

**Ontario Securities Commission**

**Rule 32-501**

**Unofficial consolidation current to 2001-10-04.**

**This document is not an official statement of law or policy and should be used for reference purposes only.**

**Any forms referenced in this document are available separately on the Ontario Securities Commission website.**

**OSC RULE 32-501  
*DIRECT PURCHASE PLANS***

**Contents**

**Part 1 Definitions and Interpretation**

Definitions

**Part 2 Exemption for Trades Under a Direct Purchase Plan**

Exemption for Trades Under a Direct Purchase Plan

**Part 3 Operational Safeguards**

Segregation of Funds

Segregation of Securities

Bonding and Insurance

Record Keeping

Statements of Account

Exemption for Regulated Institutions

**Part 4 Advertising and Disclosure Requirements**

Advertising Requirements

Disclosure Statement

**Part 5 Exemption**

Exemption

**PART 1  
DEFINITIONS AND INTERPRETATION**

**Definitions**

**1.1** In this Rule

"administrator" means, for a direct purchase plan,

- (a) a trustee, a custodian or an administrator of the direct purchase plan, or
- (b) if the reporting issuer administers the direct purchase plan itself, the reporting issuer;

"direct purchase plan" means an arrangement operated by or on behalf of a reporting issuer under which a person or company is permitted to purchase securities of the reporting issuer's own issue

- (a) directly from the treasury of the reporting issuer, or
- (b) on a marketplace through the administrator of the direct purchase plan;

"plan advertisement" means a communication that is published or designed for use on or through a public medium for the purpose of disseminating information about a direct purchase plan;

"promotional activities" means any activities or communications intended to induce the purchase of securities through a particular direct purchase plan; and

"public medium" includes announcements, newspaper, television or radio advertisements, circulars, notices, investor fairs, and Internet Web sites.

**PART 2  
EXEMPTION FOR TRADES UNDER A DIRECT PURCHASE PLAN**

**Exemption for Trades Under a Direct Purchase Plan**

**2.1** Section 25 of the Act does not apply to a trade by an issuer or an administrator of the issuer in a security of the issuer's own issue under a direct purchase plan of the issuer if the following conditions are met:

1. The administrator of the plan satisfies the requirements of sections 3.1 and 3.2 in connection with the plan, and, if applicable, the requirements of sections 3.3, 3.4 and 3.5.
2. For a trade of a security from treasury of the issuer,
  - (a) the issuer or the administrator of the plan, unless it has previously done so, sends by prepaid mail or delivers to the purchaser the latest prospectus relating to the plan and any amendment to the prospectus filed either before the purchaser enters into an agreement of purchase and sale resulting from the order or subscription or not later than midnight on the second day, excluding Saturday, Sundays and holidays, after entering into such agreement; and
  - (b) the issuer provides to the purchaser, in the prospectus, the right to withdraw from the purchase analogous to the rights of a purchaser, and subject to the conditions, contained in section 71 of the Act.

3. An investor disclosure statement containing the information described in section 4.2 has been provided to the purchaser of the security in accordance with subsection 4.2(2).

## **PART 3 OPERATIONAL SAFEGUARDS**

### **Segregation of Funds**

**3.1** All funds received by the administrator for investment through the direct purchase plan shall be deposited promptly into a segregated bank account with a Canadian financial institution, and used only to purchase securities under the direct purchase plan or to pay fees associated with the direct purchase plan.

### **Segregation of Securities**

**3.2 (1)** All securities issued under a direct purchase plan held on behalf of purchasers by the administrator shall be

- (a) maintained in a separate account directly in the names of the purchasers, or in the name of the administrator, and allocated to each purchaser on a register maintained by the administrator; and
- (b) kept separate from any other securities held by the administrator.

**(2)** For securities deposited with a depository or clearing agency that operates a book-based system, the administrator shall ensure that the applicable participants in the book-based system or the administrator contain a designation sufficient to show that the beneficial ownership of the securities is vested in the purchasers under the direct purchase plan.

### **Bonding and Insurance**

**3.3** An administrator of a direct purchase plan shall maintain bonding or insurance, by means of a broker's blanket bond, in an amount of not less than \$25,000.

### **Record Keeping**

**3.4** An administrator of a direct purchase plan shall maintain books and records necessary to record properly all transactions involving the direct purchase plan, and in doing so shall keep the records referred to in subsection 113(3) of the Regulation.

### **Statements of Account**

**3.5** The administrator of a direct purchase plan shall send to each investor in the direct purchase plan the statements of account referred to in subsections 123(1) to (4) of the Regulation.

## Exemption for Regulated Institutions

**3.6** Sections 3.3, 3.4 and 3.5 do not apply to an administrator of a direct purchase plan that is an institution that is subject to requirements under its governing legislation that are substantially similar to those contained in sections 3.3, 3.4 and 3.5.

## PART 4 ADVERTISING AND DISCLOSURE REQUIREMENTS

### Advertising Requirements

**4.1 (1)** No person or company may engage in promotional activities concerning a direct purchase plan, except as permitted in subsections (2) or (3).

**(2)** A person or company may place or distribute plan advertisements relating to a direct purchase plan that describe only

- (a) the existence and availability of the direct purchase plan;
- (b) the name of the reporting issuer whose securities are distributed under the direct purchase plan, and a brief description of the business carried on by the reporting issuer;
- (c) the securities to be issued under the direct purchase plan;
- (d) a description of how the direct purchase plan operates; and
- (e) information about how a person or company may obtain a copy of the prospectus for the direct purchase plan.

**(3)** No person or company, other than a person or company that is registered under the Act, shall provide any investment advice or recommendations in connection with the purchase of securities under a direct purchase plan.

### Disclosure Statement

**4.2 (1)** An issuer or plan administrator shall provide to any person or company purchasing securities through a direct purchase plan the following disclosure:

*"Securities sold through the [name of issuer] direct purchase plan are sold under a rule of the Ontario Securities Commission that permits these sales without the involvement of a registered broker or dealer. A person or company making such a purchase therefore receives no investment advice concerning the purchase, does not have the benefit of the assistance of a broker or dealer and is solely responsible for assessing the appropriateness of the investment for himself, herself or itself. A person or company that wishes to receive investment advice in connection with the direct purchase plan should contact his, her or its broker or dealer."*

**(2)** The disclosure required by subsection (1) shall be contained in a separate document given to the purchaser before he, she or it enters into a binding agreement of purchase and sale for securities under a direct purchase plan.

**PART 5  
EXEMPTION**

**Exemption**

**5.1** The Director may grant an exemption to this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.