

# B.6 Request for Comments

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## B.6.1 CSA Notice and Request for Comment – Proposed Amendments to National Instrument 44-102 Shelf Distributions Relating to Well-known Seasoned Issuers



### CSA Notice and Request for Comment

#### Proposed Amendments to National Instrument 44-102 *Shelf Distributions* Relating to Well-known Seasoned Issuers

September 21, 2023

#### Part 1 – Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are publishing for a 90-day comment period

- proposed amendments to National Instrument 44-102 *Shelf Distributions* (**NI 44-102**), as set out in Annex A,
- proposed changes to Companion Policy 44-102CP to NI 44-102, as set out in Annex B,
- proposed changes to National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions* (**NP 11-202**), as set out in Annex C,
- proposed amendments to local securities laws as set out in Annex D

(collectively, the **Proposed Amendments**).

The public comment period expires on **December 20, 2023**.

The text of the Proposed Amendments is contained in Annexes A through D of this Notice and will also be available on websites of CSA jurisdictions, including:

[www.lautorite.qc.ca](http://www.lautorite.qc.ca)

[www.albertasecurities.com](http://www.albertasecurities.com)

[www.bcsc.bc.ca](http://www.bcsc.bc.ca)

[nssc.novascotia.ca](http://nssc.novascotia.ca)

[www.fcnc.ca](http://www.fcnc.ca)

[www.osc.ca](http://www.osc.ca)

[www.fcaa.gov.sk.ca](http://www.fcaa.gov.sk.ca)

[mbsecurities.ca](http://mbsecurities.ca)

## Part 2 – Substance and Purpose

The Proposed Amendments would permit issuers that satisfy the qualification criteria and certain conditions to:

- file a final base shelf prospectus and be deemed to receive a receipt for that prospectus without first filing a preliminary base shelf prospectus or undergoing any regulatory review,
- omit certain disclosure from the base shelf prospectus (for example, the aggregate dollar amount of securities that may be raised under the prospectus), and
- benefit from receipt effectiveness for a period of 37 months from the date of its deemed issuance, subject to the requirement for the issuer to reassess its qualification to use the WKSI regime annually.

The Proposed Amendments would introduce an expedited shelf prospectus regime for well-known seasoned issuers (**WKSI**s) in Canada. Regulatory costs and other restrictions on the business and investment activities of market participants should be proportionate to the significance of the regulatory objectives sought. The costs involved in the regulatory review of a prospectus filed in connection with a public offering of securities may be significant. In general, these costs are necessary and proportionate to the regulatory objectives of the prospectus requirement and securities legislation, particularly for offerings by newer reporting issuers. However, for mature, well-established and closely followed reporting issuers, the benefits of a full regulatory review of base shelf prospectuses may not justify the costs. The Proposed Amendments aim to reduce unnecessary regulatory burden for issuers that are well-known reporting issuers, have a strong market following, complete public disclosure record and sufficient public equity. The Proposed Amendments are also intended to foster capital formation by such issuers in the Canadian public markets.

In our experience, the review of base shelf prospectuses filed by WKSI are unlikely to identify substantive deficiencies that require regulatory intervention. Eligible reporting issuers will have more flexibility in structuring a base shelf prospectus offering, have improved certainty regarding transaction timing and be permitted to forgo certain requirements that do not, in this context, provide meaningful disclosure to investors. The Proposed Amendments will also more closely align the timing of Canadian prospectus filings with those applicable in the United States and better facilitate cross-border offerings.

## Part 3 – Background

NI 44-102 permits qualified issuers to omit “shelf information” from a base shelf prospectus, if not known on the date the base shelf prospectus is filed. Such information is required to be included in a prospectus supplement, which is not subject to review. Shelf information consists of information such as the variable terms of the securities that may be distributed under the base shelf prospectus, the dollar amount, size and other specific terms of each tranche of securities that may be distributed, the variable terms of the plan of distribution, and any other information that is not known and cannot be ascertained at the time of filing the base shelf prospectus.

The CSA received feedback to its Consultation Paper 51-404 *Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers*<sup>1</sup> that certain prospectus requirements in the base shelf context create unnecessary regulatory burden for large, established reporting issuers that have strong market following and up-to-date disclosure records. The feedback recommended enhancing the current prospectus system by amending the base shelf prospectus rules to implement a Canadian WKSI regime.

In early 2018, the CSA undertook a research project on potential alternative offering models that included research of the United States’ WKSI regime<sup>2</sup> and targeted consultations with market participants. During our consultations, we continued to receive recommendations to implement a Canadian WKSI regime.

In response to stakeholder feedback, on December 6, 2021, the CSA published temporary exemptions from certain base shelf prospectus requirements for qualifying WKSI through local blanket orders that are substantively harmonized across the country (collectively, the **Blanket Orders**).

The Blanket Orders allow an issuer that meets the WKSI qualifications and certain conditions to file a final base shelf prospectus with its principal regulator and obtain a receipt for that prospectus on an accelerated basis without first filing a preliminary base shelf prospectus.

<sup>1</sup> See CSA Staff Notice 51-353 *Update on CSA Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers*.

<sup>2</sup> In the United States, the WKSI regime is codified in the *General Rules and Regulations, Securities Act of 1933*, and has been in regular use for several years.

## **B.6: Request for Comments**

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Since the Blanket Orders came into effect<sup>3</sup>, we have had an opportunity to evaluate the appropriateness of the eligibility criteria and other conditions, consider feedback from various stakeholders and determine how best to implement a Canadian WKSI regime through rule amendments.

### **Part 4 – Summary of the Proposed Amendments**

Annex E to this notice summarizes the principal differences between the Blanket Orders and the Proposed Amendments.

Under the Proposed Amendments, the requirement to file and receive a receipt for a preliminary prospectus would not apply to a distribution under a WKSI base shelf prospectus. Instead of requiring the payment of fees that would otherwise be due on filing a preliminary short form prospectus, some jurisdictions may adopt specific fees for WKSI base shelf prospectus filings in parallel with the Proposed Amendments.

Under the Proposed Amendments, upon the filing of a WKSI base shelf prospectus or an amendment to a WKSI base shelf prospectus in compliance with all requirements, a receipt would be deemed to be issued in all jurisdictions in Canada where the prospectus has been filed. A receipt deemed to be issued for a WKSI base shelf prospectus would generally be effective for a period of 37 months from the date of its deemed issuance, subject to the requirement for the issuer to reassess its qualification to use the WKSI regime annually.

In addition, the Proposed Amendments contain an annual confirmation requirement. Under the Proposed Amendments, an issuer that has filed a WKSI base shelf prospectus would be required to confirm whether it continues to qualify as a WKSI on an annual basis and evidence that fact by including a statement confirming its WKSI status in its annual information form or by filing an amendment to its WKSI base shelf prospectus indicating that it continues to be a WKSI. If an issuer no longer qualifies as a WKSI, the issuer would be required to publicly announce that it would not distribute securities under a prospectus supplement to the WKSI base shelf prospectus and withdraw the WKSI base shelf prospectus.

### **Part 5 – Proposed Text**

The text of the Proposed Amendments is published with this Notice in the following annexes:

- Annex A – Proposed Amendments to NI 44-102
- Annex B – Proposed Changes to Companion Policy 44-102CP to NI 44-102
- Annex C – Proposed Changes to NP 11-202
- Where applicable, Annex D – Local Matters (including any local amendments)

### **Part 6 – Consequential Amendments**

We are proposing changes to NP 11-202 to clarify that the procedures described in NP 11-202 are not applicable to WKSI base shelf prospectuses. Please see Annex C.

### **Part 7 – Proposed Legislative Amendments**

Certain jurisdictions are contemplating amendments to their local securities legislation to provide rule-making authority for the automatic receipt mechanism contemplated by the Proposed Amendments. Where applicable, please see details in Annex D.

### **Part 8 – Local Matters**

Where applicable, Annex D is being published in any local jurisdiction that is making related changes to local securities laws, including local notices or other policy instruments in that jurisdiction. It also includes any additional information that is relevant to that jurisdiction only.

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<sup>3</sup> The Blanket Orders came into effect on January 4, 2022.

**Part 9 – Request for Comments**

We welcome your comments on the Proposed Amendments. In addition to any general comments you may have, we also invite comments on the following specific questions.

1. Do you agree with the WKSI qualification criteria proposed in the definition of “well-known seasoned issuer”? If not, please identify the requirements that could be eliminated or modified to improve the criteria. For example, are the proposed qualifying public equity and qualifying public debt thresholds appropriate?
2. Under the Blanket Orders, an issuer does not qualify to file a WKSI base shelf prospectus unless it has been a reporting issuer in at least one jurisdiction of Canada for at least 12 months immediately preceding the date of the WKSI base shelf prospectus. We are concerned that an issuer that has been a reporting issuer for only 12 months may not have a sufficient continuous disclosure record to justify participation in the WSKI regime. To address this concern, we propose extending the length of this seasoning period to three years. Is a three-year seasoning period appropriate? Should we consider a reduced seasoning period? If so, what is an appropriate seasoning period and why?
3. Do you agree with the eligibility criteria proposed in the definition of “eligible issuer”? If not, please identify the requirements that could be eliminated or modified to improve the criteria. In particular, do you agree with the requirements relating to (i) penalties and sanctions and (ii) outstanding asset-backed securities?
4. The definition of “eligible issuer” excludes issuers that have been the subject of a cease trade order or order similar to a cease trade order in any Canadian jurisdiction within the previous three years. Should this exclusion contain an exception for issuers that were the subject of a cease trade order or similar order in any Canadian jurisdiction within the previous three years that was revoked within 30 days of its issuance, to align with the disclosure requirements for directors and executive officers in Form 41-101F1 *Information Required in a Prospectus*, Form 51-102F2 *Annual Information Form* and Form 51-102F5 *Information Circular*?
5. Are there other eligibility criteria that should disqualify an issuer from the WSKI regime? If so, please explain.
6. Under the Proposed Amendments, issuers would be required to deliver personal information forms with the WSKI base shelf prospectus. However, the receipt for the prospectus would be deemed to be issued prior to any review of these personal information forms. Do you agree with requiring issuers to deliver personal information forms with the WSKI base shelf prospectus? If not, please explain.

Please submit your comments in writing on or before December 20, 2023.

Address your submission to all of the CSA as follows:

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Financial and Consumer Services Commission (New Brunswick)  
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island  
Nova Scotia Securities Commission  
Office of the Superintendent of Securities, Service NL  
Northwest Territories Office of the Superintendent of Securities  
Office of the Yukon Superintendent of Securities  
Superintendent of Securities, Nunavut

Deliver your comments only to the addresses below. Your comments will be distributed to the other participating CSA jurisdictions.

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
22nd Floor  
Toronto, Ontario M5H 3S8  
Fax: 416 593-2318  
E-mail: [comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

## B.6: Request for Comments

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Fax: 514 864-8381  
E-mail: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of the written comments received during the comment period. All comments received will be posted on the websites of each of the Alberta Securities Commission at [www.albertasecurities.com](http://www.albertasecurities.com), the Autorité des marchés financiers at [www.lautorite.qc.ca](http://www.lautorite.qc.ca) and the Ontario Securities Commission at [www.osc.ca](http://www.osc.ca). Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

### Part 10 - Questions

Please refer your questions to any of the following:

#### David Surat

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[dsurat@osc.gov.on.ca](mailto:dsurat@osc.gov.on.ca)

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Autorité des marchés financiers  
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ANNEX A

PROPOSED AMENDMENTS TO  
NATIONAL INSTRUMENT 44-102 *SHELF DISTRIBUTIONS*

1. ***National Instrument 44-102 Shelf Distributions is amended by this Instrument.***
2. ***Part 2 is amended by adding the following after section 2.7:***

**2.7.1 Lapse Date – Ontario – WKSJ Base Shelf Prospectus**

In Ontario, the lapse date prescribed by securities legislation for a receipt deemed to be issued for a WKSJ base shelf prospectus, as defined in subsection 9B.1(1), is extended to the date 37 months from the date of deemed issuance of the receipt.

3. ***The Instrument is amended by adding the following part after Part 9A:***

**PART 9B: DISTRIBUTIONS UNDER WELL-KNOWN SEASONED ISSUER BASE SHELF PROSPECTUSES**

**9B.1 Definitions**

- (1) In this Part,

“annual filing date” means the date on which an issuer is required to file its audited annual financial statements under NI 51-102 or National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*, as applicable;

“eligible issuer” means an issuer to which the following apply:

- (a) the issuer has filed all periodic and timely disclosure documents that it is required to have filed under the following:
  - (i) securities legislation;
  - (ii) an order made by the regulator or securities regulatory authority;
  - (iii) an undertaking given by the issuer to the regulator or securities regulatory authority;
- (b) during the preceding 3 years, neither the issuer, nor any person or company that completed a restructuring transaction with the issuer, was either of the following:
  - (i) a person or company whose operations have ceased;
  - (ii) a person or company whose principal asset is cash, cash equivalents or its exchange listing or any similar person or company, including, for greater certainty, a capital pool company, a special purpose acquisition company or a growth acquisition corporation;
- (c) during the preceding 3 years, the issuer
  - (i) did not become bankrupt,
  - (ii) did not make a proposal under any legislation relating to bankruptcy or insolvency, and
  - (iii) was not subject to or did not institute any proceeding, arrangement or compromise with creditors or was not subject to an appointment of a receiver, receiver manager or trustee to hold its assets;
- (d) during the preceding 3 years, neither the issuer, nor any of its subsidiaries, has been the subject of an order, judgment, decree, sanction or administrative penalty imposed by, or has entered into a settlement agreement with or approved by, a court in Canada or a foreign jurisdiction, or a securities regulatory authority or a similar authority in a foreign jurisdiction, related to a claim based in whole or in part on fraud, theft, deceit, misrepresentation, conspiracy, insider trading, unregistered activity or illegal distribution;

- (e) during the preceding 3 years, the issuer has not been the subject of
  - (i) a cease trade order or order similar to a cease trade order in a jurisdiction of Canada, or
  - (ii) a suspension of trading under the 1934 Act;

“qualifying public debt” means the aggregate principal amount of non-convertible debt securities, other than equity securities, distributed by an issuer under a prospectus in respect of primary offerings for cash within the preceding 3 years;

“qualifying public equity” means the aggregate market value of the listed equity securities of an issuer, excluding listed equity securities held by an affiliate or a reporting insider of the issuer, calculated using the simple average of the daily closing price of the securities on a short form eligible exchange for each of the trading days on which there was a daily closing price for the preceding 20 trading days;

“reporting insider” has the meaning ascribed to that term in National Instrument 55-104 *Insider Reporting Requirements and Exemptions*;

“well-known seasoned issuer” means an issuer to which the following apply:

- (a) on at least one day during the preceding 60 days, the issuer had
  - (i) qualifying public equity of at least \$500 000 000, or
  - (ii) qualifying public debt of at least \$1 000 000 000;
- (b) the issuer is and has been a reporting issuer in a jurisdiction of Canada for the preceding 3 years;
- (c) the issuer is qualified to file a short form prospectus under section 2.2, 2.3, 2.4 or 2.5 of NI 44-101;
- (d) for an issuer that has a mineral project, the issuer’s most recent audited annual financial statements disclose
  - (i) gross revenue, derived from mining operations, of at least \$55 000 000 for the issuer’s most recently completed financial year, and
  - (ii) gross revenue, derived from mining operations, of at least \$165 000 000 in the aggregate for the issuer’s 3 most recently completed financial years;
- (e) the issuer has no outstanding asset-backed securities;

“WKSI base shelf prospectus” means a base shelf prospectus prepared in accordance with subsections 9B.2(2) and (3).

- (2) For the purpose of this Part, the terms “cash” and “cash equivalents” have the same meanings as in Canadian GAAP applicable to publicly accountable enterprises.

### **9B.2 Requirements for Issuers Filing a WKSI Base Shelf Prospectus**

- (1) An issuer may file a WKSI base shelf prospectus if, as of the date of filing the prospectus, the following apply:
  - (a) the issuer is a well-known seasoned issuer;
  - (b) the issuer is not an investment fund;
  - (c) the issuer is an eligible issuer.
- (2) A prospectus filed under this section shall include the following:
  - (a) on the cover page, the following statement or a statement in substantially the following words:

“This base shelf prospectus is filed under Part 9B Distributions Under Well-Known Seasoned Issuer Base Shelf Prospectuses of National Instrument 44-102 *Shelf Distributions*.

[Name of issuer] has satisfied the requirements for issuers filing a WKSI base shelf prospectus and for a receipt for this prospectus to be deemed to be issued in all jurisdictions in Canada in which this prospectus has been filed.

No regulator or securities regulatory authority has reviewed this prospectus.”;

- (b) disclosure of the date on which the issuer’s qualifying public equity or qualifying public debt met or exceeded the amount referred to in subparagraph (a)(i) or (ii) of the definition of well-known seasoned issuer, as applicable, and the amount of the issuer’s qualifying public equity or qualifying public debt on that date.
- (3) A prospectus filed under this section shall not qualify the distribution of an asset-backed security.

**9B.3 Provisions Not Applicable to a WKSI Base Shelf Prospectus**

- (1) An issuer is exempt from the prospectus requirement in respect of the requirement to file a preliminary prospectus relating to the WKSI base shelf prospectus if the following apply:
  - (a) the issuer is qualified to file a WKSI base shelf prospectus under subsection 9B.2(1);
  - (b) the issuer files a WKSI base shelf prospectus;
  - (c) the issuer has filed all documents otherwise required to be filed under securities legislation in connection with the filing of a base shelf prospectus.
- (2) The following provisions do not apply to an issuer in respect of a WKSI base shelf prospectus:
  - (a) section 5.4;
  - (b) item 5 of section 5.5.
- (3) An issuer that files a WKSI base shelf prospectus may omit from the prospectus the following disclosure:
  - (a) the number of securities qualified for distribution referred to in item 1.4 of Form 44-101F1;
  - (b) a plan of distribution referred to in item 5 of Form 44-101F1, other than to state that the plan of distribution will be described in the shelf prospectus supplement for any distribution of securities;
  - (c) a description of the securities being distributed referred to in item 7 of Form 44-101F1, other than as necessary to identify the types of securities;
  - (d) the disclosure regarding any selling securityholder referred to in item 8 of Form 44-101F1.
- (4) An issuer that omits information from a WKSI base shelf prospectus under subsection (3) shall include the omitted information in any shelf prospectus supplement used to supplement the disclosure in the WKSI base shelf prospectus.

**9B.4 Filing Requirements for a WKSI Base Shelf Prospectus**

- (1) An issuer that files a WKSI base shelf prospectus shall file, with the WKSI base shelf prospectus, a certificate in accordance with subparagraph 4.1(1)(a)(ii) of NI 44-101 as if the WKSI base shelf prospectus were a preliminary short form prospectus.
- (2) An issuer that files a WKSI base shelf prospectus shall file, with the WKSI base shelf prospectus, any technical report that is required to be filed with a preliminary short form prospectus under NI 43-101.
- (3) An issuer that files a WKSI base shelf prospectus shall deliver to the regulator, concurrently with the filing of the WKSI base shelf prospectus, any personal information form that is required to be delivered with a preliminary prospectus under section 4.1 of NI 44-101.
- (4) An issuer that files a WKSI base shelf prospectus shall pay the fee otherwise required for the filing of a preliminary short form prospectus.

**9B.5 Receipts**

- (1) A receipt for a WKSI base shelf prospectus is deemed to be issued if, at the time of filing of the WKSI base shelf prospectus, the issuer has
  - (a) complied with section 9B.2, and
  - (b) filed or delivered, as the case may be, all documents required to be filed or delivered in connection with the filing of a base shelf prospectus.



## B.6: Request for Comments

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- (2) A receipt for an amendment to a WKSI base shelf prospectus is deemed to be issued if
- (a) as of the date of filing of the amendment to the WKSI base shelf prospectus, the following apply:
    - (i) the issuer is a well-known seasoned issuer;
    - (ii) the issuer is not an investment fund;
    - (iii) the issuer is an eligible issuer,
  - (b) the amendment to the WKSI base shelf prospectus includes the following:
    - (i) on the cover page, the following statement or a statement in substantially the following words:

“This amendment is filed under Part 9B Distributions Under Well-Known Seasoned Issuer Base Shelf Prospectuses of National Instrument 44-102 *Shelf Distributions*.

[Name of issuer] has satisfied the requirements for issuers filing an amendment to a WKSI base shelf prospectus and for a receipt for this amendment to be deemed to be issued in all jurisdictions in Canada in which this amendment has been filed.

No regulator or securities regulatory authority has reviewed this amendment.”;
    - (ii) disclosure of the date on which the issuer’s qualifying public equity or qualifying public debt met or exceeded the amount referred to in subparagraph (a)(i) or (ii) of the definition of well-known seasoned issuer, as applicable, and the amount of the issuer’s qualifying public equity or qualifying public debt on that date,
  - (c) the amendment to the WKSI base shelf prospectus does not qualify the distribution of an asset-backed security, and
  - (d) the issuer has filed or delivered, as the case may be, all documents required to be filed or delivered in connection with the filing of an amendment to a base shelf prospectus.

### 9B.6 Period of Effectiveness of a Deemed Receipt for a WKSI Base Shelf Prospectus

- (1) Within 60 days preceding the annual filing date in each financial year of an issuer following the filing by the issuer of a WKSI base shelf prospectus and until the date, under subsection (2), on which the issuer is no longer permitted to distribute a security under the WKSI base shelf prospectus, the issuer shall
- (a) include a statement in its AIF for the financial year ended immediately before the annual filing date, or in an amendment to the WKSI base shelf prospectus, that explains that the issuer is eligible to file a WKSI base shelf prospectus, if the issuer satisfies the conditions under subsection 9B.2(1), or
  - (b) withdraw the WKSI base shelf prospectus and issue a news release announcing that the issuer will not distribute securities under a prospectus supplement to the WKSI base shelf prospectus.
- (2) An issuer may distribute a security under a WKSI base shelf prospectus, with respect to which a receipt is deemed to have been issued under subsection 9B.5(1), until the earliest of
- (a) the date that is 37 months from the date a receipt is deemed to be issued under subsection 9B.5(1),
  - (b) the annual filing date, unless the issuer has included the statement referred to in paragraph (1)(a) in
    - (i) its AIF for the financial year ended immediately before the annual filing date, or
    - (ii) an amendment to the WKSI base shelf prospectus filed during the 60 days preceding the annual filing date,
  - (c) in the case of an issuer that is qualified to file a short form base shelf prospectus under
    - (i) section 2.2 of NI 44-101, the time referred to in paragraph 2.2(3)(b) of this Instrument,
    - (ii) section 2.3 of NI 44-101, the time referred to in paragraph 2.3(3)(b) of this Instrument,
    - (iii) section 2.4 of NI 44-101, the time referred to in paragraph 2.4(3)(b) of this Instrument, and

## B.6: Request for Comments

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- (iv) section 2.5 of NI 44-101, the time referred to in paragraph 2.5(3)(b) of this Instrument, and
  - (d) in Ontario, the lapse date prescribed by securities legislation.
- (3) An issuer that is required to withdraw a WKSJ base shelf prospectus under paragraph (1)(b) shall not distribute a security under that prospectus.

### Effective date

- 4.
  - (1) This Instrument comes into force on \*.
  - (2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after \* this Instrument comes into force on the day on it is filed with the Registrar of Regulations.

ANNEX B

PROPOSED CHANGES TO  
COMPANION POLICY 44-102CP SHELF DISTRIBUTIONS

1. *Companion Policy 44-102CP Shelf Distributions is changed by this Document.*

2. *Part 2 Shelf Procedures is changed by adding, after section 2.9, the following:*

**2.10 Distributions Under Well-Known Seasoned Issuer Base Shelf Prospectuses**

(1) Meaning of WKSJ base shelf prospectus

The term WKSJ base shelf prospectus is a defined term used for ease of reference. A WKSJ base shelf prospectus is a final base shelf prospectus that has been varied in accordance with Part 9B of NI 44-102. Accordingly, any reference to a “prospectus”, a “final prospectus”, a “final short form prospectus” or a “final base shelf prospectus” in securities legislation includes a WKSJ base shelf prospectus.

For the avoidance of doubt, any reference to a “final receipt” includes a receipt deemed to be issued under sections 9B.5 of NI 44-102.

(2) Deemed receipt

No securities regulatory authority or regulator will issue a receipt for a WKSJ base shelf prospectus or an amendment to a WKSJ base shelf prospectus filed under Part 9B of NI 44-102. If the requirements in section 9B.5 of NI 44-102 are met, a receipt for a WKSJ base shelf prospectus will be deemed to be issued on the date that the WKSJ base shelf prospectus is filed. No review of the WKSJ base shelf prospectus is conducted by any securities regulatory authority or regulator for a deemed receipt.

(3) Non-application of the passport system and multiple jurisdictions prospectus review process

Part 9B of NI 44-102 provides an alternative filing option for well known seasoned issuers that is independent of the passport system and the procedures described in National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions*. A receipt for a WKSJ base shelf prospectus is deemed to be issued in every jurisdiction in which the prospectus is filed so the application of the passport system is not necessary. Further, an issuer that files a WKSJ base shelf prospectus would not meet the conditions to use the passport system as it does not file a preliminary prospectus and would not indicate that it is relying on Multilateral Instrument 11-102 *Passport System*.

(4) Amendments

A receipt deemed to be issued for an amendment to a WKSJ base shelf prospectus under subsection 9B.5(2) of NI 44-102 will not extend the period of effectiveness of the deemed receipt of the WKSJ base shelf prospectus.

(5) Annual confirmation

An issuer that files a WKSJ base shelf prospectus on or before its financial year-end will be required to confirm its eligibility as a well-known seasoned issuer on or before the annual filing date of each year following the filing of the WKSJ base shelf prospectus. For example, an issuer with a June 30 financial year end that files a WKSJ base shelf prospectus on June 30 would be required to confirm its eligibility as a well-known seasoned issuer on or before September 28 of that calendar year. However, if that issuer instead files a WKSJ base shelf prospectus on July 1, it would be required to confirm its eligibility on or before September 28 of the following calendar year.

(6) Exemptive relief in connection with WKSJ base shelf prospectuses

Requests for exemptive relief require staff review and consideration. A receipt deemed to be issued pursuant to section 9B.5 of NI 44-102 will not evidence the granting of an exemption as WKSJ base shelf prospectuses are not subject to staff review prior to the deemed issuance of a receipt and no receipt is actually issued.

The granting of an exemption from the provisions of securities legislation sought in connection with the filing of a WKSJ base shelf prospectus or an amendment to a WKSJ base shelf prospectus may only be evidenced by a decision to that effect, issued following a formal application for exemptive relief, by the regulator or, in Québec, the securities regulatory authority to the person that sought the exemption.

(7) Pre-marketing in connection with a WKSJ base shelf prospectus

In general, any advertising or marketing activities undertaken in connection with a prospectus prior to the issuance of a receipt for the preliminary prospectus are prohibited under securities legislation by virtue of the prospectus requirement. As an issuer filing a WKSJ base shelf prospectus is exempt from the requirement to file a preliminary prospectus, any advertising or marketing activities undertaken in connection with a WKSJ base shelf prospectus prior to the deemed issuance of a receipt for the WKSJ base shelf prospectus are prohibited.

An issuer who is filing a WKSJ base shelf prospectus would also be unable to rely on the bought deal exemption for pre-marketing provided in Part 7 of NI 44-101 as a preliminary prospectus is required to be filed to comply with such exemption.

(8) Existing preliminary short form prospectus or existing base shelf prospectus

Issuers cannot amend an existing preliminary short form prospectus or an existing base shelf prospectus to convert the same into a WKSJ base shelf prospectus. If an issuer has an existing preliminary short form prospectus or an existing base shelf prospectus, but would like to file a WKSJ base shelf prospectus, the issuer should withdraw the existing preliminary short form prospectus or the existing base shelf prospectus and file a new WKSJ base shelf prospectus.

3. These changes become effective on \*.

ANNEX C

PROPOSED CHANGES TO  
NATIONAL POLICY 11-202 *PROCESS FOR PROSPECTUS REVIEWS IN MULTIPLE JURISDICTIONS*

1. *National Policy 11-202 Process for Prospectus Reviews in Multiple Jurisdictions is changed by this Document.*

2. *Section 2.1 is amended*

(a) *by deleting “and” after the definition of “short form prospectus”,*

(b) *by replacing “.” with “; and” after the definition of “waiver application”, and*

(c) *by adding the following definition:*

“WKSI base shelf prospectus” has the meaning ascribed to that term in National Instrument 44-102 *Shelf Distributions*..

3. *Part 3 is amended by adding the following section:*

**3.6 WKSI base shelf prospectus**

An issuer that files a WKSI base shelf prospectus would not meet the conditions to use the passport system as it does not file a preliminary prospectus and would not indicate on SEDAR+ that it is relying on MI 11-102 in accordance with paragraph 3.3(1)(b) of MI 11-102. For this reason, the procedures described in this policy statement are not applicable to WKSI base shelf prospectuses. Further, since a receipt for a WKSI base shelf prospectus is deemed to be issued in every jurisdiction in which the prospectus is filed, the application of the passport system is not necessary.

4. These changes become effective on .

ANNEX D

LOCAL MATTERS

ONTARIO SECURITIES COMMISSION

1. Introduction

This Annex to the accompanying CSA Notice and Request for Comment (the **CSA Notice**) sets out matters required to be addressed by the *Securities Act* (Ontario) (the **Act**). The Ontario Securities Commission (the **Commission**) is publishing this Annex to supplement the CSA Notice.

The CSA are publishing for comment (i) proposed amendments to NI 44-102 to exempt qualifying well-known seasoned issuers (**WKSIs**) from certain base shelf prospectus requirements, and (ii) consequential amendments and changes to existing rules and policies (together, the **CSA Proposed Amendments**).

Please refer to the main body of the CSA Notice.

2. Overview

In Canada, reporting issuers eligible to file a short form prospectus may use the base shelf prospectus system. Under the base shelf prospectus system, an eligible reporting issuer files a preliminary base shelf prospectus, which is subject to regulatory review. However, once a final receipt has been given for a base shelf prospectus, the reporting issuer may file, and distribute securities under, one or more prospectus supplements that are not subject to any prior regulatory review. This system enables reporting issuers to respond quickly to market conditions.

The CSA has received feedback<sup>4</sup> from market participants and other stakeholders that certain base shelf prospectus requirements create unnecessary regulatory burden for large, established reporting issuers that have a strong market following and up-to-date disclosure records. The feedback included recommendations for the CSA to implement a Canadian version of the WKSI regime that exists under the Securities and Exchange Commission rules in the United States, which would allow certain reporting issuers to go to market via base shelf prospectus more quickly than the current system permits.

Exemptions from certain of the requirements under the shelf prospectus regime for WKSIs were implemented on a pilot basis by the CSA through a series of class orders (the **Blanket Orders**), effective January 4, 2022. The Blanket Orders continue to be in effect and would be replaced by the CSA Proposed Amendments, if adopted.

As described in the CSA Notice, if adopted, the CSA Proposed Amendments would permit qualifying WKSIs to:

- file a final base shelf prospectus and be deemed to receive a receipt for that prospectus without first filing a preliminary base shelf prospectus;
- omit certain disclosure from the base shelf prospectus (for example, the aggregate dollar amount of securities that may be raised under the prospectus); and
- be deemed to receive a receipt for a base shelf prospectus that would be generally effective for a period of 37 months from the date of its deemed issuance.

Under the CSA Proposed Amendments, an issuer would qualify to file a WKSI base shelf prospectus if it satisfies several conditions described in more detail in the CSA Notice. The Commission is of the view that the CSA Proposed Amendments would reduce existing cost and regulatory burden for issuers and investment dealers. The Commission is also of the view that the regulatory costs imposed by the proposed WKSI base shelf prospectus regime are proportionate to the benefits under the CSA Proposed Amendments to issuers, investment dealers and investors as a group.

The CSA Proposed Amendments are intended to foster capital formation by reducing existing cost and regulatory burden for issuers and investment dealers. Although the CSA Proposed Amendments limit participation to eligible WKSIs, the Commission is of the view that the CSA Proposed Amendments would not have a material impact on competitive markets as they would be available to a significant portion of the market (as measured by market capitalization) and would not impose an additional burden on those issuers that are not eligible to participate.

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<sup>4</sup> See CSA Staff Notice 51-353 *Update on CSA Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers*. See also recommendation #17 in the Capital Markets Modernization Taskforce's final report, dated January 22, 2021.

**3. Affected Stakeholders**

The major stakeholders expected to be affected by the CSA Proposed Amendments are select non-investment fund reporting issuers, institutional and retail investors and investment dealers that assist large issuers in short form prospectus offerings.

**a) Qualifying short-form eligible non-investment fund reporting issuers**

The CSA Proposed Amendments would affect short-form eligible non-investment fund reporting issuers that are mature and well-established, and generally have a strong market and analyst following. More specifically, under the CSA Proposed Amendments, a reporting issuer must satisfy several conditions to file a WKSI base shelf prospectus, including, among other things, that it is not an investment fund, that it is eligible to file a short form prospectus and that it has either (i) outstanding listed equity securities that have qualifying public equity of at least \$500,000,000, or (ii) at least \$1,000,000,000 aggregate amount of non-convertible securities, other than equity securities, distributed under a prospectus in primary offerings for cash in the prior three years.

Based on available market data from January 1, 2021 to January 31, 2023, we estimate that an average of 366 active reporting issuers would satisfy the following publicly ascertainable criteria:

- the issuer is not an investment fund; and
- the issuer has either:
  - qualifying public equity of at least \$500,000,000; or
  - qualifying public debt of at least \$1,000,000,000.

In addition, as of January 31, 2023, a total of 354 reporting issuers (representing approximately 11% of all non-investment fund reporting issuers)<sup>5</sup> satisfied these criteria. These reporting issuers are comprised of:

- 311 listed reporting issuers that satisfy the qualifying public equity requirement only (representing 88% of WKSI eligible issuers);
- 29 listed reporting issuers that satisfy both the qualifying public equity and qualifying public debt requirement (representing 8% of WKSI eligible issuers); and
- 14 non-listed reporting issuers that satisfy the qualifying public debt requirement only (representing 4% of WKSI eligible issuers).

The listed reporting issuers that satisfy the above criteria account for approximately 96% of the total Canadian market capitalization and all issuers in the S&P/TSX Composite Index are WKSI eligible issuers. In addition, of the listed reporting issuers that satisfy the above criteria, 96% are listed on the Toronto Stock Exchange (**TSX**), with the remaining 4% listed on the TSX Venture Exchange or the Canadian Securities Exchange. Among TSX-listed issuers, approximately 43% of issuers satisfy the above criteria. The proportion of WKSI eligible issuers in the top three sectors (mining, which includes oil & gas, manufacturing, and financials & insurance) closely matches that of the broader Canadian market.<sup>6</sup>

We note that, in addition to the criteria described above, under the CSA Proposed Amendments, an issuer must satisfy several other requirements to file a WKSI base shelf prospectus, including requirements related to short-form prospectus eligibility, reporting issuer status, bankruptcy and insolvency and cease trade orders, as described more fully in the CSA Notice. The estimates presented in this Annex are based on historical data and represent the maximum number of issuers that could qualify as a WKSI. They do not necessarily represent the number of issuers that we anticipate would file a WKSI base shelf prospectus under the proposed WKSI base shelf prospectus regime.

**b) Investors**

The CSA Proposed Amendments would affect both institutional and retail investors purchasing securities in prospectus offerings conducted under the proposed WKSI base shelf prospectus regime. Generally, all prospectuses filed with securities regulatory authorities are reviewed for public interest concerns and a receipt for the final prospectus may be delayed or refused until such concerns are resolved. If the CSA Proposed Amendments are adopted, there would be no staff review of WKSI base shelf prospectuses prior to a receipt being deemed to be issued.

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<sup>5</sup> The total number of reporting issuers includes 3,300 active reporting issuers, identified from Refinitiv as of February 8, 2023, and 32 non-listed reporting issuers that have issued qualifying public debt within the three-year period prior to January 31, 2023, identified from FP Advisor. The percentage calculated includes 315 active reporting issuers with no available public float data as of January 31, 2023. Excluding these active reporting issuers with unavailable public float data, WKSI eligible issuers represent approximately 12% of all reporting issuers considered.

<sup>6</sup> Top three sectors based on number of reporting issuers from Refinitiv and issuers reported North American Industry Classification Standard (NAICs) sector.

The lack of review may affect the disclosure provided to investors in a specific offering and to the market generally. However, since the offering-specific disclosure under the shelf prospectus system is generally contained in supplements to the base shelf prospectus, that are not subject to regulatory review, the lack of regulatory review of a WKSI base shelf prospectus is expected to have a limited impact on the quality of disclosure. In addition, most of the disclosure in a base shelf prospectus is provided through incorporation by reference of the issuer's core continuous disclosure documents. Issuers eligible to file a WKSI prospectus will continue to be subject to continuous disclosure reviews in the ordinary course.

In addition, the CSA Proposed Amendments include safeguards to offset this concern as the eligibility criteria narrows the pool of qualifying issuers to those issuers whose base shelf prospectuses are generally not expected to raise public interest concerns, with approximately 69% of the listed non-investment fund reporting issuers that satisfy the qualifying public equity or qualifying public debt test under the CSA Proposed Amendments representing all issuers in the S&P/TSX Composite Index.

c) Investment dealers

Investment dealers that are involved in securities offerings under the proposed WKSI base shelf prospectus regime would benefit from the CSA Proposed Amendments. Given the profile of issuers that would qualify to file a WKSI base shelf prospectus, we anticipate that investment dealers that assist large issuers in short form prospectus offerings would be affected by the CSA Proposed Amendments. The CSA Proposed Amendments would potentially allow for accelerated transaction timing and increased certainty for investment dealers.

#### **4. Analysis of the Anticipated Costs and Benefits of the CSA Proposed Amendments**

The following section analyzes the anticipated costs and benefits to the affected stakeholders described above. When considering the costs related to adopting the CSA Proposed Amendments, it is important to recognize that the CSA Proposed Amendments provide an optional, alternative base shelf prospectus filing system for qualifying WKSIs, and that they do not impose a direct regulatory cost on affected stakeholders. Issuers are free to elect to continue to use the existing base shelf prospectus system with no additional costs.

a) Qualifying short-form eligible non-investment fund reporting issuers

As noted above, as of January 31, 2023, up to 354 reporting issuers could qualify to file a WKSI base shelf prospectus under the CSA Proposed Amendments. Use of the proposed WKSI base shelf prospectus regime is expected to result in overall net benefits for the reporting issuer conducting the distribution when compared with the traditional base shelf prospectus regime, as described below.

*Reduced transaction costs*

The CSA Proposed Amendments would permit qualifying WKSIs to file a final base shelf prospectus and be deemed to receive a receipt for that prospectus without first filing a preliminary base shelf prospectus. The securities regulatory authority would not review the WKSI base shelf prospectus prior to the deemed issuance of the final receipt and would not provide comments on the prospectus disclosure. Accordingly, there would be no requirement for an issuer's legal counsel and auditor to engage with the regulator. This reduced level of gatekeeper involvement is expected to lower costs for the reporting issuer when compared with a traditional base shelf prospectus filing.

In addition, we anticipate that a WKSI base shelf prospectus would be renewed less frequently than a traditional base shelf prospectus, for the following reasons:

- first, under the CSA Proposed Amendments, a receipt for a WKSI base shelf prospectus would be effective for a period of up to 37 months from the date of its deemed issuance (versus a period of 25 months from the date of receipt for a traditional base shelf prospectus);
- second, since there would be no obligation for a qualifying WKSI to state the aggregate dollar amount of securities that may be raised under a WKSI base shelf prospectus, qualifying WKSIs that file a WKSI base shelf prospectus would not face the possibility of exhausting a current base shelf prospectus, necessitating the filing of a new base shelf prospectus prior to expiry of the 25-month effective period.

As such, reporting issuers filing WKSI base shelf prospectuses would be required to engage their legal counsel and auditor to prepare the base shelf prospectus (and to provide comfort letters or consents) less frequently under the WKSI base shelf prospectus system than under the traditional base shelf prospectus system, resulting in cost savings compared with a traditional base shelf prospectus offering.



*Increased deal certainty and flexibility*

Market conditions can change rapidly, and we understand that, in addition to the financial cost of preparing a base shelf prospectus, there are costs associated with deal uncertainty. The time between deciding to raise funds via prospectus and receiving a final receipt for a base shelf prospectus can be unpredictable depending on the nature of regulatory review. Under the proposed WKSI base shelf prospectus regime, a receipt for a base shelf prospectus would be deemed to be issued immediately upon filing of the WKSI base shelf prospectus and satisfaction of certain conditions, without first filing a preliminary base shelf prospectus, accelerating the filing process and providing the issuer with greater agility to respond to market opportunity and with greater control over the timing of the public announcement of an offering, as compared with a traditional base shelf prospectus offering. As the increased deal certainty would reduce market risk to investment dealers as they raise capital, we anticipate that the CSA Proposed Amendments would lower the cost of capital for issuers that file a WKSI base shelf prospectus.

*Reduced perceived deal overhang*

As there would be no obligation for a qualifying WKSI to state the aggregate dollar amount of securities that it may raise under a WKSI base shelf prospectus, the CSA Proposed Amendments would allow for unlimited offerings during the term of the WKSI base shelf prospectus. This feature could mitigate concerns of a market overhang caused by disclosure of the actual number of securities that the issuer intends to distribute and would allow additional flexibility for the qualifying issuer to raise capital on an "as needed" basis.

*Benefits to dual-listed issuers*

By creating a WKSI base shelf prospectus regime in Canada, the CSA Proposed Amendments would more closely align the Canadian securities regulatory rules with those in the United States, where a WKSI regime currently exists. This alignment is expected to allow dual-listed issuers that meet the eligibility criteria in both jurisdictions to more easily raise funds concurrently in Canada and the United States.

*Potential offsetting costs*

The CSA Proposed Amendments would require an annual assessment that the issuer continues to meet the WKSI requirements. This assessment would be required to be made at the same time as the issuer's annual filings. Given that the annual assessment could be incorporated in the processes for compliance with the existing annual filings, we expect that the incremental costs of the annual assessment would be negligible.

The potential benefits outlined above would be offset by the initial costs required for issuers to familiarize themselves with the requirements of the CSA Proposed Amendments. We expect that these costs would be minimal and would be significantly outweighed by the benefits discussed above.

**b) Investors**

There would be no direct costs to investors from the CSA Proposed Amendments. However, the introduction of a WKSI base shelf prospectus regime may have negative effects on the quality of the disclosure provided to investors in a specific offering and to the market generally.

*Gatekeeper involvement for public interest reasons*

The Act provides the Director with the discretion to refuse to issue a receipt for a final prospectus if it appears to the Director that it is not in the public interest to do so. Since a receipt would be deemed to be issued upon filing of the WKSI base shelf prospectus and other filing material, with no prior regulatory review, the proposed WKSI base shelf prospectus regime would not provide the Director with an opportunity to identify public interest concerns and refuse to issue a receipt based on those concerns.

However, we believe this risk is low as the CSA Proposed Amendments would only apply to issuers with a sufficient public equity and operating history, that have a complete public disclosure record and that have not been subject to bankruptcy proceedings, cease trade orders or specified penalties and sanctions within the past three years. Accordingly, we expect that it would be less likely for a qualifying WKSI to file a WKSI base shelf prospectus that presents receipt refusal concerns.

*Impact on disclosure to investors compared with a traditional prospectus offering*

As discussed above, as compared with a traditional base shelf prospectus, a WKSI base shelf prospectus would limit gatekeeper involvement due to the lack of staff review. This reduced regulatory oversight may result in reduced incentives for qualifying WKSIs to ensure that their disclosure obligations have been met. Accordingly, the quality of the disclosure in a WKSI base shelf prospectus may be lower than that in a traditional base shelf prospectus.

Conversely, we note that the CSA Proposed Amendments would allow issuers to omit certain disclosure from the WKSI base shelf prospectus, provided that it be included in any prospectus supplement filed under the WKSI base shelf prospectus. By omitting

such disclosure from the WKSI base shelf prospectus, qualifying WKSIs could reduce the amount of boilerplate disclosure that is not meaningful for investors.

Ultimately, it is not possible to predict the overall impact of the CSA Proposed Amendments on the quality of disclosure in a WKSI base shelf prospectus and the associated prospectus supplement(s). However, since a WKSI base shelf prospectus and the associated prospectus supplement(s) would be required to include the same respective certificates as a conventional base shelf prospectus and prospectus supplement and would therefore carry the same standards of statutory liability for misrepresentations as a traditional prospectus, we believe that the likelihood of a misrepresentation in the proposed WKSI base shelf prospectus regime would be no different than that in the existing base shelf prospectus regime. We expect that this statutory liability, combined with reputational risk, would act as strong incentives to preserve the quality of disclosure.

c) Investment Dealers

Since investment dealers are generally not involved in the preparation of base shelf prospectuses, we do not anticipate that they would be materially affected by the CSA Proposed Amendments. However, the CSA Proposed Amendments may present some minor benefits to investment dealers that are involved in securities offerings under the proposed WKSI base shelf prospectus regime as the proposed WKSI base shelf prospectus regime would allow for greater certainty, and less market risk, in planning and effecting a prospectus offering.

d) Conclusion

The CSA Proposed Amendments would streamline the base shelf prospectus process for certain well-known reporting issuers that have a strong market following, complete public disclosure record and sufficient public equity and make it more cost-efficient for these issuers to raise capital in Canada. Although there may be indirect costs for investors associated with the proposed WKSI base shelf prospectus regime, generally stemming from the lack of regulatory review of a WKSI base shelf prospectus prior to the deemed issuance of the prospectus receipt, these costs would be mitigated by the quality of qualifying WKSIs and application of statutory liability for misrepresentations in a WKSI base shelf prospectus and prospectus supplement.

## 5. Alternatives Considered

As described in the CSA Notice, on December 6, 2021, the CSA published temporary exemptions from certain base shelf prospectus requirements for qualifying WKSIs through local Blanket Orders that are substantively harmonized across the country.

Since the Blanket Orders came into effect, the CSA has had an opportunity to evaluate the use of the Blanket Orders. In total, 79 issuers have filed WKSI base shelf prospectuses. In addition, we have had the opportunity to consider feedback from various stakeholders, which has been generally positive. We considered replicating the WKSI base shelf prospectus regime provided under the Blanket Orders rather than implementing the regime contemplated by the CSA Proposed Amendments. However, we are of the view that the CSA Proposed Amendments better respond to stakeholder feedback and would increase market efficiency to a greater extent, and present a benefit over the status quo.

## 6. Rule-making Authority

We intend to seek legislative amendments in Ontario to provide rule-making authority to adopt the CSA Proposed Amendments. Specifically, we will seek amendments to sections 53 and 143 of the Act such that the Commission may make rules providing for the deemed issuance of a receipt for a preliminary prospectus, a prospectus or a prescribed offering document (the **Legislative Proposal**).

At this time, the Ontario government has not reviewed the Legislative Proposal and has made no decision to proceed with the same. Accordingly, the Legislative Proposal is subject to change as a result of the consultation process and as a result of review by the Ontario government. It will only become law if it is enacted by the Legislative Assembly of Ontario.

The following provisions of the Act provide the Commission with the authority to make the CSA Proposed Amendments, subject to the Legislative Proposal being enacted by the Legislative Assembly of Ontario and proclaimed into force:

- Paragraph 15 of subsection 143(1) of the Act authorizes the Commission to prescribe categories or subcategories of issuers for purposes of the prospectus requirements under the Act, the regulations and the rules and classifying issuers into categories or subcategories; and
- Paragraph 16 of subsection 143(1) of the Act authorizes the Commission to regulate in respect of, or to vary the Act to facilitate, expedite or regulate in respect of, the distribution of securities or the issuing of receipts, including provisions for eligibility requirements to obtain a receipt for, or distribute under, a particular form of prospectus and the loss of that eligibility.

## ANNEX E

SUMMARY OF THE PRINCIPAL DIFFERENCES BETWEEN  
THE BLANKET ORDERS AND THE PROPOSED AMENDMENTS

Blanket Orders	Proposed Amendments	Rationale
<b>Definition of WSKI – Calculation of Public Equity</b>		
<p>Under the Blanket Orders, an issuer’s “public float” is defined as the aggregate market value of the issuer’s securities held by persons or companies that are not affiliated parties of the issuer and is calculated by using the price at which the securities were last sold in the principal market for the securities as of a date within 60 days preceding the date of filing the WSKI base shelf prospectus.</p>	<p>Under the Proposed Amendments, an issuer’s “qualifying public equity” is defined as the aggregate market value of the issuer’s listed equity securities, excluding securities held by affiliates or reporting insiders of the issuer, and is calculated using the simple average of the daily closing price of the issuer’s equity securities on a short form eligible exchange for each of the trading days on which there was a daily closing price for the 20 trading days preceding the date of calculation (which must be within 60 days of the date of filing the WSKI base shelf prospectus).</p>	<p>The definition was refined to exclude securities held by “reporting insiders”. We are of the view that excluding securities held by reporting insiders from the calculation is appropriate and provides a better approximation of an issuer’s qualifying public equity. We selected reporting insiders because these individuals will have been previously identified and their holdings are publicly available.</p> <p>The Proposed Amendments include a requirement to calculate the 20-day simple average closing price of the issuer’s securities, for consistency with other rules that refer to market price.</p> <p>Under the Proposed Amendments, an issuer should use the simple average closing price of its securities available on a “short form eligible exchange”. A “short form eligible exchange” is defined in National Instrument 44-101 <i>Short Form Prospectus Distributions (NI 44-101)</i> as the Toronto Stock Exchange, the TSX Venture Exchange, the NEO Exchange (now Cboe Canada) and the Canadian Securities Exchange. We believe the market price on a “short form eligible exchange” best reflects how the market price of issuers that are listed on more than one exchange is consolidated and publicly made available.</p>
<b>Definition of WSKI – Reporting Issuer Status</b>		
<p>Under the Blanket Orders, an issuer that files a WSKI base shelf prospectus must have been a reporting issuer in at least one jurisdiction in Canada for the previous 12 months.</p>	<p>Under the Proposed Amendments, an issuer that files a WSKI base shelf prospectus must have been a reporting issuer in at least one jurisdiction in Canada for the previous three years.</p>	<p>The Proposed Amendments increase the seasoning period to address the concern that an issuer that has been a reporting issuer for only 12 months may not have a sufficient continuous disclosure record, market following or history of participation in the capital markets to justify participation in the WSKI regime.</p>
<b>Definition of WSKI – Mining Operations</b>		
<p>Under the Blanket Orders, if an issuer that files a WSKI base shelf prospectus has mining operations, its most recent audited financial statements must disclose prescribed revenue from</p>	<p>Under the Proposed Amendments, if an issuer that files a WSKI base shelf prospectus has a mineral project, its most recent audited financial statements must disclose prescribed</p>	<p>The requirement is generally unchanged, except that the introductory language refers to “mineral project” rather than “mining operations”, to align with NI 43-101.</p>

**B.6: Request for Comments**

Blanket Orders	Proposed Amendments	Rationale
<p>mining operations, and the issuer must file any technical reports that would be required to be filed with a preliminary short form prospectus under National Instrument 43-101 <i>Standards of Disclosure for Mineral Projects (NI 43-101)</i>.</p>	<p>revenue from mining operations, and the issuer must file any technical reports that would be required to be filed with a preliminary short form prospectus under NI 43-101.</p>	
<b>Eligibility Requirement - Periodic and Timely Disclosure</b>		
<p>Under the Blanket Orders, an issuer is ineligible to file a WKSI base shelf prospectus if it has not filed all periodic and timely disclosure documents that it is required to have filed with the securities regulator or securities regulatory authority in each jurisdiction in which it is a reporting issuer.</p>	<p>Under the Proposed Amendments, an issuer is not eligible to file a WKSI base shelf prospectus if it has not filed all periodic and timely disclosure required under applicable securities legislation, an order issued by the regulator or securities regulatory authority or an undertaking to the regulator or securities regulatory authority.</p>	<p>The Proposed Amendments expand the requirement for an issuer to have filed all periodic and timely disclosure. The change aligns with the basic qualification criteria in section 2.2 of NI 44-101.</p>
<b>Eligibility Requirement - Operating History</b>		
<p>Under the Blanket Orders, an issuer is ineligible to file a WKSI base shelf prospectus if, during the three years immediately preceding the date of the WKSI base shelf prospectus, the issuer or any of its predecessors was either an issuer whose operations have ceased or an issuer whose principal asset is cash, cash equivalents or its exchange listing.</p>	<p>Under the Proposed Amendments, an issuer is not eligible to file a WKSI base shelf prospectus if, during the three years immediately preceding the date of the WKSI base shelf prospectus, the issuer or any person or company with whom the issuer completed a restructuring transaction was a person or company whose operations have ceased or a person or company whose principal asset is cash, cash equivalents or its exchange listing.</p>	<p>The requirement is generally unchanged except that the Proposed Amendments replace the undefined term “predecessor” with the concept of a person or company with whom the issuer completed a “restructuring transaction”, which is defined in National Instrument 51-102 <i>Continuous Disclosure Obligations</i>.</p>
<b>Eligibility Requirement - Penalties and Sanctions</b>		
<p>Under the Blanket Orders, an issuer is ineligible to file a WKSI base shelf prospectus if, during the three years immediately preceding the date of the WKSI base shelf prospectus, the issuer or any of its subsidiaries was the subject of any penalties or sanctions, including restrictions on the use of any type of prospectus, or exemption, imposed by a court relating to securities legislation or by a securities regulatory authority.</p>	<p>Under the Proposed Amendments, an issuer is not eligible to file a WKSI base shelf prospectus if, during the three years immediately preceding the date of the WKSI base shelf prospectus, the issuer or any of its subsidiaries has been the subject of an order, judgment, decree, sanction, or administrative penalty imposed by, or has entered into a settlement agreement with or approved by, a court in Canada or a foreign jurisdiction or a securities regulatory authority or similar authority in a foreign jurisdiction related to a claim based in whole or in part on fraud, theft, deceit, misrepresentation, conspiracy, insider trading, unregistered activity or illegal distribution.</p>	<p>The requirement has been changed to describe with greater specificity the types of penalties and sanctions that would preclude an issuer from filing a WKSI base shelf prospectus.</p>
<b>Discretionary Exemptive Relief</b>		
<p>Exemptive relief applications are not accepted under the Blanket Orders.</p>	<p>Under the Proposed Amendments, exemptive relief applications will be considered.</p>	<p>This change would allow a more fact-specific assessment of WKSI eligibility.</p>

Blanket Orders	Proposed Amendments	Rationale
<b>Filing Requirements for a WKSI Base Shelf Prospectus</b>		
<p>Under the Blanket Orders, an issuer filing a WKSI base shelf prospectus must file a letter in place of the preliminary prospectus that states: (i) its reliance on the Blanket Orders; (ii) its public float (or the aggregate amount of non-convertible, non-equity securities distributed by prospectus in the past three years) and the date of that determination; (iii) the provision under which it is short-form eligible; and (iv) if it has mining operations, the basis on which it satisfies the applicable requirements.</p> <p>The letter must also certify that the issuer has satisfied all WKSI qualification criteria and filing requirements.</p> <p>The letter must be signed by one executive officer or director.</p>	<p>Under the Proposed Amendments, an issuer filing a WKSI base shelf prospectus must file a certificate that meets the requirements of subparagraph 4.1(1)(a)(ii) of NI 44-101.</p> <p>In addition, the WKSI base shelf prospectus must disclose: (i) the issuer's reliance on the WKSI rules; and (ii) its qualifying public equity (or qualifying public debt) that establish that the issuer is a WKSI and the corresponding date.</p>	<p>The Proposed Amendments contemplate a more streamlined filing process.</p>
<b>Receipt of a WKSI Base Shelf Prospectus</b>		
<p>The Blanket Orders contemplate an accelerated receipt mechanism for WKSI base shelf prospectuses.</p>	<p>Under the Proposed Amendments, no receipt is issued for a WKSI base shelf prospectus. Instead, a receipt is deemed to be issued.</p>	<p>The automatic receipt mechanism was introduced to provide increased certainty regarding transaction timing for issuers filing WKSI base shelf prospectuses.</p>
<b>Amendments</b>		
<p>The Blanket Orders do not address amendments to WKSI base shelf prospectuses.</p>	<p>The Proposed Amendments set out the requirements for an amendment to a WKSI base shelf prospectus and contemplate a deemed receipt for WKSI base shelf prospectus amendments.</p>	<p>This change was introduced to provide a more comprehensive and flexible regime.</p>
<b>Annual Confirmation</b>		
<p>Under the Blanket Orders, there is no requirement for an issuer that has filed a WKSI base shelf prospectus to conduct an annual confirmation.</p>	<p>Under the Proposed Amendments, an issuer that has filed a WKSI base shelf prospectus must confirm its eligibility annually, by confirming that: (i) it continues to be a WKSI; and (ii) it remains eligible. The confirmation must be performed within 60 days before the date on which the issuer's audited annual financial statements are required to be filed.</p> <p>The issuer must then signal to the market that it remains an eligible WKSI in its annual information form or in an amendment to its WKSI base shelf prospectus.</p> <p>An issuer that is no longer an eligible WKSI must publicly announce that it will not distribute securities under a</p>	<p>This change was made to better align the Canadian WKSI regime with the WKSI regime in the United States, which includes an annual reassessment requirement.</p>

**B.6: Request for Comments**

<b>Blanket Orders</b>	<b>Proposed Amendments</b>	<b>Rationale</b>
	prospectus supplement to the WKSI base shelf prospectus and withdraw the WKSI base shelf prospectus.	
<b>Period of Receipt Effectiveness</b>		
The Blanket Orders do not contain specific provisions relating to receipt effectiveness.	Under the Proposed Amendments, the deemed receipt for a WKSI base shelf prospectus will be effective until the earlier of: (i) 37 months from the date of its deemed issuance; (ii) the annual filing date unless the issuer continues to be an eligible WKSI and has complied with the annual confirmation provisions; and (iii) the relevant lapse date prescribed in NI 44-102 (which, in turn, depends on how the issuer qualifies to be short form eligible).	The Proposed Amendments extend the period of receipt effectiveness to provide additional burden reduction. These changes also build in a lapse date if the issuer does not complete the annual confirmation or is no longer an eligible WKSI on any day in the 60 days preceding its annual filing date.