratio of traded to submitted orders; this ratio captures how many orders an institution needs to submit to fill a position. We will consider only the orders submitted at prices matching or improving the CBBO. We will also compute this ratio for share volume. Finally, we will examine the opportunity costs of passive, as well as marketable, orders that are not filled by comparing prices at the time of submission to prices obtained through post-cancellation execution of similar directional volume by the same trader ID.

B. Statistical Analysis

The basis of our statistical approach is a conventional difference-in-differences analysis of a panel dataset (securities×days). Analyses of this kind usually rely on two approaches to examine the treatment effect (i.e., the effect of rebate prohibition). We discuss these approaches below using the bid-ask spread as an example.

In the first approach, the dependent variable ΔDV_{it} is the value of the bid-ask spread for the treated security i at time t less the value for the matched security. Using this dependent variable, we will estimate the following regression:

$$\Delta DV_{it} = \alpha \cdot pilot_t + controls_t + \delta_i + \varepsilon_{it}, \qquad (13)$$

where $Pilot_t$ is an indicator variable set to 1 on the Pilot start date, $controls_t$ are time series controls such as the VIX, and $\underline{\delta_i}$ are security-pair fixed effects. The coefficient of interest α captures the effect of the Pilot on treated securities.[6]

In the second approach, the dependent variable DV_{it} is the value of the bid-ask spread for each security from the treatment and control groups. Using this dependent variable, we will estimate the following regression:

$$\Delta DV_{it} = \alpha_1 \cdot pilot_t + \alpha_2 \cdot pilot_t \times treated_i + \alpha_3 \cdot treated_i + controls_t + \delta_i + \varepsilon_{it}, \quad (14)$$

where $Pilot_t$ is the indicator variable set to 1 on the Pilot start date, $treated_i$ is 1 if the security is from the treatment group and 0 otherwise, $controls_t$ are time series controls such as the VIX, and $\underline{\delta_i}$ are security fixed effects. The coefficient of interest is α_2; it estimates the incremental effect of the Pilot on the treated securities. For instance, with quoted spread as the dependent variable, a positive α_2 will indicate that the spreads for the treatment group increased relative to the control group.

We will conduct inference in all regressions using double-clustered Cameron, Gelbach, and Miller (2011) standard errors, which are robust to cross-sectional correlation and idiosyncratic time-series persistence.[7]

[6] This regression methodology is similar to that in Hendershott and Moulton (2011) and Malinova and Park (2015).
[7] Cameron, Gelbach, and Miller (2011) and Thompson (2011) developed the double-clustering approach simultaneously. See also Petersen (2009) for a detailed discussion of (double-)clustering techniques.

Each approach will use two controls for the market-wide effects that are known to affect trader behaviour and market quality. First, we will use the VIX to control for the level of market-wide volatility. We acknowledge that Canada has its own volatility index, but note that this index may be directly affected by trading in the sample securities, while VIX is less likely to be similarly affected. Second, we will use the cumulative return for the S&P GSCI commodity index. Comerton-Forde, Malinova, and Park (2018) show that this index is highly correlated with the Canadian TSX Composite index, but is unlikely to be significantly affected by trading in Canada and therefore serves as a proxy for Canadian market-wide returns.

V. Anticipated Challenges

We caution that several possible scenarios may affect our ability to deliver meaningful conclusions. First, individual firms in the sample may experience events during the Pilot that render them unusable for the subsequent statistical analyses (e.g., mergers, bankruptcies, or delistings). We will mitigate the impact of such events by building the sample as close as possible to the start of the Pilot, while providing market participants with sufficient time to prepare for the Pilot's implementation. This said, if one of the above-mentioned events occurs after the sample is finalized, we may omit the affected security and its match from further analyses.

Second, all securities may be affected by major market-wide confounding events. Examples are a failure of a major financial institution, a market crash, or a political event. While a staggered introduction, the use of control groups, and a sufficiently long Pilot period alleviate some of the concerns regarding such events, the CSA will reserve the right to extend the Pilot or to delay the start of the Pilot should it be necessary.

Third, the marketplaces may develop workarounds for rebate prohibitions that undermine the Pilot, e.g., differentiated fees, bulk discounts, new order types, new venues or order books, etc. The orders implementing the Pilot aim to prevent such workarounds so as to preserve the scientific integrity of the Pilot.

VI. Timing

We propose that the Pilot for the interlisted stocks match the duration of the SEC Pilot. We also propose that the Pilot proceed in two stages, with treatment introduction for the non-interlisted stocks and ETPs separated from the treatment introduction for the interlisted stocks by two to three months.

As described above, the staggered introduction may alleviate concerns that arise if the Pilot start date is close to an unexpected market-wide event. For example, in July 2011, the SEC adopted a new rule that restricted some aspects of direct market access (DMA). Several research teams endeavored to analyze this event. Unfortunately, about two weeks after the DMA rule adoption, the U.S. credit rating was downgraded, creating a substantial amount of noise in the data. No research team was able to produce meaningful conclusions because the noise completely confounded the results (Chakrabarty, Jain, Shkilko, and Sokolov, 2019). We caution that a similarly unpredictable event may confound the results if all stocks are introduced into the Pilot at once.

Our conversations with market participants suggest that they share this concern and we received feedback that the difference between the two-stage and all-at-once alternatives is immaterial in terms of technical implementation.

VII. Monitoring, Communication, and Transparency

We believe that transparency is integral to conducting pilot studies and commit to providing timely and comprehensive updates to the CSA for disclosure to market participants. We will continuously monitor the empirical measures described in section IV, share the ongoing statistical analysis with the CSA, and discuss any adverse trends that may be indicative of a decrease in market quality.

In the interest of transparency, we will make all codes publicly available via GitHub (the online code depository). GitHub includes a comment function and feedback on code improvement is welcome. Where possible, we will also provide the data (e.g., the non-proprietary data that will be used for the matching process). We believe that this level of transparency will bring added trust in the integrity of our analysis. However, we will not publish the matched securities to prevent possible gaming.

We have received excellent feedback from the CSA, the members of the OSC Market Structure Advisory Committee, the Canadian Security Traders Association, participants at the Rotman Capital Markets Institute Panel Discussion, and respondents to the Request for Comments. This report reflects this feedback.

Appendix I: A Sample Matching Procedure

This appendix provides an example of the matching procedure used to assign Canadian stocks interlisted in the U.S. into the treatment and control groups.

Trading volume, price, and market capitalization figures are the latest available from the Canadian Financial Markets Research Centre (CFMRC).[8] Trading volume is the average daily dollar volume, price is the closing price, and market capitalization is the product of the price and the number of shares outstanding. We use Canadian dollars for variables that require a price component.

We arrive at the matched sample using the following procedure:

1. We begin with a sample of 181 Canadian securities that are also interlisted on the NYSE, NYSE Arca, NYSE MKT, Nasdaq GM, and Nasdaq CM.

2. Among these, we identify 18 securities that trade at prices below $1 and refer to them as low-priced (LP). Price volatility in such securities is rather high, and as mentioned previously, LPs will not be included in the Pilot. We however discuss them here for the sake of completeness.

3. Among the remaining securities, we identify 107 that are on IIROC's "highly liquid" list. We refer to these as HL stocks and the remaining 56 securities are nHL (not highly liquid). We match HL stocks to HL stocks and nHL stocks to nHL stocks.

4. For each possible pair of *i* and *j* securities, we estimate a match error as follows:

$$matcherror_{ij} = \sum_{k=1}^{3} \left(\frac{C_k^i - C_k^j}{C_k^i + C_k^j} \right)^2,$$

where C_k are natural logs of trading volume, price, and market capitalization as defined above.

5. From the matrix of match errors that spans all stock-pairs, we then select stock-pairs with the lowest errors, for a total of 53 HL pairs, 28 nHL pairs, and 9 LP pairs.

6. Finally, to assign stocks into the treated and control groups, for each pair we generate a random number between 0 and 1. If this number is below 0.5, we assign the first stock in the pair to be treated and vice versa.

Figure 1 provides an illustration of match quality. The horizontal and vertical axes represent logarithms of market capitalization, dollar volume, and stock price for pairs of securities, with a random assignment of one member in the pair to the treatment and the other to the control group. A good match obtains if the points are on or close to the 45-degree line. A formal *t*-test shows no evidence that the treatment and control samples are different for any of the matching criteria.

[8] http://clouddc.chass.utoronto.ca/ds/cfmrc. In rare cases when CFMRC does not have a valid record for a security, we obtain the missing data from https://www.tmxmoney.com/en/index.html.

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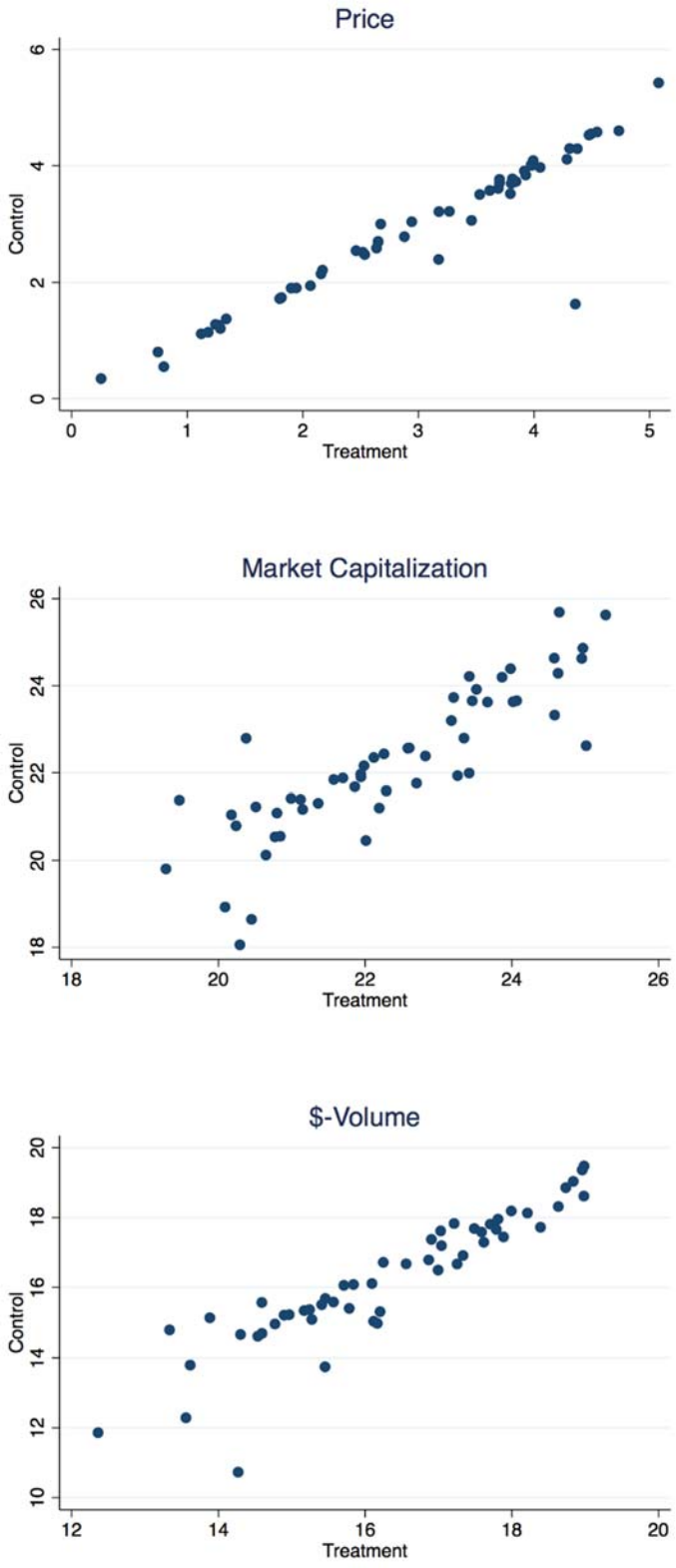
Price
Control
Treatment
0
2
4
6
0
1
2
3
4
5
Market Capitalization
Control
Treatment
18
20
22
24
26
18
20
22
24
26
$-Volume
Control
Treatment
10
12
14
16
18
20
12
14
16
18
20

Figure 1

APPENDIX B

IN THE MATTER OF
THE SECURITIES ACT,
RSO 1990, CHAPTER S5, AS AMENDED
(the "Act")

AND

IN THE MATTER OF
[INSERT EXCHANGE/ATS]

([Exchange/ATS short form])

ORDER
(Subsection 21(5)/Section 21.0.1 of the Act)

WHEREAS [Exchange/ATS short form] is an exchange/alternative trading system (ATS) carrying on business in Ontario;

AND WHEREAS if it considers it to be in the public interest, the Ontario Securities Commission (Commission) has the authority to make any decision with respect to the manner in which a recognized exchange/an alternative trading system carries on business;

AND WHEREAS the payment of rebates by a marketplace may be changing behaviours of marketplace participants and creating unnecessary conflicts of interest for dealer routing decisions that may be difficult to manage, contributing to increased segmentation of order flow, and/or contributing to increased intermediation on highly liquid securities;

AND WHEREAS in light of the information set out in the paragraph above, it is the Commission's opinion that it is in the public interest to conduct a pilot study on the prohibition of the payment of rebates by marketplaces for a sample of securities (the Pilot);

AND WHEREAS the Pilot will apply to [insert number] of securities;

AND WHEREAS the objective of the Pilot is to gain a better understanding of the effects of the prohibition of rebate payments by Canadian marketplaces (the Objective) to determine whether the Commission should facilitate the transition to an amended rule regarding the payment of rebates by marketplaces;

IT IS ORDERED that, pursuant to subsection 21(5)/section 21.0.1 of the Act:

1. On [insert Pilot start date], [insert Exchange/ATS] shall implement the Pilot according to the design set out at Appendix A appended to this Order, by eliminating rebates for those securities set out at Appendix B until [insert Pilot end date].

2. Between [insert Pilot start date] and [insert Pilot end date], if [insert Exchange/ATS] seeks any amendment to its Form 21-101F1/2, including the exhibits thereto (the Proposed Amendments), [insert Exchange/ATS] shall file submissions which satisfy the Commission that the Proposed Amendments do not negatively impact the Objective of the Pilot.

DATED this __ day of _____, 202_, to take effect _____, 202_.

_____	_____
[Name]	[Name]
[Title]	[Title]
Ontario Securities Commission	Ontario Securities Commission

APPENDIX C

LIST OF COMMENTERS

AGF Investments Inc.
Alberta Investment Management Corp. (AIMCO)
Ian Bandeen
BlackRock Asset Management Canada Limited
Caisse de Dépôt et Placement du Québec
Canada Pension Plan Investment Board (CPPIB)
The Canadian Advocacy Council for Canadian CFA Institute Societies
Canadian Security Traders Association, Inc. (CSTA)
CIBC Capital Markets (CIBCCM)
Citadel Securities Canada
CNSX Markets Inc. (CSE)
Fidelity (Canada) Asset Management ULC
Healthcare of Ontario Pension Plan (HOOPP)
Healthy Markets Association
Independent Trading Group (ITG84)
Invesco Canada Ltd.
Investment Industry Association of Canada (IIAC)
Mackenzie Investments
Mackie Research Capital Corporation
Nasdaq Canada
National Bank Financial Inc. (NFI)
NEO Exchange Inc.
Omega Securities Inc. (OSI)
OMERS Administration Corporation
Ontario Teachers' Pension Plan (OTPP)
PSP Investments
RBC Dominion Securities Inc., Capital Markets and Wealth Management
RBC Global Asset Management Inc.
Scotia Capital Inc.
Select Vantage Canada Inc.
T. Rowe Price
TD Asset Management Inc. (TDAM)
TD Securities Inc.
TMX Group Limited
Vestcor
Virtu ITG Canada Corp.

SUMMARY OF COMMENTS AND CSA RESPONSE

Topic	Summary of Comments	CSA Response
The Merits of the Pilot Study	The majority of commenters supported the Pilot Study. *Respondents in support of the Pilot Study asserted that* • The approach is consistent with the CSA's statutory mandate to foster fair and efficient markets and that the solicitation of public input and feedback has given rise to a transparent and appropriately designed Pilot Study; • An academic study is a necessary step to understanding any inherent potential dealer conflicts and that data driven approaches to rule making are appropriate and desirable; • Removal of rebates would likely simplify market structure and foster fair and efficient markets since an environment without rebates should result in less unnecessary intermediation, more reliable liquidity provision, cost reductions, and marketplaces and dealers competing on the basis of the quality of execution; and • The results of the Pilot Study could lead to a reduction in marketplace incentives that encourage excessive complexity and fragmentation and exacerbate agency concerns between investors and dealers. *Respondents not in support of the Pilot Study were concerned that* • The approach is inconsistent with the principle of proportionate regulation and with the CSA's statutory mandate to foster fair and efficient markets; • The need for a Pilot Study has not been substantiated with data analysis and experimentation should not be undertaken unless there is a compelling reason for regulatory intervention; • Viable alternatives to better manage or avoid the associated risks have not been considered; • The Pilot Study may have negative impacts on investors and issuers, may stifle competition among marketplaces, and may increase net trading fees for certain dealers; • Liquidity providers may withdraw from the markets, which could cause spreads to widen; • The Pilot Study may have unintended consequences and undermine the transparency and integrity of the Canadian capital markets, including trading flow arbitrage between Canadian and U.S. marketplaces which in turn may impact the attractiveness and competitiveness of Canadian markets; and • The Pilot Study could weaken displayed versus non-displayed markets and enable uneven trading patterns in the market.	*Support for the Pilot Study* We agree with the benefits of conducting the Pilot Study. In particular, doing so will provide evidence to support any future policy decisions with respect to rebates. *Concerns with the Pilot Study* We acknowledge commenters' concerns and intend to closely monitor the markets following implementation of the Pilot Study to determine whether any of these concerns are realized. However, we believe the best and only way to address these concerns is by conducting the Pilot Study as only through the Pilot Study can the CSA determine the impact of rebates. Should the Pilot Study prove detrimental to the markets, then we can terminate it immediately through Commission orders, where applicable.

The Overall Design of the Pilot Study	*General Structure of the Pilot Study* A number of commenters generally agreed with the timing, duration, matched pairs design, and scope of the Pilot Study. Some commenters emphasized the importance of having a test group where no rebates are permitted. Other comments discussed the importance of including all marketplaces in the Pilot Study. Some commenters were of the view that restricting rebates would likely not answer all questions concerning conflicts of interest, segmentation, or excessive intermediation (causality, temporary versus permanent behaviour changes). *Included/Excluded Securities* A number of commenters were supportive of excluding securities priced under $1 on the basis that they would not yield statistically meaningful insights. The majority of commenters expressed strong support for not including an issuer opt-out as doing so could impact sample selection and results. Another commenter wished to ensure that the CSA consulted with issuers prior to the implementation of the Pilot Study given the concerns of issuers in the United States. Another commenter was concerned that deteriorating liquidity could harm issuers, while another commenter suggested including an issuer opt-out in the Pilot Study. *Symmetrical Pricing* One commenter supported the CSA's proposal not to mandate symmetrical pricing, while another was concerned that symmetrical pricing might be the only way to eliminate conflicts. *Confidentiality* One commenter requested that the audience of the confidential data required for the Pilot Study be strictly limited to the Academics and regulators and that market participants or other third parties do not access client trading information that may include their proprietary data pertaining to their trading strategies. Another commenter expressed general privacy concerns with regards to the identity of dealers being reverse engineered based on public data made available in connection with the Pilot Study.	*General Structure of the Pilot Study* The Pilot Study is designed to provide a comprehensive understanding of the current system of rebates and its effects on market quality. Given the duration of the Pilot Study, we expect it to lead to longer term changes in market participant behaviour. *Included/Excluded Securities* As set out in greater detail below, the CSA conducted extensive consultations with a broad range of stakeholders. Respecting issuer consultations, Staff met with Commission advisory committees to solicit additional feedback. No issuers raised concerns about the Pilot Study at either these meetings or any time thereafter, including in response to the 2018 RFC. As reflected in the 2018 RFC, the CSA remains of the view that the Pilot Study will not harm issuers. *Symmetrical Pricing* The CSA will not mandate symmetrical pricing as doing so, in our view, would be overly prescriptive. *Confidentiality* The CSA can assure all market participants that the data required to conduct the Pilot Study will remain confidential to the CSA, IIROC, and the Academics. The CSA will take appropriate precautions to ensure that there is no information leakage. Furthermore, data will be anonymized and only aggregate data will be published.
The Legal Framework of the Pilot Study	*The Purpose of the Pilot Study* One commenter was generally concerned about the appropriateness of a securities regulator involving itself in fee-setting or rate-capping. Another commenter noted that the CSA had historically not engaged in such a role and indicated that there should be a clear public interest rationale for the Pilot Study to proceed. A number of commenters believe that the CSA should	*The Purpose of the Pilot Study* The purpose of the Pilot Study is to examine the effects of rebates on market quality and participant behaviour. It is the CSA's view that rebates may create conflicts that are difficult to manage and may lead to behaviour that negatively impacts market quality and the investor experience. The CSA is also of the

	clearly define certain aspects of the Pilot Study at the outset, including defining the problem that the CSA is trying to solve and how it will measure market and execution quality (e.g. what are good outcomes with respect to liquidity, volume, and ability to trade) and the overall success of the Pilot Study (what are statistically significant results).	view that the payment of rebates may lead to excessive intermediation and segmentation of order flow, which we are concerned may also be negatively impacting market quality. Therefore, the Pilot Study has been designed to test the effects of the prohibition of rebate payments by Canadian marketplaces. The metrics used will measure market quality. Should the Pilot Study prove detrimental to the markets, then the CSA can terminate it immediately through Commission orders, where applicable.
	The Consultation Process One commenter was concerned that the CSA had not meaningfully addressed comments received on the proposed pilot in response to the 2014 Notice and that the CSA appeared to have unilaterally decided to proceed with the Pilot Study. Several commenters also indicated that the CSA had not conducted a cost-benefit analysis of the Pilot Study.	*The Consultation Process* The comments received in response to the 2014 Notice were responded to and addressed through the 2016 Notice. At that time, the CSA had determined not to proceed with the proposed pilot based on the feedback received at the time about coordinating with the United States to the extent possible. The CSA only considered a potential pilot study as likely in mid-2018. Since that time, the CSA has conducted more than ten outreach actions, providing market participants with substantial opportunity to provide feedback on the Pilot Study and responding to participants' comments and any concerns. Included among these consultation actions was the publication of the 2018 RFC, which specifically sought comments on the design of the Pilot Study and whether to proceed with it. While the CSA intends to proceed with the Pilot Study, this decision was made in response to all of its outreach through which it was determined that all but a handful of market participants support proceeding with the Pilot Study. For a chart setting out the outreach conducted to date, please see Appendix 1 to this chart.
	The Implementation Process A few commenters were supportive of requiring marketplaces seeking to implement either a fee or major market structure change throughout the implementation period of the Pilot Study to demonstrate to the CSA that such a change does not interfere with the objective of the Pilot Study. In contrast, one commenter had significant concerns with this requirement, noting that it may provide the CSA with an unreasonable level of discretion to deny marketplace changes and is not applied to all marketplace participants. This commenter also believed the requirement to be too broad in that it could apply to any marketplace change. This same commenter was concerned that the implementation of the Pilot Study will circumvent the established process for imposing new obligations and rules on marketplaces. In particular, this commenter believes that the implementation scheme violates the Ontario Securities Commission's (**OSC**) prohibition on	*The Implementation Process* We have broad authority to make decisions in the public interest. Marketplaces will have the opportunity to provide submissions as to the rationale for any proposed changes and if the proposed change does not negatively impact the objective of the Pilot Study, then a decision will be made in the normal course. We have no intention of limiting marketplaces' ability to compete. The Pilot Study may lead marketplaces to find new ways to compete with one another. It is not necessary to implement the Pilot Study through the rule-making process as the Pilot Study is specific to certain securities and will only be in place for a limited time. As acknowledged by the commenter, it is also not practical to implement the Pilot Study through the rule-making process because of its time

	blanket orders and circumvents the formal rule-making process.	limited nature and because implementing the Pilot Study as a rule will make it difficult to cancel should there be detrimental effects on the market. We also note that the Pilot Study is not being implemented by way of blanket orders.
General Comments	*Difficulties with Implementing the Pilot Study* One commenter was sensitive to the technology costs that the Pilot Study will impose on industry and asked that the CSA consider this burden and try to minimize impact. Another commenter was concerned that some trading platforms cannot support two SOR settings, which could impact the results of the Pilot Study. *Policy Implications of the Pilot Study* A number of commenters expressed support for taking action where the results of the Pilot Study suggest doing so. One of these commenters noted that such action could include the substantial limitation, if not prohibition of, rebates for more liquid securities where data supports the conclusion that liquidity incentives are no longer necessary. *Possible Reliance on the Findings of the SEC Fee Pilot* Some commenters suggested that rather than implement the Pilot Study, the CSA should rely on the findings of the SEC Fee Pilot to assess whether and what policy changes should be made in Canada. Commenters were split as to whether the CSA could simply rely on the findings of the SEC Fee Pilot or would need to conduct the Pilot Study in tandem with the SEC Fee Pilot. Those in support of the latter position were particularly concerned that key differences in market mechanics and regulatory fabric will mean that the lessons observed from the SEC experience do not necessarily translate in the manner anticipated. *Alternative Approaches* Some commenters suggested that rather than conduct the Pilot Study, the CSA should use IIROC's data, including historical data, to assess the routing practices of dealers and best execution policies that address how routing decisions are made. One commenter recommended studying IIROC's data from May 2017 when the CSA introduced reduced fee caps for ETFs and non-interlisted equities.	*Difficulties with Implementing the Pilot Study* All efforts will be made to reduce the costs of implementing the Pilot Study. The Academics conducted outreach with vendors prior to the publication of the 2018 RFC and understand that they already route differently depending on the security that is traded (for example, securities priced above versus below $1.00). In addition, marketplaces regularly and frequently adjust their trading fees with limited cost to themselves or participants. *Policy Implications of the Pilot Study* We agree with the comments on this issue. The purpose of the Pilot Study is to determine the effects of the prohibition of rebate payments by Canadian marketplaces. If the results of the Pilot Study suggest that policy changes should be made to improve Canada's capital markets, then the CSA intends to evaluate and identify possible courses of action. Any proposal will follow the normal course, including a comment period. *Possible Reliance on the Findings of the SEC Fee Pilot* The CSA considered relying on the findings of the SEC Fee Pilot, but due to significant differences in Canadian and American market structure, as well as certain necessary differences in the design of the two studies, determined that it is imperative that the CSA proceed with its own Pilot Study. *Alternative Approaches* The Pilot Study will include an analysis of existing routing practices, but this information will not be sufficient to establish a nexus between fees and routing decisions. Existing routing practices are the result of interactions between marketplaces, brokers, and clients and constitute an equilibrium. A rebate prohibition will affect these interactions, such that we can study the behavioural changes and the new equilibrium. Relying on IIROC's data from the introduction of the reduced fee caps will also prove insufficient to meet the

		purpose of the Pilot Study for a number of reasons. In particular, most marketplaces reduced their fees gradually from 2015 through 2017 to prepare for the fee cap. During this time, two new marketplaces with drastically different structures, namely speedbumps, were introduced, making it impossible to isolate the effects of the fee cap on the markets.
	One commenter suggested gradually reducing the current fee cap across all securities, rather than proceeding with the Pilot Study.	A key component of the Pilot Study is the control group of securities which serves as a benchmark for changes in the treatment securities. A gradual reduction in the fee cap for all securities would be suboptimal due to the absence of a control group. A gradual reduction for the treatment group only would require that the Pilot Study be conducted over a very long time period. We expect that market participants would require several weeks to adjust behaviour as a result of each fee change, so that it will take time for each new equilibrium to emerge. Moreover, each adjustment imposes costs on market participants. Finally, a gradual roll out will make it impossible to coordinate meaningfully with the SEC Fee Pilot. We therefore believe that the single change is the best solution. In addition, the purpose of the Pilot Study is to study the impact of no rebate – i.e. the removal of the conflict of interest – to see whether the rebate drives behaviour. A gradual decrease does not measure or enable us to fulfil the primary purpose of the Pilot Study.
	The view was expressed that even if the SEC Fee Pilot does not move forward, the CSA should undertake the Pilot Study with non-interlisted securities.	If the SEC Fee Pilot does not proceed, then the CSA will not move forward with a Pilot Study of non-interlisted securities. We do not believe that we will be able to make meaningful policy decisions post-study when analyzing the impact of a rebate prohibition on only non-interlisted securities.
The Academics propose to define a security as medium-liquid if it trades at least 50 times a day on average and more than $50,000 on average per trading day over the past month. Do you believe that this definition is	There is widespread support for the definition of medium-liquid securities. Some respondents indicate that the Pilot Study should be mindful of possible industry biases. Some raised concerns that the medium-liquid securities may be too illiquid to warrant analysis.	The Academics will use the definition discussed in the 2018 RFC.[1] The analysis will separate the highly liquid from the medium-liquid securities. Since the goal of the analysis is to fully understand the impact of the rebate prohibition, the Academics will carefully examine if further analysis is warranted. The Academics are mindful of possible industry biases, which they will control for both at the analysis stage and at the randomization stage.

[1] A security is defined as “medium-liquid” if it trades on average at least 50 times a day and with an average trading value of at least $50,000 over the past month.

appropriate? If not, please provide an alternative definition and supporting data, if available, to illustrate which securities your definition captures.		
The Academics propose to introduce the Pilot Study in two stages, with non-interlisted securities first, followed by interlisted securities. Do you believe that such staggered introduction will cause material problems for the statistical analysis and the results of the Pilot Study? If so, please describe your concerns in detail.	Very few concerns were identified with the proposed staggered introduction of the Pilot Study. The predominant view was that the most important timing consideration was to align the inclusion of interlisted securities in the Pilot Study with the timing of the SEC Fee Pilot. Partly as a result of this concern, some commenters suggested that the CSA conduct the non-interlisted phase of the Pilot Study after the interlisted securities phase is complete. Other commenters were concerned with ensuring that firms were given sufficient lead time to prepare for the Pilot Study. Some commenters suggested a lead time of 90-120 days between the issuance of orders that would implement the Pilot Study and the actual Pilot Study start date. One commenter was concerned that any major market event would skew the results such that comparability of the two data sets would be compromised. That commenter indicated that running a one-stage fee pilot would ensure variables apply to both sets equally and facilitate an easier implementation.	The Academics will, where possible, maintain the staggered introduction of the Pilot Study. However, due to the likely limited lead time between the announcement that the SEC Fee Pilot will proceed and the implementation of the SEC Fee Pilot, the Pilot Study will likely proceed first with interlisted securities. We intend to provide market participants with as much notice as is possible prior to implementation of the first stage of the Pilot Study. However, it is important that the implementation of the Pilot Study be aligned with the timing of the SEC Fee Pilot. Given the uncertainty regarding the SEC Fee Pilot, we note that implementation timing may need to be expedited. Non-interlisted securities and ETPs will then be introduced into the Pilot Study three months after the introduction of interlisted securities. The Academics note that the purpose of the staggered approach is precisely to avoid the skewing of the results, and that a staggered approach allows a meaningful analysis even if there is a major market event. Specifically, a major market event around the start of the Pilot Study hampers the ability to attribute observed changes to the Pilot Study. A staggered introduction substantially reduces this risk because the likelihood of a major market event occurring on both introduction dates is lower than on one date.
Several Canadian marketplaces offer formal programs that reward market makers with enhanced rebates in return for liquidity provision obligations. On the one hand, such programs may benefit	There was no consensus amongst comments received regarding the functioning of designated market maker and liquidity programs under a rebate prohibition. Comments range from forbidding incentives entirely to leaving them materially unchanged. Several commenters highlight the nuanced nature of liquidity provision incentives, which come in the form of: (a) rebates available to all traders, (b) rebate supplements for particular types of traders, and (c) monthly non-rebate performance incentives. A number of comments highlight that unchanged market maker incentives or exceptions to market maker incentive programs could lead to distortions. Other comments highlight that incentive schemes designed to apply only to the treatment securities could create distortions. Some commenters indicated that liquidity provision involves	We are mindful of the costs and risks associated with liquidity provision and believe that market makers play an important role in ensuring an orderly market. However, we are concerned that certain types of incentives can inadvertently distort the Pilot Study and bias data collection and analyses. As such, for the pilot securities in the no-rebate group, rebates of types (a) and (b) are on their face considered to negatively impact the objective of the Pilot Study. In the meantime, we believe that monthly non-rebate performance incentives of type (c) that apply to registered market making activity are less likely to directly interfere with order

liquidity. On the other hand, one of the primary objectives of the Pilot Study is to understand if rebates cause excessive intermediation. In your opinion, should exchanges be allowed to continue using rebates or similar arrangements for market making programs during the Pilot Study? Do you believe any constraints on such programs during the Pilot Study to be appropriate?	costly risk-taking and should be compensated commensurately.	routing. For clarity, the CSA intends to closely align its approach here with that taken by the SEC set out at pages 77 through 83 of the Final Rule outlining the SEC Fee Pilot. Please see CSA Notice 23-325 *Trading Fee Rebate Pilot Study* for additional details.
The Academics propose to compute price impacts at the one- and five-second horizons. Do you believe that they should consider other horizons? If so, which ones?	No commenters objected to the proposed time horizons. Several commenters argue that price impacts may depend on liquidity of the security and suggest either shorter or longer time horizons.	The Academics will examine a wider spectrum of price impact horizons ranging from five milliseconds to five minutes.
The Academics propose to compute time-to-execution for limit orders posted at the CBBO prices or improving these prices. Do you believe that they should consider different price levels? If so, which ones? Please provide supporting data and analysis, if	Most commenters were of the view that computing time-to-execution for limit orders posted at the CBBO is sufficient, while one commenter indicated that improving these prices is also appropriate. One commenter suggested it might be useful to examine time-to-execution for CBBO +/- 1 and 2 price levels either absolutely or relatively in order to determine any informational impact of limit orders off of CBBO. One commenter indicated that time to execution should only be computed against orders that are at, or improve, the CBBO on entry, or after the quote moves such that an order is now at the CBBO, since orders that are placed away from the CBBO can have very different intentions than those at, or improving, the CBBO on entry.	The Academics will compute this metric as originally proposed. To provide a more comprehensive view, the Academics will also consider order postings relative to the opposite side of the book. Specifically, they will examine time to execution of limit orders that improve the outstanding best quotes and therefore narrow spreads.

available, to demonstrate the empirical importance of order postings at other levels.		
The Academics propose a number of market quality metrics. Do you believe that they should consider additional metrics? If so, please outline these metrics and provide supporting data and analysis, if available, to demonstrate their empirical importance.	Commenters were generally supportive of the metrics proposed and some provided additional recommended metrics, including: • examining routing practices for marketable orders; • measuring the level and breadth of liquidity provision/participation and/or the diversification of passive liquidity; • an examination of passive order placement and the opportunity cost of passive orders that are not filled; • measuring investable spread, which is the dollar cost of trading a standard size order; • studying the impact of the Pilot Study on different types of orders; • tracking leakage of orders/trades to U.S. markets (both on-marketplace and over-the-counter); and • computing impact costs at the level of the parent order. Other commenters highlighted shortcomings of the proposed metrics, expressing the view that it is not clear how the market quality metrics proposed will be used to assess how a rebate prohibition addresses the areas of concern identified in the 2018 RFC. As a result, one commenter was concerned that the Pilot Study would not provide meaningful information to support policy decisions.	The Academics will proceed with the metrics that were originally proposed, as well as the following additional metrics proposed by the commenters: • routing practices for marketable orders; • the level and breadth of liquidity provision and diversification of passive liquidity; • the opportunity cost of passive orders that are not filled; • investable spread; and • the impact of the Pilot Study on different types of orders. The Academics will also monitor unfilled marketable orders. The Academics note that they will not be able to track the leakage of orders/trades to the U.S. or the trading costs of parent orders as submitted by clients due to data restrictions, but they will use conventional methods to approximate the cost of parent orders as described in the 2018 RFC. The Academics also advise that they would be pleased to accept supplemental parent order data from market participants. Due to the complexity of the market and the unpredictable nature of participant reactions to the Pilot Study, the Academics have advised that the metrics will not lead to prescriptive statements of such nature as “If spreads decline by X, the CSA will conclude that rebates are harmful….” Rather, and as noted above, the Pilot Study is designed to provide a comprehensive understanding of the current system of rebates and its effects on market quality.
In relation to ETP inclusion, the Academics ask that market participants consider the following questions: Given the challenges that ETP matching presents, can the goals of the Pilot Study be achieved without including ETPs	Responses to this question were mixed and many commenters noted the inherent differences between ETPs and corporate securities and agreed with the challenges of ETP inclusion set out in the 2018 RFC. Some commenters provided specific suggestions or considerations in relation to the selection of ETPs and placement in the treatment and control groups. Of those in favour of ETP inclusion, the most common views were that it would be difficult to draw meaningful conclusions about the impact of rebate prohibition on ETPs by observing the effects of the Pilot Study on other securities and that exclusion of ETPs from the Pilot Study would require the CSA to extrapolate the results observed from other securities, creating a challenge for any future regulatory policy action. Others	The CSA recognizes that there are subtle intrinsic differences in the market structure of ETPs, e.g., those related to the contractual arrangements of liquidity provision and ETP clientele. Since ETP trading involves both electronic intermediaries and retail investors, the CSA believes that these instruments should be included in the Pilot Study. The selection of ETPs in the sample will follow a procedure similar to that described for common equities in the 2018 RFC. To address respondents’ concerns and avoid influencing investor preferences for similar ETPs, the Academics will use the underlying index as one of the criteria to assign ETPs into the treatment and control groups. This

in the sample? If ETP inclusion is important, can you propose a way to construct a matched sample that addresses concerns?	noted that ETPs should be included in order to match the design structure of the SEC Fee Pilot. Of those against ETP inclusion, most noted the challenges of selecting matched pairs on an equitable basis and the potential for creating "winners" and "losers" amongst substitutable ETPs in the treatment and control groups. Some commenters expressed the view that liquidity provision in ETPs is not heavily dependent on rebates and that studying ETPs may not yield useful results. A number of commenters suggested that the goals of the Pilot Study could be achieved without including ETPs partly on the basis that order routing behaviour for ETPs will be consistent with the routing of orders for other securities.	methodology will avoid "picking winners and losers" in similar products and is set out in more detail in the Final Design Report.

SCHEDULE 1

OUTREACH ON THE PILOT STUDY CONDUCTED TO DATE

Date	Activity	Participants
June 19, 2018	Discussion with TMX Group	TMX Group
September 12, 2018	Capital Markets Academics Discuss "Canadian Securities Administrators Trading Fee Rebate Pilot Study"	General public
September-October, 2018	Academics conduct ad hoc consultations with industry	Industry Canadian Securities Traders Association
October 15, 2018	OSC Market Structure Advisory Committee (**MSAC**)	MSAC
November 9, 2018	2018 Buy-Side Investment Management Association (**BIMA**) Fall Conference	Buy-side firms
November 12, 2018	OSC Securities Advisory Committee (**SAC**)	SAC
November 15, 2018	Discussion with Nasdaq	Nasdaq
December 18, 2018	Design Report, Draft Model Order, and CSA Notice published for 45-day comment period	General public
January 10, 2019	MSAC participants provided an opportunity to ask preliminary questions and provide preliminary comments on study	MSAC
January 17, 2019	Notice published advising that comment period extended until March 1, 2019 (just under 75-day comment period)	General public
May 8, 2019	Comments from the OSC's Director of Market Regulation at the 16th Annual TSX Equities Trading Conference with an opportunity to ask questions	Industry

1.2 Notices of Hearing

1.2.1 BDO Canada LLP – ss. 127, 127.1

FILE NO.: 2018-59

IN THE MATTER OF
BDO CANADA LLP

NOTICE OF HEARING
Section 127 and Section 127.1 of
the *Securities Act,* RSO 1990, c S.5

PROCEEDING TYPE: Public Settlement Hearing
HEARING DATE AND TIME: January 24, 2020 at 11:30 a.m.
LOCATION: 20 Queen Street West, 17th Floor, Toronto, Ontario

PURPOSE

The purpose of this hearing is to consider whether it is in the public interest for the Commission to approve the Settlement Agreement dated January 20, 2020, between Staff of the Commission and BDO Canada LLP, in respect of the Amended Statement of Allegations filed by Staff of the Commission dated September 16, 2019.

REPRESENTATION

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

FAILURE TO ATTEND

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

FRENCH HEARING

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

AVIS EN FRANÇAIS

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

Dated at Toronto this 21st day of January, 2020.

"Grace Knakowski"
Secretary to the Commission

For more information

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

1.4 Notices from the Office of the Secretary

1.4.1 MOAG Copper Gold Resources Inc. et al.

FOR IMMEDIATE RELEASE
January 16, 2020

MOAG COPPER GOLD RESOURCES INC.,
GARY BROWN and
BRADLEY JONES,
File No. 2018-41

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

A copy of the Reasons and Decision dated January 15, 2020 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

For Media Inquiries:

media_inquiries@osc.gov.on.ca

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

1.4.2 Miner Edge Inc. et al.

FOR IMMEDIATE RELEASE
January 20, 2020

MINER EDGE INC.,
MINER EDGE CORP. and
RAKESH HANDA,
File No. 2019-44

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

A copy of the Order dated January 20, 2020 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
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1.4.3 BDO Canada LLP

FOR IMMEDIATE RELEASE
January 21, 2020

BDO CANADA LLP,
File No. 2018-59

TORONTO – The Office of the Secretary issued a Notice of Hearing for a hearing to consider whether it is in the public interest to approve a settlement agreement entered into by Staff of the Commission and BDO Canada LLP in the above named matter.

The hearing will be held on January 24, 2020 at 11:30 a.m. on the 17th floor of the Commission's offices located at 20 Queen Street West, Toronto.

A copy of the Notice of Hearing dated January 21, 2020 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 BMO Investments Inc.

Headnote

National Policy 11-203 – Existing and future investment funds granted exemption to invest in specified related UCITS ETFs only whose securities would meet the definition of index participation unit in NI 81-102 but for the fact that they are listed on the Irish Stock Exchange and admitted to trading on the London Stock Exchange – relief is subject to certain conditions and requirements including no synthetic ETFs and that each top fund will not invest more than 10% in any UCITS ETF and will not invest more than 20% in UCITS ETFs in aggregate.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 2.5(2)(a), (a.1), (c), (c.1), (e), and 19.1.

July 13, 2018

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

AND

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

AND

IN THE MATTER OF
BMO INVESTMENTS INC.
(BMO)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from BMO on behalf of each of the investment funds (the **Funds**) for which BMO or an affiliate (the **Filer**) acts or may in the future act as manager that are subject to National Instrument 81-102 *Investment Funds* (**NI 81-102**), for a decision under the securities legislation of the jurisdiction of the principal regulator (the **Legislation**) providing an exemption from paragraphs 2.5(2)(a), (a.1), (c), (c.1) and (e) of NI 81-102 to permit the Funds to invest in securities of existing and future investment funds affiliated to the Filer (the **BMO UCITS ETFs**) listed on the Irish Stock Exchange (**ISE**) and admitted to trading on the London Stock Exchange (**LSE**) that, but for the fact that they are listed on a stock exchange in Ireland and admitted to trading on a stock exchange in the United Kingdom and not on a stock exchange in Canada or the United States, would otherwise qualify as "index participation units" as defined in NI 81-102 (**IPU**) (the **Exemption Sought**).

BMO also requests that the Prior Decision (as defined below) be revoked and replaced with this decision (the **Revocation**).

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

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

(b) the Filer has provided notice that Subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of British Columbia, Alberta, Saskatchewan, Manitoba, Québec,

New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Nunavut and Yukon (with Ontario, the **Jurisdictions**).

Interpretation

Terms defined in MI 11-102, National Instrument 14-101 *Definitions* and NI 81-102 have the same meanings if used in this decision unless otherwise defined.

Representations

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

Prior Decision

1. The Filer was previously granted exemptive relief pursuant to a decision dated April 15, 2016, *In the Matter of BMO Investments Inc.* (the **Prior Decision**) from the requirement in paragraphs 2.5(2)(a), (a.1), (c), (c.1) and (e) of NI 81-102 to permit the Funds to invest in securities of certain BMO UCITS ETFs that, but for the fact that they are listed on a stock exchange in Ireland and admitted to trading on a stock exchange in the United Kingdom and not on a stock exchange in Canada or the United States, would otherwise qualify as IPUs.

The Filer and the Funds

2. BMO is a corporation incorporated under the laws of Canada with its head office in Toronto, Ontario.

3. BMO is an indirect, wholly-owned subsidiary of Bank of Montreal.

4. BMO is registered as an investment fund manager in Ontario, Québec and Newfoundland and Labrador and as a mutual fund dealer in each of the Jurisdictions.

5. The Filer acts, or will act, as manager of each of the Funds.

6. Each Fund is, or will be, an investment fund under the laws of a Jurisdiction of Canada and a reporting issuer under the laws of some or all of the Jurisdictions.

7. Each Fund is, or will be, governed by NI 81-102, subject to any relief therefrom granted by the securities regulatory authorities.

8. The securities of each Fund are, or will be, qualified for distribution in some or all of the Jurisdictions under a prospectus or simplified prospectus.

9. Neither the Filer nor any of the existing Funds are in default of securities legislation in any of the Jurisdictions.

The BMO UCITS ETFs

10. Each Fund proposes, from time to time, to invest up to 10% of its net asset value in securities of a single BMO UCITS ETF. At no time will a Fund invest more than 20% of its net asset value in securities issued by BMO UCITS ETFs in aggregate.

11. Each BMO UCITS ETF is a sub-fund of BMO UCITS ETF ICAV (the **BMO ICAV**), an Irish collective asset-management vehicle constituted as an umbrella fund with segregated liability between sub-funds with registration number C139810 and authorised by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (the **UCITS Regulations**). Each BMO UCITS ETF is, or will be, subject to, and complies with, the UCITS Regulations.

12. Securities of each BMO UCITS ETF are listed on the ISE and admitted to trading on the LSE and each BMO UCITS ETF is an “investment fund” and a “mutual fund” within the meaning of applicable Canadian securities legislation. ISE listing was completed for the purpose of facilitating access to trading on the LSE, which is common practice in the industry.

13. The UK Financial Conduct Authority, in its role as the UK Listing Authority (**UKLA**), is the regulator for the LSE. The UKLA has the responsibility for overseeing the admission process to the LSE. The Central Bank of Ireland has regulatory oversight of the ISE.

14. The LSE is subject to substantially equivalent regulatory oversight to securities exchanges in Canada and the requirements to be complied with by the BMO UCITS ETFs in order to be admitted to trading on the LSE are consistent with the Toronto Stock Exchange listing requirements.

15. Each BMO UCITS ETF meets the definition of an "index mutual fund" under NI 81-102.

16. Securities of each BMO UCITS ETF would be IPUs within the meaning of NI 81-102, but for the fact that they are not traded on a stock exchange in Canada or the United States.

17. Each BMO UCITS ETF will either: (a) hold securities that are included in a specified widely-quoted market index in substantially the same proportion as those securities are reflected in that index; or (b) invest in a manner that causes the issuer to replicate the performance of that index.

18. F & C Management Limited (trading as BMO Global Asset Management (EMEA)), an affiliate of the Filer, is the promoter, investment manager and distributor of the BMO UCITS ETFs and has responsibility for the investment management, distribution and marketing of the BMO UCITS ETFs.

19. Affiliates of the Filer may be retained to act as investment advisors in respect of the BMO UCITS ETFs, which investment advisors remain subject to the oversight of F & C Management Limited (trading as BMO Global Asset Management (EMEA)).

20. F & C Management Limited, the investment manager and distributor of the BMO UCITS ETFs, being subject to regulatory oversight by the UK Financial Conduct Authority, is subject to substantially equivalent regulatory oversight to the Filer, the manager of the Funds, which is primarily regulated by the OSC.

21. The following third parties are involved in providing services in respect of the BMO UCITS ETFs:

    (a) State Street Fund Services (Ireland) Limited is the administrator and secretary of the BMO ICAV (defined below) and provides administration services to the BMO ICAV;

    (b) State Street Custodial Services (Ireland) Limited is the custodian of the BMO ICAV and provides safe custody for the BMO ICAV's assets;

    (c) Matheson serve as legal counsel to the BMO ICAV;

    (d) Computershare Investor Services (Ireland) Limited is the registrar of the BMO UCITS ETFs and provides Euroclear registrar and transfer agency services in respect of the BMO ICAV in respect of each BMO UCITS ETF and paying agency and representation services in the United Kingdom via its associated company, Computershare Investor Services plc;

    (e) State Street Bank Europe Limited is the hedging provider and provides share class currency hedging transaction services in respect of the BMO UCITS ETFs; and

    (f) KPMG is the auditor of the BMO UCITS ETFs.

22. Each BMO UCITS ETF is regulated by the Central Bank of Ireland (**CBI**) and is subject to the following regulatory requirements and restrictions:

    (a) Each BMO UCITS ETF is subject to a robust risk management framework through prescribed rules on governance, risk, regulation of service providers and safekeeping of assets.

    (b) No BMO UCITS ETF is a "synthetic ETF", meaning that no BMO UCITS ETF will principally rely on an investment strategy that makes use of swaps or other derivatives to gain an indirect financial exposure to the return of an index.

    (c) Each BMO UCITS ETF is subject to investment restrictions designed to limit its holdings of illiquid securities to 10% or less of its net asset value.

    (d) Each BMO UCITS ETF holds no more than 10% of its net asset value in securities of other investment funds, including other collective investment undertakings.

    (e) A BMO UCITS ETF is subject to investment restrictions designed to limit holdings of transferrable securities which are not listed on a stock exchange or regulated market to 10% or less of the BMO UCITS ETF's net asset value.

(f) To the extent a BMO UCITS ETF uses derivatives, any such use:

(1) would be subject to the oversight of, and require prior approval from, the CBI;

(2) would be subject to restrictions concerning the use of derivatives, including limits on counterparty risk and limits on increases to overall market risk resulting from the use of derivatives; and

(3) would have procedures in place relating to the use of derivatives and risk modelling of derivatives positions.

(g) No BMO UCITS ETF currently engages in securities lending activities.

(h) Each BMO UCITS ETF has a prospectus that discloses material facts and that is similar to the disclosure required to be included in a prospectus or simplified prospectus of a Fund.

(i) Each BMO UCITS ETF has a Key Investor Information Document (**KIID**) which contains disclosure similar to that required to be included in a fund facts document prepared under National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**).

(j) Each BMO UCITS ETF is subject to continuous disclosure obligations which are similar to the disclosure obligations under National Instrument 81-106 *Investment Fund Continuous Disclosure*.

(k) Each BMO UCITS ETF is required to update information of material significance in the prospectus and to prepare unaudited semi-annual reports and audited annual reports.

(l) Each BMO UCITS ETF has an investment manager that is subject to approval by the CBI permitting it to manage and provide portfolio management advice to the BMO UCITS ETFs.

23. Each index tracked by each BMO UCITS ETF is, or will be, transparent, in that the methodology for the selection and weighting of the index components is publicly available.

24. Details of the components of each index tracked by each BMO UCITS ETF, such as issuer name, ISIN and weighting within the index are, or will be, publicly available and updated from time to time.

25. Each index tracked by each BMO UCITS ETF includes sufficient component securities so as to be broad-based and is distributed and referenced sufficiently so as to be broadly utilized.

26. Each BMO UCITS ETF makes, or will make, the net asset value of its holdings available to the public through at least one price information system associated with the LSE. Each BMO UCITS ETF makes, or will make, its indicative net asset value available to the public on the website of its manager.

Investment by Funds in BMO UCITS ETFs

27. The investment objective and strategies of each Fund will be disclosed in each Fund's prospectus or simplified prospectus.

28. The Funds will provide all disclosure mandated for investment funds investing in other investment funds.

29. There will be no duplication of management fees or incentive fees as a result of an investment in a BMO UCITS ETF.

30. The amount of loss that could result from an investment by a Fund in a BMO UCITS ETF will be limited to the amount invested by the Fund in such BMO UCITS ETF.

31. The majority of trading in securities of the BMO UCITS ETFs occurs in the secondary market rather than by subscribing or redeeming such securities directly from the BMO UCITS ETF.

32. As is the case with the purchase or sale of any other equity security made on an exchange, brokers are typically paid a commission in connection with trading in securities of exchange traded funds, such as the BMO UCITS ETFs.

33. Securities of the BMO UCITS ETFs are typically only directly subscribed or redeemed from a BMO UCITS ETF in large blocks and it is anticipated that many of the trades conducted by the Funds in BMO UCITS ETFs would not be the size necessary for a Fund to be eligible to directly subscribe for securities from the BMO UCITS ETF.

34. It is proposed that the Funds will purchase and sell securities of the BMO UCITS ETFs on the LSE.

35. Where a Fund purchases or sells securities of a BMO UCITS ETF in the secondary market it will pay commissions to brokers in connection with the purchase and sale of such securities.

36. There will be no duplication of fees payable by an investor in the Fund and the Filer will ensure that there are appropriate restrictions on sales fees and redemption charges for any purchase or sale of securities of a BMO UCITS ETF.

Rationale for Investment in BMO UCITS ETFs

37. A Fund is not permitted to invest in securities of a BMO UCITS ETF unless the requirements of subsection 2.5(2) of NI 81-102 are satisfied.

38. If the securities of a BMO UCITS ETF were IPUs within the meaning of NI 81-102, a Fund would be permitted by subsections 2.5(3), (4) and (5) of NI 81-102 to invest in securities of that BMO UCITS ETF.

39. Securities of each BMO UCITS ETF would be IPUs, but for the requirement in the definition of IPU that the securities be traded on a stock exchange in Canada or the United States.

40. The Filer considers that investments in a BMO UCITS ETF provide an efficient and cost effective way for the Funds to achieve diversification and obtain unique exposures to the markets in which such BMO UCITS ETFs invest.

41. The investment objectives and strategies of each Fund, which contemplate or will contemplate investment in global or international securities, permit or will permit the allocation of assets to global or international securities. As economic conditions change, the Funds may reallocate assets, including on the basis of asset class or geographic region. A Fund will invest in the BMO UCITS ETFs to gain exposure to certain unique strategies in global or international markets in circumstances where it would be in the best interests of the Fund to do so through exchange-traded funds rather than through investments in individual securities. For example, a Fund will invest in the BMO UCITS ETFs in circumstances where certain investment strategies preferred by the Fund are either not available or not cost effective to be implemented through investments in individual securities.

42. By investing in BMO UCITS ETFs, the Funds will obtain the benefits of diversification, which would be more expensive and difficult to replicate using individual securities. This will reduce single issuer risk.

43. Investment by a Fund in a BMO UCITS ETF meets, or will meet, the investment objectives of such Fund.

44. An investment by a Fund in securities of each BMO UCITS ETF will represent the business judgement of responsible persons uninfluenced by considerations other than the best interests of the Fund.

45. In the absence of the Exemption Sought:

    (a) the investment restriction in paragraph 2.5(2)(a) of NI 81-102 would prohibit a Fund that is a mutual fund from purchasing or holding securities of the BMO UCITS ETFs because the BMO UCITS ETFs are not subject to NI 81-102 and NI 81-101 and, because IPUs are currently defined to be securities that are traded on a stock exchange in Canada or the United States only, a Fund would not be able to rely upon the IPU exemption set forth in paragraph 2.5(3)(a) of NI 81-102;

    (b) the investment restriction in paragraph 2.5(2)(a.1) of NI 81-102 would prohibit a Fund that is a non-redeemable investment fund from purchasing or holding securities of the BMO UCITS ETFs unless the BMO UCITS ETFs are subject to NI 81-102 and, because IPUs are currently defined to be securities that are traded on a stock exchange in Canada or the United States only, a Fund would not be able to rely upon the IPU exemption set forth in paragraph 2.5(3)(a) of NI 81-102;

    (c) the investment restriction in paragraph 2.5(2)(c) of NI 81-102 would prohibit a Fund that is a mutual fund from purchasing or holding securities of the BMO UCITS ETFs unless the BMO UCITS ETFs are reporting issuers in the local jurisdiction and, because IPUs are currently defined to be securities that are traded on a stock exchange in Canada or the United States only, a Fund would not be able to rely upon the IPU exemption in paragraph 2.5(3)(a) of NI 81-102;

    (d) the investment restriction in paragraph 2.5(2)(c.1) of NI 81-102 would prohibit a Fund that is a non-redeemable investment fund from purchasing or holding securities of the BMO UCITS ETFs unless the BMO UCITS ETFs are reporting issuers in the local jurisdiction and, because IPUs are currently defined to be securities that are traded on a stock exchange in Canada or the United States only, a Fund would not be able to rely upon the IPU exemption in paragraph 2.5(3)(a) of NI 81-102; and

(e) the investment restriction in paragraph 2.5(2)(e) of NI 81-102 would prohibit a Fund from paying sales fees or redemption fees in relation to its purchases or redemptions of securities of the BMO UCITS ETFs because they are managed by the Filer or an affiliate or associate of the Filer and, because IPUs are currently defined to be securities that are traded on a stock exchange in Canada or the United States only, a Fund would not be able to rely upon the IPU exemption in paragraph 2.5(5) of NI 81-102.

Decision

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

The decision of the principal regulator under the Legislation is that:

1. the Revocation is granted; and

2. the Exemption Sought is granted provided that:

(a) the investment by a Fund in securities of the BMO UCITS ETFs is in accordance with the fundamental investment objectives of the Fund;

(b) none of the BMO UCITS ETFs are synthetic ETFs, meaning that they will not principally rely on an investment strategy that makes use of swaps or other derivatives to gain an indirect financial exposure to the return of an index;

(c) the relief from paragraph 2.5(2)(e) of NI 81-102 only applies to brokerage fees payable in connection with the purchase or sale of securities of the BMO UCITS ETFs;

(d) the prospectus of each Fund that is relying on the Exemption Sought discloses the fact that the Fund has obtained relief to invest in the BMO UCITS ETFs and, in the case of a Fund that is a mutual fund, the matters required to be disclosed under NI 81-101 in respect of fund of fund investments, provided that:

(i) any Fund that is a mutual fund and in existence as of the date of this decision makes the required disclosure no later than the next time the simplified prospectus of the Fund is renewed after the date of this decision, and

(ii) any Fund that is a non-redeemable investment fund and in existence as of the date of this decision makes the required disclosure no later than the next time the annual information form of the Fund is filed after the date of this decision;

(e) the investment by a Fund in the BMO UCITS ETFs otherwise complies with section 2.5 of NI 81-102;

(f) a Fund does not invest more than 10% of its net asset value in securities issued by a single BMO UCITS ETF and does not invest more than 20% of its net asset value in securities issued by BMO UCITS ETFs in aggregate;

(g) a Fund shall not acquire any additional securities of a BMO UCITS ETF, and shall dispose of any securities of a BMO UCITS ETF then held, within six months, in the event the regulatory regime applicable to the BMO UCITS ETF is changed in any material way; and

(h) the Exemption Sought will terminate six months after the coming into force of any amendments to paragraphs 2.5(a), (a.1), (c), (c.1) or (e) of NI 81-102 that further restrict or regulate a Fund's ability to invest in the BMO UCITS ETFs.

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

2.1.2 Frontenac Mortgage Investment Corporation

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted to mutual fund for extension of lapse date of prospectus for 70 days – Extension of lapse date will not affect the current status or accuracy of the information contained in the prospectus.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 62(5).

January 17, 2020

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

AND

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

AND

IN THE MATTER OF
FRONTENAC MORTGAGE INVESTMENT CORPORATION
(the "Filer")

DECISION

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator ("**Legislation**") that the time limits pertaining to filing the renewal prospectus of the Filer dated January 21, 2019 (the "**Current Prospectus**") be extended as if the lapse date was March 31, 2020 (the "**Requested Relief**").

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

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

(b) The Filer has provided notice that Section 4.7(1) of Multilateral Instrument 11-102 – *Passport System* is intended to be relied upon in each of British Columbia, Alberta, Saskatchewan and Manitoba (together with Ontario, the "**Jurisdictions**").

Interpretation

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

Representations

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

1. The Filer is a reporting issuer in each of the Jurisdictions and is not in default of securities legislation in any of the Jurisdictions.

2. Common shares of the Filer are qualified for distribution in each of the Jurisdictions on a continuous monthly basis under the Current Prospectus. The Filer has historically distributed its securities on a continuous monthly basis pursuant to long-form prospectuses on Form 41-101F2 which were renewed annually.

3. The lapse date of the Current Prospectus is January 21, 2020 (the "**Lapse Date**").

4. The Filer has been in discussions with OSC Staff relating to the terms and conditions of the Filer's transition from oversight by the Investment Funds and Structured Products branch of the OSC as an investment fund issuer to oversight by the Corporate Finance branch of the OSC as a corporate issuer (the "**Transition**").

5. Pursuant to the Legislation, in order to ensure that the Filer's common shares are distributed on a continuous monthly basis in the Jurisdictions, uninterrupted, the Filer must file a prospectus in Form 41-101F1 for which a receipt is issued by the Jurisdictions on or before January 21, 2020.

6. The Filer is seeking the Requested Relief in order to allow it to complete the Transition such that it can continue to offer its common shares on a continuous monthly basis, uninterrupted, in the Jurisdictions pursuant to a final prospectus in Form 41-101F1.

7. There have been no material changes in the affairs of the Filer since the date of the Current Prospectus. Accordingly, the Current Prospectus represents the current information of the Filer.

8. Given the disclosure obligations of the Filer, should any material changes occur, the Current Prospectus of the Filer will be amended as required under the Legislation.

9. The Requested Relief will not affect the accuracy of the information contained in the Current Prospectus and therefore will not be prejudicial to the public interest.

Decision

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

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

"Neeti Varma"
Manager, Investment Funds and Structured Products
Ontario Securities Commission

2.1.3 Capital International Asset Management (Canada), Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Existing and future mutual funds subject to NI 81-102 granted relief to invest up to 10% of net assets in underlying Luxembourg fund subject to UCITS rules.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds – ss. 2.5(2)(a) and 2.5(2)(c) and 19.1.

January 13, 2020

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

AND

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

AND

IN THE MATTER OF
CAPITAL INTERNATIONAL ASSET MANAGEMENT
(CANADA), INC.
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**), pursuant to section 19.1 of National Instrument 81-102 *Investment Funds* (**NI 81-102**), exempting Capital Group Monthly Income Portfolio (Canada) (the **Capital Fund**) from the requirements in:

(a) paragraph 2.5(2)(a) of NI 81-102, which prohibits a mutual fund, other than an alternative mutual fund, from investing in another investment fund unless either of the following applies: (i) the other investment fund is a mutual fund, other than an alternative mutual fund, that is subject to NI 81-102; (ii) the other investment fund is an alternative mutual fund or a non-redeemable investment fund that is subject to NI 81-102 and, at the time of the purchase of that security, the investment fund holds no more than 10% of its net asset value in securities of alternative mutual funds and non-redeemable investment funds; and

(b) paragraph 2.5(2)(c) of NI 81-102, which prohibits a mutual fund from investing in another investment fund unless the other investment fund is a reporting issuer in a jurisdiction,

in order to permit the Capital Fund to invest up to 10 percent of its net assets in Capital Group Global High Income Opportunities (LUX) (the **Underlying Fund**) (the **Requested Relief**).

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

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

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

Interpretation

Terms defined in NI 81-102, National Instrument 14-101 *Definitions*, and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

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

The Filer

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

2. The Filer is a wholly-owned subsidiary of Capital Group International, Inc. (**Capital Group**), a global investment management firm.

3. The Filer will be the investment fund manager of the Capital Fund. The Filer is registered as an investment fund manager in Ontario, Québec and Newfoundland and Labrador, as an adviser in the category of portfolio manager in Ontario, and as a dealer in the category of exempt market dealer in Alberta, British Columbia, Nova Scotia, Ontario and Québec.

4. The Filer will be the portfolio manager of the Capital Fund and Capital Research and Management Company will be appointed as the sub-advisor in respect of the Capital Fund.

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

The Capital Fund

6. The Capital Fund will be an open-end mutual fund trust created under the laws of the Province of Ontario.

7. The Capital Fund will be subject to the provisions of NI 81-102 and will be a reporting issuer under the laws of the Jurisdictions. The securities of the Capital Fund will be qualified for distribution pursuant to a simplified prospectus, Fund Facts and annual information form that will be prepared and filed in accordance with National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**). The Filer expects to file the preliminary simplified prospectus, Fund Facts and annual information form for the Capital Fund on or about January 31, 2020.

8. The investment objective of the Capital Fund is to seek to generate income, along with conservation of capital and long-term growth of capital. The investment strategies will allow investment primarily in equity and debt securities issued by companies and governments around the world, primarily through investments in underlying funds. The Filer has determined that it would be in the best interests of the Capital Fund to have the ability to invest up to 10% of its net assets in securities of the Underlying Fund.

The Underlying Fund

10. The Underlying Fund is distributed in certain European countries pursuant to the EU Council Directive 2009/65/EC of 13 July 2009 on the Coordination of Laws, Regulations and Administrative Provisions relating to Undertakings for Collective Investment in Transferable Securities (**UCITS**), as amended (the **EU Directives**).

11. The Underlying Fund is a sub-fund of Capital International Fund SICAV (**CIF**). CIF is an open-ended investment company that qualifies as a Société d'Investissment à Capital Variable (**SICAV**) governed by the laws of Luxembourg. The Underlying Fund is registered as a UCITS under the EU Directives.

12. Capital International Management Company Sàrl (**CIMC**) is the manager of CIF. CIMC is a wholly-owned indirect subsidiary of Capital Group. and as of October 31, 2019, CIMC managed approximately USD 16.6 billion. As of October 31, 2019, the Underlying Fund had USD 956.8 million of assets under management.

13. The Underlying Fund is subject to investment restrictions and practices under the laws of Luxembourg that are applicable to mutual funds that are sold to the general public and is a regulated investment fund authorized as a UCITS. Thus, the Underlying Fund is subject to investment restrictions and practices that are substantially similar to those applicable to the Capital Fund, including NI 81-102.

14. The Underlying Fund has filed a prospectus with Luxembourg's financial sector regulator, Commission de Surveillance du Secteur Financier, that contains disclosure regarding the Underlying Fund. The Underlying Fund is a conventional mutual fund and would not be considered a hedge fund. The Underlying Fund does not invest more than 10% of its net asset value in other investment funds.

15. The investment objective of the Underlying Fund is to seek a long-term high level of total return through investment primarily in high yield corporate bonds and emerging market government bonds that are usually listed or traded on other regulated markets and denominated in various national currencies (including emerging markets currencies) or multinational currencies. Unlisted high yield bonds may also be purchased. The Underlying Fund's investment strategy and objective make it a suitable investment for the Capital Fund.

16. In order for the Capital Fund to achieve its investment objective on a diversified basis and obtain broad exposure to the sectors it proposes to invest in, including global high yield exposure, it is desirable that it be permitted to allocate up to 10% of net assets to the Underlying Fund.

17. Absent the Requested Relief, an investment by the Capital Fund in the Underlying Fund would be prohibited by sections 2.5(2)(a) and 2.5(2)(c) of NI 81-102 because the Underlying Fund is not subject to NI 81-102 and is not a reporting issuer in a jurisdiction.

18. The Filer submits that it is not desirable to invest directly in the securities in which the Underlying Fund invests, because, given the Top Fund's limited proposed investment in the Underlying Fund, it would be more efficient from a trading costs and liquidity perspective to invest in securities of the Underlying Fund rather than directly in the various securities in which the Underlying Fund invests.

19. The Capital Fund will otherwise comply fully with section 2.5 of NI 81-102 in investing in the Underlying Fund and will provide all disclosure mandated for mutual funds investing in other mutual funds.

20. For the reasons provided above, the Filer submits that it would not be prejudicial to the public interest to grant the Requested Relief to the Capital Fund.

Decision

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

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

i. the Underlying Fund is subject to investment restrictions and practices under the laws of Luxembourg that are applicable to mutual funds that are sold to the general public and is a regulated investment fund authorized as a UCITS;

ii. the Capital Fund will otherwise comply fully with section 2.5 of NI 81-102 in its investment in the Underlying Fund and will provide all disclosure mandated for investment funds investing in other investment funds. Specifically, the investment by the Capital Fund in the Underlying Fund will be disclosed in the simplified prospectus of the Capital Fund;

iii. the Capital Fund will not purchase securities of the Underlying Fund if, immediately after the purchase, more than 10 percent of its net assets, taken at market value at the time of the investment, would consist of investments in the Underlying Fund; and

iv. if the laws applicable to the Underlying Fund that are, as at the date of this decision, substantially similar to Part 2 of NI 81-102 change in a manner that is materially inconsistent with Part 2 of NI 81-102, the Capital Fund shall not acquire any additional securities of the Underlying Fund, and shall dispose of the securities of the Underlying Fund then held in an orderly and prudent manner.

"Neeti Varma"
Manager
Investment Funds and Structured Products Branch
Ontario Securities Commission

2.1.4 Franklin Templeton Investments Corp.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted to open-ended mutual fund trusts for extensions of the lapse date of their prospectus – Filer will incorporate offering of the mutual funds under the same offering documents as related family of funds when they are renewed – Extension of lapse date will not affect the accuracy of the information contained in the current prospectus.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 62(5).

December 20, 2019

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

AND

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

AND

IN THE MATTER OF
FRANKLIN TEMPLETON INVESTMENTS CORP.
(the Filer)

AND

IN THE MATTER OF
THE FUNDS LISTED IN SCHEDULE A HERETO
(the Funds)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the Funds for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) that the time limits for the renewal of the simplified prospectuses of the Funds dated February 13, 2019, May 1, 2019 and May 28, 2019 be extended to the time limits that would apply if the lapse date of the simplified prospectuses of the Funds was June 30, 2020 (the **Requested Relief**).

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

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

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

Interpretation

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

Representations

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

1. The Filer is a corporation governed by the laws of Ontario with its head office in Toronto, Ontario.

2. The Filer is registered as an investment fund manager in Ontario, Quebec, Alberta, British Columbia, Manitoba, Nova Scotia and Newfoundland and Labrador, as a mutual fund dealer, portfolio manager and exempt market dealer in each province of Canada and the Yukon, and as a commodity trading manager in Ontario.

3. The Filer is the investment fund manager of each of the Funds and the trustee of those Funds that are organized as trusts.

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

5. Each of the Funds is an open-ended mutual fund trust established under the laws of Ontario or a class of a mutual fund corporation established under the laws of Alberta or a mutual fund corporation established under the laws of Canada. Each of the Funds is a reporting issuer in each of the Jurisdictions, unless otherwise noted in Schedule A.

6. Securities of the Funds are currently qualified for distribution in each of the Jurisdictions under the current simplified prospectuses respectively dated: (i) February 13, 2019, as amended by amendment no. 1 dated April 22, 2019 (the "**February 13 Prospectus**"); (ii) May 1, 2019 (the "**May 1 Prospectus**"); and (iii) May 28, 2019, as amended by amendment no. 1 dated June 17 2019, amendment no. 2 dated June 25, 2019 and amendment no. 3 dated September 3, 2019 (the "**May 28 Prospectus**" and collectively, the "**Current Prospectuses**").

7. The lapse dates for the Current Prospectuses are February 13, 2020, May 1, 2020 and May 28, 2020 respectively (collectively, the "**Current Lapse Dates**"). Accordingly, under the Legislation, the distribution of securities of each of the Funds would have to cease on its applicable Current Lapse Date unless: (i) the Fund files a *pro forma* simplified prospectus at least 30 days prior to its Current Lapse Date; (ii) the final simplified prospectus is filed no later than 10 days after its Current Lapse Date; and (iii) a receipt for the final simplified prospectus is obtained within 20 days after its Current Lapse Date.

8. The Filer wishes to combine the Current Prospectuses in order to reduce renewal, printing and related costs. Offering the Funds under the same renewal simplified prospectus and annual information form (the "**Consolidated Prospectus Documents**") would facilitate the distribution of the Funds in the Jurisdictions under the same prospectus and will ensure that the Filer can make the operational and administrative features of the Funds consistent with each other, if necessary.

9. The Filer desires to extend the lapse date of all three prospectuses in order to move the renewal timeframe to a more administratively beneficial date. Establishing a uniform disclosure timeline for the Funds will permit the Filer to streamline operations and disclosure across the Filer's fund platform.

10. The Filer believes that June 30, 2020 is an administratively beneficial lapse date, as it allows the Filer to create a more optimal and consistent workload for its personnel in respect of the work required to prepare and file the prospectuses (and related documents) and the continuous disclosure materials of the Funds.

11. Given that two of the Current Lapse Dates are in May, 2020, an extension of the Current Lapse Dates to June 30, 2020 is minimal and is not disadvantageous to the Funds' investors.

12. The Funds share many common operational and administrative features and combining those Funds in the same simplified prospectus will allow investors to more easily compare the features of the Funds.

13. If the Requested Relief is not granted, it will be necessary to renew three separate sets of prospectus documents for the Funds twice within a short period of time in order to consolidate the prospectus documents and establish a uniform filing timeline for the Funds, and it would be unreasonable for the Filer to incur the costs and expenses associated therewith, given investors would not be prejudiced by the Requested Relief.

14. There have been no material changes in the affairs of the Funds since the date of the Current Prospectuses, other than as amended. Accordingly, the Current Prospectuses and the

current fund facts document(s) for each of the Funds continue to provide accurate information regarding the Funds.

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

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

17. The Requested Relief will not affect the accuracy of the information contained in the Current Prospectuses or the respective fund facts document(s) of each of the Funds, and will therefore not be prejudicial to the public interest.

Decision

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

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

"Neeti Varma"
Manager, Investment Funds and Structured Products Branch
Ontario Securities Commission

Schedule A

The Funds

Simplified Prospectus dated February 13, 2019
Franklin Core ETF Portfolio
Franklin Growth ETF Portfolio
Franklin Conservative Income ETF Portfolio

Simplified Prospectus dated May 1, 2019
Franklin Canadian Core Equity Fund†
Franklin U.S. Core Equity Fund†
Franklin International Core Equity Fund†
Franklin Emerging Markets Core Equity Fund†

† These funds are only reporting issuers in Alberta and Ontario

Simplified Prospectus dated May 28, 2019
Templeton EAFE Developed Markets Fund
Templeton Emerging Markets Fund
Templeton Emerging Markets Corporate Class*
Templeton Global Balanced Fund
Templeton Global Bond Fund
Templeton Global Bond Fund (Hedged)
Templeton Global Smaller Companies Fund
Templeton Global Smaller Companies Corporate Class*
Templeton Growth Fund, Ltd.**
Templeton Growth Corporate Class*
Templeton International Stock Fund
Templeton International Stock Corporate Class*
Franklin Global Growth Fund
Franklin Global Growth Corporate Class*
Franklin High Income Fund
Franklin Strategic Income Fund
Franklin U.S. Monthly Income Fund
Franklin U.S. Monthly Income Corporate Class*
Franklin U.S. Monthly Income Hedged Corporate Class*
Franklin U.S. Opportunities Fund
Franklin U.S. Opportunities Corporate Class*
Franklin U.S. Rising Dividends Fund
Franklin U.S. Rising Dividends Corporate Class*
Franklin U.S. Rising Dividends Hedged Corporate Class*
Franklin Bissett Canadian Balanced Fund
Franklin Bissett Canadian Balanced Corporate Class*
Franklin Bissett Canadian Bond Fund
Franklin Bissett Canadian Dividend Fund
Franklin Bissett Canadian Dividend Corporate Class*
Franklin Bissett Canada Plus Equity Fund
Franklin Bissett Canadian Equity Fund
Franklin Bissett Canadian Equity Corporate Class*
Franklin Bissett Canadian Government Bond Fund
Franklin Bissett Core Plus Bond Fund
Franklin Bissett Corporate Bond Fund
Franklin Bissett Dividend Income Fund
Franklin Bissett Dividend Income Corporate Class
Franklin Bissett Money Market Fund
Franklin Bissett Money Market Corporate Class*
Franklin Bissett Monthly Income and Growth Fund
Franklin Bissett Short Duration Bond Fund
Franklin Bissett Small Cap Fund
Franklin ActiveQuant Canadian Fund
Franklin ActiveQuant Canadian Corporate Class*

Franklin ActiveQuant U.S. Fund
Franklin ActiveQuant U.S. Corporate Class*
Franklin Mutual Global Discovery Fund
Franklin Mutual Global Discovery Corporate Class*
Franklin Quotential Balanced Growth Portfolio
Franklin Quotential Balanced Growth Corporate Class Portfolio*
Franklin Quotential Balanced Income Portfolio
Franklin Quotential Balanced Income Corporate Class Portfolio*
Franklin Quotential Diversified Equity Portfolio
Franklin Quotential Diversified Equity Corporate Class Portfolio*
Franklin Quotential Diversified Income Portfolio
Franklin Quotential Diversified Income Corporate Class Portfolio*
Franklin Quotential Growth Portfolio
Franklin Quotential Growth Corporate Class Portfolio*
FT Balanced Growth Private Wealth Pool
FT Balanced Income Private Wealth Pool
FT Growth Private Wealth Pool

* each a class of shares of securities of Franklin Templeton Corporate Class Ltd., a mutual fund corporation.
** a mutual fund corporation.

2.1.5 Vertex One Asset Management Inc. et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – approval of investment fund mergers – approval required because mergers do not meet the criteria for pre-approved reorganizations and transfers in National Instrument 81-102 Investment Funds – manager of the continuing fund is not an affiliate of the manager of the terminating funds – certain terminating funds and continuing funds do not have substantially similar fundamental investment objectives – fee structure of the continuing funds will be substantially different from the terminating funds – the mergers will not be a "qualifying exchange" or a tax-deferred transaction under the Income Tax Act (Canada) – certain terminating fund is not a reporting issuer in any jurisdiction – mergers otherwise comply with pre-approval criteria, including securityholder vote, IRC approval – securityholders of all funds provided with timely and adequate disclosure regarding the mergers.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 5.5(1)(a), 5.5(1)(b) and 19.1(2).

December 13, 2019

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA AND ONTARIO
(the Jurisdictions)

AND

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

AND

IN THE MATTER OF
VERTEX ONE ASSET MANAGEMENT INC.
(the Filer)

AND

VERTEX VALUE FUND
VERTEX ENHANCED INCOME FUND
VERTEX GROWTH FUND
VERTEX FUND
VERTEX MANAGED VALUE PORTFOLIO
(THE VERTEX MANAGED FUNDS)

DECISION

Background

¶ 1 The securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) for approval under subsections 5.5(1)(a) and 5.5(1)(b) of National Instrument 81-102 *Investment Funds* (NI 81-102), of the change in manager of the Vertex Managed Funds from the Filer to PenderFund Capital Management Ltd. (Pender) (the Change of Manager), and the proposed merger (the Merger) of the Vertex Growth Fund and the Vertex Fund (the Terminating Funds) into the Vertex Enhanced Income Fund (the Continuing Fund) (the Exemption Sought).

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

(a) the British Columbia Securities Commission is the principal regulator for this application;

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in each of the other provinces and territories of Canada except Ontario and Québec; and

(c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

¶ 2 Terms defined in National Instrument 14-101 *Definitions* or MI 11-102 have the same meanings if used in this decision, unless otherwise defined herein.

Representations

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

Vertex One Asset Management Inc.

1. the Filer is a corporation incorporated under the laws of Canada with its head office located at suite 3200-1021 West Hastings Street, Vancouver, British Columbia, V6E 0C3;

2. the Filer is registered as: (i) an investment fund manager in each of the provinces of Canada; (ii) a portfolio manager in each of the provinces of Canada, other than Newfoundland and Labrador and Québec; and (iii) an exempt market dealer in each of the provinces of Canada, other than Newfoundland and Labrador, and such registrations have not been cancelled or revoked;

3. the Filer is the manager and portfolio manager of each of the Vertex Managed Funds; the Filer may appoint third party sub-advisers to the Vertex Managed Funds;

4. the Filer is not in default of securities legislation in any jurisdiction;

5. the Filer offers discretionary portfolio management services to individuals, institutions and other entities seeking wealth management or related services;

Vertex Value Fund, Vertex Enhanced Income Fund and Vertex Growth Fund

6. the Vertex Value Fund, Vertex Enhanced Income Fund and Vertex Growth Fund (the Vertex Public Funds) are mutual fund trusts established under the laws of British Columbia under a master trust agreement dated September 14, 2009, as amended and restated on April 30, 2010 between the Filer and RBC Dexia Investor Services Trust (RBC Dexia); on October 5, 2012, the Filer and CIBC Mellon Trust Company (CIBC Mellon) entered into an amending agreement whereby CIBC Mellon was appointed as trustee of the Vertex Public Funds, replacing RBC Dexia;

7. any securities issued by the Vertex Public Funds have been sold to investors in accordance with applicable securities legislation;

8. the Vertex Public Funds currently offer two classes of units, Class B units and Class F units;

9. the Vertex Public Funds are reporting issuers in all of the provinces and territories of Canada, other than Québec;

10. the Vertex Public Funds are not in default of securities legislation in any jurisdiction;

11. securities of the Vertex Public Funds are offered under a simplified prospectus, annual information form and fund facts documents dated June 28, 2019, as amended by Amendment No. 1 dated September 5, 2019 and Amendment No. 2 dated October 21, 2019;

Vertex Fund

12. the Vertex Fund is an unincorporated open end investment trust formed under the laws of British Columbia on December 3, 2001; the Vertex Fund is governed by an amended and restated trust agreement made as of April 27, 2010 between the Filer and Computershare Trust Company of Canada (Computershare), as amended by an amending agreement made as of October 5, 2012 between the Filer and CIBC Mellon whereby CIBC Mellon was appointed as trustee of the Vertex Fund, replacing Computershare;

13. any securities issued by the Vertex Fund have been, and will continue to be, sold solely to investors under exemptions from the prospectus requirements in accordance with National Instrument 45-106 *Prospectus Exemptions* (NI 45-106);

14. the Vertex Fund currently offers three classes of units, Class A units, Class B units and Class F units;

15. the Vertex Fund is not, nor will it become, a reporting issuer in Canada;

16. the Vertex Fund is not in default of securities legislation in any jurisdiction;

17. securities of the Vertex Fund are offered on a prospectus exempt basis under an offering memorandum dated October 24, 2019;

Vertex Managed Value Portfolio

18. the Vertex Managed Value Portfolio, formerly known as the Vertex Balanced Fund, is an unincorporated open end investment trust which was formed under the laws of British Columbia on March 31, 1998; the Vertex Managed Value Portfolio is governed by an amended and restated trust agreement made as of June 1, 2007 between the Filer and RBC Dexia; on October 5, 2012, the Filer and CIBC Mellon entered into an amending agreement whereby CIBC Mellon was appointed as trustee of the Vertex Managed Value Portfolio, replacing RBC Dexia;

19. any securities issued by the Vertex Managed Value Portfolio have been, and will continue to be, sold solely to investors under exemptions from the prospectus requirements in accordance with NI 45-106;

20. the Vertex Managed Value Portfolio currently offers three classes of units, Class A units, Class B units and Class F units;

21. the Vertex Managed Value Portfolio is not, nor will it become, a reporting issuer in Canada;

22. the Vertex Managed Value Portfolio is not in default of securities legislation in any jurisdiction;

23. securities of the Vertex Managed Value Portfolio are offered on a prospectus exempt basis under an offering memorandum dated October 24, 2019;

Pender

24. Pender is a corporation incorporated under the laws of British Columbia with its head office located at Suite 1830, 1066 West Hastings Street Vancouver, BC, V6E 3X1;

25. Pender is registered as: (i) an investment fund manager in British Columbia, Ontario, Québec and Newfoundland and Labrador; (ii) a portfolio manager in British Columbia; and (iii) an exempt market dealer in British Columbia, Alberta, Manitoba, Ontario and Quebec;

26. Pender is not in default of the securities legislation in any jurisdiction;

27. Pender is currently the manager of the PenderFund Group of mutual funds, consisting of the Pender Corporate Bond Fund, the Pender Small Cap Opportunities Fund, the Pender Strategic Growth and Income Fund, the Pender Canadian Opportunities Fund, the Pender Value Fund, the Pender US All Cap Equity Fund, and the Pender North American Small Cap Fund (collectively, the Pender Public Funds); each of the Pender Public Funds is considered to be a separate mutual fund under section 1.3(1) of NI 81-102;

28. each of the Pender Public Funds is a reporting issuer in all of the provinces and territories of Canada; shares of the Pender Public Funds are offered under a simplified prospectus, annual information form and fund facts documents dated June 26, 2019; none of the Pender Public Funds are in default of the securities legislation in any jurisdiction;

29. in addition to managing the Pender Public Funds, Pender is currently the manager and portfolio manager of (i) the Working Opportunity Fund (EVCC) Ltd. and (ii) the Pender Tech Inflation Fund I Limited Partnership, through its subsidiary Pender Private Equity Management (collectively, the Pender Private Funds); the securities of each of the Pender Private Funds are offered on a prospectus-exempt basis in Canada;

30. Pender possesses all registrations under Canadian securities legislation and National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* to allow it to manage the Vertex Managed Funds after the closing of the Transaction (as defined below);

31. Pender has or will have the appropriate personnel, policies and procedures and systems in place to assume the management of the Vertex Managed Funds on closing of the Transaction; additional sales, operational and portfolio management personnel from the Filer have been offered employment with and are expected to be employed by Pender to provide additional operational and compliance capabilities and support;

32. Pender will engage a regulatory consultant to assist it in assessing and enhancing its compliance systems to address any additional business risks associated with the Transaction, among other matters; accordingly, Pender has not identified, and does not believe that there will be, any aspects of the Transaction or the subsequent management of the Vertex Managed Funds that would hinder its compliance with securities regulation in any way;

33. after the closing of the Transaction, the trustee of the Vertex Managed Funds, the directors and officers of Pender will have the integrity and experience to manage and operate the Vertex Managed Funds as contemplated by Section 5.7(1)(a)(v) of NI 81-102;

34. Pender has an independent review committee in place for all of its funds (the Pender IRC) and upon completion of the Change of Manager the members of the Pender IRC will serve as the independent review committee for the Vertex Managed Funds;

The Change of Manager

35. under the purchase agreement entered into between the Filer and Pender dated August 26, 2019 (the Purchase Agreement), and in accordance with its terms and conditions, Pender agreed with the Filer to purchase from the Filer (a) all of the contracts listed in Schedule "A" of the Purchase Agreement that govern the Vertex Managed Funds; (b) all current and past records, in whatever format, used by or in relation to the Vertex Managed Funds (including, but not limited to, all Fund unitholder lists, logs and records, sales records, customer lists and supplier lists, and audit and financial records); and (c) the goodwill of the Vertex Managed Funds, including but not limited to, the right to Pender to represent itself as carrying on the business of the Vertex Managed Funds in continuation of and in succession to the Filer (the Transaction);

36. under the Purchase Agreement, the Filer will (a) appoint Pender as successor investment fund manager of the Vertex Managed Funds and Pender will accept such appointment as of and with effect from the time of the closing of the Transaction; and (b) resign as investment fund manager of the Vertex Managed Funds as of and with effect from the time of the closing of the Transaction;

37. the Transaction was approved by the board of directors of the Filer on August 26, 2019, and by the board of directors of Pender on August 26, 2019;

38. on October 15, 2019, the independent review committee established for the Vertex Managed Funds (the Vertex IRC) under National Instrument 81-107 *Independent Review Committee for Investment Funds* (NI 81--107) met to consider the Change of Manager and advised the Filer that in the opinion of the Vertex IRC, after reasonable enquiry, the Change of Manager would achieve a fair and reasonable result for the Vertex Managed Funds; the results of the Vertex IRC's review of the Change of Manager were referred to in the Circular (defined below);

The Merger

39. regulatory approval of the Merger is required as it does not satisfy all of the criteria for pre-approval set out in section 5.6 of NI 81-102; the following is a list of the criteria for pre-approval that are not satisfied by the Merger:

    (a) Pender, which will be the manager of the Continuing Fund upon completion of the Change of Manager, is not an affiliate of the Filer;

    (b) the Continuing Fund has investment objectives and strategies that are substantially similar to, but not necessarily the same in all respects as, the Terminating Funds;

    (c) upon completion of the Change of Manager, the fee structure of the Continuing Fund will be substantially different from the Terminating Funds; direct expenses of the Continuing Fund will no

longer be charged directly to the Continuing Fund; instead a fixed-rate administration fee will be implemented;

(d) the Vertex Fund, one of the Terminating Funds, is not a reporting issuer in any jurisdiction; and

(e) the Merger is not a "qualifying exchange" within the meaning of section 132.2 of the *Income Tax Act* (Canada) and is not a tax-deferred transaction under subsections 85(1), 85.1(1), 86(1) or 87(1) of the *Income Tax Act* (Canada);

40. the most recently filed fund facts document for the Continuing Fund will be sent to unitholders of the Terminating Funds prior to the effective date of the Merger;

41. the Merger is proposed to proceed on a taxable basis as affecting the Merger on a taxable basis will preserve, where applicable, any unused tax losses of the Continuing Fund, which would otherwise expire upon implementation of the Merger on a tax deferred basis and therefore would not be available to shelter income and capital gains realized by the Continuing Fund in future years;

42. unitholders of the Terminating Funds and the Continuing Fund were provided with information about the tax consequences of the Merger in the Circular and had the opportunity to consider such information prior to voting on the Merger;

43. each Terminating Fund and the Continuing Fund has an unqualified audit report in respect of their last completed financial period;

44. the Filer believes that the Merger will be beneficial to the unitholders of the Terminating Funds for the following reasons:

(a) unitholders of the Terminating Funds may enjoy increased economies of scale and lower fund operating expenses (which are borne indirectly by unitholders) as part of the larger combined Continuing Fund;

(b) the Merger will eliminate the administrative and regulatory costs of operating each of the Terminating Funds as separate mutual funds;

(c) the Continuing Fund will have a portfolio of greater value, allowing for potentially increased portfolio diversification opportunities;

(d) the Continuing Fund, as a result of its greater size, may benefit from a larger profile in the marketplace; and

(e) Pender has indicated that the management fees of some series of each Terminating Fund will decrease which may result in a reduction of management expense ratios for such series of the Continuing Fund;

45. it is proposed that the following steps will be carried out to effect the Merger:

(a) prior to the Merger, each of the Terminating Funds will sell any securities in its portfolio that do not meet the investment objectives and investment strategies of the Continuing Fund; as a result, each of the Terminating Funds may temporarily hold cash or money market instruments and may not be fully invested in accordance with its investment objectives for a brief period of time prior to the Merger;

(b) the value of the Terminating Funds' portfolio and other assets will be determined at the close of business on the effective date of the Merger, in accordance with the declaration of trust of each of the Terminating Funds;

(c) the Continuing Fund will acquire the investment portfolio and other assets of the Terminating Funds in exchange for units of the Continuing Fund;

(d) the Continuing Fund will not assume liabilities of the Terminating Funds and each of the Terminating Funds will retain sufficient assets to satisfy its estimated liabilities, if any, as of the date of the Merger;

(e) each of the Terminating Funds will distribute a sufficient amount of its net income and net realized capital gains, if any, to unitholders to ensure that it will not be subject to tax for its current tax year;

(f) the units of the Continuing Fund received by the Terminating Funds will have an aggregate net asset value equal to the respective value of the portfolio assets and other assets that the Continuing Fund acquires from the Terminating Funds, and the units of the Continuing Fund will be issued at the applicable series net asset value per unit as of the close of business on the effective date of the Merger;

(g) immediately thereafter, the units of the Continuing Fund received by the Terminating Funds will be distributed to unitholders of the Terminating Funds in exchange for the unitholders' units in the Terminating Funds on a dollar-for-dollar or class-by-class basis; and

(h) as soon as reasonably possible following the Merger, the Terminating Funds will be wound up;

46. no sales charges, redemption fees or other fees or commissions will be payable by unitholders in connection with the Merger or with respect to any portfolio rebalancing in the Terminating Funds arising in connection with the Merger; the costs and expenses specifically associated with the Merger will be borne by the Filer;

47. the valuation procedures for the Continuing Fund are the same as those of each Terminating Fund;

48. unitholders of the Terminating Funds and Continuing Fund will have the right to vote on the Merger under sections 5.1(1)(f) and 5.1(1)(g) of NI 81-102; due to the redemption rights of unitholders, each unitholder ultimately can make the unitholder's own choice as to whether to remain in the Continuing Fund or not;

49. the Merger was approved by the board of directors of the Filer on October 11, 2019;

50. on October 15, 2019, the Vertex IRC established for the Terminating Funds and Continuing Fund under NI 81-107 met to consider the Merger and advised the Filer that in the opinion of the Vertex IRC, after reasonable enquiry, the Merger would achieve a fair and reasonable result for the Terminating Funds and Continuing Fund and their unitholders; the results of the Vertex IRC's review of the Merger are referred to in the Circular;

Additional Changes

51. the Filer understands that Pender plans on implementing the following changes to the Vertex Managed Funds following the Change in Manager and Merger in accordance with the matters approved at the special meeting described in Representation 54:

(a) change of auditor for all Funds;

(b) change of investment objectives of the Continuing Fund;

(c) administrative fee change for all Funds;

(d) fee change for Class B unitholders of the Continuing Fund; and

(e) trust agreement amendment for all Funds (collectively, the Additional Changes);

52. securityholders of the Vertex Managed Funds have been notified of the Additional Changes in accordance with the requirements of National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106); a press release disclosing the Additional Changes was issued and posted on the website of the Filer and filed on SEDAR on October 11, 2019; in addition, a Form 51-102F3 *Material Change Report* (MCR) describing the Additional Changes was filed on SEDAR on October 21, 2019; the required amendments reflecting the Additional Changes have been made to the simplified prospectus, annual information form and fund facts documents of the Vertex Managed Funds;

53. the Additional Changes have received a positive recommendation from the Vertex IRC of all affected Funds that the changes will achieve a fair and reasonable result for the Vertex Managed Funds and their unitholders;

Other Requirements

54. the approval of the Change of Manager, Merger and the Additional Changes by unitholders of the Vertex Managed Funds as required under NI 81-102 was obtained at special meetings of the Vertex Managed Funds' unitholders on November 28, 2019; the notice of meeting and management information circular of the Filer

(the Circular) were mailed to unitholders of the Vertex Managed Funds on October 25, 2019, in compliance with the notice and form requirements of Section 5.4 of NI 81-102; copies of both the notice of meeting and Circular have been filed on SEDAR; none of the expenses of these approvals will be incurred by the Vertex Managed Funds or the unitholders of the Vertex Managed Funds and the approvals meet the requirements of Section 5.4 of NI 81-102;

55. the Circular contained sufficient information, including a discussion regarding the tax implications of the Change of Manager, Merger and Additional Changes, to permit unitholders of the Vertex Managed Funds to make an informed decision whether to approve the Change of Manager, Merger and Additional Changes;

56. the Circular described the various ways in which unitholders of the Terminating Funds could obtain, at no cost, copies of the most recent interim and annual financial statements and management reports of fund performance of the Continuing Fund; accordingly, unitholders of the Terminating Funds were provided with sufficient information to make an informed decision about the Merger; and

57. as required by Section 11.2 of NI 81-106, a press release disclosing the Transaction and Change of Manager was issued and posted on the website of the Filer and filed on SEDAR on August 26, 2019; in addition, a MCR describing the Transaction and Change of Manager was filed on SEDAR on September 16, 2019; a press release announcing the Merger and Additional Changes was issued and posted on the website of the Filer and filed on SEDAR on October 11, 2019; in addition, an MCR describing the Merger and Additional Changes was filed on SEDAR on October 21, 2019; the Filer will issue a press release and file an MCR upon completion of both the Change of Manager and the Merger.

Decision

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

The decision of the Decision Makers under the Legislation is that the Exemption Sought is granted.

“John Hinze”
Director, Corporate Finance
ritish Columbia Securities Commission

2.2 Orders

2.2.1 Neurocords Corporation

Headnote

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – The issuer ceased to be a reporting issuer under securities legislation.

Applicable Legislative Provisions

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

January 14, 2020

Citation: *Re Neurocords Corporation*, 2020 ABASC 6

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA AND ONTARIO
(the Jurisdictions)

AND

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

AND

IN THE MATTER OF
NEUROCORDS CORPORATION
(the Filer)

ORDER

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Maker**) has received an application from the Filer for an order under the securities legislation of the Jurisdictions (the **Legislation**) that the Filer has ceased to be a reporting issuer in all jurisdictions of Canada in which it is a reporting issuer (the **Order Sought**).

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

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

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

(c) this order is the order of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

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

Representations

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

1. the Filer is not an OTC reporting issuer under Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*;

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

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

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

5. the Filer is not in default of securities legislation in any jurisdiction.

Order

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

The decision of the Decision Makers under the Legislation is that the Order Sought is granted.

“Timothy Robson”
Manager, Legal
Corporate Finance

2.2.2 Avesoro Resources Inc.

Headnote

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – The issuer ceased to be a reporting issuer under securities legislation.

Applicable Legislative Provisions

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

January 15, 2020

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

AND

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

AND

IN THE MATTER OF
AVESORO RESOURCES INC.
(the Filer)

ORDER

Background

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

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

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

(b) the Filer has provided notice that subsection 4C.5(1)(c) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, Northwest Territories, Yukon and Nunavut.

Interpretation

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

Representations

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

1. the Filer is not an OTC reporting issuer under Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*;

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

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

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

5. the Filer is not in default of securities legislation in any jurisdiction.

Order

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

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

"Winnie Sanjoto"
Manager, Corporate Finance
Ontario Securities Commission

2.2.3 Blackrock Asset Management Canada Limited and Blackrock Financial Management, Inc. – s. 80 of the CFA

Headnote

Section 80 of the Commodity Futures Act (Ontario) – Relief from the adviser registration requirement of paragraph 22(1)(b) of the CFA granted to a sub-adviser headquartered in a foreign jurisdiction in respect of advice regarding trades in commodity futures contracts and commodity futures options, subject to certain terms and conditions – Relief mirrors exemption available in section 8.26.1 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations made under the Securities Act (Ontario) – Relief is subject to a sunset clause.

Applicable Legislative Provisions

Commodity Futures Act, R.S.O. 1990, c. C.20, as am., ss. 1(1), 22(1)(b) and 80.
Securities Act, R.S.O. 1990, c. S.5, as am., s. 25(3).
National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, s. 8.26.1.
Ontario Securities Commission Rule 35-502 Non-Resident Advisers, s. 7.11.

January 10, 2020

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, CHAPTER C. 20, AS AMENDED
(the CFA)

AND

IN THE MATTER OF
BLACKROCK ASSET MANAGEMENT CANADA LIMITED

AND

BLACKROCK FINANCIAL MANAGEMENT, INC.

ORDER
(Section 80 of the CFA)

UPON the application (the **Application**) of BlackRock Asset Management Canada Limited (**BlackRock Canada** or the **Principal Adviser**) and BlackRock Financial Management, Inc. (the **Sub-Adviser**) to the Ontario Securities Commission (the **Commission**) for an order, pursuant to section 80 of the CFA, that the Sub-Adviser and any individuals engaging in, or holding themselves out as engaging in, the business of advising others when acting on behalf of the Sub-Adviser in respect of the Sub-Advisory Services (as defined below) (the **Representatives**), be exempt, for a specified period of time, from the adviser registration requirements of paragraph 22(1)(b) of the CFA when acting as a sub-adviser to the Principal Adviser in respect of the Clients (as defined below) regarding commodity futures contracts and commodity futures options (collectively, the Contracts) traded on commodity futures exchanges and cleared through clearing corporations (the **Relief Sought**);

AND UPON considering the Application and the recommendation of staff of the Commission;

AND UPON the Principal Adviser and the Sub-Adviser having represented to the Commission that:

1. BlackRock Canada is a corporation amalgamated under the laws of Ontario, with its head office located in Toronto, Ontario, Canada.

2. BlackRock Canada is registered as a portfolio manager, investment fund manager and exempt market dealer in each of the provinces and territories of Canada and as a commodity trading manager under the CFA in Ontario and as an adviser under the *Commodity Futures Act* (Manitoba) in Manitoba.

3. BlackRock Canada is a wholly owned subsidiary of BlackRock Inc., a publicly traded company.

4. The Sub-Adviser is a corporation incorporated under the laws of Delaware, with its head office located in New York, United States.

5. The Sub-Adviser is also a wholly-owned subsidiary of BlackRock, Inc.

6. The Sub-Adviser and the Principal Adviser are each controlled by BlackRock, Inc. and are therefore affiliates, as defined in the *Securities Act* (Ontario) (the **OSA**).

7. The Sub-Adviser is registered as an investment adviser with the United States Securities and Exchange Commission, its primary regulator. The Sub-Adviser is also registered in the United States with the Commodity Futures Trading Commission as a commodity trading operator and commodity trading adviser and is a member of the National Futures Association.

8. The Sub-Adviser is registered in a category of registration under the commodity futures or other applicable legislation of the United States that permit it to carry on the activities in the United States that registration as an adviser under the CFA would permit it to carry on in Ontario. As such, the Sub-Adviser is authorized and permitted to carry on the Sub-Advisory Services (as defined below) in the United States.

9. The Sub-Adviser is not registered in any capacity under the CFA or the OSA, nor is the Sub-Adviser registered in any capacity under the securities law, commodity futures law, or derivatives law of any other jurisdiction of Canada.

10. The Sub-Adviser is currently relying on the exemption from the requirement to register as an investment fund manager under the OSA pursuant to section 4 of Multilateral Instrument 32-102 *Registration Exemptions for Non-Resident Investment Fund Managers* in Ontario, Quebec and Newfoundland & Labrador. The Sub-Adviser is also relying on the exemption from the requirement to register as an adviser under the OSA pursuant to section 8.26 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) in all provinces and territories of Canada. However, in Ontario, and with respect to its relationship with the Principal Adviser, the Sub-Adviser also relies on the exemption from the requirement to register as an adviser (the "international sub-adviser" exemption) under the OSA pursuant to section 8.26.1 of NI 31-103.

11. The Sub-Adviser engages in the business of an adviser in respect of Contracts in the United States.

12. The Sub-Adviser is not a resident of any province or territory of Canada.

13. The Principal Adviser and Sub-Adviser are not in default of securities legislation, commodity futures legislation or derivatives legislation in any jurisdiction of Canada.

14. The Sub-Adviser is in in compliance in all material respects with the securities laws, commodity futures laws and derivatives laws in the United States.

15. The Principal Adviser provides, or may provide, investment advice and/or discretionary portfolio management services in Ontario to the following clients (each referred to individually as a **Client** and collectively as the **Clients**):

    (a) investment funds, the securities of which are qualified by prospectus for distribution to the public in Ontario and/or certain other provinces and territories of Canada (the **Investment Funds**);

    (b) pooled funds, the securities of which are sold on a private placement basis in Ontario and/or certain other provinces and territories of Canada pursuant to prospectus exemptions contained in National Instrument 45-106 *Prospectus Exemptions* (the **Pooled Funds**);

    (c) clients resident in Ontario who have entered into investment management agreements with the Principal Adviser to establish managed accounts (the **Managed Account Clients**); and

    (d) other Investment Funds, Pooled Funds and Managed Account Clients that may be established or retained in the future in respect of which the Principal Adviser will engage the Sub-Adviser to provide portfolio advisory services (the **Future Clients**).

16. Certain of the Clients may, as part of their investment program, invest in Contracts. The Principal Adviser acts as a commodity trading manager in respect of certain Clients.

17. In connection with the Principal Adviser acting as an adviser to Clients in respect of the purchase or sale of Contracts, the Principal Adviser, pursuant to a written agreement made between the Principal Adviser and the Sub-Adviser, will retain the Sub-Adviser to act as a sub-adviser to the Principal Adviser in respect of Contracts in which that Sub-Adviser has experience and expertise by exercising discretionary investment authority on behalf of the Principal Adviser, in respect of all or a portion of the assets of the investment portfolio of the respective Client, including discretionary authority to buy or sell Contracts for the Client (the **Sub-Advisory Services**), provided that such investments are consistent with the investment objectives and strategies of the applicable Client.

18. Paragraph 22(1)(b) of the CFA prohibits a person or company from acting as an adviser unless the person or company is registered as an adviser under the CFA, or is registered as a representative or as partner or an officer of a registered adviser and is acting on behalf of a registered adviser.

19. By providing the Sub-Advisory Services, the Sub-Adviser and its Representatives will be engaging in, or holding themselves out as engaging in, the business of advising others in respect of Contracts and, in the absence of being granted the Relief Sought, would be required to register as an adviser or a representative of an adviser, as the case may be, under the CFA.

20. There is presently no rule or regulation under the CFA that provides an exemption from the adviser registration requirement in paragraph 22(1)(b) of the CFA that is similar to the exemption from the adviser registration requirement in subsection 25(3) of the OSA provided under section 8.26.1 of NI 31-103.

21. The relationship among the Principal Adviser, the Sub-Adviser and any Client will be consistent with the requirements of section 8.26.1 of NI 31-103.

22. The Sub-Adviser will only provide the Sub-Advisory Services to the Principal Adviser as long as the Principal Adviser is, and remains, registered under the CFA as an adviser in the category of commodity trading manager.

23. As would be required under section 8.26.1 of NI 31-103:

    (a) the obligations and duties of the Sub-Adviser will be set out in a written agreement with the Principal Adviser; and

    (b) the Principal Adviser has entered into, or will enter into, a written contract with each Client, agreeing to be responsible for any loss that arises out of the failure of any Sub-Adviser:

        (i) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Principal Adviser and each Client; or

        (ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances (together with (i), the **Assumed Obligations**).

24. The written agreement between the Principal Adviser and the Sub-Adviser will set out the obligations and duties of each party in connection with the Sub-Advisory Services and will permit the Principal Adviser to exercise the degree of supervision and control it is required to exercise over the Sub-Adviser in respect of the Sub-Advisory Services.

25. The Principal Adviser will deliver to the Clients all required reports and statements under applicable securities, commodity futures and derivatives legislation.

26. The prospectus or other offering document (in either case, the **Offering Document**) of each Client that is an Investment Fund or a Pooled Fund and for which the Principal Adviser engages the Sub-Adviser to provide the Sub-Advisory Services includes, or will include, the following disclosure (the **Required Disclosure**):

    (a) a statement that the Principal Adviser is responsible for any loss that arises out of the failure of any Sub-Adviser to meet the Assumed Obligations; and

    (b) a statement that there may be difficulty in enforcing any legal rights against the Sub-Adviser (or any of its Representatives) because the Sub-Adviser is resident outside of Canada and all or substantially all of its assets are situated outside of Canada.

27. The Required Disclosure will be provided in writing prior to the purchasing of any Contracts for each Client that is a Managed Account for which the Principal Adviser engages the Sub-Adviser to provide the Sub-Advisory Services.

AND UPON the Commission being of the opinion that to do so would not be prejudicial to the public interest;

IT IS ORDERED, pursuant to section 80 of the CFA, that the Sub-Adviser and its Representatives are exempt from the adviser registration requirements of paragraph 22(1)(b) of the CFA when acting as a sub-adviser to the Principal Adviser in respect of the Sub-Advisory Services, provided that at the time that such activities are engaged in:

(a) the Principal Adviser is registered under the CFA as an adviser in the category of commodity trading manager;

(b) the Sub-Adviser's head office or principal place of business is in a jurisdiction outside of Canada;

(c) the Sub-Adviser is registered in a category of registration, or operates under an exemption from registration, under the commodity futures or other applicable legislation of the jurisdiction outside of Canada in which its head office or principal place of business is located, that permits it to carry on the activities in that jurisdiction that registration as an adviser under the CFA would permit it to carry on in Ontario;

(d) the Sub-Adviser engages in the business of an adviser in respect of Contracts in the jurisdiction outside of Canada in which its head office or principal place of business is located;

(e) the obligations and duties of the Sub-Adviser are set out in a written agreement with the Principal Adviser;

(f) the Principal Adviser has entered into a written agreement with each Client, agreeing to be responsible for any loss that arises out of any failure of the Sub-Adviser to meet the Assumed Obligations;

(g) the Offering Document of each Client that is an Investment Fund or a Pooled Fund and for which the Principal Adviser engages the Sub-Adviser to provide the Sub-Advisory Services includes the Required Disclosure; and

(h) the Required Disclosure is provided in writing prior to the purchasing of any Contracts for each Client that is a Managed Account for which the Principal Adviser engages the Sub-Adviser to provide the Sub-Advisory Services.

AND IT IS FURTHER ORDERED that this Order will terminate on the earliest of:

(a) the expiry of any transition period as may be provided by law, after the effective date of the repeal of the CFA;

(b) six months, or such other transition period as may be provided by law, after the coming into force of any amendment to Ontario commodity futures law (as defined in the CFA) or Ontario securities law (as defined in the OSA) that affects the ability of the Sub-Adviser to act as a sub-adviser to the Principal Adviser in respect of the Sub-Advisory Services; and

(c) five years after the date of this Order.

Dated this 10 day of January, 2020.

“Lawrence Haber”
Vice-Chair or Commissioner
Ontario Securities Commission

“Mary Anne De Monte-Whelan”
Vice-Chair or Commissioner
Ontario Securities Commission

2.2.4 Pengrowth Energy Corporation

Headnote

National Policy 11-206 Process for Cease to be a Reporting Issuer – issuer deemed to be no longer a reporting issuer under securities legislation.

Applicable Legislative Provisions

Securities Act, R.S.A., 2000, c. S-4, s. 153.

January 7, 2020

Citation: *Re Pengrowth Energy Corporation*, 2020 ABASC 4

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA AND ONTARIO
(the Jurisdictions)

AND

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

AND

IN THE MATTER OF
PENGROWTH ENERGY CORPORATION
(the Filer)

ORDER

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Maker**) has received an application from the Filer for an order under the securities legislation of the Jurisdictions (the **Legislation**) that the Filer has ceased to be a reporting issuer in all jurisdictions of Canada in which it is a reporting issuer (the **Order Sought**).

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

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

(b) the Filer has provided notice that subsection 4C.5(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador; and

(c) this order is the order of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

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

Representations

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

1. the Filer is not an OTC reporting issuer under Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*;

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

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

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

5. the Filer is not in default of securities legislation in any jurisdiction.

Order

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

The decision of the Decision Makers under the Legislation is that the Order Sought is granted.

"Timothy Robson"
Manager, Legal
Corporate Finance
Alberta Securities Commission

2.2.5 Iplayco Corporation Ltd.

Headnote

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – The issuer ceased to be a reporting issuer under securities legislation.

Applicable Legislative Provisions

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

January 17, 2020

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA AND ONTARIO
(the Jurisdictions)

AND

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

AND

IN THE MATTER OF
IPLAYCO CORPORATION LTD.
(the Filer)

ORDER

Background

¶ 1 The securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer for an order under the securities legislation of the Jurisdictions (the Legislation) that the Filer has ceased to be a reporting issuer in all jurisdictions of Canada in which it is a reporting issuer (the Order Sought).

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

(a) the British Columbia Securities Commission is the principal regulator for this application;

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

(c) this order is the order of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

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

Representations

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

1. the Filer is not an OTC reporting issuer under Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*;

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

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

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

5. the Filer is not in default of securities legislation in any jurisdiction.

Order

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

The decision of the Decision Makers under the Legislation is that the Order Sought is granted.

"John Hinze"
Director, Corporate Finance
British Columbia Securities Commission

2.2.6 Miner Edge Inc. et al. – ss. 127, 127.1

IN THE MATTER OF
MINER EDGE INC.,
MINER EDGE CORP. and
RAKESH HANDA

File No. 2019-44

D. Grant Vingoe, Vice-Chair and Chair of the Panel

January 20, 2020

ORDER
(Sections 127 and 127.1 of
the *Securities Act,* RSO 1990, c S.5)

WHEREAS on January 20, 2020, the Ontario Securities Commission held a hearing at 20 Queen Street West, 17th Floor, Toronto, Ontario;

ON HEARING the submissions of the representatives for Staff of the Commission (**Staff**) and Miner Edge Inc., Miner Edge Corp. and Rakesh Handa (together, the **Respondents**);

IT IS ORDERED THAT:

1. Staff shall disclose to the Respondents non-privileged relevant documents and things in the possession or control of Staff (**Staff's Disclosure**) by no later than February 19, 2020;

2. the Respondents shall serve and file a motion, if any, regarding Staff's Disclosure or seeking disclosure of additional documents by no later than May 8, 2020;

3. Staff shall file and serve a witness list, and serve a summary of each witness' anticipated evidence on the Respondents, and indicate any intention to call an expert witness, including the expert's name and the issues on which the expert will give evidence, by no later than May 11, 2020; and

4. a further attendance in this proceeding is scheduled for May 19, 2020 at 10:00 a.m., or on such other date and time as may be agreed to by the parties and set by the Office of the Secretary.

"D. Grant Vingoe"

2.2.7 Aethon Minerals Corporation

Headnote

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – The issuer ceased to be a reporting issuer under securities legislation.

Applicable Legislative Provisions

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

January 8, 2020

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

AND

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

AND

IN THE MATTER OF
AETHON MINERALS CORPORATION
(the Filer)

ORDER

Background

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

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

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

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

Interpretation

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

Representations

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

1. the Filer is not an OTC reporting issuer under Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*;

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

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

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

5. the Filer is not in default of securities legislation in any jurisdiction.

Order

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

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

"Marie-France Bourret"
Manager, Corporate Finance
Ontario Securities Commission

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions

3.1.1 MOAG Copper Gold Resources Inc. et al. – s. 127(1)

Citation: MOAG Copper Gold Resources Inc (Re), 2020 ONSEC 3
Date: 2020-01-15
File No. 2018-41

IN THE MATTER OF
MOAG COPPER GOLD RESOURCES INC.,
GARY BROWN and
BRADLEY JONES

REASONS AND DECISION
(Subsection 127(1) of the *Securities Act*, RSO 1990, c S.5)

Hearing:	November 4, 6 and 11, 2019	
Decision:	January 15, 2020	
Panel:	Timothy Moseley	Vice-Chair and Chair of the Panel
	M. Cecilia Williams	Commissioner
	Mary Anne De Monte-Whelan	Commissioner
Appearances:	Anna Huculak	For Staff of the Commission
	Peter Cooper	For MOAG Copper Gold Resources Inc.
	Bradley Jones appearing on his own behalf	
	No one appearing for Gary Brown	

REASONS AND DECISION

I. OVERVIEW

[1] On October 13, 2015, a Director of the Ontario Securities Commission (the **Commission**) issued an order (the **Cease Trade Order**)[1] providing that all trading in securities of the respondent MOAG Copper Gold Resources Inc. (**MOAG**) was to cease for 15 days. The Cease Trade Order was imposed at the request of the respondent Gary Brown, MOAG's then president and CEO, because of his and MOAG's contention that MOAG's financial statements over the previous several years contained material misstatements.

[2] On October 26, 2015, the Director extended the Cease Trade Order pending any further order.[2] The Cease Trade Order remains in effect.

[3] Staff alleges that between October 2015 and February 2017, while the Cease Trade Order was in effect, MOAG violated that order by issuing and selling to 93 Taiwan residents approximately US$7.4 million of unsecured, convertible US dollar-denominated debentures (the **Debentures**).

[4] Staff alleges that the individual respondents (Brown, who was the president and CEO; and Bradley Jones, who was a director and officer) violated the Cease Trade Order by engaging in a variety of acts in furtherance of MOAG's trades.

[5] For the reasons set out below, we find that each of the respondents violated the Cease Trade Order and that they therefore contravened Ontario securities law.

[1] (2015) 38 OSCB 8857
[2] (2015) 38 OSCB 9149

[6] As we explain later in these reasons, we consider it unnecessary to address three additional allegations made by Staff:

a. that each of Brown and Jones, as an officer and/or director of MOAG, authorized, permitted or acquiesced in MOAG's violations of the Cease Trade Order;

b. that the respondents' conduct was contrary to the public interest; and

c. that the respondents should be deemed to be liable under s. 122 of the *Securities Act* (the **Act**).[3]

II. BACKGROUND

A. Respondents

[7] MOAG is a reporting issuer in Ontario, with its common shares listed on the Canadian Securities Exchange. It also has outstanding options, as well as convertible debentures of one- to two-year terms. MOAG holds itself out as engaging in the exploration and evaluation of mineral properties.

[8] Brown is a resident of British Columbia. He is a co-founder and significant shareholder of MOAG. Between September 2015 and December 2015, Brown acted as a director of MOAG and as its president and CEO.

[9] Jones is a resident of Ontario. He is MOAG's other co-founder and significant shareholder. At all times relevant to this proceeding, Jones acted in some capacity with respect to MOAG. Initially, he was a director and the CFO, then just a director, then a director and the CEO and CFO, and finally, just a consultant.

B. Cease Trade Order

[10] Paragraph 2 of s. 127(1) of the Act authorizes the Commission to order that trading in any securities of a company cease permanently or for such period as is specified in the order.

[11] Subsection 6(3) of the Act authorizes a quorum of the Commission to assign to any Director of the Commission various powers under the Act, including the power under s. 127(1)2 of the Act to issue a cease trade order. The term "Director" is defined in s. 1(1) of the Act to include "a person employed by the Commission in a position designated by the Executive Director for the purpose of this definition." By written designation dated March 4, 2010, the Executive Director designated each Manager in the Corporate Finance Branch of the Commission as a Director.[4] That designation was in effect at the relevant time.

[12] On October 25, 2013, pursuant to s. 6(3) of the Act, the Commission assigned to each Director (and therefore, by extension, to each Manager in the Corporate Finance Branch) the power under s. 127(1)2 of the Act to issue a cease trade order in respect of an issuer, under certain circumstances.[5] That assignment, which was in effect at the relevant time, specifies those circumstances as follows:

a. where the making of the order is not contested on its merits; and

b. where the order relates to securities of a reporting issuer that has failed to file various continuous disclosure documents required to be filed by Ontario securities law, or whose financial statements filed with the Commission were not prepared in accordance with generally accepted accounting principles.

[13] On October 13, 2015, a Manager in the Commission's Corporate Finance Branch issued the original Cease Trade Order in respect of securities of MOAG. Both of the conditions set out in paragraph [12] above were met, in that the order was made on MOAG's request, and it recited that MOAG had failed to meet various continuous disclosure requirements.

[14] None of the respondents in this proceeding contests the validity of the Cease Trade Order.

[15] As contemplated by s. 127(5) of the Act, the Cease Trade Order was temporary. Therefore, pursuant to s. 127(6) of the Act, it was to expire on October 28, 2015 (fifteen days after its making), unless extended by the Commission. On October 26, 2015, two days before its expiry, a Deputy Director of the Commission (and therefore a "Director" as defined in s. 1(1) of the Act) extended the Cease Trade Order until further order. None of the respondents contests the validity of the extension of the Cease Trade Order. It remains in effect.

[16] The Cease Trade Order forms part of "Ontario securities law", by virtue of s. 1(1) of the Act, which defines that term to include a decision of the Commission or of a Director.

[3] RSO 1990, c S.5
[4] (2010) 33 OSC 2069
[5] (2013) 36 OSCB 10876

III. PARTICIPATION IN THIS PROCEEDING

A. MOAG

[17] MOAG was not represented by counsel at the merits hearing. Peter Cooper, the current CEO of MOAG, participated in the hearing by teleconference on behalf of MOAG. MOAG called no evidence at the hearing.

B. Brown

[18] At preliminary attendances in this proceeding up to and including the attendance on October 4, 2019, Brown appeared through counsel, who participated by teleconference. On October 15, 2019, Brown's counsel brought a motion to be removed as counsel. The Commission made an order to that effect on October 17, 2019.[6]

[19] On October 24, 2019, Brown sent an email to the Registrar, advising that he needed an additional 90 days to prepare for the merits hearing, which was scheduled to begin on November 4, 2019. The Commission treated Brown's request as a motion, which was heard on October 28, 2019, with Brown participating by teleconference.

[20] At that hearing, the Commission dismissed Brown's motion, for reasons delivered orally at that time. Brown replied: "…don't bother sending me anything. I'll just go as it is. I don't want to talk about this anymore. Do whatever you want. Thank you very much. Good bye."[7] Brown then hung up. He did not rejoin the call.

[21] Neither Brown nor anyone on his behalf appeared at the merits hearing.

[22] The *Statutory Powers Procedure Act* provides that where a party has been given proper notice of a hearing but does not attend, the tribunal may proceed in the party's absence and the party is not entitled to any further notice in the proceeding.[8] We were satisfied that Brown had proper notice of the merits hearing. We proceeded in his absence.

C. Jones

[23] Jones attended the merits hearing in person. Jones had been represented by counsel in the preliminary stages of this proceeding, was assisted by counsel in drafting an agreed statement of facts (referred to in more detail beginning at paragraph [26] of these Reasons), and was self-represented at the hearing.

IV. ANALYSIS

A. Evidentiary matters

1. Standard and burden of proof

[24] The standard of proof applicable to Commission proceedings is the balance of probabilities. Staff must prove, on the basis of clear, convincing and cogent evidence, that it is more likely than not that the alleged events occurred.[9]

[25] If Staff fails to do so, or if a respondent presents an alternative explanation that is as likely as the explanation asserted by Staff, then Staff will not have met its burden.[10]

2. Staff's evidence

[26] Prior to the hearing, Staff and Jones filed their agreed statement of facts. Jones submitted no further evidence at the hearing.

[27] Staff called two witnesses:

a. Matthew Au, Senior Accountant in the Corporate Finance Branch of the Commission; and

b. Peter Cho, Senior Forensic Accountant in the Enforcement Branch of the Commission.

[28] Au's and Cho's testimony was largely hearsay evidence. Section 15 of the *Statutory Powers Procedure Act* provides that a panel may admit as evidence any relevant oral testimony or document even if not given under oath or affirmation, or admissible in court. This extends to hearsay evidence.

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[6] (2019) 42 OSCB 8427
[7] *Hearing Transcript*, October 28, 2019 at 27 lines 7-10
[8] RSO 1990, c S.22, s 7(1). See also *Ontario Securities Commission Rules of Procedure and Forms*, (2019) 42 OSCB 6528, r 21(3)
[9] *FH v McDougall*, 2008 SCC 53 at paras 40, 46, 49; *Al-Tar Energy Corp (Re)*, 2010 ONSEC 11, (2010) 33 OSCB 5535 at paras 32-34
[10] A. Bryant, S. Lederman & M. Fuerst, *Sopinka, Lederman & Bryant: The Law of Evidence in Canada*, 5th ed (Toronto: LexisNexis Canada, 2018) at 97

[29] The respondents neither contradicted nor challenged the reliability of Staff's evidence, including the hearsay evidence. We found Au and Cho to be credible and their testimony to be reliable. We accept their evidence and we give all of it full weight.

3. Respondents' evidence

[30] As noted above, Jones submitted an agreed statement of facts but no further evidence. Neither MOAG nor Brown submitted any evidence.

B. Substantive Issues

[31] Staff's allegations present two principal issues:

a. Did MOAG trade in securities in breach of the Cease Trade Order?

b. If the trades in MOAG's securities did violate the Cease Trade Order, did Jones or Brown engage in acts in furtherance of those trades?

[32] We address each of these issues in turn.

1. Did MOAG trade in securities in breach of the Cease Trade Order?

(a) Introduction

[33] In order to establish its allegation against MOAG, Staff must prove that MOAG: (i) traded; (ii) in its own securities; (iii) while the Cease Trade Order was in effect.

[34] Staff submits, and we agree, that the Debentures are securities. The Act defines a "security" to include all of the following, all of which apply to the Debentures in this case:

a. any document, instrument or writing commonly known as a security;

b. any document constituting evidence of title to or interest in the capital, assets, property, profits, earnings or royalties of any person or company; and

c. a bond, debenture, note or other evidence of indebtedness.[11]

[35] A "trade" includes any sale or distribution of a security for valuable consideration and any acts in furtherance of a trade.[12]

[36] The debenture analysis prepared by Cho shows that from October 2015 to February 2017, while the Cease Trade Order was in effect, MOAG issued and sold, in 153 transactions, to 93 Taiwan residents approximately US$7.4 million of unsecured, convertible debentures including:

a. approximately US$3.6 million that were issued for cash (the **New Debentures**); and

b. approximately US$3.8 million that were issued to holders of maturing debentures as rollovers (the **Rolled Debentures).**

(b) New Debentures

[37] With respect to the New Debentures, Cho testified that he had reviewed, among other documents:

a. subscription agreements,

b. Debenture certificates showing the name of the investor, amount invested, date of issuance and date of maturity, and

c. MOAG bank records showing:

(a) receipt of funds for the Debentures; and

(b) commission payments by MOAG to its Taiwanese agent, H&W International Ltd. (**H&W**).

[11] s. 1(1), "security" definition, (a), (b) and (e)
[12] s. 1(1), "trade" or "trading" definition, (a) and (e)

[38] The New Debentures are securities, and by issuing them, MOAG traded them. MOAG did so while the Cease Trade Order was in effect. Those trades violated the order.

(c) Rolled Debentures

[39] We now turn to consider whether MOAG's issuance of the Rolled Debentures constituted "trading". While both MOAG and Jones admitted this conclusion, we wish to address the issue in some detail, particularly in the apparent absence of any previous Commission decision that explicitly deals with the question.

[40] Cho testified that for the Rolled Debentures, he reviewed, among other documents:

a. consent agreements signed by investors to rollover the maturing debentures;

b. newly-issued Debenture certificates showing the name of the investor, the amount represented by the certificate, and new dates of issuance and maturity; and

c. MOAG bank records showing payment of commissions to H&W for these transactions.

[41] Staff submits that the valuable consideration received by MOAG for the Rolled Debentures was the investors' forbearance of repayment on the maturity date of the existing debentures. Staff relies on *Cook (Re),* a decision of the British Columbia Securities Commission (the **BCSC**), in which the BCSC determined that the rollover of a series of promissory notes constituted trades in securities. The BCSC stated:

> In this case, a new security was issued every time an interest bearing promissory note was renewed. It is clear that in each case, the new interest bearing promissory note was issued in satisfaction of repayment of its predecessor interest bearing promissory note. In other words, there was clearly an issuance of (or trade in) a security for valuable consideration (in this case, forbearance of repayment on the maturity date of the previously issued note) every time a new interest bearing promissory note was issued.[13]

[42] This Commission reciprocated the BCSC's order in that case.[14]

[43] The Alberta Securities Commission has also determined that the rollover of a debt investment (wholly or partly) at maturity into a comparable new investment for a new term constituted a sale of a new security, and therefore a trade.[15]

[44] MOAG investors who chose to rollover their maturing debentures received new debenture certificates, which were indistinguishable in form from the certificates issued for New Debentures. Certificates for the Rolled Debentures reflected new and different issue and maturity dates.

[45] The consent agreements executed by investors to rollover their maturing debentures stated that: "[o]n the maturity date of the present US Dollar debenture the investor principle [*sic*] will be deemed to be payment for the new USD debenture."[16] Each consent agreement showed a handwritten figure, which amount would be deemed to be payment for the new US dollar debenture.

[46] We have no hesitation concluding that MOAG's issuances of Rolled Debentures were trades. In return for an investor's forbearance of MOAG's obligation to pay out a maturing debenture, MOAG issued to the investor a different debenture, with a different maturity date. Concluding that those issuances were trades is consistent with the definition of "trade" and with the investor protection purpose of the Act.

[47] MOAG traded the Rolled Debentures while the Cease Trade Order was in effect. Those trades violated the order.

2. Did Jones or Brown engage in acts in furtherance of MOAG's trades?

(a) Jones

[48] Any act in furtherance of a trade is itself a trade.[17] Any act in furtherance of MOAG's improper trades would therefore be a violation of the Cease Trade Order, and a contravention of Ontario securities law.

[13] *Cook (Re)*, 2017 BCSECCOM 136 at para 128.
[14] *Cook (Re)*, 2018 ONSEC 6, (2018) 41 OSCB 1497 (***Cook***), at para 4 (reciprocated with minor variances due to BC legislative references to "exchange contracts"). The definition of a "distribution" under s.1(1) of the Act includes trades in newly issued securities.
[15] *Johnston (Re)*, 2013 ABASC 376 at para 85.
[16] Exhibit 8, Investor Documents at 5
[17] s. 1(1), "trade" or "trading" definition, (e)

[49] Jones, who was at various times a director, officer and/or consultant of MOAG, admitted that his conduct as described in the agreed statement of facts was contrary to the public interest. However, Jones did not admit to having contravened Ontario securities law. Staff submits, and we conclude, that Jones did contravene Ontario securities law.

[50] Jones's agreed statement of facts included the following facts relevant to this allegation:

a. between October 13, 2015 and December 18, 2015, when Jones was a director of MOAG:

i. MOAG issued and sold US$610,000 of New Debentures to seven investors for cash;

ii. Jones encouraged Brown to pay H&W the commissions owing to it;

iii. Jones prepared, printed and signed the Debenture certificates and accompanying cover letters;

iv. Jones sent out the Debenture certificates and accompanying cover letters to the investors;

v. Jones updated MOAG's Debenture records, including files containing materials such as copies of investors' identification and executed subscription agreements (the activities referred to in (iii), (iv) and this subparagraph (v) are collectively referred to as the **Trading Activities**); and

vi. Jones was aware that the trading was in breach of the Cease Trade Order;

b. between December 19, 2015 and January 16, 2017, when Jones was a director and CEO and CFO of MOAG:

i. MOAG issued and sold:

(a) US$3.8 million of Rolled Debentures to 39 holders of maturing debentures; and

(b) US$2.8 million of New Debentures to 64 investors;

ii. Jones engaged in the Trading Activities and paid H&W's commissions with respect to those sales; and

iii. Jones was aware that the trading was in breach of the Cease Trade Order; and

c. between January 17, 2017, and February 10, 2017, when Jones had become a consultant to MOAG after ceasing to be a director, CEO and CFO of the company:

i. on January 23, 2017 and February 10, 2017, Jones arranged for MOAG to issue and sell US$210,000 of Debentures to two investors;

ii. Jones engaged in the Trading Activities and paid H&W's commissions with respect to those sales; and

iii. Jones was aware that the trading was in breach of the Cease Trade Order.

[51] We find that these activities were acts in furtherance of MOAG's improper trading and that they were in breach of the Cease Trade Order. As a result, Jones's conduct contravened Ontario securities law.

(b) Brown

[52] As noted above in paragraph [50](a)(i), between October 13, 2015 and December 18, 2015, MOAG issued US$610,000 of New Debentures while Brown was a director and the president and CEO.

[53] Brown asked the Commission to issue the Cease Trade Order. He was aware that H&W continued to sell Debentures after the Cease Trade Order had been issued. Brown monitored the funds from the Debenture sales coming into MOAG's bank account online. He took on the obligation to pay H&W the commissions owing to it and he wired those commission payments to H&W. Brown corresponded with H&W about the payment of their commissions and spoke with H&W representatives about their commissions.

[54] We find that Brown's conduct constituted acts in furtherance of MOAG's improper trading and that those acts were in breach of the Cease Trade Order. As a result, Brown's conduct contravened Ontario securities law.

3. Staff's additional allegations

[55] Staff makes three additional allegations that we consider unnecessary to address fully. Some explanation and comments are in order, however.

(a) Indirect liability of Jones and Brown

[56] The first is with respect to Jones's and Brown's involvement with MOAG's improper trading. As an alternative to Staff's submission that Jones and Brown were responsible as principals for that improper trading, Staff submits that they are indirectly liable because they authorized, permitted or acquiesced in MOAG's improper trading. Because we have found that Jones and Brown were responsible as principals, we need not address the alternative submission as to indirect liability. We comment below, at paragraph [61], about the section of the Act relied on by Staff for this allegation.

(b) Conduct contrary to the public interest

[57] The second allegation we consider unnecessary to address fully is that the respondents' conduct was contrary to the public interest. Having found that the conduct contravened Ontario securities law, we need not go further.

(c) Section 122 of the Act

[58] Finally, we address Staff's allegations that the respondents should be deemed to be liable under s. 122 of the Act. These allegations rely on two provisions within s. 122:

a. clause 122(1)(c), which provides that every "person or company that… contravenes Ontario securities law… is guilty of an offence"; and

b. subsection 122(3), which provides that directors or officers of a company who authorize, permit or acquiesce in the commission of an offence by the company are themselves guilty of an offence.

[59] With respect to the first of those two, we have already found that all three respondents contravened Ontario securities law. We see no merit in this case in going further and considering s. 122(1)(c). Staff has proved the contravention, and we cannot find a party to be guilty of an offence. Nothing is gained by resorting to s. 122(1)(c) as well.

[60] With respect to the second of the two provisions (s. 122(3)), we addressed above the merits of Staff's allegation regarding indirect liability. We found Jones and Brown liable as principals. It is therefore unnecessary to consider Staff's alternative allegation that they are indirectly liable as well.

[61] Even though we have found it unnecessary to consider Staff's allegations under s. 122(1)(c) and (3), we wish to record our uncertainty as to whether those allegations are properly brought in an enforcement proceeding before the Commission, as opposed to in a prosecution before the Ontario Court of Justice. We raised this question briefly with Staff during closing submissions; however, because we did not receive full submissions from Staff and from opposing parties, we make no finding regarding the issue. The Commission may need to consider the question more thoroughly in a future case.

V. CONCLUSION

[62] Staff has established that:

a. MOAG contravened Ontario securities law by issuing the Debentures to 93 investors in breach of the Cease Trade Order; and

b. Jones and Brown contravened Ontario securities law by engaging in acts in furtherance of MOAG's improper trades.

[63] The parties shall contact the Registrar on or before January 31, 2020, to arrange a first attendance in respect of a hearing regarding sanctions and costs. That first attendance is to take place on a date that is mutually convenient, that is fixed by the Secretary, and that is no later than February 14, 2020.

[64] If the parties are unable to present a mutually convenient date to the Registrar, then each respondent and Staff may submit to the Registrar, for consideration by a panel of the Commission, a one-page written submission regarding a date for the first attendance. Any such submission shall be submitted on or before January 31, 2020.

Dated at Toronto this 15th day of January, 2020.

"Timothy Moseley"

"M. Cecilia Williams"

"Mary Anne De Monte-Whelan"

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Chapter 4

Cease Trading Orders

4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
Kew Media Group Inc.	16 January 2020	29 January 2020		

Failure to File Cease Trade Orders

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

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

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

4.2.2 Outstanding Management & Insider Cease Trading Orders

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

Company Name	Date of Order	Date of Lapse
CannTrust Holdings Inc.	15 August 2019	
Voyager Digital (Canada) Ltd.	05 November 2019	07 January 2020

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesSource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 11

IPOs, New Issues and Secondary Financings

INVESTMENT FUNDS

Issuer Name:
Sustainable Infrastructure Dividend Fund
Principal Regulator - Alberta (ASC)
Type and Date:
Preliminary Long Form Prospectus dated January 17, 2020
NP 11-202 Preliminary Receipt dated January 17, 2020
Offering Price and Description:
Maximum: $● – ● Units
Minimum: $20,000,000 - 2,000,000 Units
Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
CIBC World Market Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
TD Securities Inc. .
Canaccord Genuity Corp.
Industrial Alliance Securities Inc.
National Bank Financial Inc.
Manulife Securities Incorporated
Raymond James Ltd. .
Stiffel Nicolaus Canada Inc.
Middlefield Capital Corporation
Echelon Wealth Partners Inc.
Mackie Research Capital Corporation
Promoter(s):
Middlefield Limited
Project #3008365

Issuer Name:
Canadian Scholarship Trust Family Savings Plan
CST Advantage Plan
Canadian Scholarship Trust Individual Savings Plan
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated January 15, 2020
NP 11-202 Receipt dated January 20, 2020
Offering Price and Description:
Scholarschip plan trust units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2978710

Issuer Name:
Canadian Scholarship Trust Individual Savings Plan
Canadian Scholarship Trust Family Savings Plan
CST Advantage Plan
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated January 15, 2020
NP 11-202 Receipt dated January 20, 2020
Offering Price and Description:
Scholarship plan trust units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2978708

Issuer Name:
CST Advantage Plan
Canadian Scholarship Trust Individual Savings Plan
Canadian Scholarship Trust Family Savings Plan
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated January 15, 2020
NP 11-202 Receipt dated January 20, 2020
Offering Price and Description:
Scholarship Plan trust units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2978709

Issuer Name:
CST Bright Plan
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated January 15, 2020
NP 11-202 Receipt dated January 20, 2020
Offering Price and Description:
Scholarship plan securities
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2980005

Issuer Name:
First Trust Cboe Vest U.S. Equity Buffer ETF - February
First Trust Cboe Vest U.S. Equity Deep Buffer ETF - February
Principal Regulator – Ontario
Type and Date:
Preliminary Long Form Prospectus dated Jan 14, 2020
NP 11-202 Preliminary Receipt dated Jan 15, 2020
Offering Price and Description:
Hedged Units and units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3007470

Issuer Name:
CIBC Active Investment Grade Corporate Bond ETF
CIBC Active Investment Grade Floating Rate Bond ETF
CIBC Flexible Yield ETF (CAD-Hedged)
CIBC Multifactor Canadian Equity ETF
CIBC Multifactor U.S. Equity ETF
Principal Regulator – Ontario
Type and Date:
Combined Preliminary and Pro Forma Long Form Prospectus dated Jan 14, 2020
NP 11-202 Final Receipt dated Jan 15, 2020
Offering Price and Description:
Hedged Units and Common Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2987381

Issuer Name:
BMO Aggregate Bond Index ETF
BMO Balanced ESG ETF
BMO Balanced ETF
BMO BBB Corporate Bond Index ETF
BMO Canadian Dividend ETF
BMO Canadian High Dividend Covered Call ETF
BMO Canadian MBS Index ETF
BMO China Equity Index ETF (formerly, BMO China Equity Hedged to CAD Index ETF)
BMO Conservative ETF
BMO Corporate Bond Index ETF
BMO Covered Call Canadian Banks ETF
BMO Covered Call Dow Jones Industrial Average Hedged to CAD ETF
BMO Covered Call US Banks ETF
BMO Covered Call Utilities ETF
BMO Discount Bond Index ETF
BMO Dow Jones Industrial Average Hedged to CAD Index ETF
BMO Emerging Markets Bond Hedged to CAD Index ETF
BMO Equal Weight Banks Index ETF (previously, BMO S&P/TSX Equal Weight Banks Index ETF)
BMO Equal Weight Global Base Metals Hedged to CAD Index ETF (prev, BMO S&P/TSX Equal Weight Global Base Metals Hedged)
BMO Equal Weight Global Gold Index ETF (previously, BMO S&P/TSX Equal Weight Global Gold Index ETF)
BMO Equal Weight Industrials Index ETF (previously, BMO S&P/TSX Equal Weight Industrials Index ETF)
BMO Equal Weight Oil & Gas Index ETF (previously, BMO S&P/TSX Equal Weight Oil & Gas Index ETF)
BMO Equal Weight REITs Index ETF
BMO Equal Weight US Banks Hedged to CAD Index ETF
BMO Equal Weight US Banks Index ETF
BMO Equal Weight US Health Care Hedged to CAD Index ETF
BMO Equal Weight US Health Care Index ETF
BMO Equal Weight Utilities Index ETF
BMO ESG Corporate Bond Index ETF
BMO ESG US Corporate Bond Hedged to CAD Index ETF
BMO Europe High Dividend Covered Call ETF
BMO Europe High Dividend Covered Call Hedged to CAD ETF
BMO Floating Rate High Yield ETF
BMO Global Communications Index ETF
BMO Global Consumer Discretionary Hedged to CAD Index ETF
BMO Global Consumer Staples Hedged to CAD Index ETF
BMO Global High Dividend Covered Call ETF
BMO Global Infrastructure Index ETF
BMO Government Bond Index ETF
BMO Growth ETF
BMO High Quality Corporate Bond Index ETF
BMO High Yield US Corporate Bond Hedged to CAD Index ETF
BMO High Yield US Corporate Bond Index ETF
BMO India Equity Index ETF (formerly, BMO India Equity Hedged to CAD Index ETF)
BMO International Dividend ETF
BMO International Dividend Hedged to CAD ETF
BMO Junior Gas Index ETF
BMO Junior Gold Index ETF

BMO Junior Oil Index ETF
BMO Laddered Preferred Share Index ETF (formerly BMO S&P/TSX Laddered Preferred Share Index ETF)
BMO Long Corporate Bond Index ETF
BMO Long Federal Bond Index ETF
BMO Long Provincial Bond Index ETF
BMO Long-Term US Treasury Bond Index ETF
BMO Low Volatility Canadian Equity ETF
BMO Low Volatility Emerging Markets Equity ETF
BMO Low Volatility International Equity ETF
BMO Low Volatility International Equity Hedged to CAD ETF
BMO Low Volatility US Equity ETF
BMO Low Volatility US Equity Hedged to CAD ETF
BMO Mid Corporate Bond Index ETF
BMO Mid Federal Bond Index ETF
BMO Mid Provincial Bond Index ETF
BMO Mid-Term US IG Corporate Bond Hedged to CAD Index ETF
BMO Mid-Term US IG Corporate Bond Index ETF
BMO Mid-Term US Treasury Bond Index ETF
BMO Monthly Income ETF
BMO MSCI All Country World High Quality Index ETF
BMO MSCI Canada ESG Leaders Index ETF
BMO MSCI Canada Value Index ETF
BMO MSCI EAFE ESG Leaders Index ETF
BMO MSCI EAFE Hedged to CAD Index ETF (formerly, BMO International Equity Hedged to CAD Index ETF)
BMO MSCI EAFE Index ETF
BMO MSCI EAFE Value Index ETF
BMO MSCI Emerging Markets Index ETF (formerly, BMO Emerging Markets Equity Index ETF)
BMO MSCI Europe High Quality Hedged to CAD Index ETF
BMO MSCI Global ESG Leaders Index ETF
BMO MSCI USA ESG Leaders Index ETF
BMO MSCI USA High Quality Index ETF
BMO MSCI USA Value Index ETF
BMO Nasdaq 100 Equity Hedged to CAD Index ETF
BMO Nasdaq 100 Equity Index ETF
BMO Premium Yield ETF
BMO Real Return Bond Index ETF
BMO S&P 500 Hedged to CAD Index ETF (formerly, BMO US Equity Hedged to CAD Index ETF)
BMO S&P 500 Index ETF
BMO S&P US Mid Cap Index ETF
BMO S&P US Small Cap Index ETF
BMO S&P/TSX Capped Composite Index ETF (formerly, BMO Dow Jones Canada Titans 60 Index ETF)
BMO Short Corporate Bond Index ETF
BMO Short Federal Bond Index ETF
BMO Short Provincial Bond Index ETF
BMO Short-Term Bond Index ETF
BMO Short-Term US IG Corporate Bond Hedged to CAD Index ETF
BMO Short-Term US Treasury Bond Index ETF
BMO Ultra Short-Term Bond ETF (formerly, BMO 2013 Corporate Bond Target Maturity ETF)
BMO Ultra Short-Term US Bond ETF
BMO US Dividend ETF
BMO US Dividend Hedged to CAD ETF
BMO US High Dividend Covered Call ETF
BMO US High Dividend Covered Call Hedged to CAD ETF
BMO US Preferred Share Hedged to CAD Index ETF
BMO US Preferred Share Index ETF
BMO US Put Write ETF
BMO US Put Write Hedged to CAD ETF
Principal Regulator – Ontario

Type and Date:
Combined Preliminary and Pro Forma Long Form Prospectus dated Jan 10, 2020
NP 11-202 Final Receipt dated Jan 14, 2020

Offering Price and Description:
Hedged Units, USD Units, CAD Units and Accumulating Units

Underwriter(s) or Distributor(s):
N/A

Promoter(s):
N/A

Project #2992796

Issuer Name:
Stone Global Sustainability Fund (formerly Stone EuroPlus Fund)
Stone Global ESG Strategy Fund (formerly Stone Global Strategy Fund)
Principal Regulator - Alberta (ASC)

Type and Date:
Amendment #1 to Final Simplified Prospectus dated January 10, 2020
NP 11-202 Final Receipt dated Jan 16, 2020

Offering Price and Description:
Series A units, Series B units, Series F units, Series L units, Series O units, Series T8A units

Underwriter(s) or Distributor(s):
N/A

Promoter(s):
N/A

Project #2929745

Issuer Name:
Fidelity Canadian Growth Company Fund
Fidelity Canadian Large Cap Fund
Fidelity American Equity Systematic Currency Hedged Fund
Fidelity U.S. Focused Stock Fund
Fidelity U.S. Focused Stock Systematic Currency Hedged Fund
Fidelity Event Driven Opportunities Fund
Fidelity China Fund
Fidelity Global Large Cap Fund
Fidelity Japan Fund
Fidelity International Growth Fund
Fidelity Insights Systematic Currency Hedged Fund
Fidelity American Balanced Currency Neutral Fund
Fidelity Global Income Portfolio
Fidelity Balanced Managed Risk Portfolio
Fidelity Conservative Managed Risk Portfolio
Fidelity ClearPath 2015 Portfolio
Fidelity ClearPath 2020 Portfolio
Fidelity ClearPath 2025 Portfolio
Fidelity ClearPath 2030 Portfolio
Fidelity ClearPath 2035 Portfolio
Fidelity ClearPath 2040 Portfolio
Fidelity ClearPath 2055 Portfolio
Fidelity Canadian Bond Fund
Fidelity U.S. Money Market Fund
Fidelity Floating Rate High Income Fund
Fidelity Global Bond Currency Neutral Fund
Fidelity Global Innovators Investment Trust
Principal Regulator - Alberta (ASC)

Type and Date:
Amendment #1 to Final Simplified Prospectus dated January 7, 2020
NP 11-202 Final Receipt dated Jan 16, 2020

Offering Price and Description:
Series A units, Series B units, Series E1 units, Series E1 units, Series E1T5 units, Series E2 units, Series E2T5 units, Series E3 units, Series E4 units, Series E5 units, Series F units, Series F5 units, Series F8 units, Series O units, Series P1 units, Series P2 units, Series P3 units, Series P4 units, Series P5 units, Series S5 units, Series S8 units, Series T5 units, Series T8 units, Series P1T5 units, Series P2T5 units, Series P3T5 units

Underwriter(s) or Distributor(s):
N/A

Promoter(s):
N/A

Project # 2967181

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NON-INVESTMENT FUNDS

Issuer Name:
Fronsac Real Estate Investment Trust
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated January 20, 2020
NP 11-202 Preliminary Receipt dated January 20, 2020
Offering Price and Description:
Minimum: $15,004,000.00 (24,200,000 Units)
Maximum: $17,980,000.00 (29,000,000 Units)
Price: $0.62 Per Unit
Underwriter(s) or Distributor(s):
PARADIGM CAPITAL INC.
CANACCORD GENUITY CORP.
LAURENTIAN BANK SECURITIES INC.
ECHELON WEALTH PARTNERS INC.
DESJARDINS SECURITIES INC.
Promoter(s):
-
Project #3008712

Issuer Name:
Graycliff Exploration Ltd.
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated January 14, 2020
NP 11-202 Preliminary Receipt dated January 14, 2020
Offering Price and Description:
No securities are being offered pursuant to this Prospectus
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #3007391

Issuer Name:
Moon River Capital Ltd
Principal Regulator - Ontario
Type and Date:
Amendment dated January 13, 2020 to Preliminary CPC Prospectus dated November 25, 2019
NP 11-202 Preliminary Receipt dated January 14, 2020
Offering Price and Description:
$260,000.00
2,600,000 Common Shares
PRICE: $0.10 per Common Share
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
Promoter(s):
Jamie Levy
Kerry Knoll
Ian McDonald
Project #2990441

Issuer Name:
Orezone Gold Corporation
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated January 14, 2020
NP 11-202 Preliminary Receipt dated January 14, 2020
Offering Price and Description:
C$20,034,000.00
37,100,000 Units
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
PI FINANCIAL CORP.
CIBC WORLD MARKETS INC.
RAYMOND JAMES LTD.
CORMARK SECURITIES INC.
PARADIGM CAPITAL INC.
Promoter(s):
-
Project #3006196

Issuer Name:
Osino Resources Corp. (formerly Romulus Resources Ltd.)
Principal Regulator - British Columbia
Type and Date:
Amendment dated January 14, 2020 to Preliminary Short Form Prospectus dated January 13, 2020
NP 11-202 Preliminary Receipt dated January 15, 2020
Offering Price and Description:
Offering: $10,000,380.00
12,821,000 Units
$0.78 per Unit
Underwriter(s) or Distributor(s):
CORMARK SECURITIES INC.
M PARTNERS INC.
CANACCORD GENUITY CORP.
BEACON SECURITIES LIMITED
HAYWOOD SECURITIES INC.
Promoter(s):
Heye Daun
Alan Friedman
Project #3007020

Issuer Name:
Osino Resources Corp. (formerly Romulus Resources Ltd.)
Principal Regulator - British Columbia
Type and Date:
Amendment dated January 16, 2020 to Preliminary Short Form Prospectus dated January 14, 2020
NP 11-202 Preliminary Receipt dated January 16, 2020
Offering Price and Description:
Offering: $12,500,280.00
16,026,000 Units
$0.78 per Unit
Underwriter(s) or Distributor(s):
CORMARK SECURITIES INC.
M PARTNERS INC.
CANACCORD GENUITY CORP.
BEACON SECURITIES LIMITED
HAYWOOD SECURITIES INC.
Promoter(s):
Heye Daun
Alan Friedman
Project #3007020

Issuer Name:
SHAW COMMUNICATIONS INC.
Principal Regulator - Alberta
Type and Date:
Preliminary Shelf Prospectus dated January 15, 2020
NP 11-202 Preliminary Receipt dated January 15, 2020
Offering Price and Description:
$3,000,000,000.00
Debt Securities
Class B Non-Voting Participating Shares
Class 1 Preferred Shares
Class 2 Preferred Shares
Warrants
Subscription Receipts
Share Purchase Contracts
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #3007800

Issuer Name:
Starlight U.S. Multi-Family (No. 1) Core Plus Fund
Principal Regulator - Ontario
Type and Date:
Amendment dated January 17, 2020 to Preliminary Long Form Prospectus dated December 19, 2019
NP 11-202 Preliminary Receipt dated January 17, 2020
Offering Price and Description:
Maximum: US$147,026,000.00 of
Class A Units and/or Class C Units and/or Class D Units and/or
Class E Units and/or Class F Units and/or Class U Units
Price: C$10.00 per Class A Unit
C$10.00 per Class C Unit
C$10.00 per Class D Unit
US$10.00 per Class E Unit
C$10.00 per Class F Unit
US$10.00 per Class U Unit
Underwriter(s) or Distributor(s):
CIBC WORLD MARKETS INC.
SCOTIA CAPITAL INC.
BMO NESBITT BURNS INC.
NATIONAL BANK FINANCIAL INC.
RAYMOND JAMES LTD.
RBC DOMINION SECURITIES INC.
STIFEL NICOLAUS CANADA INC.
TD SECURITIES INC.
CANACCORD GENUITY CORP.
DESJARDINS SECURITIES INC.
INDUSTRIAL ALLIANCE SECURITIES INC.
LAURENTIAN BANK SECURITIES INC.
Promoter(s):
STARLIGHT GROUP PROPERTY HOLDINGS INC.
Project #3001815

Issuer Name:
BELLUS Health Inc.
Principal Regulator - Quebec
Type and Date:
Final Shelf Prospectus dated January 17, 2020
NP 11-202 Receipt dated January 17, 2020
Offering Price and Description:
US$250,000,000.00
Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #3002482

Issuer Name:
Inter Pipeline Ltd.
Principal Regulator - Alberta
Type and Date:
Final Shelf Prospectus dated January 15, 2020
NP 11-202 Receipt dated January 15, 2020
Offering Price and Description:
$3,000,000,000.00
Common Shares
Preferred Shares
Debt Securities
Subscription Receipts
Warrants
Share Purchase Contracts
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #3005533

Issuer Name:
JNC Resources Inc.
Principal Regulator - British Columbia
Type and Date:
Final Long Form Prospectus dated January 13, 2020
NP 11-202 Receipt dated January 14, 2020
Offering Price and Description:
Minimum: $300,000.00 (3,000,000 Common Shares)
Maximum: $1,000,000.00 (10,000,000 Common Shares)
Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
MACKIE RESEARCH CAPITAL CORPORATION
Promoter(s):
Michael Mulberry
Project #2974864

Issuer Name:
TGOD Acquisition Corporation
Principal Regulator - British Columbia
Type and Date:
Final Long Form Prospectus dated January 15, 2020
NP 11-202 Receipt dated January 17, 2020
Offering Price and Description:
Up to $3,216,578.00
Up to 6,433,156 Units Issuable upon Exercise of 6,433,156 Warrants
Underwriter(s) or Distributor(s):
-
Promoter(s):
THE GREEN ORGANIC DUTCHMAN HOLDINGS LTD.
Project #2987044

Issuer Name:
Whatcom Capital Corp.
Principal Regulator - British Columbia
Type and Date:
Final CPC Prospectus dated January 17, 2020
NP 11-202 Receipt dated January 17, 2020
Offering Price and Description:
OFFERING: $500,000.00 or 5,000,000
Common Shares Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Industrial Alliance Securities Inc.
Promoter(s):
Darren Tindale
Project #2997694

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Name Change	From: Rare Infrastructure (North America) Pty. Ltd. To: Clearbridge Rare Infrastructure (North America) Pty Limited	Portfolio Manager	December 2, 2019
Voluntary Surrender	DPN Capital Inc.	Exempt Market Dealer	January 10, 2020
Change in Registration Category	Mercer Global Investments Canada Limited	From: Investment Fund Manager, Portfolio Manager and Exempt Market Dealer To: Commodity Trading Manager, Investment Fund Manager, Portfolio Manager and Exempt Market Dealer	January 3, 2020
Amalgamation	Mercer Global Investments Canada Limited and Pavilion Advisory Group Ltd. To form: Mercer Global Investments Canada Limited	Commodity Trading Manager, Investment Fund Manager, Portfolio Manager and Exempt Market Dealer	January 3, 2020

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Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.2 Marketplaces

13.2.1 CSE – Amendments to Trading System Functionality & Features – Notice of Approval

CANADIAN SECURITIES EXCHANGE

NOTICE OF APPROVAL

SYSTEM FUNCTIONALITY – CLOSING PRICE SESSION ENHANCEMENTS

In accordance with the *Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto*, CNSX Markets Inc. ("CSE") has proposed, and the Ontario Securities Commission has approved significant changes to the CSE trading system.

On December 5, 2019 the CSE published *Amendments to Trading System Functionality & Features – Closing Price (CCP) Session Enhancements – Request for Comment* with respect to the amendments to the previously approved closing price trading session on the CSE and a related order type, the Closing Price Session Cross.

The comment period expired January 9, 2020. CSE did not receive any public comments regarding these proposed changes.

IMPLEMENTATION

The Enhancements will be effective upon launch of the Closing Price Session during Q2 2020.

Questions about this notice may be directed to:

Mark Faulkner, Vice President Listings & Regulation,
Mark.Faulkner@thecse.com, or 416-367-7341

13.2.2 Canadian Securities Exchange – Proposed Amendments to Trading System – Notice of Withdrawal

CANADIAN SECURITIES EXCHANGE

NOTICE OF WITHDRAWAL OF PROPOSED AMENDMENTS TO TRADING SYSTEM

SYSTEM FUNCTIONALITY – "AT THE TOUCH PEGGED ORDER," "LIMIT ON OPEN (LOO) ORDER," AND "PRICE IMPROVED ONLY OPTION FOR SEEK DARK ORDER" TYPES

In accordance with the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits thereto (the "Protocol") in Appendix C of the Ontario Securities Commission's Recognition Order recognizing CNSX Markets Inc. (the "CSE") as an exchange, the proposed "CSE At the Touch Pegged Order," "Limit On Open (LOO) Order," and "Price Improved Only Option for Seek Dark Order" types are deemed to have been withdrawn as provided in subsection 12(d) of the Protocol.

These proposed changes to CSE trading rules were published for comment on August 9, 2018 (see CSE Notice 2018-006). These order types were approved by the OSC on December 6, 2018. To the extent the CSE decides to pursue these order types again, they will be published for comment in accordance with the requirements of the Protocol.

Chapter 25

Other Information

25.1 Consents

25.1.1 Mexican Gold Corp. – s. 4(b) of the Regulation

Headnote

Consent given to an offering corporation under the Business Corporations Act (Ontario) to continue under Business Corporations Act (British Columbia).

Statutes Cited

Business Corporations Act, R.S.O. 1990, c.B.16, as am., s. 181.
Securities Act, R.S.O. 1990, c. S.5, as am.

Regulations Cited

Regulation made under the Business Corporations Act, Ont. Reg. 289/00.

IN THE MATTER OF
R.R.O. 1990, REGULATION 289/00, AS AMENDED
(the Regulation)
UNDER THE *BUSINESS CORPORATIONS ACT* (ONTARIO),
R.S.O. 1990 c. B.16, AS AMENDED
(the OBCA)

AND

IN THE MATTER OF
MEXICAN GOLD CORP.

CONSENT
(Subsection 4(b) of the Regulation)

UPON the application of Mexican Gold Corp. (the **Applicant**) to the Ontario Securities Commission (the **Commission**) requesting the Commission's consent to the Applicant continuing in another jurisdiction pursuant to section 181 of the OBCA (the **Continuance**);

AND UPON considering the application and the recommendation of the staff of the Commission;

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is an offering corporation under the OBCA.

2. The Applicant's common shares (the **Common Shares**) are listed and posted for trading on the TSX Venture Exchange (the **TSXV**) under the symbol "MEX". As at October 8, 2019, the Applicant's authorized capital consists of an unlimited number of Common Shares and an unlimited number of Preference Shares, of which 103,341,758 Common Shares are issued and outstanding.

3. The Applicant intends to apply to the Director pursuant to section 181 of the OBCA (the **Application for Continuance**) for authorization to continue as a corporation under the *Business Corporations Act* (British Columbia), S.B.C. 2002, c.57, as amended (the **BCBCA**).

4. The principal reason for the Application for Continuance is that the Applicant's principal place of business and half of its directors are located in British Columbia. In addition, management of the Applicant has determined that the Continuance will generate cost efficiencies to the operations of the Applicant. Following the Continuance, the Applicant's registered office, which is currently located in Ontario, will be relocated to British Columbia.

5. The material rights, duties and obligations of a corporation governed by the BCBCA are substantially similar to those of a corporation governed by the OBCA.

6. The Applicant is a reporting issuer under the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the **Act**), the *Securities Act* (Alberta), R.S.A. 2000, c. S-4 and the *Securities Act* (British Columbia), R.S.B.C. 1996, C.418 (collectively, the **Legislation**) and will remain a reporting issuer in these jurisdictions following the Continuance.

7. The Applicant is not in default of any of the provisions of the OBCA, the Act or the Legislation, including the regulations made thereunder;

8. The Applicant is not subject to any proceeding under the OBCA, the Act or the Legislation.

9. The Applicant is not in default of any provision of the rules, regulations or policies of the TSXV.

10. Following the Continuance, the Applicant intends to change its principal regulator from the Commission to the British Columbia Securities Commission.

11. The Applicant's management information circular dated November 18, 2019 for its annual and special meeting of shareholders held on December 18, 2019 (the **Shareholders' Meeting**), described the proposed Continuance, the reasons for it and its implications as well as full particulars of the dissent rights of the Applicant's shareholders under section 185 of the OBCA and included a comparison of the corporate law differences between the OBCA and BCBCA.

12. The Applicant's shareholders authorized the Continuance at the Shareholders' Meeting by a special resolution approved by 99.23% of the votes cast. No shareholders exercised dissent rights pursuant to section 185 of the OBCA.

13. Subsection 4(b) of the Regulation requires the Application for Continuance be accompanied by a consent from the Commission.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

THE COMMISSION CONSENTS to the Continuance of the Applicant under the BCBCA.

DATED at Toronto on this 14th day of January, 2020.

“Heather Zordel”
Commissioner
Ontario Securities Commission

“Mary Anne De Monte-Whelan”
Commissioner
Ontario Securities Commission

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