



SME Institute

Insider Reporting and SEDI

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Presentation Outline

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The OSC SME Institute



Welcome and Introduction to the OSC SME Institute

Objectives

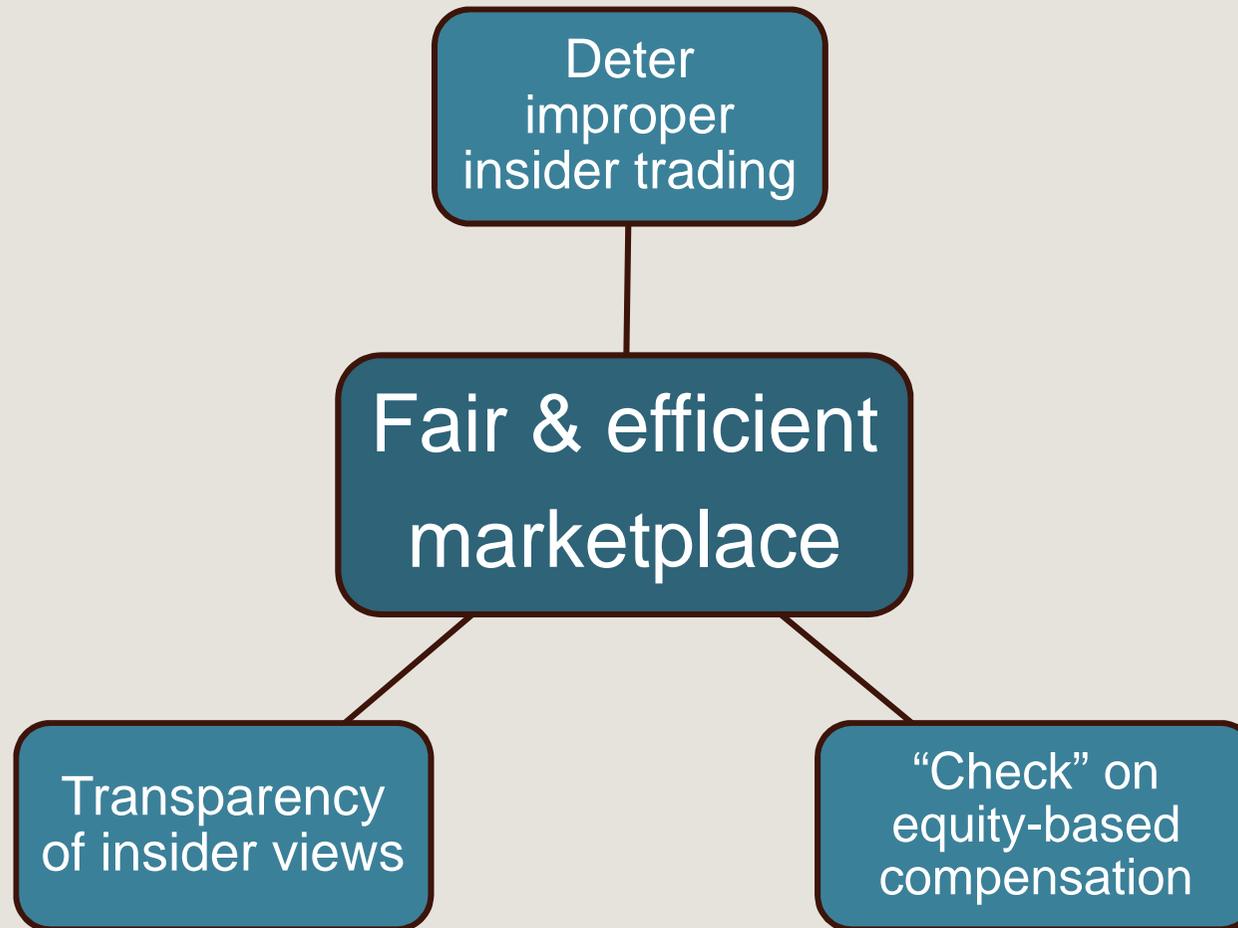
Our goal is to:

- Help SMEs navigate the regulatory waters
- Demystify disclosure requirements so companies can focus on building their business
- Reduce SMEs' cost of compliance so that this money can be better spent on strategic initiatives
- Provide an opportunity for informal dialogue with OSC staff



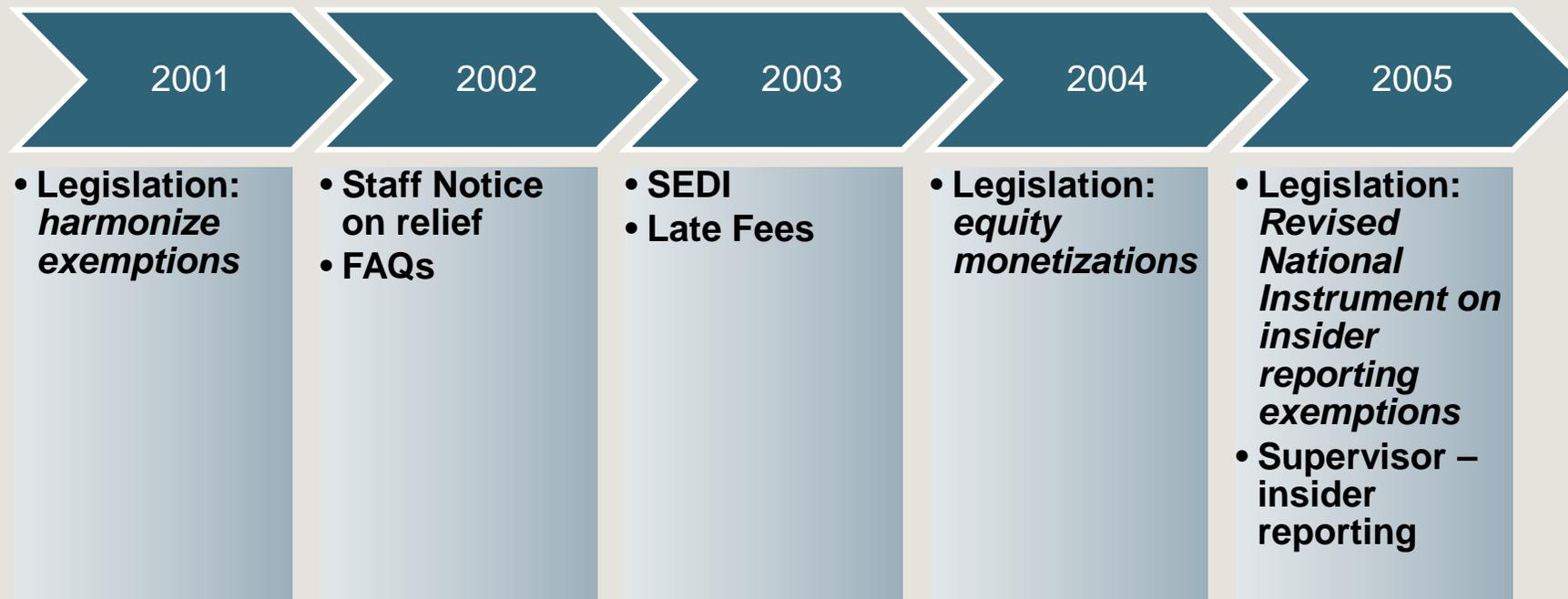
Evolution of Insider Reporting

Why Focus on Insider Reporting?



Legislative History

- **Evolution of oversight in this area**



Legislative History (cont'd)

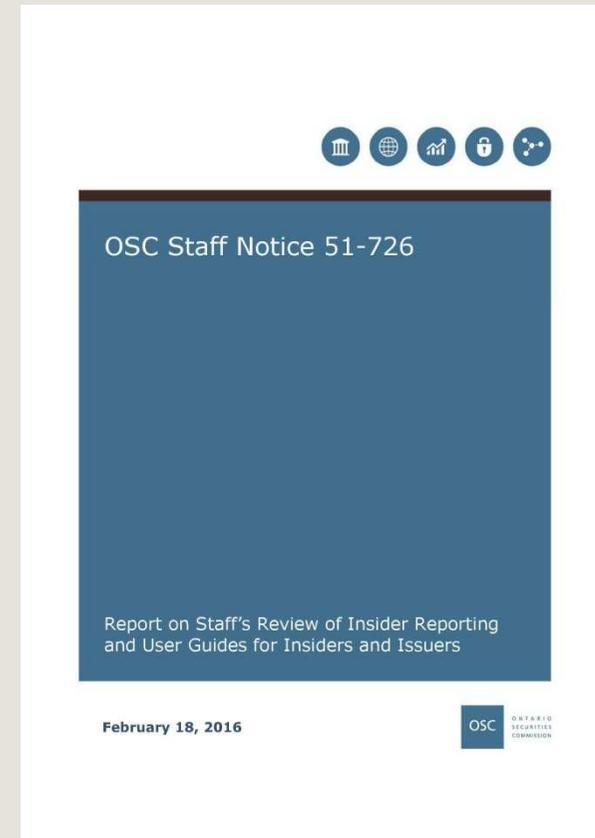




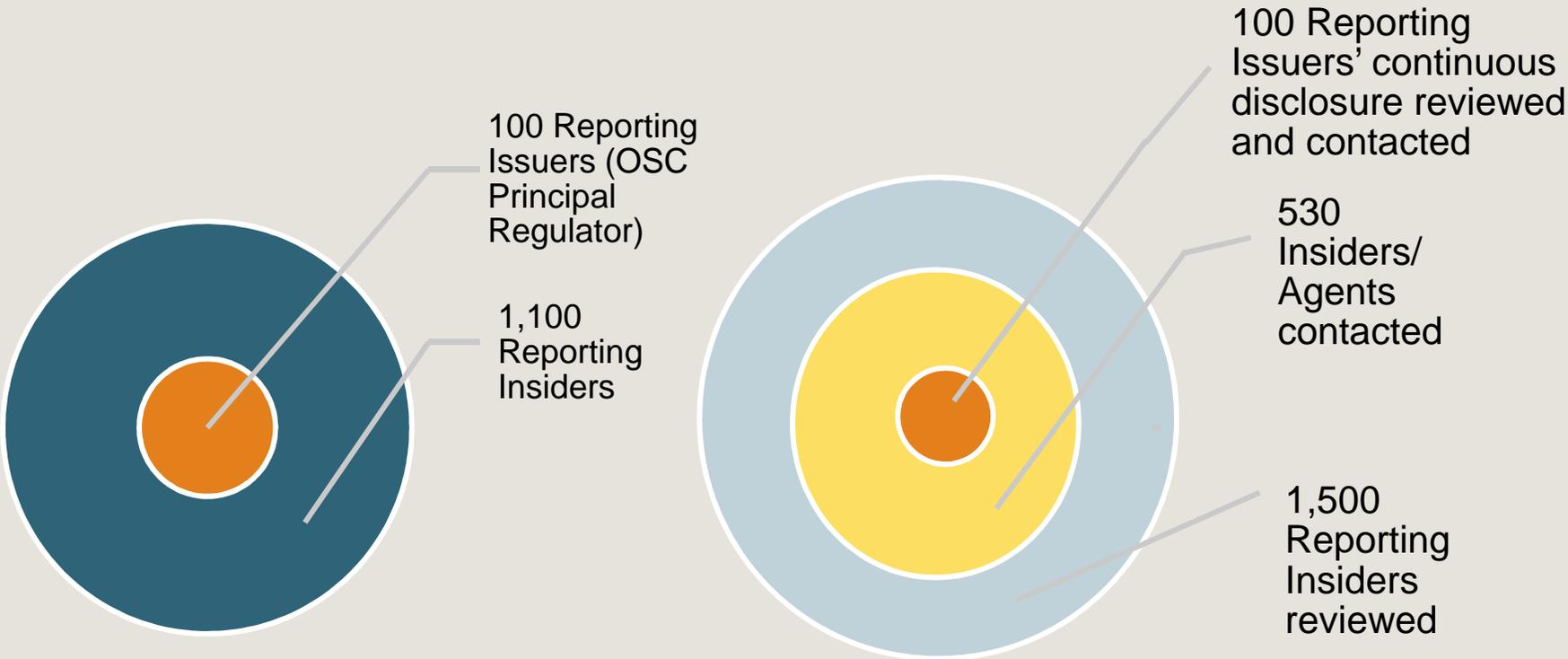
OSC Staff Notice 51-726
*Report on Staff's Review of
Insider Reporting and User
Guide for Insiders and Issuers*

OSC Review of Insider Reporting

- OSC published [OSC Staff Notice 51-726 Report on Staff's Review of Insider Reporting and User Guide for Insiders and Issuers](#) (**OSN 51-726**) on February 18, 2016



Scope of our Review



Summary of Review Findings

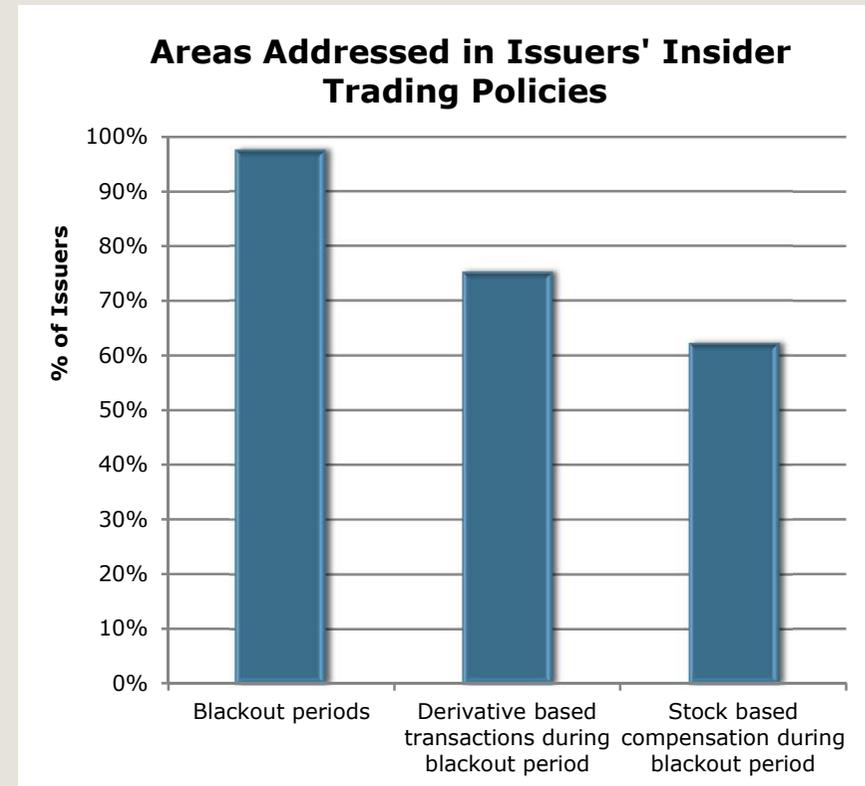
- Two main findings:
 - Improvement in the quality of insider reporting is necessary across all issuers
 - Improvement of insider trading policies

Summary of Review Findings (cont'd)

- Improvement in Quality of Insider Reporting
 - Material insider reporting deficiencies were found in approximately 15% of reporting insiders reviewed resulting in approximately 200 reporting insiders making remedial filings to address deficiencies
 - At least one insider in approximately 70% of the issuers reviewed was required to make a remedial filing to address a material deficiency
 - At least one insider in approximately 45% of issuers reviewed filed inaccurate insider reports on SEDI (with one or more non-material deficiencies) which resulted in approximately 150 reporting insiders making correctional filings

Summary of Review Findings (cont'd)

- Improvement of insider trading policies is recommended
 - Most policies provided for “blackout periods” around regularly scheduled earnings announcements
 - Some policies did not restrict derivative-based transactions or the grant of stock options or similar forms of stock-based compensation during blackout periods



Common Material Filing Errors

- Common errors:
 - Missing reporting insider profiles
 - Balance discrepancies in SEDI filings vs. continuous disclosure records of issuer
- Common reasons:
 - Unfamiliarity with definition of “reporting insider”
 - Failure to file reports for acquisitions under a normal course issuer bid (**NCIB**)
 - Late reporting due to issuer delays
 - Reliance on third parties

Common Non-Material Deficiencies

- Examples of non-material deficiencies:
 - Inaccurate transaction codes used
 - Inaccurate transaction dates reported
 - Inaccurate reporting with respect to type of ownership (direct, indirect or control or direction)
 - Not reporting the name of the registered holder

Other Common Findings

- Examples of other findings from OSC review:
 - Unfamiliarity with requirement to update insider profiles and issuer profile supplements on SEDI
 - Use of incorrect security designations by issuers
 - Limited use of issuer grant reports by issuers
 - Lack of internal processes to reconcile insider reports on SEDI with issuers' continuous disclosure records on SEDAR



Overview of Insider Reporting Requirements

Legislative Framework

- National Instrument 55-104 Insider Reporting Requirements and Exemptions (NI 55-104)
 - Sets out reporting requirements and available exemptions
- National Instrument 55-102 System for Electronic Disclosure by Insiders (SEDI) (NI 55-102)
 - Sets out the process for filing insider reports on www.sedi.ca
- National Policy 51-201 Disclosure Standards (NP 51-201)
 - provides guidance on “best disclosure” practices for issuers
 - includes a provision on insider trading policies and blackout periods
- Securities Act (Ontario)

Other Guidance

- [Canadian Securities Administrators Staff Notice 55-315
Frequently Asked Questions about National Instrument 55-104 Insider Reporting Requirements and Exemptions](#)
- [Canadian Securities Administrators Staff Notice 55-316
Questions and Answers on Insider Reporting and the System for Electronic Disclosure by Insiders \(SEDI\)](#)
- [OSN 51-726](#)
 - Includes examples and user guides

Who Needs to Report?

- Generally “reporting insider” means:
 - the CEO, CFO, COO or director of the reporting issuer, of a significant shareholder of the reporting issuer or of a major subsidiary of the reporting issuer;
 - a significant shareholder of the reporting issuer (i.e. 10% or more securityholder);
 - a management company providing significant services (includes every director, CEO, CFO, COO and every significant shareholder);
 - the reporting issuer itself (i.e. NCIB)
 - any other insider that has access to material facts or material changes before such information is generally disclosed, and directly or indirectly has the ability to exercise significant power or influence over the business, operations, capital or development of the reporting issuer
 - See NI 55-104, s. 1(1) for full definition

Who Needs to Report?

- A “SEDI issuer” means:
 - a reporting issuer, other than a mutual fund, that is required to comply with National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*
 - See NI 55-102, s. 1(1)

Who Needs to Report - Exemptions

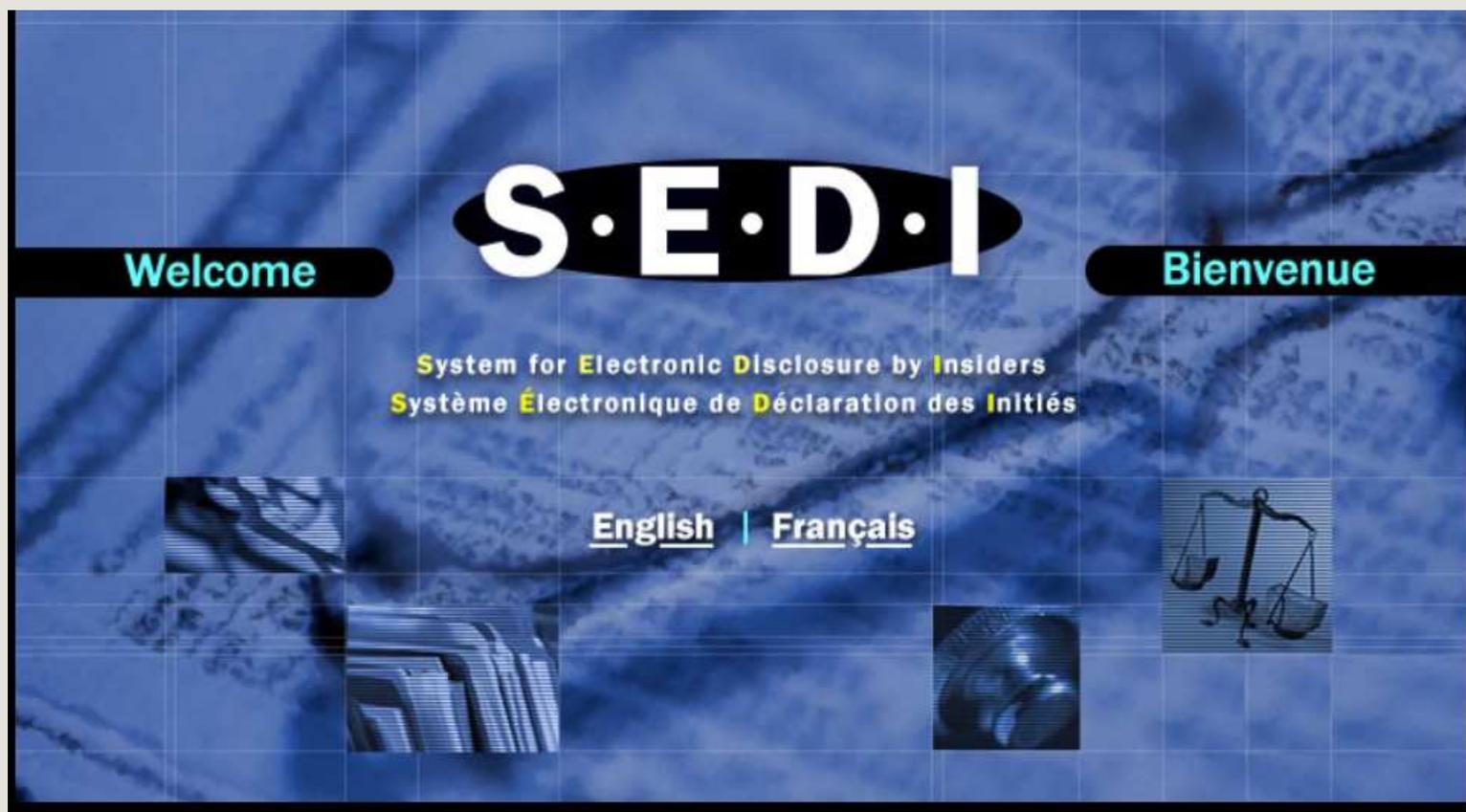
- Do you have an exemption?
 - Automatic securities purchase plans (NI 55-104, Part 5)
 - Certain issuer grants (NI 55-104, Part 6)
 - Acquisitions of options and related financial instruments in respect of a compensation arrangement
 - NCIB and certain publicly disclosed transactions (NI 55-104, Part 7)
 - Certain issuer events (NI 55-104, Part 8)
 - Nil report (NI 55-104, s. 9.4)

What Needs to be Reported?

- Any acquisition or disposition of a security of a reporting issuer held by a reporting insider of that issuer
- Includes:
 - Equity such as common shares, preferred shares, etc.
 - Grants and exercises of stock options
 - Grants and exercises of restricted share awards (RSAs), performance share awards (PSAs) or deferred share awards (DSAs)
 - Derivatives of the issuer
 - Other related financial instruments
 - Debt instruments including convertible debentures and promissory notes, etc.
- Third party derivatives (e.g. equity monetizations)

Where are Insider Reports Filed?

- www.sedi.ca



When are Reports Required to be Filed?

- Issuers must file an issuer profile supplement within 3 business days of becoming a SEDI issuer (NI 55-102, s. 2.3)
- Reporting insiders must file an initial insider report within 10 calendar days of becoming a reporting insider (NI 55-104, s. 3.2)
- Subsequent insider reports reflecting changes in holdings must be filed within 5 calendar days (NI 55-104, s. 3.3)

How to Report?

- Issuers and reporting insiders (or their agents) need to register as a “user”
 - Issuer
 - Insider
 - Agent
- Once registered, users can log on and perform activities related to the type of user they are:
 - Issuers/agents can set up issuer profile supplements or amend existing profiles
 - Issuers/agents can file issuer grant reports and issuer event reports
 - Insiders/agents can set up insider profiles or amend existing profiles
 - Insiders/agents can file insider reports

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SEDI Demonstration

How to Report - SEDI Demonstration

- How to file the following transactions on SEDI:
 - Issuer/agent amends an issuer profile supplement
 - Issuer/agent files an issuer grant report for options granted
 - Insider/agent files insider report for grant of stock options
 - Insider/agent files insider report for exercise of stock options
 - Insider/agent files insider report for disposition of common shares on the public market
 - Insider/agent files insider report for expiry of stock options

SEDI Demonstration (cont'd)

- Issuer/agent amends an issuer profile supplement



Issuer: CCC Limited

Add security designation

Before you add a new security designation ensure that the security designation is not already in the Outstanding securities list below. Note: Options, rights and warrants are issuer derivatives.

View issuer profile and supplement

Amend issuer profile supplement

Amend insider affairs contact information

Add security designation

Amend security designation

Archive security designation

Change issuer access key

Security category

Provide a security designation using the fields below. Select the most relevant security name in the first field and add additional descriptors, if any, in the second field.

Security designation

Security name	Additional description (if applicable)
<input type="text" value="Other"/>	<input type="text" value="Deferred Share Units"/>

Underlying security designation

An underlying security is the security into which a derivative is exercisable or convertible. When you have an option to acquire common shares do the following: Under "Security category" select "Equity"; under "Security name" select "Common shares"

Security category	Security name	Additional description (if applicable)
<input type="text" value="Equity"/>	<input type="text" value="Common Shares"/>	<input type="text" value="settled in cash"/>

Outstanding securities

Security designation	Underlying security designation	Filing date
Common Shares		2016-02-19

SEDI Demonstration (cont'd)

- Issuer/agent files an issuer grant report for options granted

S·E·D·I

Issuer: CCC Limited

File issuer event report (Form 55-102F4) / Issuer grant report

An issuer event is an event that affects all holdings of a class of securities of an issuer in the same manner, on a per share basis. For example, the following items are not issuer events: rights offerings, normal course issuer bids, redemptions of debentures, expiry of warrants and private placements.

An issuer grant is a grant of options or other securities by the reporting issuer under a compensation arrangement.

Select an issuer report from the list below:

Issuer event type / Issuer grant report

- Select One
- Amalgamation, Merger or Reorganization
- Conversion (issuer initiated)
- Issuer grant report
- Reclassification
- Resignation
- Spin-off
- Stock Consolidation
- Stock Dividend
- Stock Split
- Other Issuer Event

Previous issuer event report

Effective date	Filing date	Issuer event type / Issuer grant report	Filed by

SEDI Demonstration (cont'd)

- Insider/agent files insider report for grant of stock options

File insider report
Amend or delete insider report

File insider report - Enter transaction information

Security designation: Options (Common Shares) [Help](#)

Date of transaction: 2016-02-23 YYYY-MM-DD

Nature of transaction: 50 - Grant of options

Enter the number or value of securities or contracts acquired or disposed of:
Number or value of securities or contracts acquired: 20000 or Number or value of securities or contracts disposed of:

Enter the equivalent number or value of underlying securities acquired or disposed of:
Equivalent number or value of underlying securities acquired: 20000 or Equivalent number or value of underlying securities disposed of:

Unit price or exercise price: Not Applicable Currency: Canadian Dollar

Conversion or Exercise price: 1.50 Not Applicable Currency: Canadian Dollar

Date of expiry or maturity: 2020-02-23 YYYY-MM-DD Not Applicable

General remarks (if necessary to describe the transaction): 1/4 vest each year

Private remarks to securities regulatory authorities:

[Next](#) [Cancel filing](#)

Message from webpage

? Certification

I, as an insider filing this information, certify, or I, as an agent filing this information on behalf of an insider, certify to the best of my knowledge, information and belief, that the information is true and complete in every respect.

Warning:
A certification made by an agent on behalf of an insider is based on the agent's best knowledge, information and belief, but the insider is still responsible for ensuring that the information filed by an agent is true and complete. It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Click 'OK' to Accept
Click 'Cancel' to Decline

[OK](#) [Cancel](#)

SEDI Demonstration (cont'd)

- Insider/agent files insider report for exercise of stock options

File insider report
Amend or delete insider report

File insider report - Enter transaction information

[Help](#)

Security designation: Options (Common Shares)
Date of transaction: 2016-02-23 YYYY-MM-DD
Nature of transaction: 51 - Exercise of options

Enter the number or value of securities or contracts acquired or disposed of:
Number or value of securities or contracts acquired:
or
Number or value of securities or contracts disposed of: 5000

Enter the equivalent number or value of underlying securities acquired or disposed of:
Equivalent number or value of underlying securities acquired:
or
Equivalent number or value of underlying securities disposed of: 5000

Unit price or exercise price: 1.5 Not Applicable
Conversion or Exercise price: Not Applicable
Date of expiry or maturity: YYYY-MM-DD Not Applicable
Currency: Canadian Dollar

General remarks (if necessary to describe the transaction):
Private remarks to securities regulatory authorities:

[Next](#) [Cancel filing](#)

Message from webpage

 You must file two reports for an exercise of issuer derivatives if your actual holdings of the underlying securities change as a result of this transaction. For example, an exercise of stock options, rights or warrants requires two reports: one for the disposition of the derivative and another for the corresponding acquisition report for the underlying security itself (e.g. common shares, units, or trust units).

[OK](#)

SEDI Demonstration (cont'd)

- Insider/agent files insider report for disposition of common shares on the public market

File insider report
Amend or delete insider report

File insider report - Enter transaction information

Security designation: Common Shares
Date of transaction: 2016-02-23 YYYY-MM-DD
Nature of transaction: 10 - Acquisition or disposition in the public market
Number or value of securities acquired: or Number or value of securities disposed of: 5000
Unit price or exercise price: 2.00 Not Applicable Currency: Canadian Dollar
General remarks (if necessary to describe the transaction):
Private remarks to securities regulatory authorities:

SEDI Demonstration (cont'd)

- Insider/agent files insider report for expiry of stock options

File insider report - Enter transaction information [Help](#)

Security designation Options (Common Shares)
Date of transaction 2015-12-31 YYYY-MM-DD
Nature of transaction 52 - Expiration of options

Enter the number or value of securities or contracts acquired or disposed of:
Number or value of securities or contracts acquired or Number or value of securities or contracts disposed of 100000

Enter the equivalent number or value of underlying securities acquired or disposed of:
Equivalent number or value of underlying securities acquired or Equivalent number or value of underlying securities disposed of 100000

Unit price or exercise price Not Applicable Currency Canadian Dollar
Conversion or Exercise price 1.00 Not Applicable Currency Canadian Dollar
Date of expiry or maturity 2015-12-31 YYYY-MM-DD Not Applicable
General remarks (if necessary to describe the transaction) These options expired on December 31, 2015.
Private remarks to securities regulatory authorities

[Next](#) [Cancel filing](#)



Contact Information

Contact Information

Contact	Information
General	
Inquiries and Contact Centre	<p>For general transaction/filing questions (e.g. how to file an exercise of an option)</p> <ul style="list-style-type: none"> ▪ Email: inquiries@osc.gov.on.ca ▪ Phone: 416-593-8314 or 1-877-785-1555
General Insider Reporting Inquiries	<p>For more complex transaction filing questions</p> <ul style="list-style-type: none"> ▪ Email: insiderinquiries@osc.gov.on.ca
CSA Service Desk	<p>For more technical questions (e.g. how to reset an Access Key)</p> <ul style="list-style-type: none"> ▪ Email: sedi@csa-acvm.ca ▪ Phone: 1-800-219-5381 (24 hours/7 days)
Julie Erion <i>Supervisor, Insider Reporting</i>	<ul style="list-style-type: none"> ▪ Email: jerion@osc.gov.on.ca ▪ Phone: 416-593-8154
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