

Chapter 13

SROs, Marketplaces and Clearing Agencies

13.2 Marketplaces

13.2.1 CNSX Notice 2010-003 – Policy and Rule Amendments – Policy 1, Policy 2, Policy 4, Policy 5 and related forms, new Policy 10 and Rules 1-101, 11-102 and 11-103

CNSX NOTICE 2010-003 POLICY AND RULE AMENDMENTS – POLICY 1, POLICY 2, POLICY 4, POLICY 5 AND RELATED FORMS, NEW POLICY 10 AND RULES 1-101, 11-102 AND 11-103

July 2, 2010

On June 15, 2010, the Ontario Securities Commission approved amendments to Rule 11-103 and Policies 1, 2, 4, 5, Forms 1A, 1B, 2A, 2B and 4 and approved a new Policy 10. The amendments are effective immediately. The proposed amendment to the definition of “Alternative Market Security” in Rule 1-101 Definitions and amendments to Rule 11-102 Qualification for Alternative Market will accompany pending amendments to the CNSX Markets Inc. Recognition Order and are therefore not yet approved.

The Board of Directors of CNSX Markets Inc. (the “Board”) passed a resolution to amend Policy 2 – Qualifications for Listing, make related amendments to Policies 1, 2, 4 and 5, add new Policy 10 – Specialist Securities and to amend Rule 1-101 – Definitions, Rule 11-102 – Qualification for Alternative Market and Rule 11-103 – Access by Eligible Clients to the Alternative Market, subject to Ontario Securities Commission approval following public notice and comment. The proposed amendments were published for comment in the OSC Bulletin October 23, 2009 and in CNSX Notice 2009-001 dated October 23, 2009. CNSX received no submissions during the comment period.

Subsequent to publication the Rule 1-101 change to “Alternative Market Security” and the Rule 11-102 changes were separated from the others to be processed with changes to the recognition order and further non-material amendments were made, as described below.

Policy 2 Qualification for Listing

The following amendments were made to Policy 2 following the October 23, 2009 publication for comments, and appear in the final version.

1. Proposed Policy 2, section 15.1 **Full, True and Plain Disclosure** has been amended as follows:

As an overriding principle, the Listing Statement must contain such particulars and information which, according to the particular nature of the Issuer and the securities for which listing is sought, are necessary to enable an investor to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of the Issuer and of its profits and losses (and of any guarantor) and of the rights attaching to such securities and must set out such information accurately and in true and plain language English.

2. Policy 2, Appendix A Equity Securities, Section 2.5 Substantial Float:
Incorrect paragraph numbering has been corrected.

3. Policy 2, Appendix A Equity Securities, Section 3.1(c):
Minor formatting changes have been made to match Appendix B Debt Securities, Section 2.1(c). See paragraph 5, below.

4. Proposed Appendix B Debt Securities has been amended to include the following provisions, identical to existing Policy 2 provisions and to the provisions of proposed Appendix A Equity Securities, to which minor grammatical changes have been made:

1.6 CNSX will not approve an Issuer for listing if any Related Persons or investor relations persons associated with the Issuer have been convicted of fraud, breach of fiduciary duty, violations of securities legislation (other than a minor breach that does not necessarily give rise to investor protection or market integrity concerns) or any other activity that concerns integrity of conduct unless the Issuer first severs relations with such person(s) to CNSX’s satisfaction.

1.7 CNSX may not approve an Issuer for listing if any Related Persons or investor relations person(s) associated with the Issuer:

- a) have entered into a settlement agreement with a securities regulator or other authority;
 - b) are known to be associated with other offenders, depending on the nature and extent of the relationship and the seriousness of the offence committed; or
 - c) have a consistent record of business failures, particularly failures involving public companies,
- unless the Issuer first severs relations with such person(s) to CNSX's satisfaction.

1.8 CNSX may deem any person to be unacceptable to be associated in any manner with a CNSX Issuer if CNSX reasonably believes such association will give rise to investor protection concerns or could bring CNSX into disrepute.

5. Proposed Appendix B Debt Securities also includes revisions to require documentation similar to an application to list equity securities, provided that CNSX may exercise discretion for applications to list debt securities that are exempt from prospectus requirements:

2.1 The application for listing must include the following:

- a) a letter applying to qualify for listing (Form 1A – Debt Securities) requesting qualification for listing of one or more specific classes of securities of the Issuer;
- b) a completed Listing Application (Form 1B – Debt Securities) together with the supporting documentation set out below;
- c) a draft Listing Statement (Form 2A) including financial statements approved by the Issuer's board of directors and its audit committee, if the Issuer has an audit committee;
- d) a duly executed Personal Information Form (Form 3) from each Related Person of the Issuer and, if any of these persons is not an individual, a Personal Information Form from each director, senior officer and each person who beneficially, directly or indirectly owns, controls or exercises direction over 20% or more of the voting rights of such non-individual;
- e) current insider reports from each person required to file a Personal Information Form, as filed with the Commission; and
- f) e) the relevant portion of the Listing Fees, plus applicable taxes.

CNSX may, at its sole discretion, determine that items (d) and (e) do not apply to an application to list a debt security that is exempt from prospectus requirements under section 73 of the Securities Act.

6. Appendix B, Section 2.2(b) contained a reference to a non-existent form. That reference has been deleted:

2.2 Listing Statement

The Listing Statement required to be submitted to CNSX shall comprise:

- a) a document that contains all of the information required by Form 2A; or
- b) in the case of a tranche issued pursuant to a programme, a term sheet (see Form 2C – Debt Securities).

Policy 4 Corporate Governance

The following amendments were made to Policy 4 following the October 23, 2009 publication for comments, and appear in the final version.

In Policy 4, sections 2.7, 2.8 and 2.10, references to a CSA Notice on audit committees have been updated to refer to Companion Policy to National Instrument 52-110 *Audit Committees*.

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The Policies are available on the CNSX website under “Info for Issuers”, and Rules under “Info for Dealers”. A full description of the amendments was published as CNSX Notice 2009-001 dated October 23, 2009, also available on the CNSX website. Requests for forms or questions about the Rules, Policies or Forms may be directed to Listings@cnsx.ca.

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