



# Insider Reporting and SEDI

Krstina Skocic *Legal Counsel, Corporate Finance*  
Elizabeth Henry *Insider Reporting Review Officer*  
Evelina Barsukov *Insider Reporting Review Officer*

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# Objectives

Our goal is to:

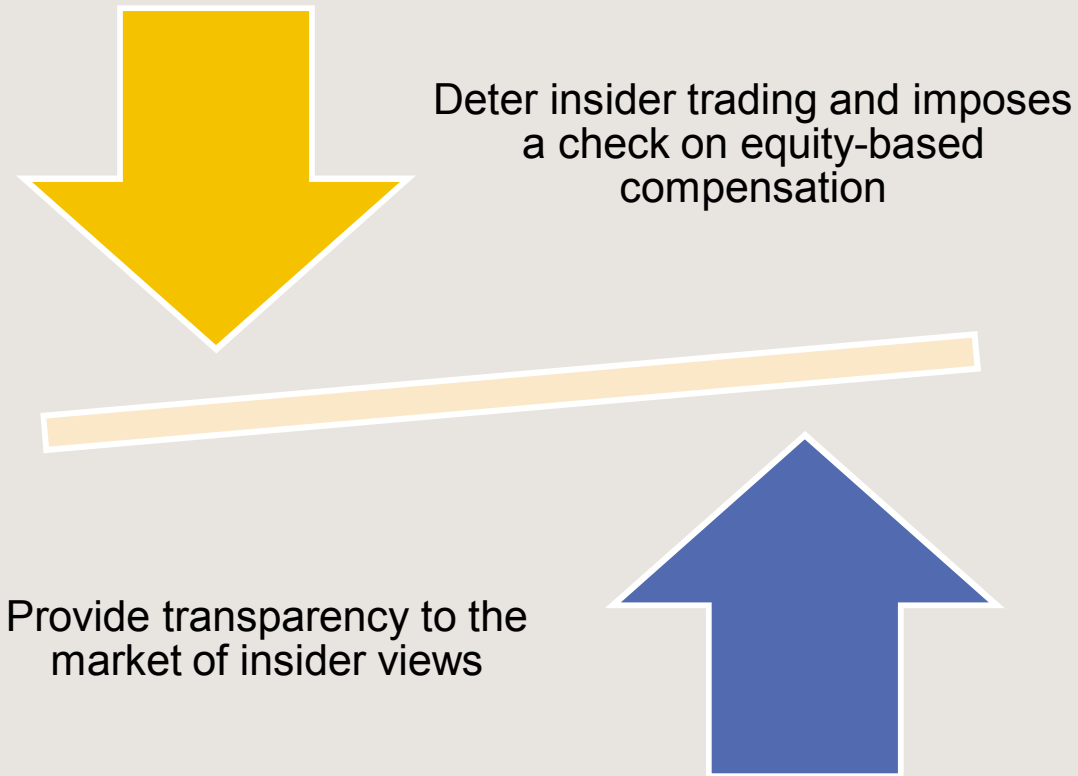
- Help SMEs navigate the regulatory waters
- Demystify disclosure requirements so companies can focus on building their business
- Reduce SMEs' cost of compliance so that this money can be better spent on strategic initiatives
- Provide an opportunity for informal dialogue with OSC staff



# Purpose of Insider Reporting

# What is the Purpose of Insider Reporting?

- To promote a fair and efficient marketplace





# Legislative and Regulatory Framework for Insider Reporting Requirements

# Legislative and Regulatory 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](http://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 Helpful 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)*
- Ontario Staff Notice 51-726 *Report on Staff's Review of Insider Reporting and User Guide for Insiders and Issuers*
  - Includes examples and user guides

# Who is a Reporting Insider?

- 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. normal course issuer bid)
  - 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 is a Reporting Insider? (cont'd)

- 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)

## Do You Have an Exemption?

- There are several exemptions available from insider reporting
  - 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
  - Normal course issuer bids 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 Do I File Insider Reports?

- [www.sedi.ca](http://www.sedi.ca)



## When Do I File Insider Reports?

- 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 Do I 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

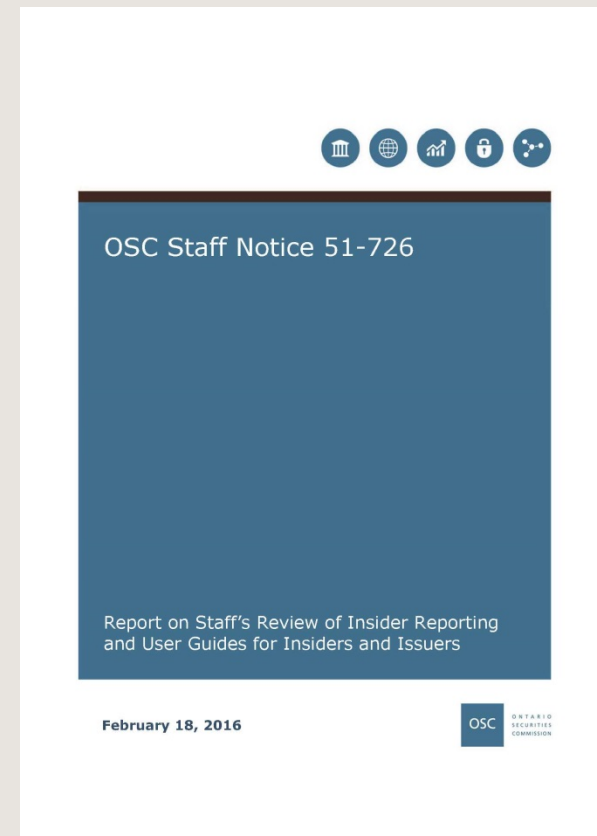




OSC Staff Notice 51-726  
*Report on Staff's Review of  
Insider Reporting and User  
Guide for Insiders and Issuers*

# Recent OSC Review of Insider Reporting

- On February 18, 2016, the 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**) following a review of 100 reporting issuers (OSC PR) and approximately 1,100 reporting insiders



# Summary of OSC Review Findings

- Our review resulted in two main findings:
  - The quality of insider reporting needs to be improved:
    - 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
  - Insider trading policies need to be improved
    - 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

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

# Common Non-Material Errors

- We continue to see the following non-material errors:
  - 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 Errors

- Examples of other errors that we continue to see:
  - 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



# Frequently Asked Questions

# Frequently Asked Questions

- What do the different user classifications mean?
  - Agent – Can perform all functions (insider/issuer)
  - Insider – Can only file for themselves as an insider
  - Issuer – Can only file issuer information



## Frequently Asked Questions (cont'd)

- When do I need to add registered holders and in what circumstances?
  - When you create an insider profile and file an insider report, SEDI will prompt you to indicate how the securities are held
  - You can hold your securities in the following three ways:
    - Directly
    - Indirectly
    - Control or direction

## Frequently Asked Questions (cont'd)

- When do I need to add registered holders and in what circumstances?
  - Direct Ownership
    - A registered holder should not be added  
For example, you can hold the securities in an account with your broker, but the account is in your name.

## Frequently Asked Questions (cont'd)

- When do I need to add registered holders and in what circumstances?
  - Indirect Ownership
    - A registered holder should be added  
For example, you beneficially own common shares in ABC Co. but the registered owner is another entity such as a holding company, an RRSP, or a family trust.

## Frequently Asked Questions (cont'd)

- When do I need to add registered holders and in what circumstances?
  - Control or direction
    - A registered holder should be added  
You have control or direction over the securities if you, directly or indirectly, through any contract, arrangement, understanding or relationship or otherwise have or share voting power, or investment power.

## Frequently Asked Questions (cont'd)

- If I cease to be a reporting insider, but am still an insider, how do I update my insider profile to reflect the change?
  - We recommend that you add a public remark to your last filed transaction advising that you are no longer required to report and will cease reporting your transactions on SEDI effective the date of the change in your status.
  - You are no longer required to report your insider transactions on SEDI.

## Frequently Asked Questions (cont'd)

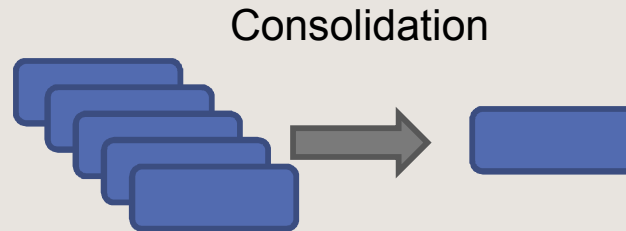
- For what issuer events do I need to report changes in my securities holdings?
  - stock dividend
  - stock split
  - consolidation
  - amalgamation
  - reorganization
  - similar events that affect all holdings of a class of securities of an issuer in the same manner, on a per share basis

## Frequently Asked Questions (cont'd)

- When do I report changes to my holdings as a result of share consolidations/splits?
  - The next time you need to file an insider report
  - See Part 8 of NI 55-104

## Frequently Asked Questions (cont'd)

- How do I report the change in my holdings resulting from a share consolidation?
  - Example: ABC Co. has consolidated its issued and outstanding common shares on the basis of one (1) post consolidation share for each five (5) pre-consolidation common shares.

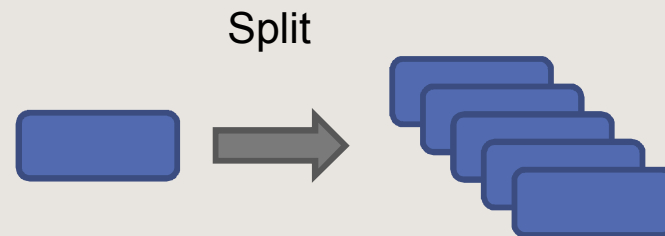


- If you held 100 common shares that were consolidated on a 5:1 basis (so you now hold 20 common shares):
  - Calculate the new number of common shares you hold after the consolidation - in this case, 20 common shares.
  - Subtract your new holdings from what you held before the share consolidation; in this case,  $100 - 20$
  - Report the difference on SEDI - i.e. 80 common shares as a disposition, using nature of transaction code 37 - Stock split or consolidation



## Frequently Asked Questions (cont'd)

- How do I report the change in my holdings resulting from a stock split?
  - Example: XYZ Co. completed a split of its common shares on the basis of five (5) new shares for each one (1) old share.



- If you held 100 common shares that were split on a 5:1 basis (so that you now hold 500 common shares):
  - Calculate the new number of common shares you hold after the split - in this case, 500 common shares.
  - Subtract from this number the number of common shares you held before the split:  $500 - 100$
  - Report the difference on SEDI - i.e. 400 common shares as an acquisition using nature of transaction code 37 - stock split or consolidation

## Frequently Asked Questions (cont'd)

- What is an underlying security and how do I report it?
  - An underlying security is a security you would acquire or dispose of if you exercised the rights you acquired when you purchased a different security
  - On SEDI, you must report both the initial securities you acquired and their underlying securities and related financial instruments

The OSC SME Institute



# SEDI Demonstration

## SEDI Demonstration

- What do I report for my opening balance?
- How do I report the grant, exercise, and expiration of warrants?
- How to set up security designations to report share-based compensation (other than options) such as deferred share units (DSUs), restricted share awards (RSAs), and stock appreciation rights (SARs)?
- What is the additional contact information and why would I add it to my insider profile?
- How do I cease being an insider of an issuer?

## SEDI Demonstration (cont'd)

- Public Access:
  - What reports can I view on SEDI?

# Contact Us

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"> <li>Email: <b>inquiries@osc.gov.on.ca</b></li> <li>Phone: <b>416-593-8314</b> or <b>1-877-785-1555</b></li> </ul>
General Insider Reporting Inquiries	<p>For more complex transaction filing questions</p> <ul style="list-style-type: none"> <li>Email: <b>insiderinquiries@osc.gov.on.ca</b></li> </ul>
CSA Service Desk	<p>For more technical questions (e.g. how to reset an Access Key)</p> <ul style="list-style-type: none"> <li>Email: <b>sedi@csa-acvm.ca</b></li> <li>Phone: <b>1-800-219-5381</b> (24 hours/7 days)</li> </ul>
<b>Corporate Finance</b>	
Krstina Skocic <i>Legal Counsel</i>	<ul style="list-style-type: none"> <li>Email: <b>kskocic@osc.gov.on.ca</b></li> <li>Phone: <b>416-263-3769</b></li> </ul>
Eden Williams <i>Supervisor, Business Processes</i>	<ul style="list-style-type: none"> <li>Email: <b>ewilliams@osc.gov.on.ca</b></li> <li>Phone: <b>416-593-8338</b></li> </ul>
Elizabeth Henry <i>Insider Reporting Review Officer</i>	<ul style="list-style-type: none"> <li>Email: <b>ehenry@osc.gov.on.ca</b></li> <li>Phone: <b>416-593-8334</b></li> </ul>