The Ontario Securities Commission

OSC Bulletin

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The Ontario Securities Commission carries out the powers, duties and functions given to it pursuant to the *Securities Commission Act, 2021* (S.O. 2021, c. 8, Sched. 9).

The Ontario Securities Commission exercises its regulatory oversight function through the administration and enforcement of Ontario's *Securities Act* (R.S.O. 1990, c. S.5) and *Commodity Futures Act* (R.S.O. 1990, c. C.20), and administration of certain provisions of the *Business Corporations Act* (R.S.O. 1990, c. B.16).

The Ontario Securities Commission
Cadillac Fairview Tower
22nd Floor, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

Contact Centre:
Toll Free: 1-877-785-1555
Local: 416-593-8314
TTY: 1-866-827-1295
Fax: 416-593-8122
Email: inquiries@osc.gov.on.ca

Capital Markets Tribunal:
Local: 416-595-8916
Email: registrar@osc.gov.on.ca

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19 Duncan Street
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M5H 3H1
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A.1.1 Royal Bank of Canada – s. 127(1)

FILE NO.: 2023-32

IN THE MATTER OF
ROYAL BANK OF CANADA

NOTICE OF HEARING
Section 127(1) of the *Securities Act,* RSO 1990, c S.5

PROCEEDING TYPE: Public Settlement Hearing

HEARING DATE AND TIME: November 3, 2023 at 8:00 a.m.

LOCATION: By videoconference

PURPOSE

The purpose of this hearing is to consider whether it is in the public interest for the Capital Markets Tribunal to approve the Settlement Agreement dated October 25, 2023, between Staff of the Commission and Royal Bank of Canada in respect of the Statement of Allegations filed by Staff of the Commission dated November 1, 2023.

REPRESENTATION

Any party to the proceeding may be represented by a representative at the hearing.

FAILURE TO ATTEND

IF A PARTY DOES NOT ATTEND, THE HEARING MAY PROCEED IN THE PARTY'S ABSENCE AND THE PARTY WILL NOT BE ENTITLED TO ANY FURTHER NOTICE IN THE PROCEEDING.

FRENCH HEARING

This Notice of Hearing is also available in French on request of a party. Participation may be in either French or English. Participants must notify the Tribunal in writing as soon as possible if the participant is requesting a proceeding be conducted wholly or partly in French.

AVIS EN FRANÇAIS

L'avis d'audience est disponible en français sur demande d'une partie, que la participation à l'audience peut se faire en français ou en anglais et que les participants doivent aviser le Tribunal par écrit dès que possible si le participant demande qu'une instance soit tenue entièrement ou partiellement en français.

Dated at Toronto this 2nd day of November, 2023

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

For more information

Please visit capitalmarketstribunal.ca or contact the Registrar at registrar@osc.gov.on.ca.

IN THE MATTER OF
ROYAL BANK OF CANADA

STATEMENT OF ALLEGATIONS
(Subsections 127(1) and 127.1 of the *Securities Act*, RSO 1990 c S.5)

A. OVERVIEW

1. Accurate financial disclosure is a cornerstone principle of Ontario securities law identified in the *Securities Act* and is fundamental to achieving the purposes of the *Act.* The proper recording of business transactions and financial affairs is an important obligation of reporting issuers. The maintenance of appropriate books and records requires that reporting issuers prepare and maintain those books and records in compliance with applicable accounting standards and their related internal accounting policies. It is essential that reporting issuers remediate identified non-compliance with their internal accounting policies to ensure compliance with Ontario securities law.

2. This matter concerns the books and records of Royal Bank of Canada (**RBC**) as they relate to costs incurred by RBC to develop software applications internally as opposed to purchasing software from third-party vendors. Under accounting rules, certain costs associated with creating such internally developed software (**IDS**) may be eligible for capitalization and recorded as intangible assets on RBC's balance sheet rather than being recorded as expenses. However, such costs must meet certain criteria including that they relate to the development of assets which, among other things, are expected to generate future economic benefits.

3. IDS includes all software applications developed using RBC staff and other internal resources as opposed to the purchase of an “off the shelf” application from a third-party vendor.

4. Although there was no material impact on RBC’s financial statements, RBC’s books and records and internal accounting controls and processes relating to the capitalization of IDS were deficient because they failed to provide support for RBC’s capitalized IDS costs.

5. For many years, RBC applied a practical expedient whereby it aggregated the costs of its smaller IDS projects into a single pool and capitalized a percentage of those costs by applying a single capitalization rate to all projects in the pool (the **Pool Method**). The Pool Method had a number of control and process deficiencies. From 2008 through 2020, RBC included projects in the pool that were ineligible for capitalization. Also, during this period, the Pool Method suffered from additional shortcomings:

   (a) From 2008 to 2016, RBC estimated the capitalization rate to be 78% with limited supporting analysis; and

   (b) Starting in 2017, RBC instituted a "rate study" to determine whether its continued use of the 78% capitalization rate remained appropriate. The rate studies were intended to be a key control in support of RBC's IDS cost capitalization estimation process, but the studies were unreliable and did not provide sufficient support for the 78% capitalization rate due to a number of deficiencies with respect to key inputs into the study and the lack of documentation to support project costs.

6. Finally, RBC also lacked effective impairment assessment and amortization controls and procedures, which resulted in RBC carrying capitalized IDS assets in the large programs (defined below) on its balance sheet at full book value when those assets should have been amortized over time commencing when they became available for use or written off, if they were impaired.

B. FACTS

Staff of the Enforcement Branch of the Ontario Securities Commission (**Enforcement Staff**) makes the following allegations of fact:

Background

7. RBC is a Schedule 1 Bank under the *Bank Act* (Canada) incorporated and domiciled in Canada. Its corporate headquarters are located in Toronto, Ontario and its head office is located in Montreal, Quebec. RBC is a reporting issuer in all provinces and territories of Canada, and its principal regulator is the Authorité des Marchés Financiers. RBC's common shares are listed on the Toronto Stock Exchange and New York Stock Exchange with the ticker symbol RY.

8. RBC is Canada's largest bank whether on the basis of assets, revenue, net income or market capitalization. At October 31, 2022, RBC reported total assets of $1.9 trillion. RBC’s total revenue in fiscal 2022 was $49.0 billion, with $15.8 billion of net income. Its market capitalization at the end of fiscal 2022 was approximately $174.3 billion.

9. RBC's consolidated financial statements filed with the Ontario Securities Commission are prepared in accordance with International Financial Reporting Standards (**IFRS**).

Applicable Accounting Standards

10. Under applicable accounting standards, in order to qualify as an intangible asset, the expenditure must, among other things, provide future economic benefits and its cost must be subject to reliable measurement. Costs incurred during the development phase of an IDS project are eligible for capitalization provided other applicable criteria are met. Costs incurred for the investigation and planning for potential new IDS projects during the initial research phase and costs associated with maintaining or decommissioning existing IDS must be expensed.

11. Applicable accounting standards also require an entity to assess, at the end of each reporting period, whether there is any indication that an asset, including internally developed intangible assets, may be impaired. Any indicator of impairment requires the entity to then consider whether the carrying amount of the asset exceeds its recoverable amount and, if yes, to reduce the carrying amount to its recoverable amount. For instance, if an entity no longer uses an IDS application, the asset is likely impaired and its carrying amount should be written down to the amount to be recovered through its use, which is typically zero. The applicable accounting standards also require an annual assessment of impairment of intangible assets not yet available for use.

RBC's Internally Developed Software Accounting

Growth in IDS at RBC

12. RBC's spending on IDS, and capitalization of associated costs, has grown over the years. RBC capitalized approximately $658 million of IDS assets in 2011. That amount grew to $1.3 billion by 2022. Likewise, the amount spent on pooled projects has grown from approximately $100 million at the inception of the pool to approximately $600-700 million.

Accounting for IDS at RBC

13. Generally, RBC's process for capitalizing IDS project costs has depended on the dollar-value of the project. Projects estimated to cost more than $5 million (increased to more than $10 million in 2020) are designated as "large program" projects and individually reviewed to determine the amount of costs eligible for capitalization. Projects that have an expected cost of $5 million or less (later increased to $10 million or less) are subjected to the Pool Method developed by RBC.

14. The Pool Method, a component of RBC's internal accounting policy, aggregates the costs of RBC's smaller IDS projects into a single pool and capitalizes a percentage of those costs by applying a single capitalization rate. RBC implemented the Pool Method for administrative ease due to the time and expense it would take to assess each small project for capitalization. In later years, the IDS pool has included in excess of 1,200 projects.

15. In theory, the capitalization rate represents the estimated amount of development work eligible for capitalization relative to the total amount of work completed on each IDS project in the pool. The capitalized costs under the Pool Method are then amortized over three years starting one year from the date the costs were incurred.

16. RBC's internal accounting policy required that the capitalization rate be assessed on an annual basis and adjusted if necessary to reflect the nature of the actual expenditures.

Control Deficiencies in RBC's Pool Method

i. <u>RBC Used the Same Unsupported Capitalization Rate</u>

17. From 2008 through 2020, RBC used a capitalization rate of 78%, meaning 78% of its IDS pool costs were recorded as intangible assets on its balance sheet.

18. From 2008 to 2016, RBC's purported process for calculating this capitalization rate was to:

    (a) add up salary, benefits, and professional fees for its IDS pool projects; and

    (b) divide that number by the total costs incurred (salary, benefits, and professional fees plus rent, utilities, training, and management salaries).

19. Consequently, and as an expedient, RBC treated staffing costs and professional fees on IDS pool projects as capitalizable even when certain of these tasks were not truly capitalizable under applicable accounting standards (such as planning and maintenance expenses). This resulted in RBC overcapitalizing costs associated with its IDS pool projects and understating period expenses.

ii. RBC Instituted Rate Studies That Were Unreliable

20. In 2017, RBC began conducting studies as a key internal control to validate its estimated capitalization rate of 78%. RBC conducted additional studies in 2019, 2020, and 2021, but did not conduct a study in 2018.

21. The basic methodology used for the studies involved surveying employees working on IDS as to their activities to determine how much time, on average, various roles spent on capitalizable activities (**Role Rate**). RBC also sampled IDS pool projects to determine how much time was spent in the research and development stages of projects and reviewed project documentation relating to third-party contracts (**Phase Rate**). The resulting Role Rate and Phase Rate were then averaged, providing RBC with two points on a range.

22. The rate studies completed prior to 2021 were unreliable and failed as an internal control and did not support the capitalization rate for the following reasons:

    (a) Starting in 2017, RBC received approximately 150 survey responses from employees. RBC did not in all cases accept the survey results. Instead, if the results of the survey did not match internal notions of a particular role's contributions to IDS project work (and thus what the capitalization rate should be) RBC disregarded the survey result and substituted a different value that more closely aligned with those internal notions;

    (b) For the Phase Rate portion of the studies, RBC sampled 27 to 45 projects in any given year. RBC eventually determined that the relatively small sample sizes resulted in unreliable survey results;

    (c) The sampled projects sometimes included projects that were ineligible for capitalization and should not have been in the IDS pool, such as maintenance and decommissioning projects, and canceled projects that should have been written off. These projects were in the IDS pool because RBC lacked an effective controls process to identify and exclude them. Maintenance and decommissioning projects were incorrectly coded as "development" and accounted for using the Pool Method, resulting in a percentage of associated costs being improperly capitalized as assets;

    (d) Upon identifying ineligible projects during the study processes, RBC removed the projects from the sample as “outliers” but did not review the pool to ensure that it did not include other projects that were similarly ineligible for capitalization. The removal of “outliers” effectively undermined the representativeness of the project sample and further added to the unreliable nature of the studies;

    (e) Once a project made it into the pool, RBC also lacked an effective process for determining whether it should remain in the pool. This included projects that were started but then canceled (and thus impaired) and should have been written off.

Lack of Documentation for Professional Fees

23. From at least 2017 through 2020, RBC did not have an effective system in place to track and document contracts or the associated statements of work for professional fees paid to third-party contractors in respect of IDS pool projects and large programs. The lack of documentation meant that RBC often had to rely on unverifiable information from project managers as to the content of a contract, the type of work being undertaken, and whether any or all of the activities performed by contractors on a project were capitalizable.

Control Deficiencies in RBC’s Large Programs

i. Lack of Impairment Analysis

24. From at least 2017 through 2020, RBC did not have an effective process to identify and report impaired IDS assets, resulting in impaired assets that should have been written off remaining on RBC's balance sheet.

ii. Lack of Effective Amortization Start Date

25. From at least 2017 through 2020, RBC did not have an effective process for determining and recording the start date for amortizing capitalized costs arising out of large programs because it did not have an effective method to determine when an IDS application was available for use.

C. BREACHES AND/OR CONDUCT CONTRARY TO THE PUBLIC INTEREST

Enforcement Staff alleges the following breach of Ontario securities law and/or conduct alleged to be contrary to the public interest:

    (a) RBC failed to keep such books and records as are necessary to properly record the business transactions and financial affairs of RBC as they relate to IDS contrary to section 19(1) of the Act.

D. ORDER SOUGHT

Enforcement Staff requests that the Tribunal make the following order:

26. It is requested that the Tribunal make an order pursuant to subsection 127(1) to approve the settlement agreement entered into by RBC, on a no-contest basis, with respect to the matters set out herein.

DATED this 1st day of November, 2023.

ONTARIO SECURITIES COMMISSION
20 Queen Street West, 22nd Floor
Toronto, ON M5H 3S8

Mark Bailey
Senior Litigation Counsel
Enforcement Branch

Tel: 416-592-8254
mbailey@osc.gov.on.ca

Sakina Babwani
Litigation Counsel
Enforcement Branch

Tel: 416-263-3763
sbabwani@osc.gov.on.ca

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A.2
Other Notices

A.2.1 TeknoScan Systems Inc. et al.

FOR IMMEDIATE RELEASE
November 1, 2023

TEKNOSCAN SYSTEMS INC.,
H. SAMUEL HYAMS,
PHILIP KAI-HING KUNG AND
SOON FOO (MARTIN) TAM,
File No. 2022-19

TORONTO – The Tribunal issued an Order in the above named matter.

A copy of the Order dated November 1, 2023 is available at capitalmarketstribunal.ca.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

For Media Inquiries:

media_inquiries@osc.gov.on.ca

For General Inquiries:

1-877-785-1555 (Toll Free)
inquiries@osc.gov.on.ca

A.2.2 Mughal Asset Management Corporation et al.

FOR IMMEDIATE RELEASE
November 2, 2023

MUGHAL ASSET MANAGEMENT CORPORATION,
LENDLE CORPORATION AND
USMAN ASIF,
File No. 2022-15

TORONTO – The Tribunal issued its Reasons for Decision and Reasons and Decision in the above-named matter.

A copy of the Reasons for Decision and Reasons and Decision both dated November 1, 2023 are available at capitalmarketstribunal.ca.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

For Media Inquiries:

media_inquiries@osc.gov.on.ca

For General Inquiries:

1-877-785-1555 (Toll Free)
inquiries@osc.gov.on.ca

A.2.3 Royal Bank of Canada

FOR IMMEDIATE RELEASE
November 2, 2023

ROYAL BANK OF CANADA,
File No. 2023-32

TORONTO – The Tribunal issued a Notice of Hearing for a hearing to consider whether it is in the public interest to approve a settlement agreement entered into by Staff of the Commission and Royal Bank of Canada in the above-named matter.

The hearing will be held on November 3, 2023 at 8:00 a.m.

A copy of the Notice of Hearing dated November 2, 2023 and Statement of Allegations dated November 1, 2023 are available at capitalmarketstribunal.ca.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

For Media Inquiries:

media_inquiries@osc.gov.on.ca

For General Inquiries:

1-877-785-1555 (Toll Free)
inquiries@osc.gov.on.ca

A.2.4 Royal Bank of Canada

FOR IMMEDIATE RELEASE
November 3, 2023

ROYAL BANK OF CANADA,
File No. 2023-32

TORONTO – Following a hearing held today, the Tribunal issued an Order in the above-named matter approving the Settlement Agreement reached between Staff of the Commission and Royal Bank of Canada.

A copy of the Order dated November 3, 2023, Settlement Agreement dated October 25, 2023 and Oral Reasons for Approval of a Settlement dated November 3, 2023 are available at capitalmarketstribunal.ca.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

For Media Inquiries:

media_inquiries@osc.gov.on.ca

For General Inquiries:

1-877-785-1555 (Toll Free)
inquiries@osc.gov.on.ca

A.2.5 Mark Odorico

FOR IMMEDIATE RELEASE
November 3, 2023

MARK ODORICO,
File No. 2022-18

TORONTO – Take notice that the attendance in the above named matter scheduled to be heard on November 7, 2023 will not proceed as scheduled.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

For Media Inquiries:

media_inquiries@osc.gov.on.ca

For General Inquiries:

1-877-785-1555 (Toll Free)
inquiries@osc.gov.on.ca

A.2.6 Manticore Labs OÜ (o/a Coinfield) and Manticore Labs Inc.

FOR IMMEDIATE RELEASE
November 6, 2023

MANTICORE LABS OÜ
(o/a COINFIELD) AND
MANTICORE LABS INC.,
File No. 2023-24

TORONTO – The Tribunal issued an Order in the above-named matter.

A copy of the Order dated November 6, 2023 is available at capitalmarketstribunal.ca.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

For Media Inquiries:

media_inquiries@osc.gov.on.ca

For General Inquiries:

1-877-785-1555 (Toll Free)
inquiries@osc.gov.on.ca

A.2.7 Michael Paul Kraft and Michael Brian Stein

FOR IMMEDIATE RELEASE
November 6, 2023

MICHAEL PAUL KRAFT AND
MICHAEL BRIAN STEIN,
File No. 2021-32

TORONTO – Take notice that the hearing with respect to sanctions and costs in the above-named matter is scheduled to be heard on March 4, 2024 at 10:00 a.m. at 20 Queen Street West, 17th Floor, Toronto, Ontario.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

For Media Inquiries:

media_inquiries@osc.gov.on.ca

For General Inquiries:

1-877-785-1555 (Toll Free)
inquiries@osc.gov.on.ca

A.3
Orders

A.3.1 TeknoScan Systems Inc. et al.

IN THE MATTER OF
TEKNOSCAN SYSTEMS INC.,
H. SAMUEL HYAMS,
PHILIP KAI-HING KUNG AND
SOON FOO (MARTIN) TAM

File No. 2022-19

Adjudicators: Andrea Burke (chair of the panel)
James Douglas

November 1, 2023

ORDER

WHEREAS on November 1, 2023, the Capital Markets Tribunal held a hearing by videoconference to consider, among other things, a motion by H. Samuel Hyams to adjourn the merits hearing in this proceeding;

ON READING the material filed by Hyams, and on hearing the submissions of the representative for Staff of the Ontario Securities Commission, Sunil Joseph on behalf of TeknoScan Systems Inc. (**TeknoScan**), Philip Kai-Hing Kung and Soon Foo (Martin) Tam, and Hyams, appearing on his own behalf by telephone, and on being advised that TeknoScan, Kung and Tam also intend to bring a motion for adjournment of the merits hearing;

IT IS ORDERED THAT:

1. TeknoScan, Kung and Tam shall serve and file a motion for adjournment of the merits hearing, if any, and any affidavit or documentary evidence they intend to rely upon in support of the motion, by 4:30 p.m. on November 2, 2023;

2. the motions for adjournment shall be heard on November 7, 2023, at 10:30 a.m., by videoconference, or on such other date and time as may be agreed to by the parties and set by the Governance & Tribunal Secretariat; and

3. the parties shall adhere to the following schedule for the delivery of additional motion materials:

    a. Hyams shall serve and file any affidavit or documentary evidence he intends to rely upon by 4:30 p.m. on November 2, 2023;

    b. Staff shall serve and file its responding record by 4:30 p.m. on November 3, 2023;

    c. Hyams, TeknoScan, Kung and Tam shall serve and file reply evidence, if any, by 12:00 p.m. on November 6, 2023; and

    d. the parties shall serve and file written submissions, if any, by 4:30 p.m. on November 6, 2023.

"Andrea Burke"

"James Douglas"

A.3.2 Royal Bank of Canada – s. 127(1)

IN THE MATTER OF
ROYAL BANK OF CANADA

File No. 2023-32

Adjudicators: Tim Moseley (chair of the panel)
Russell Juriansz
M. Cecilia Williams

November 3, 2023

ORDER
(Section 127(1) of the *Securities Act,* RSO 1990, c S.5)

WHEREAS on November 3, 2023, the Capital Markets Tribunal held a hearing by videoconference to consider the joint request for approval of a settlement agreement between Staff of the Ontario Securities Commission and Royal Bank of Canada dated October 25, 2023 (the **Settlement Agreement**);

ON READING the Joint Application for Settlement Hearing, including the Statement of Allegations dated November 1, 2023, and the Settlement Agreement, and on hearing the submissions of the representatives for the parties, and on considering Royal Bank has paid $2,000,000 to the Commission in accordance with the terms of the Settlement Agreement;

IT IS ORDERED THAT the Settlement Agreement is approved.

“Tim Moseley”

“Russell Juriansz”

“M. Cecilia Williams”

IN THE MATTER OF
ROYAL BANK OF CANADA

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. Accurate financial disclosure is a cornerstone principle of Ontario securities law identified in the *Securities Act* and is fundamental to achieving the purposes of the *Act.* The proper recording of business transactions and financial affairs is an important obligation of reporting issuers. The maintenance of appropriate books and records requires that reporting issuers prepare and maintain those books and records in compliance with applicable accounting standards and their related internal accounting policies. It is essential that reporting issuers remediate identified non-compliance with their internal accounting policies to ensure compliance with Ontario securities law.

2. This matter concerns the books and records of Royal Bank of Canada (**RBC** or the **Respondent**) as they relate to costs incurred by RBC to develop software applications internally as opposed to purchasing software from third-party vendors. Under accounting rules, certain costs associated with creating such internally developed software (**IDS**)[1] may be eligible for capitalization and recorded as intangible assets on RBC's balance sheet rather than being recorded as expenses. However, such costs must meet certain criteria including that they relate to the development of assets which, among other things, are expected to generate future economic benefits.

3. RBC's books and records and internal accounting controls and processes relating to the capitalization of IDS were deficient because they failed to provide support for RBC's capitalized IDS costs.

4. For many years, RBC applied a practical expedient whereby it aggregated the costs of its smaller IDS projects into a single pool and capitalized a percentage of those costs by applying a single capitalization rate to all projects in the pool (the **Pool Method**). The Pool Method had a number of control and process deficiencies. From 2008 through 2020, RBC included projects in the pool that were ineligible for capitalization. Also, during this period, the Pool Method suffered from additional shortcomings:

   (a) From 2008 to 2016, RBC estimated the capitalization rate to be 78% with limited supporting analysis; and

   (b) Starting in 2017, RBC instituted a "rate study" to determine whether its continued use of the 78% capitalization rate remained appropriate. The rate studies were intended to be a key control in support of RBC's IDS cost capitalization estimation process, but the studies were unreliable and did not provide sufficient support for the 78% capitalization rate due to a number of deficiencies with respect to key inputs into the study and the lack of documentation to support project costs.

5. Finally, RBC also lacked effective impairment assessment and amortization controls and procedures, which resulted in RBC carrying capitalized IDS assets in the large programs (defined below) on its balance sheet at full book value when those assets should have been amortized over time commencing when they became available for use or written off, if they were impaired.

6. Consequently, RBC failed to keep such books and records as are necessary to properly record the business transactions and financial affairs of RBC as they relate to IDS contrary to section 19(1) of the Act.

7. The parties will jointly file a request for a public hearing (the **Settlement Hearing**) in accordance with Rule 33, to consider whether, pursuant to subsection 127(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the **Act**), it is in the public interest for the Capital Markets Tribunal (the **Tribunal**) to make certain orders in respect of the RBC.

PART II - JOINT SETTLEMENT RECOMMENDATION

8. RBC agrees to this settlement and consents to the making of an order (the **Order**) substantially in the form attached as Schedule "A" to this Settlement Agreement.

9. RBC neither admits nor denies the accuracy of the facts or the conclusions of the OSC set out in Parts I and III of this Settlement Agreement. It is the OSC's position that the statement of facts set out by Commission Staff in Parts I and III, which is based on an investigation carried out by the OSC, is supported by the evidence reviewed by the OSC and the conclusions contained in Parts I and III are reasonable.

[1] IDS includes all software applications developed using RBC staff and other internal resources as opposed to the purchase of an "off the shelf" application from a third-party vendor. To take an example not specifically arising in this case, a corporation could choose to develop its own internal time keeping software as opposed to purchasing such software from an established provider. The costs associated with developing new IDS largely relate to work effort and include employee salaries and benefits, and fees paid to third-party contractors.

PART III – STATEMENT OF FACTS AND CONCLUSIONS OF THE ONTARIO SECURITIES COMMISSION

A - Background

10. RBC is a Schedule 1 Bank under the *Bank Act* (Canada) incorporated and domiciled in Canada. Its corporate headquarters are located in Toronto, Ontario and its head office is located in Montreal, Quebec. RBC is a reporting issuer in all provinces and territories of Canada, and its principal regulator is the Authorité des Marchés Financiers (the **AMF**). RBC's common shares are listed on the Toronto Stock Exchange and New York Stock Exchange with the ticker symbol RY.

11. RBC is Canada's largest bank whether on the basis of assets, revenue, net income or market capitalization. At October 31, 2022, RBC reported total assets of $1.9 trillion. RBC's total revenue in fiscal 2022 was $49.0 billion, with $15.8 billion of net income. Its market capitalization at the end of fiscal 2022 was approximately $174.3 billion.

12. RBC's consolidated financial statements filed with the Ontario Securities Commission are prepared in accordance with International Financial Reporting Standards (**IFRS**).

Applicable Accounting Standards

13. Under applicable accounting standards, in order to qualify as an intangible asset, the expenditure must, among other things, provide future economic benefits and its cost must be subject to reliable measurement. Costs incurred during the development phase of an IDS project are eligible for capitalization provided other applicable criteria are met. Costs incurred for the investigation and planning for potential new IDS projects during the initial research phase and costs associated with maintaining or decommissioning existing IDS must be expensed.

14. Applicable accounting standards also require an entity to assess, at the end of each reporting period, whether there is any indication that an asset, including internally developed intangible assets, may be impaired. Any indicator of impairment requires the entity to then consider whether the carrying amount of the asset exceeds its recoverable amount and, if yes, to reduce the carrying amount to its recoverable amount. For instance, if an entity no longer uses an IDS application, the asset is likely impaired and its carrying amount should be written down to the amount to be recovered through its use, which is typically zero. The applicable accounting standards also require an annual assessment of impairment of intangible assets not yet available for use.

B - RBC's Internally Developed Software Accounting

Growth in IDS at RBC

15. RBC's spending on IDS, and capitalization of associated costs, has grown over the years. RBC capitalized approximately $658 million of IDS assets in 2011.[2] That amount grew to $1.3 billion by 2022. Likewise, the amount spent on pooled projects has grown from approximately $100 million at the inception of the pool to approximately $600-700 million.

Accounting for IDS at RBC

16. Generally, RBC's process for capitalizing IDS project costs has depended on the dollar-value of the project. Projects estimated to cost more than $5 million (increased to more than $10 million in 2020) are designated as "large program" projects and individually reviewed to determine the amount of costs eligible for capitalization. Projects that have an expected cost of $5 million or less (later increased to $10 million or less) are subjected to the Pool Method developed by RBC.

17. The Pool Method, a component of RBC's internal accounting policy, aggregates the costs of RBC's smaller IDS projects into a single pool and capitalizes a percentage of those costs by applying a single capitalization rate. RBC implemented the Pool Method for administrative ease due to the time and expense it would take to assess each small project for capitalization. In later years, the IDS pool has included in excess of 1,200 projects.

18. In theory, the capitalization rate represents the estimated amount of development work eligible for capitalization relative to the total amount of work completed on each IDS project in the pool. The capitalized costs under the Pool Method are then amortized over three years starting one year from the date the costs were incurred.

19. RBC's internal accounting policy required that the capitalization rate be assessed on an annual basis and adjusted if necessary to reflect the nature of the actual expenditures.

[2] Prior to 2011, RBC did not separately disclose IDS balances.

Control Deficiencies in RBC's Pool Method

i. RBC Used the Same Unsupported Capitalization Rate

20. From 2008 through 2020, RBC used a capitalization rate of 78%, meaning 78% of its IDS pool costs were recorded as intangible assets on its balance sheet.

21. From 2008 to 2016, RBC's purported process for calculating this capitalization rate was to:

    (a) add up salary, benefits, and professional fees for its IDS pool projects; and

    (b) divide that number by the total costs incurred (salary, benefits, and professional fees plus rent, utilities, training, and management salaries).

22. Consequently, and as an expedient, RBC treated staffing costs and professional fees on IDS pool projects as capitalizable even when certain of these tasks were not truly capitalizable under applicable accounting standards (such as planning and maintenance expenses). This resulted in RBC overcapitalizing costs associated with its IDS pool projects and understating period expenses.

ii. RBC Instituted Rate Studies That Were Unreliable

23. In 2017, RBC began conducting studies as a key internal control to validate its estimated capitalization rate of 78%. RBC conducted additional studies in 2019, 2020, and 2021, but did not conduct a study in 2018.

24. The basic methodology used for the studies involved surveying employees working on IDS as to their activities to determine how much time, on average, various roles spent on capitalizable activities (**Role Rate**). RBC also sampled IDS pool projects to determine how much time was spent in the research and development stages of projects and reviewed project documentation relating to third-party contracts (**Phase Rate**). The resulting Role Rate and Phase Rate were then averaged, providing RBC with two points on a range.

25. The rate studies completed prior to 2021 were unreliable and failed as an internal control and did not support the capitalization rate for the following reasons:

    (a) Starting in 2017, RBC received approximately 150 survey responses from employees. RBC did not in all cases accept the survey results. Instead, if the results of the survey did not match internal notions of a particular role's contributions to IDS project work (and thus what the capitalization rate should be) RBC disregarded the survey result and substituted a different value that more closely aligned with those internal notions;

    (b) For the Phase Rate portion of the studies, RBC sampled 27 to 45 projects in any given year. RBC eventually determined that the relatively small sample sizes resulted in unreliable survey results;

    (c) The sampled projects sometimes included projects that were ineligible for capitalization and should not have been in the IDS pool, such as maintenance and decommissioning projects, and canceled projects that should have been written off. These projects were in the IDS pool because RBC lacked an effective controls process to identify and exclude them. Maintenance and decommissioning projects were incorrectly coded as "development" and accounted for using the Pool Method, resulting in a percentage of associated costs being improperly capitalized as assets;

    (d) Upon identifying ineligible projects during the study processes, RBC removed the projects from the sample as "outliers" but did not review the pool to ensure that it did not include other projects that were similarly ineligible for capitalization. The removal of "outliers" effectively undermined the representativeness of the project sample and further added to the unreliable nature of the studies;

    (e) Once a project made it into the pool, RBC also lacked an effective process for determining whether it should remain in the pool. This included projects that were started but then canceled (and thus impaired) and should have been written off.

26. Starting in 2021, RBC instituted additional controls governing the maintenance/development designation, including additional education on the topic and requiring project managers to answer a questionnaire about each project at the time the designation is made to help determine whether projects should be coded as maintenance. RBC also enhanced its rate study methodology by increasing the sample size, making the sampling more representative of the overall project pool and conducting the studies more frequently.

Lack of Documentation for Professional Fees

27. From at least 2017 through 2020, RBC did not have an effective system in place to track and document contracts or the associated statements of work for professional fees paid to third-party contractors in respect of IDS pool projects and large programs. The lack of documentation meant that RBC often had to rely on unverifiable information from project managers as to the content of a contract, the type of work being undertaken, and whether any or all of the activities performed by contractors on a project were capitalizable.

Control Deficiencies in RBC's Large Programs

i. Lack of Impairment Analysis

28. From at least 2017 through 2020, RBC did not have an effective process to identify and report impaired IDS assets, resulting in impaired assets that should have been written off remaining on RBC's balance sheet.

29. In 2021, RBC improved its impairment review process, including by assigning two employees to assess each month whether any software applications are no longer in use and require a write-down.

ii. Lack of Effective Amortization Start Date

30. From at least 2017 through 2020, RBC did not have an effective process for determining and recording the start date for amortizing capitalized costs arising out of large programs because it did not have an effective method to determine when an IDS application was available for use.

C - Conclusions

31. RBC failed to keep such books and records as are necessary to properly record the business transactions and financial affairs of RBC as they relate to IDS contrary to section 19(1) of the Act. RBC's books and records and internal accounting controls and processes relating to the capitalization of IDS were deficient because they failed to adequately support the accuracy of the IDS costs capitalized by RBC or whether the IDS costs were eligible to be treated as such.

D - Mitigating Factors

32. Dishonest or abusive conduct has not been alleged and no evidence of such conduct was uncovered.

33. RBC provided prompt, detailed and candid cooperation during the investigation.

34. No evidence of harm or loss to investors was uncovered during the investigation and there was no material impact to RBC's financial statements.

35. The control deficiencies identified did not result in a material weakness in RBC's internal control over financial reporting, or impact the evaluation of RBC's disclosure control and procedures, within the meaning of National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

36. RBC has agreed to make the voluntary payment set out in Part IV below.

37. RBC has also agreed to pay US $6,000,000 ($8,000,000 at a fixed CAD to USD exchange rate of 1 CAD = .75 USD) to the Securities and Exchange Commission (the **SEC**) and $2,000,000 under a settlement reached with the AMF. RBC shall receive an offset credit against the amount payable to the SEC for amounts paid to the Commission and the AMF. Payments to the SEC and AMF also arise out of the conduct described in this Settlement Agreement.

38. RBC has taken corrective measures to address the books and records and control deficiencies relating to IDS cost capitalization including the following:

    (a) centralizing the IDS capitalization rate assessment process;

    (b) implementing an automated solution to improve the overall control environment respecting the IDS capitalization rate process;

    (c) undertaking an initiative to improve inputs into the project management system;

    (d) enhancing training for project managers on differences between development (capitalizable) and maintenance (non-capitalizable) expenditures;

    (e) conducting capitalization rate studies on a quarterly rather than annual basis; and

(f) formalizing the impairment review process.

39. The above-noted corrective measures were taken prior to RBC being notified about the commencement of the investigation by the Commission, the AMF and the SEC.

PART IV - TERMS OF SETTLEMENT

40. RBC agrees to the terms of settlement set forth below.

41. RBC agrees to make a voluntary payment in the amount of $2,000,000 by wire transfer to the Commission before the commencement of the Settlement Hearing.

42. RBC consents to the Order substantially in the form attached to this Settlement Agreement as Schedule "A", pursuant to which it is ordered that:

(a) this Settlement Agreement is approved.

PART V - FURTHER PROCEEDINGS

43. If the Tribunal approves this Settlement Agreement, no enforcement proceeding will be commenced or continued against the Respondent under Ontario securities law based on the misconduct described in Part III of this Settlement Agreement, unless the Respondent fails to comply with any term in this Settlement Agreement.

44. If the Respondent fails to comply with any term in this Settlement Agreement, enforcement proceedings under Ontario securities law may be brought against the Respondent.

45. The Respondent waives any defences to a proceeding referenced in paragraph 44 that are based on the limitation period in the Act, provided that no such proceeding shall be commenced later than six years from the date of the occurrence of the last failure to comply with this Settlement Agreement.

PART VI - PROCEDURE FOR APPROVAL OF SETTLEMENT

46. The parties will seek approval of this Settlement Agreement at the Settlement Hearing before the Tribunal, which shall be held on a date determined by Registrar, Governance & Tribunal Secretariat of the Commission in accordance with this Agreement and the Tribunal's *Rules of Procedure and Forms*.

47. Representative(s) of the Respondent will attend the Settlement Hearing by video conference or in person as required.

48. The parties confirm that this Settlement Agreement sets forth all facts that will be submitted at the Settlement Hearing, unless the parties agree that additional facts should be submitted at the Settlement Hearing.

49. If the Tribunal approves this Settlement Agreement:

1. the Respondent irrevocably waives all rights to a full hearing, judicial review or appeal of this matter under the Act; and

2. neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the Settlement Hearing. Nothing in this paragraph affects the Respondent's testimonial obligations or the right to take legal or factual positions in other investigations or legal proceedings in which the Commission and/or Commission Staff is not a party or in which any provincial or territorial securities regulatory authority in Canada and/or its staff is not a party (**Other Proceedings**) or to make public statements in connection with Other Proceedings.

50. Whether or not the Tribunal approves this Settlement Agreement, the Respondent will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission or the Tribunal's jurisdiction, alleged bias, alleged unfairness or any other remedies or challenges that may be available.

PART VII - DISCLOSURE OF SETTLEMENT AGREEMENT

51. If the Tribunal does not make the Order:

1. this Settlement Agreement and all discussions and negotiations between the parties before the Settlement Hearing will be without prejudice to either party; and

2. the parties will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations contained in the Statement of Allegations in respect of the Proceeding. Any such proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.

52. The parties will keep the terms of this Settlement Agreement confidential until the Tribunal approves the Settlement Agreement, except as is necessary to make submissions at the settlement hearing. If, for whatever reason, the Tribunal does not approve the Settlement Agreement, the terms of the Settlement Agreement shall remain confidential indefinitely, unless the parties otherwise agree in writing or if required by law.

PART VIII - EXECUTION OF SETTLEMENT AGREEMENT

53. This Settlement Agreement may be signed in one or more counterparts which together constitute a binding agreement.

54. An electronic copy of any signature will be as effective as an original signature.

DATED at Toronto, Ontario, this 18th day of October, 2023.

ROYAL BANK OF CANADA

By: I have authority to bind the Bank.

"Nick Tomovski"

Name: Nick Tomovski
Title: Senior Vice President, Personal Commercial Banking, Technology & Operations and Corporate Support Finance

DATED at Toronto, Ontario, this 25 day of October, 2023.

ONTARIO SECURITIES COMMISSION

By: **"Jeff Kehoe"**

Name: Jeff Kehoe
Title: Director, Enforcement Branch

SCHEDULE "A"
FORM OF ORDER

IN THE MATTER OF
ROYAL BANK OF CANADA

File No.

(Names of panelists comprising the panel)

(Day and date order made)

ORDER
(Section 127 of the *Securities Act,* RSO 1990, c. S.5)

WHEREAS on [**date**] the Capital Markets Tribunal held a hearing by videoconference to consider the request for approval of settlement agreement dated [**date**] (the **Settlement Agreement**);

ON READING the Joint Application for Settlement Hearing, including the Statement of Allegations dated [**date**] and the Settlement Agreement, the written submissions, and on hearing the submissions of representatives of each of the parties, and on considering Royal Bank of Canada (**RBC**) having made payment of $2,000,000 to the Commission in accordance with the terms of the Settlement Agreement,

IT IS ORDERED that:

1. the Settlement Agreement is approved.

_____
[Adjudicator]

_____ _____
[Adjudicator] [Adjudicator]

A.3.3 Manticore Labs OÜ (o/a Coinfield) and Manticore Labs Inc.

IN THE MATTER OF
MANTICORE LABS OÜ
(o/a COINFIELD) AND
MANTICORE LABS INC.

File No. 2023-24

Adjudicator: M. Cecilia Williams

November 6, 2023

ORDER

WHEREAS on November 6, 2023, the Capital Markets Tribunal held a hearing by videoconference;

ON HEARING the submissions of the representatives for Staff of the Ontario Securities Commission (**Staff**), no one attending for the respondents, though properly served;

IT IS ORDERED THAT:

1. by 4:30 p.m. on November 27, 2023, Staff shall disclose to the respondents the non-privileged, relevant documents and things in Staff's possession or control;

2. by 4:30 p.m. on January 12, 2024, the respondents shall serve and file a motion, if any, regarding Staff's disclosure or seeking disclosure of additional documents;

3. by 4:30 p.m. on January 19, 2024, Staff shall:

   a. serve and file a witness list,

   b. serve a summary of each witness's anticipated evidence, and

   c. indicate any intention to call an expert witness, including providing the expert's name and the issues on which the expert will give evidence; and

4. a further attendance in this matter is scheduled for January 26, 2024, at 9:00 a.m., by videoconference, or on such other date and time as may be agreed to by the parties and set by the Governance & Tribunal Secretariat.

"M. Cecilia Williams"

A.4
Reasons and Decisions

A.4.1 Mughal Asset Management Corporation et al. – s. 127(1)

Citation: *Mughal Asset Management Corporation (Re)*, 2023 ONCMT 39
Date: 2023-11-01
File No. 2022-15

IN THE MATTER OF
MUGHAL ASSET MANAGEMENT CORPORATION,
LENDLE CORPORATION AND
USMAN ASIF

REASONS AND DECISION
(Subsection 127(1) of the *Securities Act*, RSO 1990, c S.5)

Adjudicators:	Andrea Burke (chair of the panel) Geoffrey D. Creighton	
Hearing:	By videoconference, April 24, 26 and July 20, 2023; final written submissions received October 26, 2023	
Appearances:	Sarah McLeod	For Staff of the Ontario Securities Commission
	Usman Asif	For himself and Mughal Asset Management Corporation and Lendle Corporation

REASONS AND DECISION

1. OVERVIEW

[1] These are our reasons for finding that the respondents, Mughal Asset Management Corporation, Lendle Corporation and Usman Asif, breached the Ontario *Securities Act*[1] (the ***Act***) by perpetrating a fraud on investors and also that Asif made false and misleading statements to Staff of the Ontario Securities Commission, disclosed an investigation order and summons and engaged in conduct contrary to the public interest.

[2] Staff alleges that Mughal was a sham investment corporation operated by Asif. Over a five-year period, Mughal and Asif raised approximately $3 million from investors by representing that Mughal was a legitimate investment firm that traded in securities on behalf of investors. In reality, Asif was using Mughal and Lendle, another corporation controlled by Asif, to operate a scheme in which new investor funds were used to pay "returns" to existing investors, commonly known as a Ponzi scheme. Contrary to the representations made to investors, none of their funds were ever invested. The scheme also funded Asif's lifestyle and personal expenses.

[3] Staff also alleges that during the course of the investigation of his conduct, Asif repeatedly misled and interfered with the work of the Commission's investigation team. Asif lied while testifying under oath and in correspondence, failed to produce documents required to be disclosed by a summons, concealed the existence of certain documents, unlawfully disclosed the nature or content of a summons, coached a witness on how to respond to the Commission's investigation team and encouraged other witnesses to ignore the investigation team.

[4] During the merits hearing in this proceeding, Staff and the respondents jointly filed an agreed statement of facts in which the respondents admitted to all of Staff's allegations in the Statement of Allegations (issued in July 2022 and later amended in December 2022) and admitted to most of the facts pleaded in the Amended Statement of Allegations and contained in the affidavit of Staff's investigator. Staff presented additional evidence from its investigator witness to address certain facts not agreed to by the respondents. The respondents did not present any additional evidence.

[5] For the reasons that follow, we find that:

a. the respondents perpetrated a fraud on investors, contrary to s. 126.1(1)(b) of the *Act*;

[1] RSO 1990, c S.5

b. Asif made false and misleading statements to Staff, contrary to s. 122(1)(a) of the *Act*;

c. Asif disclosed the nature or content of an investigation order and details regarding a summons, contrary to s. 16 of the *Act*; and

d. Asif engaged the Tribunal's public interest jurisdiction by:

i. disregarding a warning letter sent in 2019;

ii. interfering with the investigation; and

iii. telling at least one investor that he had settled this enforcement proceeding when no settlement had occurred.

[6] Because we found that Asif directly contravened s. 126.1(1)(b) of the *Act* along with each of Mughal and Lendle, we find that we do not need to consider whether Asif also authorized, permitted or acquiesced in the companies' misconduct and we decline to do so.

[7] We also dismiss the allegation that Asif breached s. 13 of the *Act* for failure to comply with a s. 13 summons. In our view, s. 13(1) of the *Act* does not create a positive obligation on individuals or prohibit certain conduct, such that it can be breached.

2. BACKGROUND

[8] From October 2016 until December 2021 (the **Material Time**), Mughal and Asif raised at least $2.757 million[2] and US$264,000 from at least 82 investors by making representations that Mughal was an investment firm and managed various investment funds.

[9] Asif was at all times the sole director, shareholder, chief executive officer, and directing mind of Mughal.

[10] In the course of marketing investments in Mughal to investors and prospective investors, Mughal and Asif told investors that:

a. Mughal was an investment firm operating several investment funds;

b. investor funds were being invested in different investment funds or were being used to purchase securities in initial public offerings;

c. investors would be paid all profits on their investment less a 2 percent management fee; and

d. investors could expect to earn 2 to 5 percent in monthly returns.

[11] Mughal and Asif advertised Mughal as an investment firm through a website, advertisements on a local radio station, business cards and emails, and several social media sites. Mughal provided investors with "client forms" that stated Mughal was using investor money to invest in securities. In addition, investors and prospective investors met with Asif in Mughal's Toronto office and spoke with him on the phone and by text message. Asif primarily targeted Ontario investors from the Pakistani community.

[12] Investor funds raised by Mughal were primarily used to pay other investors, either as simulated return payments or to satisfy withdrawal requests. Of the $2.757 million and US$264,000 raised by Mughal from investors, the records available to Staff's investigator reflect that approximately $1.83 million was transferred back to existing investors by Mughal. Investor funds were also used for Asif's personal spending, transferred into his personal accounts and funneled into Lendle, another corporation controlled by Asif.

[13] Mughal investors never received any real return on their investment. Any Mughal investors who were not repaid with other investors' funds, or funds from Asif or Lendle, lost all of their invested funds.

[14] In or around November 2019, Asif incorporated Lendle, a purported credit and loan corporation, which up until January 2022 shared an office location with Mughal. Asif is the chief executive officer and directing mind of Lendle. Asif and his brother are the sole directors of Lendle and had sole signing authority on the Lendle bank accounts.

[2] All dollar amounts not indicated to be in U.S. dollars are in Canadian dollars.

[15] Beginning in or around mid-2021, Asif began to solicit certain investors in Mughal to provide funds directly to Lendle. The respondents admitted that at least some of these funds were used to repay Mughal investors and for Asif's personal expenses.

[16] Some Mughal investor funds were transferred by Mughal to Lendle and were used to fund Lendle operations and were also used by Lendle to repay Mughal investors.

[17] Before this proceeding was commenced, Mughal and Asif had been the subject of previous Commission investigations. During the previous investigations, Asif described Mughal's business as teaching investment courses. Asif advised Staff that Mughal was not raising investment funds from the public. Asif is alleged to have made false and/or misleading statements to the investigation team in response to this and other investigations, and also to have made several attempts to disrupt Staff's investigations.

3. EVIDENCE CONSIDERED

[18] The evidentiary portion of the merits hearing took place over two days. On the second day of the hearing, before any oral evidence had commenced, the parties jointly filed an agreed statement of facts in which the respondents admitted to all of Staff's alleged breaches in the Amended Statement of Allegations as well as most facts contained in the Amended Statement of Allegations, in the affidavit of Staff's investigator witness and in various summaries of evidence given by investors.

[19] Staff's investigator witness provided additional oral testimony at the hearing pertaining to specific facts not admitted by the respondents.

[20] The respondents did not tender any evidence outside of the agreed statement of facts.

[21] In coming to our decision, we rely on the facts contained in the agreed statement of facts, the investigator affidavit, and oral testimony. We note that while the agreed statement of facts contains admissions to breaches of the *Act*, this does not displace the Tribunal's obligation to determine whether the facts satisfy the required elements for each of those breaches.

[22] After the filing of the agreed statement of facts and Staff closing its case, the respondents requested additional time to permit Asif to obtain and review records and produce additional evidence relating to the total amount of funds that were repaid to Mughal investors.

[23] This request was dismissed with reasons to follow. Because the decision to dismiss this request was made before Adjudicator Furlong recused himself from the merits panel (as explained below in part 4), the reasons for dismissing this request are set out in separate Reasons for Decision.[3]

4. PRELIMINARY ISSUE - RECUSAL OF ADJUDICATOR FROM MERITS HEARING PANEL

[24] Before oral closing submissions, the panel alerted the parties that a member of the panel, Adjudicator Furlong, had, subsequent to the closing of the evidentiary portion of the merits hearing, inadvertently reviewed the transcript of a confidential conference held between the parties and a different adjudicator of the Tribunal. Neither of the remaining panel members reviewed the transcript nor discussed its contents with Adjudicator Furlong.

[25] The confidential conference occurred in the middle of the evidence portion of the merits hearing, at the request of the merits panel, so the parties could discuss the possibility of producing the agreed statement of facts without the merits panel present for discussions.

[26] Rule 20(1) of the Capital Markets Tribunal *Rules of Procedure and Forms* states that at any stage of a proceeding, a party may request or a panel may direct that the parties participate in a confidential conference to consider:

a. the settlement of any or all of the issues;

b. the simplification of the issues;

c. facts that may be agreed upon; and

d. any other matter that may further a just, expeditious and cost-effective disposition of the proceeding.

[27] Rule 20(2) states that an adjudicator who presides at a confidential conference at which the parties attempt to settle issues shall not preside at a subsequent hearing in the proceeding unless the parties consent.

[3] 2023 ONCMT 38

[28] The purpose of rule 20(2) is to allow parties to have frank and confidential discussions about the issues in a proceeding without the decision-maker present.

[29] While Adjudicator Furlong was not physically present at the confidential conference, his review of the transcript could reasonably be seen as violating the expectations of the parties. The panel therefore asked the parties to be prepared to discuss and provide their positions at the outset of oral closing submissions on the issue of Adjudicator Furlong's continued participation in the merits hearing given his review of the transcript.

[30] Asif, who represented himself and the corporate respondents at the merits hearing, did not attend oral closings or file any written closing submissions and did not provide his position to the panel on the issue of Adjudicator Furlong's continued participation at any time – either orally or in writing.

[31] Staff took the position that Adjudicator Furlong should recuse himself for the following reasons:

a. the respondents were not present to consent to Adjudicator Furlong's continued participation in the hearing; and

b. given that the respondents are unrepresented, it is important to err on the side of caution to ensure the respondents receive procedural fairness.

[32] After considering Staff's submissions, Adjudicator Furlong recused himself from the merits hearing panel. The findings contained in these reasons, with the exception of the findings summarized above in part 3 (that are the subject of separate Reasons for Decision issued as a companion to these Reasons and Decision), are of Adjudicators Burke and Creighton only.

5. ANALYSIS OF THE ISSUES AND ALLEGATIONS

5.1 Elements of fraud

[33] We now turn to our analysis of the substantive issues raised in this hearing.

[34] Staff alleges that the respondents committed securities fraud by making false representations to investors which caused them a deprivation, in contravention of s. 126.1(1)(b) of the *Act*. That section of the *Act* provides:

> A person or company shall not, directly or indirectly, engage or participate in any act, practice or course of conduct relating to securities, derivatives or the underlying interest of a derivative that the person or company knows or reasonably ought to know, …
>
> (b) perpetrates a fraud on any person or company.[4]

[35] Staff is required to prove the following elements of fraud:

a. the *actus reus*, or objective element, which must consist of:

   i. an act of deceit, falsehood, or some other fraudulent means; and

   ii. deprivation caused by that act; and

b. the *mens rea*, or subjective element, which must consist of:

   i. subjective knowledge of the act referred to above; and

   ii. subjective knowledge that the act could have as a consequence the deprivation of another.[5]

5.1.1 Fraud on Mughal investors

5.1.1.a The investments in Mughal were securities

[36] We must first determine whether the Mughal investments are "securities" as defined by the *Act*. The term "security" is defined in s. 1(1) of the *Act* and includes "any investment contract".

[37] An "investment contract" will be found where:

a. there is an investment of money;

[4] *Act*, s 126.1(1)(b)
[5] *Meharchand (Re)*, 2018 ONSEC 51 (***Meharchand***) at para 119, citing *R v Théroux*, 1993 CanLII 134 (SCC) (***Théroux***) at p 20

b. with an intention or expectation of profit;

c. in a common enterprise in which the fortunes of the investor are interwoven with and dependent on the efforts and success of third parties; and

d. where the efforts made by those other than the investor are significant and managerial, thereby affecting the failure or success of the enterprise.[6]

[38] The Tribunal has previously found that in situations involving fraudulent investment firms, the investments were securities according to the definition of an investment contract.[7]

[39] The respondents admitted that the Mughal investments are securities.

[40] We find that the Mughal investments meet the above definition of a security. Mughal's client forms and advertisements represented that Mughal operated an investment fund and was pooling investor funds to invest in securities. The investors advanced funds in a common enterprise with an expectation of profit solely dependent on the efforts of Mughal and Asif.

5.1.1.b *Actus Reus*

5.1.1.b.i Acts of deceit, falsehood or other fraudulent means

[41] We find that Asif and Mughal engaged in acts of deceit, falsehood, or some other fraudulent means on Mughal investors.

[42] Previous Tribunal decisions have found that using investor funds in a manner other than what is represented to investors constitutes the *actus reus* of fraud under s. 126.1(1)(b) of the *Act*.[8] Respondents have previously been found to have engaged in acts of fraud by diverting new investor funds to pay existing investors or for personal spending.[9] The "other fraudulent means" category has been found to include acts that a reasonable person would consider to be dishonest, such as "the use of corporate funds for personal purposes, non-disclosure of important facts… [and] unauthorized diversion of funds."[10]

[43] Asif and Mughal have admitted to making false representations to Mughal investors that their funds were being pooled in an investment fund and being used to purchase securities. There was no investment fund and no securities were purchased on behalf of Mughal investors. The respondents admitted that Mughal was a sham investment corporation operated by Asif.

[44] Asif and Mughal also admitted to engaging in the following "other fraudulent means":

a. using investor funds for Asif's personal and lifestyle spending;

b. not disclosing important facts to Mughal investors (such as the fact that Mughal was operating a Ponzi scheme in which new Mughal investor funds were used to pay simulated returns to existing Mughal investors or to satisfy withdrawal requests of existing Mughal investors); and

c. unauthorized diversion of invested funds (including to Lendle, Asif and other Mughal investors).

[45] We find that the respondents used Mughal investor funds in a way that was inconsistent with what was promised to Mughal investors and without any notice to them. No Mughal investor funds were used for the purpose that was promised (which was for Mughal to invest in securities on behalf of its clients) and all Mughal investor funds were diverted to unauthorized personal spending, transfers to Lendle, or repayment of existing Mughal investors.

5.1.1.b.ii Deprivation caused by the fraudulent acts

[46] We find that the above fraudulent acts caused both a deprivation and the risk of deprivation to Mughal investors.

[47] The deprivation component of the *actus reus* is established by proof of:

a. actual loss to one or more investors;

b. actual prejudice to investors' economic interests; or

6 *Pacific Coast Coin Exchange v Ontario Securities Commission*, 1977 CanLII 37 (SCC) at p 128
7 *Reeve (Re),* 2018 ONSEC 55 at paras 18-23
8 *Quadrexx Hedge Capital Management Ltd (Re)*, 2017 ONSEC 3 (***Quadrexx***) at paras 245-246 and 300
9 *Quadrexx* at para 246; *Black Panther (Re),* 2017 ONSEC 1 at paras 128-135; *Solar Income Fund Inc (Re),* 2022 ONSEC 2 (***Solar Income***) at paras 74-75, 87-88 and 94
10 *Meharchand* at para 120, citing *Théroux* at p 19

c. risk of prejudice to investors' economic interests.[11]

[48] Mughal investors suffered an actual loss as the Mughal bank accounts are now closed and the investors who were not repaid have lost their funds. While the respondents did not agree with the specific amounts that Staff alleged were repaid to Mughal investors, they did admit to facts showing that certain Mughal investors have not been repaid.

[49] In addition to actual losses, Asif and Mughal exposed Mughal investors to real and substantial risk of loss by concealing the fact that Mughal was not operating an investment firm and relying on enticing new investors in Mughal in order to pay simulated returns to, and satisfy withdrawal requests of, existing investors.

[50] We therefore find that both of the *actus reus* elements for fraud on the Mughal investors have been established.

5.1.1.c *Mens Rea*

5.1.1.c.i Subjective knowledge of the fraudulent acts

[51] We find that the respondents had subjective knowledge of the fraud on Mughal investors.

[52] The mental element of fraud under s. 126.1(1)(b) of the *Act* is established where a respondent is subjectively aware that: (a) they are undertaking a prohibited act, and (b) the prohibited act could cause deprivation.[12] In situations where a respondent "tells a lie knowing others will act on it and thereby puts their property at risk, the inference of subjective knowledge that the property of another would be put at risk is clear."[13] In proving that a respondent was aware they were undertaking a prohibited act, it is not necessary to show that they regarded the act as dishonest. It is enough to show that a respondent knowingly undertook the act.[14]

[53] Asif directly made, or was at least aware of, all of the admitted false representations that were made to Mughal investors. Asif was at all times the sole director, shareholder, officer and directing mind of Mughal. Asif had sole access to Mughal's bank accounts and was therefore aware of all of the unauthorized uses of investor funds.

[54] Mughal also had knowledge through Asif, who is Mughal's directing mind. A corporation will have the requisite knowledge if the directing minds of the corporation knew or ought reasonably to have known that the corporation perpetrated a fraud.[15]

5.1.1.c.ii Subjective knowledge of deprivation

[55] We find that Asif and Mughal also had subjective knowledge of the deprivation and risk of deprivation to Mughal investors.

[56] To satisfy this element of the test for fraud, it is not necessary to prove what is in a respondent's mind. The Tribunal may infer a subjective awareness of the consequences from the dishonest act itself.[16]

[57] It is clear in this case, based on Asif's and Mughal's own admissions, that they knew that Mughal investor funds were being used for purposes other than those they had represented to investors. They were aware that Mughal did not actually operate an investment fund. They were aware that the entire operation was a Ponzi scheme whereby new investor funds were being used to pay existing investors, for Asif's personal spending or diverted into Lendle.

[58] We therefore find that Asif and Mughal have committed a fraud on Mughal investors in contravention of s. 126.1(1)(b) of the *Act*.

5.1.1.d The extent of the fraud on Mughal investors

[59] Staff's investigator Jody Sikora prepared a detailed "source and application" analysis in connection with Mughal's, Lendle's and Asif's various bank accounts and Asif's investment account with a view to quantifying:

a. the amount of funds received by Mughal from Mughal investors;

b. the uses of those funds (including the amounts diverted to Asif's personal expenses, used to pay Mughal investors and forwarded to Lendle); and

c. the amounts repaid to Mughal investors.

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11 *Meharchand* at para 121, citing *Théroux* at pp 15-16
12 *First Global Data Ltd (Re),* 2022 ONCMT 25 (***First Global***) at para 386; *Solar Income* at para 177
13 *Meharchand* at para 123, citing *Théroux* at p 21
14 *First Global* at para 390, citing *Théroux* at pp 19-20
15 *First Global* at para 347; *Solar Income* at para 82
16 *First Global at* para 420, citing *Théroux* at p 18

[60] The "source and application" analysis was included in Sikora's affidavit. In oral testimony Sikora explained his methodology in undertaking the analysis as well as the various assumptions and limitations underlying the analysis.

[61] The respondents did not admit to the contents of Sikora's "source and application" analysis. The respondents also did not cross-examine Sikora, nor did the respondents introduce any evidence to contradict Sikora's analysis, findings or conclusions.

[62] Amongst other things, Sikora explained that he made certain assumptions and judgment calls when identifying the 82 Mughal investors, calculating the total amount of funds invested in Mughal and repaid to Mughal investors, and identifying Mughal investor monies used for Asif's personal expenses. We find that Sikora's methodology, assumptions and judgment calls with respect to the analysis related to Mughal investor funds were reasonable and that he took a conservative approach.

[63] Sikora's evidence was that:

a. Mughal received at least $2.757 million and US$264,000 of investment funds from Mughal investors;

b. Mughal transferred back to Mughal investors approximately $1.811 million and US$19,000;

c. Asif paid Mughal investors $83,350 from his personal accounts;

d. Lendle paid Mughal investors $201,573**;**

e. Asif received (or received the benefit of) $650,698 of Mughal investor funds directly from Mughal accounts, by way of payment of his personal expenses, payment of deposits for two residential real estate properties and transfers to him, to his personal Questrade account, to a joint bank account he shared with his brother and to his personal credit card; and

f. Lendle received $290,385 of transferred Mughal investor funds.

[64] The respondents admitted to the figures in a, d and f, but did not admit the figures in b, c, and e above.

[65] In addition to not admitting certain of the figures set out above, the respondents specifically noted that they disputed Sikora's conclusion regarding the amounts Mughal repaid to Mughal investors and Asif submitted that the figures could potentially be "slightly" higher. As noted above, the respondents did not provide any evidence to substantiate this assertion, did not cross-examine Sikora on his evidence nor did they introduce any evidence regarding the figures.

[66] We took from Sikora's evidence that the amount he identified for total investment funds Mughal received from Mughal investors (in paragraph 63a) likely significantly understated the actual total that was received by Mughal from investors, for a number of reasons, including that:

a. Sikora did not include in his analysis receipt of funds by Mughal that were individually below a certain materiality threshold or that he was not able to link directly to someone identified as a Mughal investor because the investment was made in cash or the banks could not identify the deposit; and

b. as a result of (a) above, $895,074 and US$15,010 of funds received by Mughal during the relevant timeframe were not counted by Sikora as investment funds received by Mughal; and

c. there was no evidence of Mughal carrying on any "business activity" other than soliciting investment funds from investors that might account for the receipt of these additional funds by Mughal.

[67] Sikora did acknowledge that because his "source and application" analysis did not take into account withdrawals, payments and transfers out of Mughal accounts that were under a certain individual materiality threshold or where the application of the withdrawal, payment or transfer could not be identified from available bank and other records, there existed the possibility that the amounts he identified for Mughal repayments to Mughal investors (in paragraph 63b) were understated. As this was a possibility only and there was no evidence before us regarding the application of these additional withdrawals, payments and transfers, we accepted Sikora's evidence in paragraph 63b.

[68] Having considered the evidence, we accept and make findings corresponding to Sikora's evidence set out above in paragraph 63.

5.1.1.e Lendle's participation in the fraud on Mughal investors

[69] We also find that Lendle knowingly participated in the fraud on Mughal investors.

[70] The Tribunal has previously found that individuals and companies can breach s. 126.1(1)(b) of the *Act* by aiding and abetting a fraud.[17]

[71] Lendle admitted that it was the recipient of Mughal investor funds (which were fraudulently obtained) and also that Lendle was used to repay Mughal investors. Asif was the directing mind of Lendle and transferred funds between Mughal, Lendle and his personal accounts.

5.1.2 Fraud on Lendle investors

[72] Staff alleges that Lendle and Asif also committed a separate fraud on Lendle investors as a result of false representations made to Lendle investors about the use of their invested funds, and the misuse of Lendle investors' funds.

[73] As detailed below, we find that Staff established this allegation only with respect to two Lendle investors. Staff failed to establish that four other persons identified by Staff as "Lendle investors" provided funds to Lendle in respect of securities issued by Lendle.

[74] Staff alleges that Asif solicited certain Mughal investors to provide investment funds to Lendle (thus becoming "Lendle investors" as well as Mughal investors) and stated that these funds would be used for the Lendle business. According to Staff these investments took three different forms:

a. two Lendle investors (M.A. and A.A.(1)) provided funds pursuant to promissory notes;

b. two other Lendle investors (Z.A. and A.A.(2)) provided funds with a promised 45% return and return of principal evidenced by a Lendle post-dated cheque; and

c. another two individuals (N.A. and B.P.) appear to have transferred funds to Lendle's bank accounts.

[75] Staff alleges that the funds invested by these Lendle investors were used to pay back Mughal investors and for Asif's personal expenses. Lendle investors were therefore deceived about the intended use of the funds as Asif used the funds for personal spending and to further the fraud on Mughal investors.

[76] Asif and Lendle admitted the facts in paragraph 74 with respect to M.A., A.A.(1), Z.A., A.A.(2) and B.P, but did not admit that M.A., A.A.(1) and B.P. were investors in Lendle. Asif did not admit the facts in paragraph 74 regarding N.A.

5.1.2.a Were the alleged Lendle investments securities?

[77] We must first determine whether the Lendle investments identified by Staff are "securities" as defined by the *Act*. The term "security" includes a "bond, debenture, note or other evidence of indebtedness" in addition to "any investment contract".[18]

[78] We find that the funds advanced to Lendle by two investors (Z.A. and A.A.(2)) who received Lendle post-dated cheques reflecting repayment of principal and a 45% return were investments and that the post-dated cheques meet the following definition of a security: "bond, debenture, note or other evidence of indebtedness."[19] In total, these two Lendle investors advanced $70,000 to Lendle under the post-dated cheques. We do not find the remaining four advances identified by Staff to have been made in connection with Lendle securities, for the reasons explained below.

[79] Although we accept that a promissory note can satisfy the definition of a security,[20] in this case the promissory notes relied on by Staff in connection with funds advanced made by M.A. and A.A.(1) were, on their face, promissory notes of Asif in his personal capacity, and not of Lendle. No evidence was called to address or explain this. In the circumstances we are not satisfied that these promissory notes are Lendle securities as alleged by Staff and, in any event, these promissory notes stated that the advanced funds could be used by Asif for "personal/business use", so we are not satisfied that even if they were Lendle securities Staff has established that the funds advanced under these promissory notes were misused.

[80] Staff's investigator never spoke to B.P or N.A. The evidence about B.P.'s and N.A.'s advances of funds to Lendle was limited to bank records showing B.P. and N.A. to be the source of the funds. No evidence was introduced concerning the purposes for these advances of funds and Sikora acknowledged that Lendle did carry on another business that was a source of funds. In the circumstances, we find that Staff has not established that these advances were investments or that there were any related Lendle securities.

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17 *Maple Leaf Investment Fund Corp (Re),* 2011 ONSEC 31 at paras 351-352
18 *Act*, s 1(1)
19 *Act*, s 1(1); *Ontario Securities Commission v Tiffin*, 2020 ONCA 217 (***Tiffin***) at para 50
20 *Act,* s 1(1); *Tiffin* at para 50

[81] Below we consider whether Asif and Lendle committed a fraud in connection with the Lendle securities issued to Z.A. and A.A.2. We approach the issue within the framework of the test to establish fraud under s. 126.1(1)(b) of the *Act* as set out above in section 5.1.

5.1.2.b Separate fraud by Asif and Lendle established

[82] The respondents admitted that in soliciting Mughal investors to invest in Lendle, Asif represented that the invested funds were to be used for the Lendle business. Sikora provided evidence with respect to Z.A.'s and A.A.(2)'s understanding that was consistent with this. We therefore conclude that Asif told Z.A. and A.A.(2) that the funds they advanced to Lendle would be used for the Lendle business.

[83] Staff introduced evidence through Sikora that established that some Lendle funds were used for Asif's personal expenses and also to repay Mughal investors. We find that this did occur. Sikora also provided specific evidence that confirmed, and we are satisfied, that a large part of the $70,000 advanced by Z.A. and A.A.(2) to Lendle was used to pay personal expenses of Asif, including a deposit on Asif's home and for Asif's legal counsel. Sikora did not undertake a tracing exercise to establish the precise dollar amount of the $70,000 that was used for Asif's personal expenses, although he did give evidence as to deposits into and and payments out of the Lendle account that received the $70,000. Based on our review of this evidence, we are satisfied that at least $57,540 of the $70,000 was used for these purposes.

[84] The respondents admitted that Z.A.'s investment (in the principal amount of $50,000) has never been repaid and the related post-dated cheque bounced. Staff did not introduce any evidence about the status of repayment of A.A.(2)'s investment in Lendle.

[85] We find that the above acts constitute deceit, falsehood and other fraudulent means which caused a deprivation, or risk of deprivation, to Lendle investors. We also find that Asif and Lendle, with Asif acting as Lendle's directing mind, had subjective knowledge of the fraudulent acts and deprivation to Lendle investors.

[86] Accordingly, we find that Asif and Lendle committed a separate fraud against two Lendle investors pursuant to s. 126.1(1)(b) of the *Act*.

5.2 Asif's misleading statements made to investigators

[87] Staff alleges that Asif made misleading statements to Staff investigators during the course of multiple investigations.

[88] Subsection 122(1)(a) of the *Act* prohibits a person or company from making materially false or misleading statements, or failing to state a fact that is necessary to make the statement not misleading, in the course of an investigation or examination under the *Act*. This section establishes liability even without proof of a specific mental element, such as intention, wilful blindness or recklessness.[21]

[89] Both this Tribunal and the courts have stressed the importance of providing truthful information during an investigation by the Commission.[22] The Court of Appeal has expressed this importance as follows: "[i]t is difficult to imagine anything that could be more important to protecting the integrity of capital markets than ensuring that those involved in those markets, whether as direct participants or as advisors, provide full and accurate information to the OSC."[23] In particular, providing misleading or false information under oath demonstrates a serious disregard for the investigation process.[24]

[90] We find that Asif breached s. 122(1)(a) of the *Act* by making multiple misleading statements during the course of Staff's investigations.

[91] Asif made repeated false statements in written communications and under oath in two interviews relating to (among other things):

a. the nature of the Mughal business;

b. Mughal's advertisements and banking activity;

c. the status of Mughal's business operations;

d. the existence of Lendle investors;

e. the nature and extent of communications with investors; and

21 *Black Panther* at para 154
22 *Kitmitto (Re),* 2022 ONCMT 12 at para 210, citing *Wilder v Ontario (Securities Commission),* 2001 CanLII 24072 (ON CA) (***Wilder***) at para 22; *Agueci (Re),* 2015 ONSEC 2 at paras 634-636
23 *Wilder* at para 22
24 *Miner Edge Inc (Re),* 2021 ONSEC 31 (***Miner Edge***) at paras 51-53

f. the use of investor funds.

[92] In addition, Asif failed to provide material facts by refusing to answer questions in his compelled interview by saying he "did not know" or "did not recall" to obvious questions where we are satisfied that Asif did, in fact, know the answers, such as whether the Mughal bank account was used for personal spending.

[93] Asif has admitted to making false and misleading statements to investigators. Asif's misleading statements in this case were serious, repeated over years and obviously false given the admissions he made at the merits hearing. Many of the statements were made under oath. Asif also mislead investigators by concealing the existence of documents and information (including in response to a summons) that were material to Mughal's fraudulent scheme.

5.3 Allegation that Asif failed to comply with a s. 13 summons

[94] Staff alleges that Asif's admissions that he failed to produce the information or documents requested in a s. 13 summons constitutes a breach of s. 13 of the *Act*.

[95] Subsection 13(1) of the *Act* provides as follows:

> **Power of investigator or examiner**
>
> 13 (1) A person making an investigation or examination under section 11 or 12 has the same power to summon and enforce the attendance of any person and to compel him or her to testify on oath or otherwise, and to summon and compel any person or company to produce documents and other things, as is vested in the Superior Court of Justice for the trial of civil actions, and the refusal of a person to attend or to answer questions or of a person or company to produce such documents or other things as are in his, her or its custody or possession makes the person or company liable to be committed for contempt by the Superior Court of Justice as if in breach of an order of that court.

[96] While Staff concedes that no previous Tribunal decisions have considered a distinct s. 13 breach, it submits that there is no principled reason why the failure to comply with a s. 13 summons should not be considered a separate breach of the *Act*. Staff relies on the Tribunal's decision in *Daley (Re)*[25] as support for its position. In that decision, the panel found that a breach of a summons does not exclusively have to be dealt with by way of contempt proceedings in court.[26] However, rather than finding a breach of s. 13 of the *Act*, the panel in that case found that the breach of the summons constituted conduct that engaged the Tribunal's broad public interest jurisdiction and warranted a consideration of sanctions under s. 127 of the *Act*.[27]

[97] In our view, s. 13(1) of the *Act* does not create a positive obligation on individuals or prohibit certain conduct, such that it can be breached. Rather, the section grants powers to investigators to summon a person and to enforce a summons by seeking a contempt order.

[98] Accordingly, we dismiss the allegation that Asif breached s. 13 of the *Act*.

[99] During oral submissions, Staff made an alternative submission that if the conduct does not amount to a breach of s. 13, it should nevertheless be captured by our public interest jurisdiction. We address this submission below in section 5.6.

5.4 Asif's disclosure of the nature or content of a s. 11 order and/or details regarding a s. 13 summons

[100] Staff alleges that Asif breached s. 16 of the *Act* by disclosing to certain Mughal investors that he was being investigated and sending a picture of his s. 13 summons to a Mughal investor.

[101] Subsection 16(1) of the *Act* protects the confidentiality of information related to, and obtained through, a s. 11 investigation. It provides that no person or company shall disclose the nature or content of the s. 11 investigation order, or other specified information regarding the production of documents or testimony given under s. 13. Subsection 16(1.1) provides exceptions to this prohibition against disclosure where it is being provided to counsel or an insurer, neither of which are applicable in this proceeding.

[102] Previous Tribunal decisions have found a breach of s. 16 where a respondent told an investor he was under investigation and scheduled for an interview[28] and where a respondent provided a copy of a s. 13 summons to an individual.[29]

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25 2021 ONSEC 27 (***Daley***)
26 *Daley* at paras 32-37
27 *Daley* at paras 70-72
28 *Miner Edge* at para 55
29 *Black Panther* at paras 162-163

[103] We find that Asif's admitted conduct of disclosing the fact he was being investigated and providing a copy of a s. 13 summons establishes a breach of s. 16(1) of the *Act*.

5.5 Asif permitting, authorizing or acquiescing in Mughal and Lendle's breaches

[104] Staff seeks a finding that Asif be deemed liable for Mughal and Lendle's non-compliance with the *Act* pursuant to s. 129.2 of the *Act*.

[105] Section 129.2 of the *Act* provides that a director or officer is deemed to be liable for a breach of securities law by a company where the director or officer authorized, permitted or acquiesced in the company's non-compliance with the *Act*.

[106] We questioned Staff whether such a finding can or should be made where the individual has already been found to have personally committed the same breaches as the corporation. Staff relied on the Tribunal's decision in *Natural Bee Works Apiaries Inc (Re)*[30] as authority for the proposition that an individual can breach the fraud provision of the *Act* and also authorize or permit the same breach on behalf of the corporation. In that decision, the corporation was found to have breached ss. 53 and 126.1 of the *Act* and one of the individual respondents was found to have only personally breached s. 126.1. The panel went on to find that the individual was deemed liable for all of the breaches of the corporation pursuant to s. 129.2 of the *Act*.[31]

[107] Staff submits that the elements of the breach under s. 129.2 of the *Act* are different than the elements of the breach under s. 126.1(1)(b) of the *Act* and that this argues in favour of a finding under s. 129.2, even where we first conclude that Asif personally committed the same s. 126.1(1)(b) breaches along with the corporations.

[108] We prefer the approach to this issue adopted in the recent Tribunal decisions in *Stinson (Re)*[32] and *Feng (Re)*[33]. Having found that Asif directly contravened s. 126.1(1)(b) of the *Act* along with each of Mughal and Lendle we do not need to consider whether he authorized, permitted or acquiesced in the companies' misconduct and we decline to do so.

5.6 Asif's conduct engaging the Tribunal's public interest jurisdiction

[109] Staff alleges that Asif engaged in "conduct contrary to the public interest" as a result of the following conduct:

a. disregarding a warning letter sent from the Staff investigation team in 2019 regarding potential unregistered trading;

b. concealing the existence of documents and information from the Staff investigation team during the investigation;

c. interfering with the investigation, including by coaching a witness on their written response to a request for information, encouraging witnesses not to speak to the investigation team, attempting to conceal banking activity from the investigation team, and shifting to soliciting new investments in Lendle after becoming aware that Mughal was under investigation; and

d. telling at least one investor that he had settled this enforcement proceeding when no settlement had occurred.

[110] Asif admits to having engaged in all of this conduct.

[111] The words "conduct contrary to the public interest" do not appear in the *Act*. Rather, the opening words of s. 127 of the *Act* give the Tribunal broad authority to make "orders if in its opinion it is in the public interest to make the…orders".

[112] The Tribunal may exercise its jurisdiction to find that conduct, which does not constitute a direct breach of Ontario securities law, nevertheless attracts the Tribunal's public interest jurisdiction.[34]

[113] The fundamental animating principles of securities regulation, set out in s. 2.1 of the *Act*, include:

a. requirements for timely, accurate and efficient disclosure of information;

b. restrictions on fraudulent and unfair market practices and procedures; and

30 2019 ONSEC 23 (***Natural Bee Works***)
31 *Natural Bee Works* at para 149
32 2023 ONCMT 26 at para 78
33 2023 ONCMT 12 at paras 72-73
34 *Committee for Equal Treatment of Asbestos Minority Shareholders v Ontario (Securities Commission)* 2001 SCC 37 at para 42

c. requirements for the maintenance of high standards of fitness and business conduct to ensure honest and responsible conduct by market participants.

[114] We find that the conduct by Asif set out in paragraph 109 a, c and d, while not being a direct breach of the *Act*, offends the animating principles of the *Act* and the conduct engages the Tribunal's public interest jurisdiction. With respect to the conduct set out in paragraph 109 b (namely, concealing the existence of documents and information from Staff), because this same conduct is part of our finding that Asif breached s. 122(1)(a) of the *Act* which was based in part on representations that certain documents and information did not exist, we decline to find that it is conduct that also separately engages the Tribunal's public interest jurisdiction.

[115] We now return to Staff's submission that if Asif's failure to comply with the summons does not amount to a breach of s. 13 of the *Act*, we should address it under our public interest jurisdiction instead.

[116] We questioned Staff whether that would be permissible from a procedural fairness perspective given that the allegation was not framed as such in its Amended Statement of Allegations. Staff submitted that it was relying on the wording in paragraph 31(b) of its Amended Statement of Allegations that states that Asif's concealment of the existence of documents, which includes the documents listed in the summons, constitutes "conduct contrary to the public interest".

[117] We find that the Amended Statement of Allegations treated the allegation that Asif failed to comply with the summons as an allegation distinct from the allegation that Asif concealed the existence of documents and information from the investigation team during the investigation. The Amended Statement of Allegations pleads that distinct consequences arise from these allegations, namely that Asif's failure to comply with the summons is a breach of the *Act,* whereas the concealment allegation constitutes conduct contrary to the public interest.

[118] Notwithstanding this, paragraph 31(b) of the Amended Statement of Allegations cross-references other paragraphs in the Amended Statement of Allegations, including paragraph 24, that identifies false and misleading statements provided by Asif in response to the summons, including false and misleading statements concerning the availability of documents and information.

[119] We accept that in appropriate circumstances the failure to comply with a summons can constitute conduct contrary to the public interest.[35] However, here the failure to comply with a summons is based on the very same allegations and facts underlying our conclusion above that Asif concealed the existence of documents and information and made related misleading statements concerning the availability of documents and information to investigators including in response to the summons, contrary to s. 122(1)(a) of the Act. In the circumstances we decline to find that the failure to comply with the summons is an additional example of conduct contrary to the public interest.

6. CONCLUSION

[120] For the reasons set out above we find that:

a. the respondents perpetrated a fraud on investors, contrary to s. 126.1(1)(b) of the *Act*;

b. Asif made false and misleading statements to Staff, contrary to s. 122(1)(a) of the *Act*;

c. Asif disclosed the nature or content of an investigation order and details regarding a summons, contrary to s. 16 of the *Act*; and

d. Asif engaged the Tribunal's public interest jurisdiction by:

i. disregarding a warning letter sent in 2019;

ii. interfering with the investigation; and

iii. telling at least one investor that he had settled this enforcement proceeding when no settlement had occurred.

[121] Also for the reasons set out above:

a. we dismiss the allegation that Asif breached s. 13 of the *Act*; and

b. we decline to make a finding regarding the allegation that Asif breached s. 129.2 of the *Act.*

[35] *Daley* at paras 68-73

[122] The parties shall contact the Registrar by 4:30 p.m. on November 15, 2023, to arrange an attendance in respect of a hearing regarding sanctions and costs. The attendance is to take place on a date that is mutually convenient, that is fixed by the Governance & Tribunal Secretariat, and that is no later than December 8, 2023.

[123] If the parties are unable to present a mutually convenient date to the Registrar, then each party may submit to the Registrar, for consideration by a panel of the Tribunal, one-page written submissions regarding a date for the attendance. Any such submissions shall be submitted by 4:30 p.m. on November 15, 2023.

Dated at Toronto this 1st day of November, 2023

"Andrea Burke"

"Geoffrey D. Creighton"

A.4.2 Mughal Asset Management Corporation et al.

Citation: *Mughal Asset Management Corporation (Re)*, 2023 ONCMT 38
Date: 2023-11-01
File No. 2022-15

IN THE MATTER OF
MUGHAL ASSET MANAGEMENT CORPORATION,
LENDLE CORPORATION AND
USMAN ASIF

REASONS FOR DECISION

Adjudicators:	Andrea Burke (chair of the panel) Geoffrey D. Creighton William J. Furlong	
Hearing:	By videoconference, April 26, 2023	
Appearances:	Sarah McLeod	For Staff of the Ontario Securities Commission
	Usman Asif	For himself and Mughal Asset Management Corporation and Lendle Corporation

REASONS FOR DECISION

1. OVERVIEW

[1] These are our reasons for a mid-hearing ruling denying the respondents' request for additional time to gather and present evidence at the merits hearing in this matter.

[2] The respondents' request was made after Staff closed its case, after Staff and the respondents jointly filed an agreed statement of facts with the Tribunal, and after the respondents had stated on multiple occasions that they did not intend to introduce any evidence or call any witnesses at the merits hearing. The respondents advised that the evidence they wanted time to locate might have the potential to provide greater clarity on the amount of money Mughal repaid to investors. Specifically, Asif, who represented himself and the corporate respondents at the merits hearing, stated that the evidence could show that the amount of money repaid to investors "was slightly a bit higher" than the numbers in Staff's investigator's affidavit.

[3] We denied the request with reasons to follow. We did so primarily because the request was brought much later in the hearing process than what would otherwise be acceptable, the respondents were unable to provide any assurance that the additional evidence was readily accessible to them, the respondents were not certain the additional evidence would be helpful to their case, and significant unfairness would result to Staff if the request were granted.

2. BACKGROUND

[4] On the second day of the merits hearing, after taking part in a confidential conference at the request of the panel, the parties tendered an agreed statement of facts in which the respondents admitted to nearly all of Staff's allegations and evidence.

[5] The agreed statement of facts states that the respondents agree to all of the facts set out in the affidavit of Staff's investigator, with a few exceptions. One of the exceptions was the total amount of funds returned to Mughal investors. The respondents submitted that Staff's investigator underestimated this amount.

[6] The respondents requested additional time to obtain bank records, review those records and cross-reference the numbers with those included in the investigator's affidavit.

[7] The respondents had previously repeatedly advised the panel and Staff that they were not going to introduce any evidence at the merits hearing, including as recently as two days before making the request. The respondents did not file any witness lists, witness summaries, or hearing brief prior to the merits hearing.

[8] A separate issue arose after the evidentiary portion of the merits hearing was completed that led to the recusal of one of the members of the merits panel. As this ruling occurred before the recusal, these reasons are of all three panel members.

3. ANALYSIS AND CONCLUSION

[9] We found that it was not in the public interest to grant the respondents' request.

[10] In making this request, Asif explained that he had difficulty understanding the proper process to be followed at the hearing, was misguided by previous counsel and wanted to ensure that the evidence before the panel was as accurate as possible. However, he did not specify what the proposed additional evidence was going to include and whether it would actually contradict the numbers in the Staff investigator's affidavit.

[11] Staff submitted that the respondents had already had more than sufficient time to consider and address Staff's numbers. The numbers the respondents were challenging were included in the original Statement of Allegations (issued on June 14, 2022). Copies of the schedules attached to the investigator's affidavit that included these numbers were also provided to the respondents as part of a witness summary in October 2022.

[12] During this proceeding, the respondents repeatedly advised Staff and the Tribunal that they were not going to introduce any evidence or call any witnesses at the merits hearing. This included such advice made in writing by Asif on March 29, 2023, following the final interlocutory attendance in this matter, and orally on the first day of the merits hearing on April 24, 2023.

[13] We found that allowing the respondents additional time to locate and potentially present additional evidence would be inappropriate in the circumstances.

[14] Our reasons for dismissing the respondents' request include the facts that:

a. the financial documents at issue, which the respondents had sufficient time to procure before the middle of the merits hearing, should have been provided to Staff much earlier in the hearing process and the respondents offered no explanation or justification for why this was not done;

b. the merits hearing had already begun, and Staff had already called their evidence and closed their case;

c. the requirement of providing notice to Staff of the intention to tender evidence (as well as notice of the contents of such evidence) had been previously communicated to the respondents on multiple occasions and was the subject of orders specifying dates for the delivery by the respondents of witness lists and witness summaries[1] and a hearing brief containing copies of any documents the respondents wanted to introduce in evidence[2];

d. the respondents were provided with Staff's analysis on the use of investor funds well in advance of the merits hearing;

e. the Statement of Allegations, which had been available to the respondents for some time, also laid out the monetary amounts that were now being challenged;

f. the respondents were unable to provide any assurance that they would be able to obtain the documents they wished to rely on, and if procuring the documents were to take longer than expected, we would likely have to extend the length of the merits hearing, which was scheduled to end on May 5, 2023; and

g. the respondents were not certain that the additional evidence would be helpful to their case and, indeed, described the additional evidence as only potentially showing a "slightly higher" number.

[15] We ultimately found that the unfairness to Staff, who had proceeded with and closed its case on the understanding that the respondents were not going to introduce any evidence, that would result in granting the request outweighed any potential unfairness to the respondents.

[16] As a result of our ruling, the respondents did not tender the additional evidence at the merits hearing.

Dated at Toronto this 1st day of November, 2023

"Andrea Burke"

"Geoffrey D. Creighton"

"William J. Furlong"

1 (2022) 45 OSCB 9797
2 (2023) 46 OSCB 504

A.4.3 Royal Bank of Canada – s. 127(1)

Citation: *Royal Bank of Canada (Re)*, 2023 ONCMT 40
Date: 2023-11-03
File No. 2023-32

IN THE MATTER OF
ROYAL BANK OF CANADA

ORAL REASONS FOR APPROVAL OF A SETTLEMENT
(Section 127(1) of the *Securities Act*, RSO 1990, c S.5)

Adjudicators:	Tim Moseley (chair of the panel) Russell Juriansz M. Cecilia Williams	
Hearing:	By videoconference, November 3, 2023	
Appearances:	Mark Bailey	For Staff of the Ontario Securities Commission
	David Hausman Jonathan Wansbrough	For Royal Bank of Canada

ORAL REASONS FOR APPROVAL OF A SETTLEMENT

The following reasons have been prepared for publication, based on the reasons delivered orally at the hearing, as edited and approved by the panel, to provide a public record of the oral reasons.

[1] Staff of the Ontario Securities Commission alleges that Royal Bank of Canada did not account properly for costs incurred for software that it developed internally, using Royal Bank's staff and other internal resources, as opposed to being purchased from third-party vendors. Staff says that this improper accounting is a breach of s. 19(1) of the *Securities Act*,[1] which requires market participants such as Royal Bank to maintain proper books and records.

[2] Staff and Royal Bank have entered into a "no-contest" settlement agreement, in which Royal Bank neither admits nor denies the truth of Staff's allegations. The parties jointly submit that it is in the public interest for us to approve this settlement. We agree. We reach that conclusion for the following reasons, in which we summarize the factual background that is set out in more detail in the settlement agreement.

[3] Staff's allegations relate to two categories of internal software projects.

[4] The first category includes smaller projects. For many years, and for the sake of expediency, Royal Bank adopted a particular accounting practice for these smaller projects. It aggregated the costs of the projects into a single pool and capitalized a percentage of those costs by applying one capitalization rate to all projects in the pool.

[5] A pooling approach is not inherently problematic. However, Staff alleges that the way in which Royal Bank implemented the pooling approach was improper, in three ways:

a. Royal Bank included projects in the pool that were ineligible for capitalization;

b. Royal Bank applied a capitalization rate that was an estimate, without sufficient supporting analysis; and

c. there were flaws in a review that Royal Bank did of its estimated capitalization rate.

[6] The second category includes larger projects, which Royal Bank reviewed individually to determine eligibility for capitalization. For these larger projects, Staff alleges that Royal Bank carried capitalized assets on its balance sheet at full book value, when in some instances those assets should have been amortized or written off.

[7] Staff does not allege that any of these deficiencies had any material impact on Royal Bank's financial statements. However, Staff submits that if its allegations were proven in an enforcement proceeding, Royal Bank's failure to keep accurate books and records as they relate to internal software would constitute a breach of s. 19(1) of the *Securities Act*.

[1] RSO 1990, c S.5

[8] These allegations are serious. Accurate financial disclosure is a cornerstone of Ontario securities law. Reporting issuers must prepare and maintain their books and records in accordance with applicable accounting standards. The conduct that Staff alleges, if it were proven, would warrant significant sanctions.

[9] We note as a mitigating factor that Royal Bank undertook corrective measures to address the deficiencies in its books and records and controls relating to internal software cost capitalization. It did so before it was notified of an investigation relating to this issue.

[10] To resolve Staff's allegations, Royal Bank has agreed to make a voluntary payment of $2,000,000 to the OSC. Arising out of the same conduct alleged in this proceeding, but outside this proposed settlement, Royal Bank has also agreed to pay $2,000,000 to Québec's Autorité des Marchés Financiers. Royal Bank has further agreed to pay $8,000,000 to the United States Securities and Exchange Commission, although from that $8,000,000, Royal Bank will receive an offset credit to reflect the amounts paid to the Autorité des Marchés Financiers and to the OSC.

[11] The Capital Market Tribunal's role at a settlement hearing is to determine whether the negotiated result falls within a range of reasonable outcomes, and whether it would be in the public interest to make the order requested. We have reviewed this settlement in detail, and we conducted a confidential settlement conference with counsel for both parties. We asked questions of counsel and heard their submissions.

[12] We recognize that the agreement is the product of negotiation between Staff and Royal Bank. We respect the negotiation process. We accord significant deference to the resolution reached by the parties. We do have to be particularly mindful of our role to ensure that a settlement is in the public interest, when it is a "no-contest" settlement in which the respondent neither admits nor denies the truth of Staff's allegations.

[13] It is more difficult for parties to secure approval of no-contest settlements. However, in this case, we have considered section 17 of OSC Staff Notice 15-702, the *Revised Credit for Co-operation Program*, and we have taken into account the following factors:

a. Staff alleged no dishonest or abusive conduct;

b. Royal Bank provided prompt, detailed and candid cooperation during the investigation;

c. there was no evidence of harm to investors;

d. Royal Bank is making the voluntary payments totaling $8,000,000; and

e. Royal Bank implemented corrective measures before the OSC, the AMF or the SEC notified it of the investigation.

[14] The parties submit that this proposed settlement adequately addresses the important principle of deterrence. We agree.

[15] In our view, therefore, it is in the public interest to approve this no-contest settlement. We will issue an order substantially in the form of the draft order attached to the settlement agreement.

Dated at Toronto this 3rd day of November, 2023

"Tim Moseley"

"Russell Juriansz"

"M. Cecilia Williams"

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B. Ontario Securities Commission

B.2
Orders

B.2.1 TransAlta Renewables Inc.

Headnote

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – The issuer ceased to be a reporting issuer under securities legislation.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10)(a)(ii).

Citation: *Re TransAlta Renewables Inc.*, 2023 ABASC 147

November 2, 2023

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA
AND
ONTARIO
(the Jurisdictions)

AND

IN THE MATTER
OF THE PROCESS FOR CEASE TO BE
A REPORTING ISSUER APPLICATIONS

AND

IN THE MATTER OF
TRANSALTA RENEWABLES INC.
(the Filer)

ORDER

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Maker**) has received an application from the Filer for an order under the securities legislation of the Jurisdictions (the **Legislation**) that the Filer has ceased to be a reporting issuer in all jurisdictions of Canada in which it is a reporting issuer (the **Order Sought**).

Under the Process for Cease to be a Reporting Issuer Applications (for a dual application):

(a) the Alberta Securities Commission is the principal regulator for this application;

(b) the Filer has provided notice that subsection 4C.5(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland and Labrador; and

(c) this order is the order of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this order, unless otherwise defined.

Representations

This order is based on the following facts represented by the Filer:

1. the Filer is not an OTC reporting issuer under Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*;

2. the outstanding securities of the Filer, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide;

3. no securities of the Filer, including debt securities, are traded in Canada or another country on a marketplace as defined in National Instrument 21-101 *Marketplace Operation* or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported;

4. the Filer is applying for an order that the Filer has ceased to be a reporting issuer in all of the jurisdictions of Canada in which it is a reporting issuer; and

5. the Filer is not in default of securities legislation in any jurisdiction.

Order

Each of the Decision Makers is satisfied that the order meets the test set out in the Legislation for the Decision Maker to make the order.

The decision of the Decision Makers under the Legislation is that the Order Sought is granted.

“Timothy Robson”
Manager, Legal
Corporate Finance
Alberta Securities Commission

OSC File #: 2023/0480

B.3
Reasons and Decisions

B.3.1 Imperial Oil Limited

Headnote

Multilateral Instrument 11-102 Passport System – National Policy 11-203 Process for Exemptive Relief in Multiple Jurisdictions – Dual application – Issuer bid – Modified Dutch auction – Application for relief from the requirement to take up and pay for shares on a pro rata basis and the related disclosure requirements for the issuer bid circular (Section 2.26 of National Instrument 62-104 Take-Over Bids and Issuer Bids and Item 8 of Form 62-104F2 Issuer Bid Circular) – Application for relief from the requirement that the Offer not be extended if all the terms and conditions of the Offer have been complied with or waived unless the issuer first takes up all Shares deposited under the Offer and not withdrawn (Section 2.32 of NI 62-104).

Applicable Legislative Provisions

National Instrument 62-104 Take-Over Bids and Issuer Bids, ss. 2.26 and 6.1 and 2.32(4).

October 27, 2023

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA
AND
ONTARIO
(the Jurisdictions)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF APPLICATIONS
IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
IMPERIAL OIL LIMITED
(the Filer)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (each a **Decision Maker**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) granting the Filer, in connection with the proposed purchase of a portion of its outstanding common shares (the **Shares**) pursuant to an issuer bid (the **Offer**), an exemption from the following requirements (the **Exemption Sought**):

(a) the proportionate take-up requirements in section 2.26 of National Instrument 62104 *Take-over Bids and Issuer Bids* (**NI 62-104**) (the **Proportionate Take-Up Requirement**);

(b) the requirements in Item 8 of Form 62-104F2 Issuer Bid Circular to provide disclosure of the proportionate take-up and payment in the issuer bid circular (the **Proportionate Take-Up Disclosure Requirement**);

(c) the requirements in subsection 2.32(4) of NI 62-104 that an issuer bid not be extended if all the terms and conditions of the issuer bid have been complied with or waived unless the Filer first takes up all securities deposited under the issuer bid and not withdrawn (the **Extension Take-Up Requirement**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

(a) the Alberta Securities Commission is the principal regulator for this application;

(b) the Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each jurisdiction of Canada, other than Alberta and Ontario; and

(c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

Terms defined in National Instrument 14-101 Definitions and NI 62-104 have the same meaning if used in this decision, unless otherwise defined herein.

Representations

This decision is based on the following facts represented by the Filer:

1. The head office and registered office of the Filer are located in Alberta.

2. The Filer is a reporting issuer in each jurisdiction of Canada. The Filer's Shares are listed for trading on the Toronto Stock Exchange (the **TSX**) and have unlisted trading privileges and trade on the NYSE American LLC (the **NYSE American**). The Filer is not in default of securities legislation in any jurisdiction of Canada.

3. The authorized share capital of the Filer consists of 1,100,000,000 Shares. As of September 29, 2023, there were 566,667,118 Shares issued and outstanding.

4. On September 29, 2023, the closing price of the Shares on the TSX was $83.66 and US$61.59 on the NYSE American.

5. As at September 29, 2023, Exxon Mobil Corporation (**ExxonMobil**) beneficially owned 394,399,906 Shares, which represented approximately 69.6% of the issued and outstanding Shares.

6. The Filer intends to make the Offer pursuant to which it would offer to purchase that number of Shares having an aggregate purchase price of up to $• (the **Specified Dollar Amount**).

7. The board of directors of the Filer has determined that the Offer is in the best interests of the Filer.

8. The purchase price per Share will be determined by the Filer through a modified "Dutch auction" procedure in the manner described below, but will not be less than $• and not more than $• per Share (the **Price Range**).

9. The Specified Dollar Amount has been determined and will be announced by the Filer in a press release issued on October 27, 2023. Both the Specified Dollar Amount and the Price Range will be specified in the Circular.

10. The Filer expects to fund the purchase of Shares pursuant to the Offer, together with the fees and expenses of the Offer, with cash on hand. In any event, the Offer will not be conditional upon the receipt of any financing.

11. Any holder of Shares (**Shareholder**) wishing to tender to the Offer will be able to do so in the following ways:

    (a) by making auction tenders in which the tendering Shareholders specify the number of Shares being tendered at a specified price per Share (the **Auction Price**) within the Price Range (the **Auction Tenders**);

    (b) by making purchase price tenders in which the tendering Shareholders do not specify a price per Share, but rather agree to have a specified number of Shares purchased at the Purchase Price (as defined below) to be determined by the Auction Tenders (the **Purchase Price Tenders**);

    (c) by making proportionate tenders in which the tendering Shareholders agree to sell to the Filer, at the Purchase Price to be determined by the Auction Tenders, a number of Shares that will result in them maintaining their respective proportionate equity ownership in the Filer following completion of the Offer (the **Proportionate Tenders**).

12. Shareholders may make multiple Auction Tenders but not in respect of the same Shares (i.e. Shareholders may tender different Shares at different prices but cannot tender the same Shares at different prices). Shareholders may also make an Auction Tender in respect of certain of their Shares and a Purchase Price Tender in respect of other Shares. Shareholders who make an Auction Tender or a Purchase Price Tender may not make a Proportionate Tender and *vice versa.*

13. A registered Shareholder who makes a Proportionate Tender must deposit either all of its Shares or a sufficient number of Shares to satisfy the Shareholder's Proportionate Tender. A beneficial Shareholder who wishes its nominee to make a Proportionate Tender must deposit all of its Shares.

14. Any Shareholder who owns fewer than 100 Shares and tenders all of such Shareholder's Shares pursuant to an Auction Tender at or below the Purchase Price or makes a Purchase Price Tender will be considered to have made an "**Odd-Lot Tender**".

15. The Filer will determine the purchase price payable per Share (the **Purchase Price**) based on the Auction Prices and the number of Shares deposited pursuant to valid Auction Tenders and Purchase Price Tenders. The Purchase Price will be the lowest price that enables the Filer to purchase that number of Shares tendered pursuant to valid Auction Tenders and Purchase Price Tenders having an aggregate purchase price not to exceed an amount (the **Auction Tender Limit Amount**) equal to

    (a) the Specified Dollar Amount, less

    (b) the product of

        (i) the Specified Dollar Amount, and

        (ii) a fraction, the numerator of which is the aggregate number of Shares owned by Shareholders making valid Proportionate Tenders, and the denominator of which is the aggregate number of Shares outstanding at the time of expiry of the Offer.

16. If the aggregate purchase price for Shares validly tendered pursuant to Auction Tenders at Auction Prices at or below the Purchase Price and Purchase Price Tenders is less than or equal to the Auction Tender Limit Amount, the Filer will purchase at the Purchase Price all Shares so deposited pursuant to Auction Tenders at or below the Purchase Price and Purchase Price Tenders.

17. If the aggregate purchase price for Shares validly tendered pursuant to (i) Auction Tenders at Auction Prices at or below the Purchase Price; and (ii) Purchase Price Tenders is greater than the Auction Tender Limit Amount, then the Filer will purchase at the Purchase Price a portion of the Shares so deposited pursuant to Auction Tenders at or below the Purchase Price and Purchase Price Tenders, determined as follows:

    (a) first, the Filer will purchase all such Shares tendered by Shareholders at or below the Purchase Price pursuant to Odd-Lot Tenders;

    (b) second, the Filer will purchase on a pro rata basis that portion of such Shares tendered pursuant to Auction Tenders at or below the Purchase Price and Purchase Price Tenders having an aggregate purchase price, based on the Purchase Price, equal to

        (i) the Auction Tender Limit Amount, less

        (ii) the aggregate amount paid by the Filer for Shares tendered pursuant to Odd-Lot Tenders.

18. The Filer will purchase at the Purchase Price that portion of the Shares deposited by Shareholders making valid Proportionate Tenders that results in the tendering Shareholders maintaining their proportionate equity ownership in the Filer following completion of the Offer.

19. The number of Shares that the Filer will purchase pursuant to the Offer and the aggregate purchase price will vary depending on whether the aggregate purchase price payable in respect of Shares required to be purchased pursuant to Auction Tenders at Auction Prices at or below the Purchase Price and Purchase Price Tenders (the **Auction Tender Purchase Amount**) is equal to or less than the Auction Tender Limit Amount. If the Auction Tender Purchase Amount is equal to the Auction Tender Limit Amount, the Filer will purchase Shares for an aggregate purchase price equal to the Specified Dollar Amount. If the Auction Tender Purchase Amount is less than the Auction Tender Limit Amount, the Filer will purchase proportionately fewer Shares in the aggregate, with a proportionately lower aggregate purchase price.

20. ExxonMobil has advised the Filer that it intends to make a Proportionate Tender.

21. All Shares purchased by the Filer pursuant to the Offer (including Shares tendered at Auction Prices below the Purchase Price) will be purchased at the Purchase Price. Shareholders will receive the Purchase Price in cash. All Auction Tenders, Purchase Price Tenders and Proportionate Tenders will be subject to adjustment to avoid the purchase of fractional Shares. All payments to Shareholders will be subject to deduction of applicable withholding taxes.

22. All Shares tendered to the Offer and not taken up will be returned to the appropriate Shareholders.

23. The Offer is subject to the provisions of the United States regulation entitled *Regulation 14E* adopted under the 1934 Act (**Regulation 14E**).

24. The Offer is scheduled to expire at • p.m. (Calgary time) on December 8, 2023 (the **Expiration Time**).

25. Until expiry of the Offer, all information about the number of Shares tendered and the prices at which the Shares are tendered will be required to be kept confidential by the depositary and the Filer until the Purchase Price has been determined.

26. Shareholders who do not accept the Offer will continue to hold the same number of Shares as before the Offer and their proportionate Share ownership will increase following completion of the Offer.

27. The Filer may, in connection with the Offer, elect to extend the Offer if the aggregate purchase price for Shares validly tendered pursuant to Auction Tenders at Auction Prices at or below the Purchase Price and Purchase Price Tenders is less than the Auction Tender Limit Amount. The Filer will not extend the Offer if all the terms and conditions of the Offer have been complied with or waived by the Filer by the Expiration Time and the aggregate purchase price of the Shares validly tendered and not withdrawn pursuant to Auction Tenders and Purchase Price Tenders is equal to or greater than the Auction Tender Limit Amount.

28. Under the Extension Take-Up Requirement contained in subsection 2.32(4) of NI 62-104, an offeror may not extend an issuer bid if all the terms and conditions of the issuer bid have been complied with or waived unless the offeror first takes up all the securities deposited and not withdrawn under the issuer bid.

29. Under Regulation 14E, the Filer must promptly pay for all Shares deposited pursuant to the Offer at the time of expiry of the Offer. Regulation 14E does not provide for extensions of the Offer in the manner required by subsection 2.32(4) of NI 62-104.

30. In the event the Offer is extended, the Filer will be unable to take up Shares following the initial expiry of the Offer since the Purchase Price depends on all Auction Prices. Not all Auction Prices will be known at the time of the initial expiry of the Offer since there may be additional Auction Tenders during the extension period. As such, relief from the Extension Take-Up Requirement is required. Providing relief from the Extension Take-Up Requirement would enable the Filer to make a final determination regarding the Purchase Price, taking into account all Shares tendered during the period prior to the initial expiry of the Offer, as well as any subsequent extension period.

31. The Filer intends to rely on the exemption from the formal valuation requirements applicable to issuer bids under Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (**MI 61-101**) set out in paragraph 3.4(b) of MI 61-101 (the **Liquid Market Exemption**).

32. There will be a "liquid market" for the Shares, as such term is defined in MI 61-101, as of the date of the making of the Offer because the test in paragraph 1.2(1)(a) of MI 61-101 will be satisfied. In addition, an opinion has been voluntarily sought by the Filer in accordance with section 1.2 of MI 61-101 confirming that a liquid market exists for the Shares as of the date of the making of the Offer and such opinion will be included in the Circular (the **Liquidity Opinion**).

33. Based on the maximum number of Shares that may be purchased under the Offer, as of the date of the Offer, it will be reasonable to conclude (and the Liquidity Opinion will provide that it will be reasonable to conclude) that, following the completion of the Offer in accordance with its terms, there will be a market for holders of the Shares who do not tender to the Offer that is not materially less "liquid", as such term is defined in MI 61-101, than the market that existed at the time of the making of the Offer.

34. The Filer will disclose in the Circular relating to the Offer the following information:

    (a) the mechanics for the take-up of and payment for Shares as described herein;

    (b) that, by tendering Shares at the lowest price in the Price Range under an Auction Tender or by tendering Shares under a Purchase Price Tender or a Proportionate Tender, a Shareholder can reasonably expect that the Shares so tendered will be purchased at the Purchase Price, subject to proration and other terms of the Offer as specified herein;

    (c) that the Filer has filed for, or has then obtained, as the case may be, an exemption from the Proportionate Take-Up Requirement, the Proportionate Take-Up Disclosure Requirement and the Extension Take-Up Requirement;

    (d) the manner in which an extension of the Offer will be communicated to Shareholders and the public;

    (e) that Shares deposited pursuant to the Offer may be withdrawn at any time prior to the expiry of the Offer;

(f) as applicable, the name of each Shareholder that has advised the Filer that it intends to make a Proportionate Tender;

(g) the facts supporting the Filer's reliance on the Liquid Market Exemption, including the Liquidity Opinion;

(h) except to the extent exemptive relief is granted further to the Exemption Sought, the disclosure prescribed by applicable securities laws for issuer bids.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemption Sought is granted provided that the Filer

(a) takes up Shares validly deposited pursuant to the Offer and not withdrawn and pays for such Shares, in each case, in the manner described herein and as set out in the Circular,

(b) is eligible to rely on the Liquid Market Exemption,

(c) will issue and file a press release announcing receipt of the Exemption Sought promptly, and in any case, no later than one (1) business day following receipt of the Exemption Sought, and

(d) complies with the requirements of Regulation 14E.

“Timothy Robson”
Manager, Legal
Corporate Finance
Alberta Securities Commission

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B.4
Cease Trading Orders

B.4.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
THERE IS NOTHING TO REPORT THIS WEEK.				

Failure to File Cease Trade Orders

Company Name	Date of Order	Date of Revocation
Nass Valley Gateway Ltd.	July 13, 2023	November 2, 2023
DGTL Holdings Inc.	October 19, 2023	November 2, 2023
DXStorm.com Inc	November 3, 2023	
KuuHubb Inc	November 3, 2023	
Aretto Wellness Inc.	November 3, 2023	
Critical Infrastructure Technologies Ltd.	November 3, 2023	
Enlighta Inc.	November 3, 2023	
GCC Global Capital Corporation	November 3, 2023	
Metalo Manufacturing Inc.	November 3, 2023	
Pure Extracts Technologies Corp.	November 3, 2023	
Sweet Earth Holdings Corporation	November 3, 2023	
BevCanna Enterprises Inc.	August 3, 2022	November 3, 2023
Haltain Developments Corp.	September 1, 2022	November 6, 2023

B.4.2 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order	Date of Lapse
Falcon Gold Corp.	November 1, 2023	

B.4.3 Outstanding Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Expire	Date of Issuer Temporary Order
Performance Sports Group Ltd.	19 October 2016	31 October 2016	31 October 2016		

Company Name	Date of Order	Date of Lapse
Agrios Global Holdings Ltd.	September 17, 2020	
Sproutly Canada, Inc.	June 30, 2022	
iMining Technologies Inc.	September 30, 2022	
Alkaline Fuel Cell Power Corp.	April 4, 2023	
mCloud Technologies Corp.	April 5, 2023	
Element Nutritional Sciences Inc.	May 2, 2023	
CareSpan Health, Inc.	May 5, 2023	
Canada Silver Cobalt Works Inc.	May 5, 2023	
FenixOro Gold Corp.	July 5, 2023	
HAVN Life Sciences Inc.	August 30, 2023	
Falcon Gold Corp.	November 1, 2023	

B.6
Request for Comments

B.6.1 Proposed Amendments to OSC Rule 13-502 Fees and OSC Rule 13-503 (Commodity Futures Act) Fees

OSC NOTICE AND REQUEST FOR COMMENT

PROPOSED AMENDMENTS TO
ONTARIO SECURITIES COMMISSION RULE 13-502 FEES AND
ONTARIO SECURITIES COMMISSION RULE 13-503 (*COMMODITY FUTURES ACT*) FEES

November 9, 2023

Introduction

The Ontario Securities Commission (the **OSC**, the **Commission** or **we**) is publishing for a 90-day comment period the following:

(a) proposed amendments (the **Proposed 13-502 Amendments**) to OSC Rule 13-502 *Fees* (the **Fee Rule**), which are set out in Annex A; and

(b) proposed amendments (the **Proposed 13-503 Amendments**) to OSC Rule 13-503 (*Commodity Futures Act*) *Fees* (the **CFA Fee Rule**), which are set out in Annex A.1.

In this Notice and Request for Comment, the Proposed 13-502 Amendments and the Proposed 13-503 Amendments are referred to collectively as the **Proposed Amendments**.

The Proposed Amendments respond to the increase in funding required to address the additional regulatory costs required to onboard restricted dealers when compared to most existing market participants. The OSC has been supporting registration by providing a tailored regulatory regime to support restricted dealers, which include Crypto-Asset Trading Platforms (**CTP**s); however, in taking a leadership role in dealing with emerging sectors, additional resources have been dedicated to support the significant regulatory activity. The Proposed Amendments introduce two targeted incremental fees towards restricted dealers:

- an additional fee of $24,500 at the time of OSC registration; and
- an additional exemptive relief application (**ERA**) fee of $24,500 for restricted dealers operating as a marketplace.

The Proposed Amendments also include a change to the definition of “registrant firm” in each of the Fee Rule and the CFA Fee Rule that will extend the application of the participation fee and late fee requirements:

- in the Fee Rule, to unregistered persons or companies that are required to be registered as dealers, advisers, or investment fund managers, under the *Securities Act* (Ontario) (the **OSA**)
- in CFA Fee Rule, to unregistered persons or companies that are required to be registered as dealers or advisers, under the *Commodity Futures Act* (the **CFA**).

The timing of the Proposed Amendments is anticipated to become effective on July 2, 2024. The Proposed Amendments are available on the Commission's website (www.osc.ca). We request comments on the Proposed Amendments by February 7, 2024.

Background

The OSC is a self-funded agency that regulates Ontario’s capital markets. The OSC’s mandate is to protect investors from unfair, improper or fraudulent practices, to foster fair, efficient and competitive capital markets and confidence in the capital markets, to foster capital formation, and to contribute to the stability of the financial system and the reduction of systemic risk.

The fee structure is designed to recover the OSC's costs in carrying out its mandate. Fees are typically re-evaluated every three years based on the anticipated operating and capital costs to be incurred over the following period and infrequent cyclical investments that occur beyond a three-year cycle.

These Proposed Amendments are being brought forward at this time (and off the regular three year fee cycle) to align fees to the higher costs being incurred by the OSC to onboard restricted dealers when compared to onboarding other market participants.

Furthermore, as the proposed fees are sector neutral, they aim to proactively address an evolving cross-subsidization risk of regulatory costs associated with the new and emerging sectors.

Novel businesses, which include CTPs, require significant resource efforts to initiate compliance discussions, including understanding these entities' novel business models and imposing detailed obligations to mitigate investor protection risk. These businesses are typically registered as restricted dealers, subject to specific requirements or conditions as they are exempt from various aspects of the OSA.

The guiding principles used by the OSC to establish any fee rule amendments are as follows:

- Recovery of regulatory costs
- Ease of administration
- Fair and proportionate fees
- Fee predictability

Current registration and ERA fees for dealers and marketplaces, are minimal compared to the costs being incurred by OSC staff during the onboarding stage. Significant OSC staff time is dedicated to understanding these entities' business models and assessing detailed obligations to mitigate investor protection risk.

Substance and Purpose

Restricted Dealers

The Proposed Amendments are aimed at better aligning fees to costs, reflective of the evolution of the regulatory landscape. This section provides information on fees required to manage the increased costs to support the regulatory activities for registration and ERA for restricted dealers and marketplaces, respectively.

The OSC has and continues to observe higher onboarding costs, that is, to register and exempt restricted dealers and restricted dealers performing marketplace functions. Activity fees are relevant in this proposal given OSC staff perform specific regulatory functions that directly benefit the firms applying for registration/exemption.

There is an estimated additional $24,500 in costs to register CTPs with terms and conditions compared to typical firm registrations. The additional work is required in order to assess the appropriate regulatory framework considering business models that are complex, as typically seen with most restricted dealers. Historically, the average registration fees paid by a CTP amounted to approximately $2,600. Accordingly, the OSC proposes an additional $24,500 registration fee for restricted dealers, to better align fees with costs.

Once registered, restricted dealers are subject to annual participation fees within the OSC's existing fee structure.

Restricted Dealers Performing Marketplace Functions

Under the interim approach[1], a CTP performing marketplace functions would need to register as a restricted dealer. Firms will file an ERA to obtain an exemption from operating as a recognized Alternative Trading System. OSC staff estimate that they spend on average $24,500 more on ERAs for platforms that perform marketplace functions as compared to a typical ERA. Accordingly, the OSC proposes an additional $24,500 exemption fee in addition to existing ERA fees which is $4,800 or $7,000 depending on if relief is sought from one or two (or more) sections of the OSA at the same time, respectively.

Firms that operate a marketplace platform will incur total additional onboarding fees of $49,000: $24,500 to apply as a restricted dealer and $24,500 for those restricted dealers performing marketplace functions.

[1] As described in CSA Staff Notice 21-329 *Guidance for Crypto-Asset Trading Platforms: Compliance with Regulatory Requirements*

Summary of Fees for Restricted Dealers and Restricted Dealers Performing Marketplace Functions

The table below summarizes the total one-time and ongoing fee implications for restricted dealers and restricted dealers performing marketplace functions:

	Restricted Dealer	Restricted Dealer who also performs marketplace functions
One-time fees		
Registration fee *	$ 2,600	$ 2,600
ERA fee **	7,000	7,000
NEW: Additional registration fee for restricted dealer	24,500	24,500
NEW: Additional ERA fee for restricted dealer who also performs marketplace functions	-	24,500
Total	**$ 34,100**	**$ 58,600**

** Fee begins at $1,300 per firm, increasing based on number of categories of registration and representatives. $2,600 represents average historical fee paid by registered CTPs*.

*** ERA fees are either $4,800 or $7,000, depending on whether one or two or more sections of the OSA are requested from exemption. Most CTPs require relief from two or more sections of the OSA, which means most CTPs are required to pay the $7,000 ERA fee.*

Approximate one-time fees are estimated to be $34,100 and $58,600 for restricted dealers and restricted dealers performing marketplace functions, respectively.

Detailed Listing of Fee Amendments

Proposed New Fees	
Stakeholders	**Description**
Restricted dealer	New additional registration fee for restricted dealer - $24,500 (Fee Rule: Appendix F)
Restricted dealer who also performs marketplace functions	New additional registration fee for restricted dealer - $24,500 (Fee Rule: Appendix F) New additional exemptive relief application (ERA) fee for restricted dealer who also performs marketplace functions - $24,500 (Fee Rule: Appendix F)

Change to the definition of "registrant firm"

As indicated above, the Proposed 13-502 Amendments and Proposed 13-503 Amendments include changes to the definition of "registrant firm" in each of the Fee Rule and CFA Fee Rule to extend the application of the participation fee and late fee requirements to unregistered firms that are required to be registered. These changes better align the definition of "registrant firm" in the Fee Rule and the CFA Fee Rule with the respective definitions of "registrant" in the OSA and CFA.

In the OSA, requirements that are made applicable to a "registrant" apply to "a person or company registered or *required to be registered*". Similarly, in the CFA, requirements that are made applicable to a "registrant" apply to "a person or company registered or *required to be registered*".

The proposed changes to the definitions of "registrant firm" in the Fee Rule and the CFA Fee Rule are intended to achieve a more equitable allocation of regulatory costs among participants in Ontario's capital markets, and are consistent with the principles guiding our formulation of fee rule amendments that are referred to above.

The proposed changes to the definition of "registrant firm" in each of the Fee Rule and the CFA Fee Rule will mean that, after the coming into force of these changes: unregistered firms that participate in Ontario's capital markets in non-compliance with the relevant dealer, adviser and investment fund manager requirements in either the OSA or the CFA - as a result of their failure to

obtain registration - will become responsible under the corresponding fee rule for paying the participation fees applicable to other registered firms that are now included within the definition of a registrant firm.

Coming-into-Force

The Proposed Amendments will come into force on July 2, 2024.

Authority for the Proposed Amendments

The following provision of the OSA and CFA provide the Commission with the authority to make the Proposed Amendments:

- Paragraph 43 of subsection 143(1) of the OSA, which authorizes the Commission to make rules prescribing fees payable to the Commission.
- Paragraph 25 of subsection 65(1) of the CFA, which authorizes the Commission to make rules prescribing fees payable to the Commission.

Alternatives Considered

The Commission considered maintaining the existing Fee Rule; however, based on recent and increasing disparity in regulatory costs required to onboard restricted dealers when compared to most existing market participants, new fees were necessary. In continuing to provide a tailored regulatory regime to support restricted dealers, which include CTPs; the Commission's regulatory activity has been significant in dealing with emerging sectors. This approach allows the OSC to maintain its commitment to proactively consider regulatory implications of new and emerging sectors and maintain fair and proportionate fees.

Moreover, as noted above, the proposed changes to the definitions of "registrant firm" in the Fee Rule and the CFA Fee Rule are intended to achieve a more equitable allocation of regulatory costs amongst participants in Ontario's capital markets, and are consistent with the principles guiding our formulation of fee rule amendments that are referred to above.

Unpublished Materials

The Commission has not relied on any significant unpublished study, report, decision, or other written materials in putting forward the Proposed Amendments.

Content of Annexes

The following annexes form part of this Notice:

Annex A – Proposed Amendments to OSC Rule 13-502 *Fees*

Annex A.1 - Proposed Amendments to OSC Rule 13-503 *Fees (Commodity Futures Act)*

Annex B – Local Matters (Regulatory Impact Assessment)

Request for Comments

We welcome your comments on the Proposed Amendments.

How to Provide Your Comments

You must provide your comments in writing by February 7, 2024. If you are sending your comments by email, you should also send an electronic file containing the submissions using Microsoft Word.

Please send your comments to the following address:

The Secretary
Ontario Securities Commission
22 Queen Street West
22nd Floor, Box 55
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
Email: comments@osc.gov.on.ca

The Commission will publish written comments received unless the Commission approves a commenter's request for confidentiality or the commenter withdraws its comment before the comment's publication.

Please refer your questions to:

Dena Staikos
Manager
Compliance and Registrant Regulation
DStaikos@osc.gov.on.ca

Michelle Alexander
Manager
Market Regulation
MAlexander@osc.gov.on.ca

Mark Delloro
Senior Accountant
Market Regulation
MDelloro@osc.gov.on.ca

Roger Aguiar
Controller
Financial Management and Reporting
raguiar@osc.gov.on.ca

Liliana Ripandelli
Senior Legal Counsel
General Counsel's Office
lripandelli@osc.gov.on.ca

ANNEX A

PROPOSED AMENDMENTS TO
ONTARIO SECURITIES COMMISSION RULE 13-502 FEES

1. Ontario Securities Commission Rule 13-502 Fees is amended by this Instrument.

2. Section 1 is amended by adding the following definition:

"restricted dealer" has the same meaning as in NI 31-103;**.**

3. Appendix F is amended by:

(a) adding ", other than in the registration category of restricted dealer***" after "***registration***" in Row I1.***

(b) adding the following row after Row I1:

I1.1	Additional fee for new registration of a firm in the registration category of restricted dealer	$24,500

(c) adding the following row after Row L4:

L5	An application referred to in Row L1 or L2 if the application is by a restricted dealer or a firm that has applied for registration in the category of restricted dealer and involves an exemption from one or more requirements of National Instrument 21-101 *Marketplace Operation,* National Instrument 23-101 *Trading Rules*, or National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces*	The amount in Row L1 or L2 is increased by $24,500

4. This Instrument comes into force on [●].

ANNEX A.1

PROPOSED AMENDMENTS TO
ONTARIO SECURITIES COMMISSION RULE 13-503 FEES (*COMMODITY FUTURES ACT*)

1. Ontario Securities Commission Rule 13-503 Fees (Commodity Futures Act) is amended by this Instrument.

2. Section 1 is amended by replacing the definition of "registrant firm" ***with the following:***

"registrant firm" means a person or company registered or required to be registered as a dealer or an adviser under the CFA;**.**

3. **Subsection 7(2) is amended by:**

(a) ***replacing*** (b) advisory or sub-advisory fees paid during the designated financial year by the registrant firm to (i) a registrant firm under the CFA or a registrant firm under the Securities Act, or (ii) an unregistered exempt international firm, as defined in Rule 13-502 Fees under the Securities Act ***with the following:***

advisory or sub-advisory fees paid during the designated financial year by; (i) a person or company registered as a dealer or an adviser under the *Commodity Futures Act*; (ii) a registered dealer or a registered adviser, under the *Securities Act* or (iii) an unregistered exempt international firm;

4. The General Instructions of Form 13-503F1 are amended by replacing subsection (1) with the following:

1. This form must be completed by "registrant firms" as defined in this Rule that are not also "registrant firms" as defined in Rule 13-502 *Fees* under the *Securities Act*. It must be returned to the Ontario Securities Commission by November 1 each year, as required by section 3 of this Rule, except in the case where firms register after November 1 in a year. In this exceptional case, this form must be filed within 60 days of registration.

5. The Notes of Form 13-503F1 are amended by replacing 2. with the following:

2. Where the advisory services of (i) a person or company registered as a dealer or an adviser under the *Commodity Futures Act* or (ii) a registered dealer, registered adviser or registered investment fund manager, under the *Securities Act*; or (iii) an unregistered exempt international firm, are used by the person or company to advise on a portion of its assets under management, such sub-advisory costs are permitted as a deduction on this line to the extent that they are otherwise included in gross revenues.

6. Part 4(b) - Other Registrants is amended by replacing line 3 with:

advisory or sub-advisory fees paid during the designated financial year by it to (i) a person or company registered as a dealer or an adviser under the *Commodity Futures Act*; or (ii) a registered dealer or registered adviser under the *Securities Act*; or or (iii) an unregistered exempt international firm

7. This Instrument comes into force on [●].

ANNEX B

LOCAL MATTERS (REGULATORY IMPACT ASSESSMENT) – ONTARIO

1. Qualitative and quantitative analysis of the anticipated costs and benefits of the Proposed Amendments

OSC staff (the **OSC**, the **Commission** or **we**) have undertaken an analysis of the anticipated costs and benefits of the Proposed Amendments, as set forth below, to analyze the regulatory need for the proposed rule changes. This analysis includes the potential economic impacts, including anticipated costs and benefits, relative to the current baseline (where no additional activity fees are paid by restricted dealers in relation to the Commission's oversight of the new and emerging sectors).

The fee structure model set out in the Proposed Amendments is based on a 'cost-recovery model' – it is designed to recover the Commission's costs to provide protection to investors, promote efficient capital markets and confidence in capital markets, foster capital formation, and to contribute to the stability of the financial system and the reduction of systemic risk.

Proposed Additional Firm Registration Fee for Restricted Dealers and Additional Fee for Restricted Dealers Performing Marketplace Functions

It is important that the OSC's oversight continues to evolve to adequately address the complexity and growth in new and emerging sectors which include Crypto-Asset Trading Platforms (**CTPs**). These businesses, which require significant resource efforts to initiate compliance discussions, are typically registered as restricted dealers and they typically agree to terms and conditions at the registration stage. The OSC tailors each restricted dealer registration with specific requirements or conditions by exempting them from various aspects of the *Securities Act* (Ontario) (**OSA**).

The OSC has and continues to observe higher onboarding costs, that is, to register and exempt restricted dealers and restricted dealers performing marketplace functions. Additional activity fees considerations are relevant given OSC staff perform specific regulatory functions that directly benefit the firms applying for registration/exemption. Accordingly, restricted dealers activity was assessed for the additional costs to register and provide exemptive relief for restricted dealers, and specifically referencing work undertaken with CTPs, who form the majority of restricted dealers.

Proposed Change in Definition of "registrant firm"

The current definition of "registrant firm" in *Ontario Securities Commission Rule 13-502 Fees* and *Ontario Securities Commission Rule 13-503 Commodity Futures Act* (the **Fee Rules**) does not extend to unregistered persons or companies that are required to be registered as dealers, advisers, or investment fund managers. The proposed change to the Fee Rules would extend the application of participation fee and late fee requirements to unregistered firms that are required to be registered. The proposed changes to the definitions of "registrant firm" in the Fee Rules are intended to achieve a more equitable allocation of regulatory costs amongst participants in Ontario's capital markets.

The proposed changes to the definition of "registrant firm" in each of the Fee Rules will mean that, after the coming into force of these changes, unregistered firms that participate in Ontario's capital markets in non-compliance with the relevant dealer, adviser and investment fund manager requirements in either the OSA or the *Commodity Futures Act* (Ontario) (**CFA**) – as a result of their failure to obtain registration - will become responsible under the corresponding Fee Rule for paying the participation fees applicable to other registered firms that are now included within the definition of a registrant firm.

1.1 The anticipated costs of the Proposed Amendments

Where feasible, we have used available information to quantify the anticipated costs of the Proposed Amendments.

1.1.1 Costs of Proposed Additional Fees for Restricted Dealers

1.1.1.0 Anticipated fees to be paid under the Proposed Amendments

Restricted Dealers

There is an estimated $24,500 in additional OSC costs to register restricted dealers with terms and conditions compared to typical firm registrations. The additional work is required in order to assess the appropriate regulatory framework considering business models that are complex. Historically, the average registration fees paid by a restricted dealers amounted to approximately $2,600. Accordingly, the OSC proposes an additional $24,500 registration fee for restricted dealers, to better align fees with costs.

Once registered, restricted dealers are subject to annual participation fees within the OSC's existing fee structure.

Restricted Dealers Performing Marketplace Functions

Under the interim approach[1], a CTP performing marketplace functions needs to register as a restricted dealer. Firms will file an Exemptive Relief Application (ERA) to obtain exemption from operating as a recognized Alternative Trading System (ATS). There is an estimated $24,500 in additional OSC costs to review ERAs for restricted dealers compared to a typical ERA. Accordingly, the OSC proposes an additional $24,500 exemption fee in addition to existing ERA fees which range between $4,800 and $7,000.

Firms looking to operate a marketplace platform would incur total additional onboarding fees of $49,000: $24,500 to apply as a restricted dealer and $24,500 for those restricted dealers performing marketplace functions.

The table below summarizes the total one-time and ongoing fee implications during the interim period for restricted dealers and restricted dealers performing marketplace functions:

	Restricted Dealer	**Restricted Dealer who also performs marketplace functions**
One-time fees		
Registration fee *	$ 2,600	$ 2,600
ERA fee **	7,000	7,000
NEW: Registration fee for restricted dealer	24,500	24,500
NEW: ERA fee for restricted dealer who also performs marketplace functions	-	24,500
Total	**$ 34,100**	**$ 58,600**

** Fee begins at $1,300 per firm, increasing based on number of categories of registration and representatives. $2,600 represents average fee paid by registered crypto dealers/brokers*.

*** ERA fees are either $4,800 or $7,000, depending on whether one or two or more sections of the OSA are requested from exemption. Most CTPs require relief from two or more sections of the OSA, which means most CTPs are required to pay the $7,000 ERA fee.*

Approximate one-time fees are estimated to be $34,100 and $58,600 for restricted dealers and restricted dealers performing marketplace functions, respectively.

Change in Definition of "registrant firm"

The change in the definition of "registrant firm" will only have an impact on unregistered firms that participate in Ontario's capital markets in non-compliance with the relevant dealer, adviser and investment fund manager requirements in either the OSA or the CFA. The cost to the unregistered firm would be their staff's time to prepare an estimate for the Ontario specified revenues for the year(s) of which they were not registered. The cost of this time, by firm, could amount to approximately $764.

1.1.1.1 Other implementation costs to anticipated fee payers

Generally, anticipated fee payers will incur initial and ongoing costs from analyzing the Proposed Amendments and updating policies and procedures for compliance with any terms and conditions agreed upon for registration.

1.1.1.2 Direct costs to investors or other end-users of Restricted Dealers

There will be no direct costs to investors or end-users in arrangements with restricted dealers from the Proposed Amendments.

1.2 The anticipated benefits of the Proposed Amendments

In this section, we present our assessment of the anticipated benefits of the Proposed Amendments. Overall, the Proposed Amendments and appropriate funding benefit the public interest by providing the resources to allow the OSC to maintain its commitment to proactively consider regulatory implications of new and emerging sectors and fulfill its mandate.

[1] As described in CSA Staff Notice 21-329 *Guidance for Crypto-Asset Trading Platforms: Compliance with Regulatory Requirements*

1.2.1 Benefits from Additional Fees for Restricted Dealers

The benefits of the Proposed Amendments relating to the additional fees for restricted dealers include the following:

1.2.1.1 Effectively align fees to costs and proactively manage cross-subsidization

In the absence of the Proposed Amendments, the OSC will not be able to effectively manage cross-subsidization. There has been a need for additional resources to support onboarding restricted dealers compared to most existing market participants, supporting the additional fees. Furthermore, the additional fees will allow the OSC to better manage cross-subsidization of the regulatory costs associated with these emerging/novel sectors, minimizing the need for fees to be paid by market participants not in emerging/novel sectors.

1.2.1.2 Adequate funding will enable the OSC to fulfill its mandate

The OSC's mandate is to protect investors from unfair, improper or fraudulent practices, to foster fair, efficient and competitive capital markets and confidence in the capital markets, to foster capital formation, and to contribute to the stability of the financial system and the reduction of systemic risk. Additional fees relating to restricted dealers will enable the OSC to:

- provide oversight of the emerging/novel sector(s) and related risks and vulnerabilities;
- identify challenges in the emerging/novel sector(s) that may impede market efficiency;
- identify opportunities to strengthen and increase the competitiveness and growth of Ontario markets, and improve policy development; and
- improve coordination and cooperation with other provincial, federal, and foreign agencies to enhance the identification of vulnerabilities and manage risks*;*
- fund the OSC's efforts to protect Ontario investors from systemic risk and misconduct by providing the OSC with the necessary resources to continue to design and implement a framework for oversight of restricted dealers.

1.2.1.3 Additional fees are simple and easy for market participants to administer

The additional fees contemplated by the Proposed Amendments are fixed at $24,500 for registration of restricted dealers and a $24,500 Exemptive Relief Application (ERA) fee for restricted dealers who also perform marketplace functions. Firms looking to operate a marketplace platform would incur total additional onboarding fees of $49,000: $24,500 to apply as a restricted dealer and $24,500 for those restricted dealers performing marketplace functions. The implementation of the Proposed Amendments will not require significant system or process changes by firms but rather the fee will accompany their filings.

1.2.1.4 Fairness to market participants

The proposed changes to the definition of "registrant firm" contemplated by the Proposed Amendments are intended to achieve a more equitable allocation of regulatory costs amongst participants in Ontario's capital markets. Similarly, as noted for the additional fee of the Proposed Amendments, the change in the definition of "registrant firm" will not require significant system or process changes by firms but rather time by the firm's staff to calculate Ontario specified revenues.

2. Legislative Authority for Rule Making

The following provision of the *OSA and CFA* provides the Commission with the authority to make the Proposed Amendments:

- Paragraph 43 of subsection 143(1) of *OSA* authorizes the Commission to make rules prescribing fees payable to the Commission.
- Paragraph 25 of subsection 65(1) of the CFA, which authorizes the Commission to make rules prescribing fees payable to the Commission.

3. Alternatives Considered

The Commission considered maintaining the existing Fee Rule; however, as additional resource requirements are necessary to onboard restricted dealers when compared to most existing market participants, new fees are necessary. In continuing to provide a tailored regulatory regime to support restricted dealers, which include CTPs; the Commission's regulatory activity has been significant in dealing with emerging sectors. This approach allows the OSC to maintain its commitment to proactively consider regulatory implications of new and emerging sectors.

The alternative to expanding the definition of “registrant firm” would be to maintain the definition as it is. However, the proposed changes to the definitions of “registrant firm” in the Fee Rules are intended to achieve a more equitable allocation of regulatory costs amongst participants in Ontario’s capital markets.

4. Reliance on Unpublished Studies

The Commission has not relied on any significant unpublished study, report, decision, or other written materials in putting forward the Proposed Amendments.

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B.7
Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as in Thomson Reuters Canada's internet service SecuritiesSource (see www.westlawnextcanada.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

B.9
IPOs, New Issues and Secondary Financings

INVESTMENT FUNDS

Issuer Name:
Tangerine Balanced ETF Portfolio
Tangerine Balanced Growth ETF Portfolio
Tangerine Balanced Growth Portfolio
Tangerine Balanced Growth SRI Portfolio
Tangerine Balanced Income ETF Portfolio
Tangerine Balanced Income Portfolio
Tangerine Balanced Income SRI Portfolio
Tangerine Balanced Portfolio
Tangerine Balanced SRI Portfolio
Tangerine Dividend Portfolio
Tangerine Equity Growth ETF Portfolio
Tangerine Equity Growth Portfolio
Tangerine Equity Growth SRI Portfolio
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated Oct 30, 2023
NP 11-202 Final Receipt dated Nov 1, 2023
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06027036

Issuer Name:
GuardBonds TM 1-3 Year Laddered Investment Grade Bond Fund
GuardBonds TM 2024 Investment Grade Bond Fund
GuardBonds TM 2025 Investment Grade Bond Fund
GuardBonds TM 2026 Investment Grade Bond Fund
GuardBonds TM 2027 Investment Grade Bond Fund
Principal Regulator – Ontario
Type and Date:
Preliminary Simplified Prospectus dated Nov 2, 2023
NP 11-202 Preliminary Receipt dated Nov 1, 2023
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06041614

Issuer Name:
Mackenzie All-Equity Allocation ETF
Mackenzie Canadian Government Long Bond Index ETF
Mackenzie Canadian Ultra Short Bond Index ETF
Mackenzie US Government Long Bond Index ETF
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated Oct 31, 2023
NP 11-202 Final Receipt dated Nov 2, 2023
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06025912

Issuer Name:
Embark Select Conservative Plan
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated Oct 18, 2023
NP 11-202 Final Receipt dated Oct 31, 2023
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06028408

Issuer Name:
2028 Investment Grade Bond Trust
Principal Regulator – Ontario
Type and Date:
Preliminary Long Form Prospectus dated Nov 2, 2023
NP 11-202 Preliminary Receipt dated Nov 2, 2023
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06041851

Issuer Name:
DAMI Corporate Bond Fund
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated Oct 27, 2023
NP 11-202 Final Receipt dated Oct 31, 2023
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06027054

Issuer Name:
Arrow EC Equity Advantage Alternative Fund
Principal Regulator – Ontario
Type and Date:
Preliminary Simplified Prospectus dated Nov 3, 2023
NP 11-202 Preliminary Receipt dated Nov 3, 2023
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06042872

Issuer Name:
Horizons Robotics & AI Index ETF
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Long Form Prospectus dated October 30, 2023
NP 11-202 Final Receipt dated Nov 1, 2023
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #03557340

Issuer Name:
Russell Investments Global Infrastructure Class
Russell Investments Global Infrastructure Pool
Russell Investments Money Market Pool
Russell Investments Real Assets
Principal Regulator – Ontario
Type and Date:
Amendment #2 to Final Simplified Prospectus dated October 24, 2023
NP 11-202 Final Receipt dated Nov 2, 2023
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #03549726

NON-INVESTMENT FUNDS

Issuer Name:
Bayridge Resources Corp.
Principal Regulator – British Columbia
Type and Date:
Amended and Restated
Preliminary Long Form Prospectus dated Oct 30, 2023
NP 11-202 Amendment to Preliminary Receipt dated Oct 30, 2023
Offering Price and Description:
1,841,750 Common Shares on Exercise of 1,841,750 Outstanding Special Warrants
Filing# 06004534

Issuer Name:
BGX - BLACK GOLD EXPLORATION CORP.
Principal Regulator – British Columbia
Type and Date:
Amended and Restated Preliminary Long Form Prospectus dated Oct 27, 2023
NP 11-202 Amendment to Preliminary Receipt dated Oct 30, 2023
Offering Price and Description:
90,627 Common Shares on Exercise of 90,627 Outstanding Special Warrants
Filing# 06005260

Issuer Name:
Cenovus Energy Inc.
Principal Regulator – Alberta
Type and Date:
Final Short Form Base Shelf Prospectus dated Nov 3, 2023
NP 11-202 Final Receipt dated Nov 3, 2023
Offering Price and Description:
Debt, Common Shares, Preferred Shares, Subscription Receipts, Warrants, Share Purchase Contracts, Units
Filing# 06042843

Issuer Name:
Coelacanth Energy Inc.
Principal Regulator – Alberta
Type and Date:
Final Short Form Prospectus dated Nov 3, 2023
NP 11-202 Final Receipt dated Nov 3, 2023
Offering Price and Description:
$80,000,000.00
100,000,000 Units
$0.80 per Unit
Filing# 06039508

Issuer Name:
Crescent Point Energy Corp.
Principal Regulator – Alberta
Type and Date:
Final Short Form Base Shelf Prospectus dated Nov 3, 2023
NP 11-202 Final Receipt dated Nov 3, 2023
Offering Price and Description:
Common Shares, Warrants, Subscription Receipts, Debt Securities
Filing# 06042856

Issuer Name:
FendX Technologies Inc.
Principal Regulator – Ontario
Type and Date:
Final Short Form Base Shelf dated Oct 31, 2023
NP 11-202 Final Receipt dated Nov 1, 2023
Offering Price and Description:
$25,000,000.00
Common Shares, Preferred Shares, Warrants, Subscription Receipts, Units, Debt Securities
Filing# 06004543

Issuer Name:
Generation Mining Limited
Principal Regulator – Ontario
Type and Date:
Preliminary Short Form Prospectus dated Nov 2, 2023
NP 11-202 Preliminary Receipt dated Nov 3, 2023
Offering Price and Description:
$15,097,200.00
42,858,000 Units
9,678,000 Flow-Through Units
Filing# 06039851

Issuer Name:
Genesis Trust II
Principal Regulator – Ontario
Type and Date:
Final Short Form Base Shelf Prospectus dated Nov 2, 2023
NP 11-202 Final Receipt dated Nov 2, 2023
Offering Price and Description:
Up to $7,000,000,000.00 Real Estate Secured Line of Credit Backed Notes
Filing# 06038967

Issuer Name:
Global Atomic Corporation
Principal Regulator – Ontario
Type and Date:
Preliminary Shelf Prospectus dated Nov 3,2023
NP 11-202 Preliminary Receipt dated Nov 3, 2023
Offering Price and Description:
$350,000,000.00
Common Shares, Warrants, Subscription Receipts, Units, Debt Securities
Filing# 060428863

Issuer Name:
InterRent Real Estate Investment Trust
Principal Regulator – Ontario
Type and Date:
Final Short Form Base Shelf Prospectus dated Oct 31, 2023
NP 11-202 Final Receipt dated Nov 2, 2023
Offering Price and Description:
Units, Subscription Receipts
Filing# 06041174

Issuer Name:
Jo-Jo Capital Canada Ltd.
Principal Regulator – Ontario
Type and Date:
Amended and Restated CPC Prospectus dated Oct 31, 2023
NP 11-202 Subsequent Amendment to Final dated Nov 2, 2023
Offering Price and Description:
Minimum Offering: $200,000.00 or 2,000,000 Common Shares
Maximum Offering: $800,000.00 or 8,000,000 Common Shares
$0.10 per Common Share
Filing# 03552842

Issuer Name:
Lithium Americas Corp. (formerly 1397468 B.C. Ltd.)
Principal Regulator – British Columbia
Type and Date:
Preliminary Short Form Base Shelf Prospectus dated Oct 30, 2023
NP 11-202 Preliminary Receipt dated Oct 30, 2023
Offering Price and Description:
US$750,000,000.00
Common Shares, Preferred Shares, Debt Securities, Subscription Receipts, Warrants, Units
Filing# 06040146

Issuer Name:
Organto Foods Inc.
Principal Regulator – Ontario
Type and Date:
Amended And Restated Preliminary Short Form Base Shelf Prospectus dated Nov 1, 2023
NP 11-202 Amendment to Preliminary Receipt dated Nov 3, 2023
Offering Price and Description:
$25,000,000.00
Common Shares, Debt Securities, Convertible Securities, Warrants, Subscription Receipts
Filing# 06004257

Issuer Name:
Pro Real Estate Investment Trust
Principal Regulator – Quebec
Type and Date:
Final Short Form Base Shelf Prospectus dated Oct 31, 2023
NP 11-202 Final Receipt dated Oct 31, 2023
Offering Price and Description:
$250,000,000.00
Trust Units, Debt Securities, Subscription Receipts, Warrants, Units
Filing# 06039032

Issuer Name:
Royal Gold, Inc.
Principal Regulator – Ontario
Type and Date:
Final MJDS Prospectus dated Nov 2,2023
NP 11-202 Final Receipt dated Nov 3, 2023
Offering Price and Description:
Debt Securities, Preferred Stock, Common Stock, Warrants, Depositary Shares, Purchase Contracts, Units
Filing# 06042194

Issuer Name:
Thinkific Labs Inc.
Principal Regulator – British Columbia
Type and Date:
Preliminary Short Form Base Shelf Prospectus dated Oct 30, 2023
NP 11-202 Preliminary Receipt dated Oct 30, 2023
Offering Price and Description:
$300,000,000.00
Subordinate Voting Shares, Preferred Shares, Debt Securities, Warrants, Subscription Receipts, Units
Filing# 06040263

Issuer Name:
Troilus Gold Corp.
Principal Regulator – Quebec
Type and Date:
Preliminary short form prospectus dated Nov 3,2023
NP 11-202 Preliminary Receipt dated Nov 3, 2023
Offering Price and Description:
$15,008,000.00
28,580,000 Units
7,150,000 Traditional Flow-Through Shares
4,550,000 Québec Flow-Through Shares
Filing# 06040064

Issuer Name:
Western Alaska Minerals Corp. (formerly 1246779 B.C. Ltd.)
Principal Regulator – British Columbia
Type and Date:
Preliminary Short Form Base Shelf Prospectus dated Nov 1, 2023
NP 11-202 Preliminary Receipt dated Nov 3, 2023
Offering Price and Description:
$75,000,000.00
Subordinate Voting Shares, Proportionate Voting Shares, Preferred Shares, Debt Securities, Warrants, Subscription Receipts, Units, Share Purchase Contracts
Filing# 06043063

Issuer Name:
Zefiro Methane Corp.
Principal Regulator – British Columbia
Type and Date:
Amended and Restated Preliminary Long Form Prospectus dated Nov 3, 2023
NP 11-202 Amendment to Preliminary Receipt dated Nov 4, 2023
Offering Price and Description:
Common Shares
Filing# 06005766

Issuer Name:
ZenaTech, Inc.
Principal Regulator – Ontario
Type and Date:
Amendment No. 1 To Preliminary Long Form Prospectus - dated Nov 1, 2023
NP 11-202 Amendment to Preliminary Receipt dated Nov 1, 2023
Offering Price and Description:
No securities are being offered or sold pursuant to this Prospectus
Filing# 06005267

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B.10
Registrations

B.10.1 Registrants

Type	Company	Category of Registration	Effective Date
Amalgamation	Research Capital Corporation and M Partners Inc. To Form: Research Capital Corporation	Investment Fund Manager Investment Dealer	August 1, 2023
Suspended (Regulatory Action)	SPOTLIGHT CAPITAL CORP.	Exempt Market Dealer	February 16, 2023

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