The Ontario Securities Commission

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FOR IMMEDIATE RELEASE
June 11, 2025

ONTARIO SECURITIES COMMISSION AND
ANDREW DEFRANCESCO,
File No. 2025-10

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

A copy of the Order dated June 11, 2025 is available at capitalmarketstribunal.ca.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

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A.2.2 Go-To Developments Holdings Inc. et al.

FOR IMMEDIATE RELEASE
June 11, 2025

GO-TO DEVELOPMENTS HOLDINGS INC.,
GO-TO SPADINA ADELAIDE SQUARE INC.,
FURTADO HOLDINGS INC., AND
OSCAR FURTADO,
File No. 2022-8

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

A copy of the Order dated June 11, 2025 is available at capitalmarketstribunal.ca.

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A.2.3 Phemex Limited and Phemex Technology Pte. Ltd.

FOR IMMEDIATE RELEASE
June 16, 2025

PHEMEX LIMITED AND
PHEMEX TECHNOLOGY PTE. LTD.,
File No. 2023-22

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

A copy of the Reasons and Decision and Order both dated June 13, 2025 are available at capitalmarketstribunal.ca.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

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A.3
Orders

A.3.1 Ontario Securities Commission and Andrew DeFrancesco

ONTARIO SECURITIES COMMISSION

(Applicant)

AND

ANDREW DEFRANCESCO

(Respondent)

File No. 2025-10

Adjudicator: Dale R. Ponder

June 11, 2025

ORDER

WHEREAS on June 6, 2025, the Capital Markets Tribunal issued a Notice of Hearing setting this matter down to be heard in writing;

ON CONSIDERING a request from the Ontario Securities Commission to instead schedule a case management hearing by videoconference;

IT IS ORDERED THAT a case management hearing will be held at 1:00 p.m. on June 19, 2025, by videoconference, or as may be agreed to by the parties and set by the Governance & Tribunal Secretariat.

"Dale R. Ponder"

A.3.2 Go-To Developments Holdings Inc. et al.

IN THE MATTER OF
GO-TO DEVELOPMENTS HOLDINGS INC.,
GO-TO SPADINA ADELAIDE SQUARE INC.,
FURTADO HOLDINGS INC., AND
OSCAR FURTADO

File No. 2022-8

Adjudicators: M. Cecilia Williams (chair of the panel)
Geoffrey D. Creighton
Cathy Singer

June 11, 2025

ORDER

WHEREAS the Capital Markets Tribunal held a hearing in writing to set a schedule for a sanctions and costs hearing in this proceeding;

ON READING the submissions of the representatives for the Ontario Securities Commission, Oscar Furtado and the receiver of Go-To Developments Holdings Inc., Go-To Spadina Adelaide Square Inc., and Furtado Holdings Inc.;

IT IS ORDERED THAT:

1. the Commission shall serve and file written evidence, if any, and written submissions on sanctions and costs, by 4:30 p.m. on August 1, 2025;
2. each of the respondents shall serve and file written evidence, if any, and written submissions on sanctions and costs, by 4:30 p.m. on October 10, 2025;
3. the Commission shall serve and file reply written evidence and reply submissions on sanctions and costs, if any, by 4:30 p.m. on October 28, 2025;
4. the hearing with respect to sanctions and costs is scheduled for November 3, 2025, at 10:00 a.m., and shall take place at 20 Queen Street West, 17th Floor, Toronto, Ontario, or as may be agreed to by the parties and set by the Governance & Tribunal Secretariat; and
5. the previously scheduled hearing date of June 12, 2025, is vacated.

"M. Cecilia Williams"

"Geoffrey D. Creighton"

"Cathy Singer"

A.3.3 Phemex Limited and Phemex Technology Pte. Ltd. – ss. 127(1), 127.1

IN THE MATTER OF
PHEMEX LIMITED AND
PHEMEX TECHNOLOGY PTE. LTD.

File No. 2023-22

Adjudicators: Cathy Singer (chair of the panel)
Russell Juriansz
Mary Condon

June 13, 2025

ORDER
(Subsection 127(1) and section 127.1 of the *Securities Act,* RSO 1990, c S.5)

WHEREAS on March 3 and April 15, 2025, the Capital Markets Tribunal held a hearing at 20 Queen Street West, 17th Floor, Toronto, Ontario, to consider the sanctions and costs that the Tribunal should impose on the respondents, Phemex Limited and Phemex Technology Pte. Ltd., as a result of the findings in the Reasons and Decision on the Merits issued on December 18, 2024, where the respondents were found to have operated an online crypto asset trading platform (the **Phemex Platform**) and sold securities to Ontario investors without complying with the registration and prospectus requirements under the *Securities Act* (the ***Act***);

ON READING the materials filed by the parties, and on hearing the submissions of the representatives for the Ontario Securities Commission and for the respondents;

IT IS ORDERED THAT:

1. pursuant to paragraph 2 of s. 127(1) of the *Act*, trading in any securities or derivatives by the respondents shall cease permanently;

2. pursuant to paragraph 2.1 of s. 127(1) of the *Act*, the acquisition of any securities by the respondents is prohibited permanently;

3. pursuant to paragraph 3 of s. 127(1) of the *Act*, any exemptions contained in Ontario securities law do not apply to the respondents permanently;

4. notwithstanding the above, the respondents are permitted to engage in transactions in securities and/or derivatives to the extent necessary to permit Ontario investors to close out their positions and withdraw their funds from the Phemex Platform;

5. pursuant to paragraph 8.5 of s. 127(1) of the *Act*, the respondents are prohibited from becoming or acting as a registrant or as a promoter permanently;

6. pursuant to paragraph 9 of s. 127(1) of the *Act*, the respondents shall pay, jointly and severally, an administrative penalty of $300,000;

7. pursuant to paragraph 10 of s. 127(1) of the *Act*, the respondents shall disgorge, jointly and severally, US$39,712.43; and

8. pursuant to s. 127.1 of the *Act*, the respondents shall pay, jointly and severally, costs to the Commission in the amount of $134,975.

“Cathy Singer”

“Russell Juriansz”

“Mary Condon”

A.4
Reasons and Decisions

A.4.1 Phemex Limited and Phemex Technology Pte. Ltd. – ss. 127(1), 127.1

Citation: *Phemex Limited (Re)*, 2025 ONCMT 9
Date: 2025-06-13
File No. 2023-22

IN THE MATTER OF
PHEMEX LIMITED AND
PHEMEX TECHNOLOGY PTE. LTD.

REASONS AND DECISION
(Subsection 127(1) and section 127.1 of the *Securities Act*, RSO 1990, c S.5)

Adjudicators:	Cathy Singer (chair of the panel) Russell Juriansz Mary Condon	
Hearing:	March 3 and April 15, 2025	
Appearances:	Alvin Qian	For the Ontario Securities Commission
	Ran He	For Phemex Limited and Phemex Technology Pte. Ltd.

REASONS AND DECISION

1. OVERVIEW

[1] In a decision on the merits dated December 18, 2024 (the **Merits Decision**),[1] the Capital Markets Tribunal found that the respondents, Phemex Limited and Phemex Technology Pte. Ltd., operated an online crypto asset trading platform (the **Phemex Platform**) and sold securities to Ontario investors without complying with the registration and prospectus requirements under the *Securities Act* (the ***Act***).[2]

[2] The Commission now seeks sanctions against the respondents pursuant to s. 127(1) of the *Act* and an order that they pay a portion of the Commission's investigation and proceeding costs.

[3] For the reasons set out below, we conclude it would be in the public interest to order that the respondents be permanently banned from participating in Ontario's capital markets, and jointly and severally:

a. disgorge to the Commission US$39,712.43;

b. pay an administrative penalty of $300,000; and

c. pay $134,975 of the Commission's costs.

2. BACKGROUND

[4] In the Merits Decision, the Tribunal found that the respondents contravened Ontario securities law by:

a. engaging in the business of trading in securities without registration or without obtaining an exemption from the registration requirement, contrary to s. 25(1) of the *Act*; and

b. distributing securities without filing a prospectus or without obtaining an exemption from the prospectus requirement, contrary to s. 53(1) of the *Act*.

1 2024 ONCMT 30
2 RSO 1990, c S.5

[5] The respondents operated the Phemex Platform and made it available to Ontario investors between November 2019 and January 2023. They solicited investors to use the platform to engage in trading activity. Phemex Technology developed and operated the mobile apps that enabled investors to trade on the platform.

[6] At least 117 Ontario investors traded over 74 million USDT (equivalent in value to over US$74 million) worth of securities on the platform. The respondents earned fees of 39,712.43 USDT.

[7] On January 7, 2023, after being contacted by the Commission, the respondents implemented IP-based restrictions that blocked Ontario IP addresses from accessing the Platform.

[8] At the merits hearing on October 7, 2024, Phemex Limited and the Commission filed a Statement of Agreed Facts. Phemex Limited subsequently conceded the statutory breaches in its opening statement.

3. ANALYSIS

3.1 Introduction

[9] The Tribunal may impose sanctions under s. 127(1) of the *Act* where it finds it to be in the public interest to do so. The Tribunal's exercise of that jurisdiction must be consistent with the purposes of the *Act*, which include protecting investors from unfair, improper and fraudulent practices, and fostering fair and efficient capital markets and confidence in them.

[10] Sanctions are protective and are intended to prevent future harm to investors and to the capital markets.[3]

[11] The Commission seeks the following sanctions and costs against the respondents:

a. permanent prohibitions on their ability to participate in Ontario's capital markets;

b. disgorgement of US$39,712.43, to be paid on a joint and several basis;

c. an administrative penalty of $500,000, to be paid on a joint and several basis; and

d. costs of $134,975, to be paid on a joint and several basis.

[12] The respondents accept the proposed permanent market participation bans and disgorgement order but dispute the requested administrative penalty and costs order.

[13] Before discussing appropriate sanctions, we consider the status of Phemex Technology and its impact on our analysis.

[14] As noted in the Merits Decision, Phemex Technology was dissolved on September 4, 2024. We observed that Phemex Technology's dissolution did not detract from our ability to exercise our jurisdiction to make findings that it violated the *Act*.[4] We consider it in the public interest to make orders against Phemex Technology despite its dissolution, as it may be possible for it to be revived in the future.[5]

3.2 Market participation bans

[15] The Commission seeks permanent market participation bans against the respondents, with a carve-out to allow Ontario investors to close out their positions and withdraw their assets held on the Phemex Platform.

[16] The respondents accept that permanent market participation bans are in the public interest. We agree. Participation in the capital markets is a privilege, not a right.[6] Permanent market bans are necessary to protect Ontario investors and send a strong deterrent message to other crypto trading asset platforms.

3.3 Disgorgement

[17] The Commission requests, pursuant to s. 127(1)10 of the *Act*, that the respondents be ordered to disgorge, on a joint and several basis, the value of the fees they obtained as a result of their breaches of Ontario securities law.

[18] The respondents accept that the requested disgorgement order is appropriate and in the public interest. We agree.

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3 *Committee for the Equal Treatment of Asbestos Minority Shareholders v Ontario (Securities Commission)*, 2001 SCC 37 at para 42
4 Merits Decision at paras 16-17
5 *Nvest Canada Inc (Re)*, 2024 ONCMT 25 at para 119; *Smillie (Re)*, 2024 BCSECCOM 496 at paras 51 and 102
6 *Erikson v OSC,* 2003 CanLII 2451 (Div Ct) at paras 55-56

[19] Together the respondents earned USDT 39,712.43 in fees. The Commission provided evidence showing that during the material time, USDT traded on various crypto trading platforms globally against USD at an exchange rate close to 1-to-1. We therefore order that the respondents disgorge US$39,712.43.

3.4 Administrative penalty

3.4.1 Introduction

[20] Paragraph 9 of s. 127(1) of the *Act* provides that if a person or company has not complied with Ontario securities law, the Tribunal may require the person or company to pay an administrative penalty of not more than $1 million for each failure to comply.

[21] The Commission requests an administrative penalty of $500,000, while the respondents submit a penalty in the range of $150,000 to $200,000 is more appropriate and proportionate.

[22] There is no formula for determining the quantum of an administrative penalty. The panel must be satisfied that it is in the public interest to levy the penalty. The purpose of administrative penalties is to protect the public by deterring future misconduct, not to punish.[7]

[23] In determining appropriate sanctions, the Tribunal considers a number of factors, the relevance and weight of which depend on the circumstances of the case.[8] A predominant factor when considering an appropriate administrative penalty is the seriousness of the misconduct. Additional factors that are relevant in this case include the respondents' level of activity in the marketplace, the size of the profit they obtained, whether they have recognized the seriousness of their improprieties, their experience in the marketplace and deterrence. We discuss these factors below.

3.4.2 Seriousness of the misconduct

[24] The respondents violated the *Act* by failing to comply with their registration and prospectus requirements. The registration requirement enables regulatory oversight to promote the competence and integrity of registrants. The prospectus requirement ensures investors are provided with the necessary information to make informed investment decisions. These requirements are cornerstones of the protection of investors and fair and efficient capital markets. The respondents deprived Ontario investors of these essential statutory protections. Their non-compliance is a serious breach of the *Act* and warrants a significant administrative penalty.

3.4.3 Level of activity in the marketplace and the size of the profit obtained

[25] At least 117 Ontario investors used the Phemex Platform to trade in crypto asset products with a total trading volume of over US$74 million. The respondents earned US$39,712.43 in fees. These numbers, particularly the amount earned, are lower than in most of the crypto cases cited by the Commission (where those numbers were able to be calculated).[9] That said, we regard the trading volume on the platform as significant.

3.4.4 Recognition of seriousness of the improprieties

[26] The parties dispute whether and how the respondents cooperated with the Commission before and after this proceeding commenced in September 2023. The Commission submits there was no cooperation from the respondents between September and December 2022. The Commission also emphasizes it did not reach a Statement of Agreed Facts with Phemex Limited until September 26, 2024, shortly before the merits hearing began on October 7, 2024.

[27] We acknowledge this. But there is wisdom in the adage — "better late than never." Agreements to facts at any stage of the proceeding should be encouraged. Agreed facts streamline the proceedings, narrow the issues, and save time and resources for the parties and the Tribunal. In this case, the agreement was comprehensive and covered all the essential facts. Phemex Limited followed up by formally conceding the statutory breaches during its opening statement at the merits hearing.

[28] We accept the respondents' claim that, since their current counsel was retained in June 2023, they have been committed to cooperating with the Commission. That claim is consistent with their counsel's conduct before the Tribunal.

[29] The respondents' cooperation is a mitigating factor. Needless to say, an earlier agreement would have had a greater mitigating effect.

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7 *Cartaway Resources Corp (Re)*, 2004 SCC 26 at para 60

8 *Belteco Holdings Inc (Re)*, (1998) 21 OSCB 7743 at 7746

9 *Polo Digital Assets, Ltd (Re)*, 2022 ONCMT 32 (***Polo Digital***); *Manticore Labs OU (Re)*, 2025 ONCMT 1; *Bybit Fintech Limited (Re)*, 2022 ONCMT 16 (***Bybit***); *Aux Cayes Fintech Co Ltd (Re)*, 2022 ONCMT 30 (***Aux Cayes***)

3.4.5 Experience in the marketplace

[30] The respondents point out that they were incorporated in Singapore and relied on agents in different countries to carry out and maintain corporate registration. They submit they were not familiar with the processes in Ontario. It is trite that ignorance of the law is no excuse. The law requires that operators of crypto platforms accessible by Ontario residents comply with Ontario's registration and prospectus requirements. Crypto platforms and other entities that operate globally are not exempt from the requirements that exist to protect Ontario investors.

[31] We reject the contention that the respondents' lack of experience in the Ontario marketplace should have a mitigating effect.

3.4.6 Deterrence

[32] Specific and general deterrence must be considered in determining the appropriate administrative penalty. In our view, the respondents' acceptance of a permanent market participation ban reduces our need to consider specific deterrence in assessing the appropriate administrative penalty.

[33] General deterrence, however, remains essential to fulfilling the dual purposes of an administrative penalty — protection and prevention. The penalty must be substantial enough to deter similar misconduct by other crypto asset platforms, without crossing the line into punitive enforcement.

3.4.7 Quantum

[34] In its submissions about the appropriate administrative penalty, the Commission relied only on prior decisions of this and other tribunals involving unregistered crypto operators, and the respondents relied on decisions involving more traditional investment vehicles.

[35] The existing body of precedents involving crypto platforms is, in important respects, incomplete. In many earlier crypto-related cases, the respondents did not appear before the Tribunal or cooperate with the Commission's investigators. Consequently, little was known about the scope of the respondents' Ontario operations. As a result, the Tribunal had no alternative but to impose administrative penalties in the absence of complete evidence about the number of Ontario investors, the volume of trading activity within the province, or the profits earned from Ontario accounts.

[36] For example, in *Mek Global Limited,*[10] the Tribunal held a written merits and sanctions hearing in the respondents' absence after they did not participate in the Commission's investigation and chose not to participate in the proceeding. In fact, the respondents continued their illegal activities in Ontario throughout the proceeding.[11] The Tribunal imposed an administrative penalty in the amount of $2 million, primarily to reflect the seriousness of the misconduct and the respondents' disregard for the regulatory process. Similarly in Quebec, in *Coinex Global Limited*,[12] the Autorité des marchés financiers, without information about the respondent's Quebec operations, noted the respondents continued trading during the proceedings and imposed a comparable penalty.

[37] In *Polo Digital,* the panel had a more complete picture of the respondents' Ontario operations.[13] However, the respondents did not participate in the merits and sanctions hearings, leaving the Commission's evidence about revenue unchallenged. The Tribunal imposed a $1,500,000 administrative penalty, emphasizing the need to create an economic disincentive for Polo Digital and deter others in the crypto asset trading sector from evading Ontario securities law.[14]

[38] In *Aux Cayes* and *Bybit*, the Tribunal had a fuller picture of the respondents' Ontario operations. The administrative penalties imposed were markedly different than the above – none in *Bybit* and $600,000 in *Aux Cayes.* As both cases were settlements, and the product of negotiations between the parties, the precedential value of these decisions is limited. It is unclear if the same penalties would be imposed if there had been a contested hearing.

[39] Lastly, in *LiquiTrade Ltd*,[15] the British Columbia Securities Commission imposed a $500,000 administrative penalty. As in the present case, the LiquiTrade platform had a small number of investors and the fees earned were described as "likely nominal".[16] Unlike in this case, the respondent did not participate in the proceeding.[17]

10 2022 ONCMT 15 (***Mek Global***)
11 *Mek Global* at para 95
12 2023 QCTMF 75 at paras 269-271
13 *Polo Digital* at para 103
14 *Polo Digital* at para 134
15 *LiquiTrade Ltd (Re)*, 2024 BCSECCOM 406 (***LiquiTrade***)
16 *LiquiTrade* at para 16
17 *LiquiTrade* at para 26

[40] The penalties in earlier crypto cases often reflect not only the seriousness of the conduct at issue, but also the grave aggravating factor of noncooperation. By contrast, we have found the respondents' cooperation in this case to be a mitigating factor.

[41] In the more traditional unregistered trading cases cited by the respondents[18] there is more consistent and complete evidence about the scope of the misconduct, including investor losses, revenue earned, and level of cooperation. Although these cases share the common regulatory objective of deterring unregistered trading and protecting investors, they do not involve crypto assets.

[42] The crypto market has distinctive features and an evolving risk profile. The crypto market's use of the internet enables global operations and a disregard of jurisdictional boundaries. We must take into account this context when fashioning the appropriate sanctions. At the same time, unreflective reliance on the earlier crypto cases could lead us to impose penalties that are disconnected from the facts of the case before us.

[43] We conclude that both crypto-related and traditional cases offer relevant but incomplete guidance. We must impose a penalty that reflects the seriousness of the misconduct in light of the factors we have discussed above, and the need to deter similar misconduct. The penalty should also foster engagement with the regulatory process.

[44] Taking all the factors above into account, we impose an administrative penalty of $300,000, to be paid by the respondents on a joint and several basis. Absent the respondents' cooperation, a higher administrative penalty would have been appropriate.

3.5 Costs

[45] A costs order under s. 127.1 of the *Act* aims to reduce the burden on market participants — who finance the Commission through fees — by recouping expenses for investigations and enforcement proceedings.

[46] The Commission's Bill of Costs for this case totals $148,526.25. The Commission excluded certain items, such as time spent on settlement discussions and negotiations. After applying a 9.12% discount, the Commission seeks a costs order of $134,975 on a joint and several basis.

[47] The respondents propose a costs order of approximately $75,000, arguing the Commission's costs were excessive given their cooperation. They did not challenge the Bill's calculations but claim the Commission unnecessarily prepared for a full hearing despite their willingness to admit liability.

[48] We reject the respondents' position for two reasons. First, we have already taken their cooperation into account in mitigating the administrative penalty. Second, without a settlement or executed agreed statement of facts, the Commission was obliged to fully prepare its case. Although the late agreement did shorten the hearing considerably, this is already reflected in the Bill of Costs.

[49] We therefore find it to be in the public interest to grant the costs order sought by the Commission.

4. CONCLUSION

[50] For the above reasons, we order that:

a. pursuant to paragraph 2 of s. 127(1) of the *Act*, trading in any securities or derivatives by the respondents shall cease permanently;

b. pursuant to paragraph 2.1 of s. 127(1) of the *Act*, the acquisition of any securities by the respondents is prohibited permanently;

c. pursuant to paragraph 3 of s. 127(1) of the *Act*, any exemptions contained in Ontario securities law do not apply to the respondents permanently;

d. notwithstanding the above, the respondents are permitted to engage in transactions in securities and/or derivatives to the extent necessary to permit Ontario investors to close out their positions and withdraw their funds from the Phemex Platform;

e. pursuant to paragraph 8.5 of s. 127(1) of the *Act*, the respondents are prohibited from becoming or acting as a registrant or as a promoter permanently;

[18] *Nvest Canada Inc (Re)*, 2024 ONCMT 25; *VRK Forex & Investments Inc (Re)*, 2022 ONCMT 28; *Ava Trade Ltd (Re)*, 2019 ONSEC 27; *eToro (Europe) Limited (Re)*, 2018 ONSEC 49; *MBS Group (Canada) Ltd (Re)*, 2013 ONSEC 15

f. pursuant to paragraph 9 of s. 127(1) of the *Act*, the respondents shall pay, jointly and severally, an administrative penalty of $300,000;

g. pursuant to paragraph 10 of s. 127(1) of the *Act*, the respondents shall disgorge, jointly and severally, US$39,712.43; and

h. pursuant to s. 127.1 of the *Act*, the respondents shall pay, jointly and severally, costs to the Commission in the amount of $134,975.

Dated at Toronto this 13th day of June, 2025

“Cathy Singer”

“Russell Juriansz”

“Mary Condon”

B. Ontario Securities Commission

B.1
Notices

B.1.1 CSA Consultation Paper 81-409 – Enhancing Exchange-Traded Fund Regulation: Proposed Approaches and Discussion

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA CONSULTATION PAPER 81-409

ENHANCING EXCHANGE-TRADED FUND REGULATION: PROPOSED APPROACHES AND DISCUSSION

June 19, 2025

I. Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are considering potential amendments to the investment funds regulatory framework for exchange-traded funds (**ETFs**).[1] Since the introduction of the first ETF in Canada in 1990, ETFs have experienced strong growth, with assets under management reaching $518 billion by December 31, 2024, representing approximately 19% of publicly offered fund assets.[2] As of the end of 2024, 45 ETF providers offer over 1,200 ETFs in Canada.[3] ETFs provide ready access to a wide range of investment exposures and strategies and offer intraday liquidity through their exchange listing. Retail investors make significant use of ETFs, with retail holdings of ETFs comprising approximately 62% of total ETF assets as of December 2024.[4]

The International Organization of Securities Commissions (**IOSCO**) recently considered the performance of ETFs during the COVID-19 pandemic induced market stress in March and April 2020, during which ETFs underwent significant stress.[5] Generally, IOSCO found that while certain subsets of ETFs temporarily experienced unusual trading behaviors, the ETF structure demonstrated resilience throughout the stress period, with no major risks or fragilities. The resilience of the ETF structure during that period of volatility could further increase the adoption of ETFs, making them an important area of focus for the CSA.

Since their introduction, the ETF market in Canada has evolved substantially. Initially, ETFs aimed to replicate the performance of broad Canadian and U.S. equity market indices, offering low-cost portfolio diversification. Since then, Canadian ETFs have evolved and now offer exposure to a wide range of assets and investment strategies, including index tracking, smart beta strategies, daily leveraged/inverse exposure to indexes and commodity prices, asset allocation, and active management strategies. Some ETFs use alternative investment strategies permitted under National Instrument 81-102 *Investment Funds* (**NI 81-102**).

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1 See the definition of "ETF" in National Instrument 41-101 *General Prospectus Requirements*.

2 Securities and Investment Management Association, SIMA (formerly IFIC), 2024 Investment Funds Report January 31, 2025 (**SIMA 2024 Report**). ETF net assets represent approximately 19% of total public investment fund assets (mutual funds ($2,242 billion) and ETFs ($518 billion)) as of December 31, 2024.

3 See SIMA 2024 Report.

4 Represents Canadian retail investors' share of total Canadian-listed ETF assets. Data provided by ISS Market Intelligence, Investor Economics ETF and Index Funds Report (Q4 2024).

5 International Organization of Securities Commissions (**IOSCO**), Exchange Traded Funds Thematic Note - Findings and Observations during COVID-19 induced market stresses (2018, *available at* https://www.iosco.org/library/pubdocs/pdf/IOSCOPD682.pdf.

In recent years, as ETFs have grown, multiplied and evolved, regulators in other jurisdictions have developed and implemented requirements or published consultations, recommendations, and guidance for ETFs.[6] In May 2023, IOSCO published *Good Practices Relating to the Implementation of the IOSCO Principles for Exchange Traded Funds*[7] (the **IOSCO ETF Good Practices**) to supplement the *IOSCO Principles for the Regulation of ETFs*[8] (the **IOSCO ETF Principles**) and provide examples of how the IOSCO ETF Principles could be put in practice.

Currently, under the CSA's investment fund rules, ETFs are regulated under a substantially similar framework as conventional mutual funds, as both types of products are "mutual funds" under securities legislation by virtue of their offering of securities that are redeemable on demand at net asset value (**NAV**). For example, ETFs are subject to the same investment restrictions applicable to mutual funds, including portfolio diversification requirements and limits on illiquid assets set out in NI 81-102.

While the existing regulatory framework addresses some features of ETFs,[9] it is not highly tailored to them. ETFs have unique features that distinguish them from conventional mutual funds, namely, their unit creation and redemption mechanism, the secondary market trading of their units and the associated arbitrage mechanism that acts to keep the secondary market price of an ETF close to the underlying value of its portfolio. These features are discussed in greater detail in subsection II.A below.

In 2023, members of the CSA commenced a review to assess whether the current regulations for ETFs remain appropriate, focusing on the unique features of ETFs (the **ETF Review**).[10] The ETF Review involved (a) a study of the Canadian ETF market, and (b) an analysis to identify potential gaps in the existing regulatory framework and ways to update and enhance the existing framework. The Thought Leadership Division of the Ontario Securities Commission (**OSC**) conducted the study of the Canadian ETF market, analyzing its composition and secondary market activity, including factors that may affect ETF trading liquidity and arbitrage. The findings from the study informed our analysis of potential gaps and are detailed in the OSC ETF Study, *An Empirical Analysis of Canadian ETF Liquidity and the Effectiveness of the Arbitrage Mechanism* published on June 19, 2025 (the **OSC ETF Study**).[11]

This consultation paper (**Consultation Paper**) outlines our views on potential gaps that may need to be addressed and proposes enhancements to the regulatory framework for ETFs. The proposals consider the IOSCO ETF Good Practices addressed to regulators and how different jurisdictions have implemented the IOSCO ETF Principles that may be appropriate for the Canadian market.

The CSA is publishing the Consultation Paper for a 120 day comment period to gather stakeholder views on the issues and proposals outlined in section III. The proposals primarily impact ETFs and their managers, but also affect investors and their advisors, dealers that provide liquidity for ETFs and listing exchanges. We believe that a regulatory framework tailored to the unique ETF structure can enhance investor protection, promote investor confidence in ETFs, and foster competition. Our proposals aim to ensure that our regulatory framework continues to be appropriate for ETFs in order to support continued growth for the benefit of investors. We encourage stakeholders to provide their views on these proposals and to provide supporting data for their views. We also invite comments on the specific questions set out in the Consultation Paper.

The CSA will consider the feedback on all aspects of the Consultation Paper, particularly the outlined proposals, to assess whether new rules are required to address any identified concerns. If deemed necessary, the CSA will publish proposed requirements for comment through the rule-making process.

The comment period will end on October 17, 2025.

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6 See, for example, U.S. Securities and Exchange Commission, Exchange Traded Funds, Release No. IC-33646 (2019), *available at* https://www.sec.gov/rules/final/2019/33-10695.pdf, Central Bank of Ireland, Discussion Paper 6 on Exchange Traded Funds (2017), *available at* https://www.centralbank.ie/docs/default-source/publications/discussion-papers/discussion-paper-6/discussion-paper-6---exchange-traded-funds.pdf?sfvrsn=4d1ba61d_8%20 and Feedback Statement on DP6 - Exchange Traded Funds (2018), *available at* https://www.centralbank.ie/docs/default-source/publications/discussion-papers/discussion-paper-6/feedback-statement-on-exchange-traded-funds---discussion-paper-6.pdf?sfvrsn=2, Hong Kong Securities and Futures Commission, Consultation Paper on Proposed Amendments to the Code on Unit Trusts and Mutual Funds (2017), *available at* https://apps.sfc.hk/edistributionWeb/api/consultation/openFile?lang=EN&refNo=17CP8 and Consultation Conclusions on Proposed Amendments to the Code on Unit Trusts and Mutual Funds (2018), *available at* https://apps.sfc.hk/edistributionWeb/api/consultation/conclusion?lang=EN&refNo=17CP8.

7 IOSCO Good Practices Relating to the Implementation of the IOSCO Principles for Exchange Traded Funds (2023), *available at* https://www.iosco.org/library/pubdocs/pdf/IOSCOPD733.pdf.

8 IOSCO Principles for the Regulation of Exchange Traded Funds (2013), *available at* https://www.iosco.org/library/pubdocs/pdf/IOSCOPD414.pdf.

9 For example, due to the differences in the ETF distribution model compared to conventional mutual funds, the prospectus delivery requirement was amended in 2016 to mandate that the dealer acting as agent for a purchaser deliver the ETF facts document to the investor who purchased ETF securities over an exchange or alternative trading system, regardless of whether the investor's purchase order is filled with securities newly issued by the ETF.

10 See Canadian Securities Regulators Initiate Review of Exchange-Traded Funds (August 2023), *available at* https://www.securities-administrators.ca/news/canadian-securities-regulators-initiate-review-of-exchange-traded-funds/.

11 See OSC ETF Study, *An Empirical Analysis of Canadian ETF Liquidity and the Effectiveness of the Arbitrage Mechanism* (2025), *available at* www.osc.gov.on.ca.

II. Background

A. Overview of ETF Features

ETFs are unique because their securities can be bought and sold in two markets, the primary market and the secondary market. ETFs offer units on a continuous basis on the primary market and list their securities on an exchange to facilitate secondary market trading. A unique arbitrage mechanism links the two markets. The key features of ETFs are discussed in the subsection below.

1. Unit Creations and Redemptions in the Primary Market

Like conventional mutual funds, ETFs issue securities continuously with no limit on the number of securities that may be issued, and their securities are redeemable at NAV on demand. However, unlike conventional mutual funds, investors cannot transact directly with ETFs. Instead, ETF units may be issued and redeemed only with dealers that have entered into an agreement with the ETF manager. The agreement, typically referred to as a "continuous distribution dealer agreement" (a **CDDA**) by ETF managers and dealers, allows the dealer to buy and redeem ETF units in large blocks at the NAV, which is calculated once a day. The block of units that may be purchased or redeemed is generally termed the "prescribed number of units" in ETF prospectuses, or referred to as a "creation unit" by industry participants. The dealers are typically registered dealers regulated by the Canadian Investment Regulatory Organization, and they are commonly referred to as "authorized dealers" or "authorized participants" (**APs**). We use the term "AP" in the Consultation Paper.

Creations and redemptions of an ETF's units, known as "primary market" transactions, are restricted to APs. Most investors buy or sell ETF units on a marketplace at prevailing market prices during the trading day, as outlined in subsection II.A.2.[12]

Generally, under the CDDA, an AP can purchase creation units from an ETF by delivering cash, securities in-kind, or a combination of both. Under NI 81-102, the value of cash and/or securities delivered must equal the NAV per unit multiplied by the number of units in the creation unit.[13] For in-kind creations, the ETF manager discloses to the APs in advance a list of securities and any applicable cash balancing amount (the **creation basket**). An AP must deliver the creation basket in exchange for a creation unit.

The redemption process is the reverse. An AP holding enough ETF units to form a creation unit may redeem the units at their NAV.[14] If redemptions are satisfied by the delivery of portfolio securities, the ETF manager specifies in advance the list of securities (with any cash balancing amount) that will be delivered (the **redemption basket**). The ETF manager may have discretion to deliver cash to satisfy redemptions. Some ETFs create or redeem units for cash only. ETF managers may also allow APs to negotiate adjustments to the creation or redemption basket, as discussed in section III.A below.

APs may create or redeem ETF units for their own account, or act as agents to create or redeem units for their clients. APs may hold ETF units that they have created in their inventory or trade the units in the secondary market with other investors; similarly, they can hold the portfolio securities received from a redemption in their inventory or sell them. We understand that a CDDA typically does not require an AP to create or redeem ETF units, and APs are not compensated by the ETF or its manager for creations or redemptions under the agreement.

ETFs may charge an AP a fee for creations or redemptions. Typically, the fee compensates the ETF for the costs related to processing creations and redemptions. A significant difference resulting from the creation and redemption mechanism is that the AP bears all the costs of acquiring or selling securities for the ETF (either through in-kind creations and redemptions or paying a fee for cash creations and redemptions). APs embed these costs in the spread they quote, which investors pay only when they buy or sell the ETF in the secondary market. This means that investors who are not buying or selling are not impacted by the transaction costs associated with money entering or exiting the ETF. In contrast, for conventional mutual funds, when investors enter, the transaction costs incurred for investing their money are borne by the mutual fund (and therefore, shared among the existing investors). The same happens when an investor sells mutual fund securities as the transaction costs for their exit are borne by the fund (and therefore shared among the remaining investors). By including the transaction costs in the ETF spread, the ETF structure ensures that these costs are borne by the investors who are buying and selling.[15]

2. Secondary Market Trading

ETFs list their units on an exchange, and ETF investors typically buy and sell ETF units on the secondary market. Investors can buy and sell ETFs using their brokerage accounts, including U.S.-listed ETFs, as ETFs are traded like other exchange-listed securities. Trading of ETF units occurs during market hours at prevailing prices, which may be higher (a **premium**) or lower (a **discount**) than the NAV per unit calculated by the ETF. When trading ETFs, investors incur costs like bid-ask spreads and commissions, similar to trading equity securities.

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12 Investors that wish to buy and sell large blocks of units (typically institutional investors) may seek to transact at NAV by dealing through APs.

13 See s. 9.3(1) of NI 81-102.

14 While ETF prospectuses disclose that investors that hold sufficient units to form a creation unit have the right to redeem from the ETF, we understand that, practically, only APs redeem units from the ETF. An investor that wishes to redeem from the ETF could do so through an AP acting as agent for the investor.

15 See Joanne M. Hill, Dave Nadig & Matt Hougan, A Comprehensive Guide to Exchange-Traded Funds (ETFs), CFA Institute Research Foundation (2015), *available at* https://rpc.cfainstitute.org/-/media/documents/book/rf-publication/2015/rf-v2015-n3-1-pdf.pdf (pp.26-27).

The co-existence of the primary market and the secondary market gives rise to arbitrage opportunities that help keep the market price of ETF units close to the underlying value of the ETF's portfolio (the **underlying value**). This arbitrage mechanism is central to the ETF structure and is discussed in further detail in the next subsection.

ETFs can be traded like stocks, offering easy access through a marketplace and flexibility to implement various investment strategies. For example, investors can buy ETF units with cash or on margin, or short sell the units. Options trading is available for many ETFs, allowing for various trading and investment strategies. Retail investors typically buy and sell ETF units on a marketplace. Secondary market trading attracts a broad range of participants, making ETFs popular for trading.[16] In addition to investment fund regulations, ETFs are subject to secondary market trading rules, such as rules for best execution and applications of volatility control mechanisms.

Official market makers of ETFs are also subject to applicable exchange rules. Canadian exchanges currently assign one official market maker to each ETF to provide liquidity. Each exchange oversees its market making program and assesses whether the assigned market maker meets performance obligations, which may include meeting minimum spread goals, contributing to liquidity and depth, and maintaining trading activity in the ETF.

Typically, the ETF manager nominates a dealer to act as the official market maker for the ETF on the listing exchange. The ETF manager enters into an agreement referred to as a "designated broker agreement" with this dealer, under which the dealer agrees to act as the designated broker for the ETF.[17] ETF prospectuses generally disclose that the designated broker's duties under the designated broker agreement include: (i) subscribing for sufficient ETF units to satisfy the original listing requirements of the listing exchange; (ii) subscribing for ETF units on an ongoing basis in connection with portfolio transactions and specified cash redemptions; and (iii) posting a liquid two-way market for the trading of the ETF's units on the listing exchange. As the official market maker, the designated broker is overseen by the listing exchange for meeting the parameters of the exchange's market making program.

In addition to the designated broker, APs and other marketplace participants may provide liquidity by posting bids and offers for ETFs throughout the trading day, enhancing liquidity and depth without being obligated to meet exchange requirements for liquidity support. Dealers may seek to act as APs in order to transact directly in the primary market (instead of through an AP); however, a dealer that is providing liquidity need not be an AP, and an AP is not required to provide liquidity. We understand that ETF managers may have informal arrangements or expectations for APs to support the liquidity of their products, as indicated by providing APs with information to value their ETFs. However, there is typically no requirement for liquidity provision in a CDDA.

Under normal circumstances, the bids and offers quoted by the designated broker, APs and other liquidity providers are generally closely tied to the ETF's underlying value because of arbitrage opportunities in the ETF structure.

3. Arbitrage Mechanism

ETFs are marketed as liquid investment products that can be traded intraday on marketplaces at prices close to the underlying value of their portfolio holdings. The tight link of the market price to the underlying value is dependent on the functioning of the arbitrage mechanism.

The ability to create and redeem units in the primary market, along with secondary market trading of ETF units, provides arbitrage opportunities that help keep the market price of ETF units close to the underlying value. For example, if ETF units are trading at a discount on a marketplace, an AP could buy the units on the secondary market and sell or short sell the underlying securities to arbitrage the discount. Once the AP has enough ETF units to form a creation unit, it can redeem them with the ETF in exchange for the underlying securities in the redemption basket. This process can create upward pressure on the ETF unit price or downward pressure on the prices of the securities in the redemption basket, bringing the market price of ETF units closer to the underlying value of the ETF.

Conversely, if ETF units are trading at a premium, the AP could engage in the reverse process. This mechanism, referred to as the "arbitrage mechanism", helps keep the ETF's market price close to its underlying value.

Liquidity providers that are not APs may also engage in arbitrage by creating and redeeming ETF units by placing orders with APs. As well, liquidity providers (including APs) may conduct arbitrage exclusively in the secondary market, rather than through creations/redemptions in the primary market. APs typically have expertise in trading the markets for the ETF's underlying holdings. They are motivated by opportunities to conduct arbitrage and provide liquidity, which allow them to earn profits. This activity by liquidity providers also helps keep the market price of ETF units aligned with their underlying value.

[16] From 2019 to 2023, Canadian ETF traded volumes have increased from approximately 5% to over 8% of total daily average traded volume of all listed securities; and Canadian ETF traded values have also increased from approximately 9% to over 11% of total daily average traded value of all listed securities. See the OSC ETF Study for further details.

[17] We understand that the designated broker typically has the ability to create and redeem ETF units to facilitate its market making obligations, either through entering into a CDDA with the ETF manager or including the ability to create/redeem units in the designated broker agreement.

Due to the potential for arbitrage opportunities within the ETF structure, ETF units are generally expected to trade close to their underlying value under normal market conditions. To the extent that significant divergences do occur, these are more likely during periods of market volatility.[18]

Effective arbitrage is crucial for enabling investors (who cannot transact directly with the ETF) to buy and sell ETF units on the secondary market at prices that closely track the real-time underlying value of the ETF. We understand that, when designing their products, ETF managers consider whether effective arbitrage can be expected to take place (e.g., the availability of correlated assets and participation of liquidity providers) and whether any characteristics of their proposed product could hinder the arbitrage mechanism, potentially giving rise to undesirable divergences of the market price and the ETF's underlying value.

i) Facilitating an Effective Arbitrage Mechanism

a) Information to Value the ETF

Disclosing portfolio information for an ETF is associated with facilitating an efficient arbitrage mechanism, leading to narrower premiums/discounts, tighter spreads and better liquidity in an ETF.[19] Information about the ETF's current portfolio holdings or other information to value the ETF's portfolio enables APs and other liquidity providers to: (i) assess the discrepancy between the market price of the ETF's units and their underlying value, and (ii) construct hedges for their positions. Therefore, unlike a conventional mutual fund, which transacts at the daily NAV and does not rely on arbitrage, an ETF's policy for the disclosure of valuation information is central to its operations.

Currently, there are varying industry practices regarding the type of portfolio information that ETF managers disclose to APs and other market participants, as discussed in subsection III.D below. Generally, ETF managers seek to provide sufficient information to facilitate effective arbitrage, ensuring competitive spreads and narrow premiums/discounts to NAV.

b) Active Participation of APs and other Liquidity Providers

The IOSCO ETF Good Practices also highlight the importance of active and robust participation by APs and other liquidity providers for effective arbitrage and liquidity provision.[20] ETF managers are encouraged to avoid exclusive arrangements with APs and market makers that may unduly affect the effectiveness of the arbitrage mechanism.[21] Instead, ETF managers are encouraged to promote open and effective competition among APs and other liquidity providers, as competition enhances arbitrage efficiency and creates an active secondary market.

c) Other Practices

The IOSCO ETF Good Practices also set out other practices identified by industry participants that could facilitate effective arbitrage. These practices include clear and cost-quantifiable creations and redemptions, enabling custom baskets, having multiple APs available to step in if any particular AP is not able to carry out creations/redemptions for any reason, an open AP architecture to promote competition, widening the availability of APs and market makers if possible, and smaller minimum creation/redemption basket sizes where possible.[22]

B. The Canadian ETF Market

As noted above, the analysis of the Canadian ETF market conducted by the OSC's Thought Leadership Division is set out in the OSC ETF Study. The OSC ETF Study includes a summary of the size and composition of the Canadian ETF market, secondary market liquidity, and premiums/discounts to NAV. The OSC ETF Study also analyzes whether (a) the number of APs, and (b) the public disclosure of portfolio holdings, impact bid-ask spreads and deviations from NAV. Stakeholders are encouraged to refer to the OSC ETF Study for details about the findings.

III. Topics and Proposals for Consultation

The Consultation Paper focuses on the unique features of the ETF vehicle discussed above. We identify potential gaps and propose and discuss potential enhancements to the existing regulatory framework, with an emphasis on proposals to promote the effective functioning of the arbitrage mechanism that is central to ETFs. Our proposals considered the IOSCO ETF Good Practices (particularly those addressed to regulators) and the different ways that various jurisdictions have implemented the IOSCO ETF Principles presented in the IOSCO ETF Good Practices. We reviewed a sample of ETF prospectuses, focusing on the disclosure about the arrangements implemented by ETF managers to facilitate the arbitrage mechanism for their ETFs and the associated risks. We also reviewed a sample of ETF websites to evaluate the information provided by ETF managers to the public.

[18] See OSC ETF Study (pp.16-17).
[19] IOSCO ETF Good Practices (p.23).
[20] IOSCO ETF Good Practices (p.31).
[21] IOSCO ETF Good Practices (pp.32-33).
[22] IOSCO ETF Good Practices (pp.34-35).

The Consultation Paper seeks stakeholder views on our proposals and specific questions, which are organized around the topics set out below. In addition, stakeholders are invited to comment on any aspect of the Consultation Paper, particularly on the costs and benefits of potential measures.

A. Policies and Procedures for Creations and Redemptions of Units

APs may create ETF units in the primary market by delivering cash, securities in-kind, or a combination of both. If they have sold short units on the secondary market to meet investor demand for the ETF, they may use the newly created units to close out their short positions. Conversely, APs can redeem ETF units they bought in the secondary market with the ETF in exchange for portfolio securities and/or cash, closing out their long ETF positions. The daily creation and redemption mechanism allows ETF units to be traded in large numbers without significant price deviations from the underlying value. Primary market transactions also help APs limit their risk when providing liquidity for ETFs, encouraging them to actively provide liquidity in the secondary market. An effective primary market is therefore essential for fostering an ETF's liquidity and keeping the market price close to the underlying value, benefiting investors who trade on the secondary market.

Primary market activities may also support efficient ETF portfolio management. For example, creation and redemption baskets may not consist of a pro rata slice of the ETF's portfolio. ETFs can rebalance their portfolios in a cost-effective way by including desired securities in the creation basket and unwanted securities in the redemption basket.

The primary market supports the arbitrage mechanism and could impact the management of an ETF's portfolio, making the orderly creation and redemption of units critical. Therefore, we propose that ETFs be required to establish, maintain and follow written policies and procedures for the creation and redemption of units.

Currently, ETF prospectuses provide certain information about the process for creations and redemptions (e.g., cut-off time for creations and redemptions, and whether cash and/or securities are deliverable), but there is no additional information about the ETF manager's policies for creations and redemptions (such as the methodology for constructing creation and redemption baskets). We understand that many ETF managers have written policies and procedures or internal guidelines and practices for creations and redemptions. The CSA's proposal is intended to formalize these practices, similar to the adoption and implementation of written policies and procedures for other key processes such as fund valuation. Like fund valuation processes, these policies should be approved by the ETF manager's board of directors and be subject to review, testing, and conflict of interest considerations.[23]

ETFs that create and redeem units with in-kind securities may have more complex policies and procedures than ETFs that transact with cash only. These ETFs disclose the composition of the creation and redemption baskets to APs before the opening of trading. We understand that some ETF managers may, at the request of APs, accept or deliver "custom baskets" that have different components than the creation and redemption baskets disclosed before the opening of trading (the **standard baskets**). In the Consultation Paper, we refer to a basket that does not have the same components as the basket disclosed to APs by the ETF before the opening of the trading day as a "custom basket". A custom basket includes a basket that substitutes cash for one or more of the components published in the standard basket.

Using custom baskets can benefit an ETF and its investors. The flexibility provided by custom baskets can lower transaction costs for APs, leading to more efficient arbitrage and tighter bid-ask spreads for ETF units on the exchange. Custom baskets can also encourage more arbitrage activity and improve liquidity for ETF units by allowing APs to use a broader range of their inventory and accommodating their trading constraints. Additionally, custom baskets can help ETFs acquire or dispose of securities in their portfolios efficiently.

However, the use of custom baskets could raise concerns about potential conflicts of interest. For example, an AP affiliated with the ETF manager, or an AP that an ETF (and other ETFs in the same fund family) relies on for maintaining arbitrage, may influence the construction of baskets to their advantage during negotiations for custom baskets.[24] ETF managers have a fiduciary duty to act in the best interests of their ETFs when constructing and accepting/delivering baskets. In addition, we believe that implementing and following specific policies and procedures for using custom baskets would promote consistency in the use of custom baskets, helping to manage potential conflicts of interest and avoid inappropriate differences in how APs create and redeem units with the ETF.

For example, ETF managers may accept cash collateral for creations if an AP experiences delays in delivering components of creation baskets, as discussed in OSC Staff Notice 81-735 *Cash Collateral Use for Delayed Basket Securities in ETF Subscriptions*. Establishing clear parameters for the use of cash collateral and outlining a detailed process for APs to request it would help ensure that all dealers have equal opportunities to use cash collateral, fostering a level playing field for APs.

[23] See Companion Policy to National Instrument 81-106 *Investment Fund Continuous Disclosure*, s.9.6.

[24] See IOSCO ETF Good Practices (p.40), providing examples of potential abuses, including cherry-picking holdings by an AP, or dumping of undesirable holdings by an AP.

Given the importance of the primary market, we propose that ETFs be required to implement policies and procedures for creations and redemptions in order to:

- ensure that primary market activities are subject to ETF manager oversight (including compliance oversight), enhancing the robustness of the primary market
- provide a clear and cost-quantifiable creation and redemption mechanism to facilitate arbitrage[25]
- help mitigate potential conflicts of interest
- foster competition among APs by providing a level playing field for APs when dealing with an ETF.

We propose that the policies and procedures for creations and redemptions could include the following elements:

- specify whether the ETF creates and redeems units with cash or in-kind securities (with a cash amount balancing to NAV)
- if an ETF that creates and redeems units with in-kind securities may, on an exceptional basis, permit cash creations and redemptions, set out the process for an AP to request cash creations or redemptions, and the parameters for permitting cash transactions[26]
- specify the size of a "manager-prescribed number of units" (as defined in NI 81-102)
- specify the fees (if any) charged for processing a creation and redemption
- set out the methodology governing the construction of the basket for creations and the basket for redemptions[27]
- if the ETF permits the use of custom baskets, set out:
    - the process for an AP to request a custom basket and the parameters for the construction of custom baskets, including the process for allowing deviations from those parameters (if any)
    - the procedures for the ETF manager to review and test whether the custom baskets used were in the best interests of the ETF
- if the ETF accepts cash collateral for creations, set out the parameters for the use of cash collateral and the process for an AP to request the use of cash collateral
- specify the process and procedures to be followed for accepting creation baskets and delivering redemption baskets.[28]

We believe the proposed requirements would provide ETFs with the flexibility to implement policies and procedures that are appropriate for their creations and redemptions. For example, ETFs that transact using cash only may have simpler policies and procedures compared to those that use in-kind creations and redemptions. ETFs that allow custom baskets with only limited deviations permitted from the standard basket may have less detailed parameters. If policies and procedures for creations and redemptions are implemented, ETF managers would be required to maintain records to demonstrate compliance with such policies and procedures in accordance with section 11.5(2)(e) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

Consultation Questions:

1. Are any of the proposed elements for the proposed policies and procedures for the creation and redemption of units unnecessary or not useful? Are there additional elements that should be included in these policies and procedures?

2. We did not propose that the policies and procedures for creations and redemptions be disclosed to the public since: (a) investors do not transact in the primary market and therefore may not require details about basket construction, and (b) the efficiency and potential risks of the primary market mechanism would be reflected in the key metrics we propose be disclosed on the ETF's website, as outlined in subsection III.B.1. However, are there specific elements of the policies and procedures (e.g., whether the ETF's creation and redemption baskets consist of a pro rata slice of the portfolio or an

[25] See subsection II.A.3(i)(c) above.
[26] For example, the ETF may permit no more than a certain amount of cash creations over a specified period.
[27] For example, an ETF that transacts in-kind may construct baskets that consist of a *pro rata* slice of its holdings, or an optimized sample of its holdings.
[28] This proposed element would include specifying the cut-off time for submitting purchase and redemption orders.

optimized sample, whether the ETF creates and redeems with in-kind securities or with cash, whether the ETF permits custom baskets, etc.) that should be disclosed in the prospectus to provide investors with useful information about the primary market mechanism for the ETF and potential risks?

B. Secondary Market Trading

1. Website Disclosure of Metrics

National Instrument 81-106 *Investment Fund Continuous Disclosure* (**NI 81-106**) requires each investment fund to designate a qualifying website for posting disclosure required by securities legislation. A designated website helps improve investor access to information. In addition to posting regulatory documents, ETF managers often use their websites to provide current information, including information on the ETF's performance and portfolio.

The sample of ETF websites we reviewed showed that ETFs provide daily trading and pricing information on their websites, including the daily NAV per unit, closing price[29], bid-ask spread, and percentage discount/premium. This information is also available for historical periods on the website (e.g., past 12-month data). We believe this information is useful for investors, as it helps them understand that the price of ETF units on the secondary market can differ from the NAV and enables them to assess potential trading costs, which are part of the total costs of investing in an ETF.

The CSA proposes that ETFs be required to disclose up-to-date information on their website about the functioning of the arbitrage mechanism and secondary market trading in an accessible format, to help investors evaluate their investment and trading decisions. Our website disclosure proposals aim to:

- *improve investor understanding of the features of the ETF* – metrics help investors assess the functioning of arbitrage and understand the impact of premiums/discounts and quoted spreads on their investments
- *enhance transparency* – daily updates offer more up-to-date information than available in the ETF facts document
- *facilitate comparisons* – standardized information and consistent time periods for disclosures facilitate better comparisons among ETFs.

Currently, information about the market price and the NAV of an ETF's units is available in the ETF facts document under the "Pricing Information" heading. ETFs must disclose the range of the market price and NAV over a 12-month period ending within 60 days of the date of the ETF facts document for each class (or series) of securities offered.[30] The average bid-ask spread over the same period, calculated using the methodology set out in Form 41-101F4 *Information Required in an ETF Facts Document* (**Form 41-101F4**), must also be disclosed.[31] However, this information is not required to be updated frequently as the ETF facts document is filed annually.[32] Also, ETFs do not all provide this information for the same time period in their ETF facts document due to different prospectus filing dates, making it more difficult for investors to compare ETFs.

We propose that ETFs provide key metrics on their website that are similar to the pricing information currently provided in the ETF facts document, with daily updates. We contemplate the metrics being disclosed in an easily accessible section of the ETF's website, under the proposed heading "Trading and Pricing Information", and presented in a clear and readable format. The key metrics we propose are daily and historical premiums/discounts to NAV for standardized periods, and median quoted spreads for the most recent 30-day period.

Premiums and discounts are impacted by many factors. Some categories of ETFs may have premiums and discounts that are larger, such as ETFs that hold foreign securities where the foreign markets are closed during the trading day for the ETF's securities. Disclosure related to premiums and discounts can help investors understand that some types of ETFs may have relatively larger premiums or discounts, and help investors compare ETFs within a category, as well as provide useful information about the efficiency of the arbitrage mechanism. ETFs may also discuss the factors that contribute to premiums and discounts to provide investors with relevant context. Presenting quoted spreads for a more recent period would provide investors with more up-to-date information about the liquidity costs associated with an investment in an ETF.

[29] The ETF websites reviewed used terms such as "market price", "closing price" or "closing market price" for comparison against NAV.
[30] See Item 2(3), Part I of Form 41-101F4 and Instructions (12) and (13) thereunder.
[31] See Item 2(3), Part I of Form 41-101F4 and Instruction (14) thereunder.
[32] The ETF facts document must be amended, however, if a material change that affects the information disclosed in the document occurs.

We propose that an ETF disclose the following metrics on its designated website for each series (or class) of securities offered:[33]

(a) the net asset value per security, the closing price, and premium or discount, each as of the prior business day;

We propose that the "premium or discount" be defined as: the difference (positive or negative) between the "closing price" of the ETF's security (as proposed to be defined below) and the ETF's most recent net asset value per security, expressed as a percentage of the net asset value per security.

We propose that, for the purposes of enhancing investor understanding of the differences of the secondary market value of an ETF's security and the NAV, the "closing price" be represented by the calculated closing price published by the listing exchange for the ETF. [34] Listing exchanges have defined the closing price in their respective trading rules and have published their methodologies to determine a calculated closing price for ETFs, addressing stale last sale prices for ETFs that are not frequently traded.

As some ETFs do not calculate their NAV as of the close of trading at 4 p.m., we propose that such ETFs use the price that is the midpoint between the best bid and best offer on its listing exchange as of their NAV calculation time if that price better reflects the secondary market value of the ETF's securities at such time. Therefore, we propose that "closing price" mean: (i) the closing price of a security of the ETF published by the exchange on which the securities of the ETF are listed (the **Listing Exchange**); or (ii) if the ETF does not calculate NAV as of the closing time of its Listing Exchange, the price that is the midpoint between the best bid and best offer on the Listing Exchange as of the time the ETF calculates its NAV.

This proposed daily disclosure would provide a snapshot of the difference between the NAV and the closing price on a daily basis. While this daily snapshot reflects the difference at a single point in time and may not capture intraday fluctuations, we believe it strikes a reasonable balance given the costs and practical challenges of calculating intraday deviations.

(b) a table showing the percentage of trading days the securities traded at a premium or discount during the most recently completed calendar year and the completed calendar quarters since that year (or the life of the ETF, if shorter);

This proposed table would present a summary of the portion of trading days that the closing price of the ETF's securities was at a premium, discount, or equal to the NAV over the most recent full year period and subsequent quarterly periods, making it easier for investors to understand and absorb historical information.

(c) a line graph showing premiums or discounts for the most recently completed calendar year and the completed calendar quarters since that year (or the life of the ETF, if shorter);

This proposed line graph would provide a visual representation of the degree of the premiums or discounts, and highlight any relatively large deviations, helping investors assess the stability of the premiums or discounts.

(d) if the premium or discount of any class or series of securities offered is greater than 2% for more than seven consecutive business days, include a statement before the opening of trading on the ETF's listing exchange on the next business day of the applicable consecutive period, that the ETF's premium or discount, as applicable, was greater than 2% for more than seven consecutive business days, and include a discussion of the factors that are reasonably believed to have materially contributed to the premium or discount. This disclosure must be maintained on the website for at least one year.

This proposed disclosure seeks to increase investor awareness about ETFs that have significant and persistent deviations from NAV, which may occur when the arbitrage mechanism is impaired. We propose including a discussion of factors that are reasonably believed to have contributed to the deviations to give investors insight into the historical efficiency of the ETF's arbitrage mechanism. This insight is intended to help investors make more informed decisions, such as comparing ETFs within a specific category. Additionally, maintaining this information on the website for at least a year will help identify ETFs with a history of significant and persistent differences between closing price and NAV per security.

The OSC ETF Study found that during the period 2019-2023, the average deviation between the closing price and NAV across ETFs with different underlying assets and strategies has been relatively small. We sought to establish a threshold that would highlight larger, persistent deviations from NAV, and considered an alternative threshold of 2 standard deviations or more over the past rolling 12 months for a period of more than 7 consecutive business days. We found that the 2 standard deviation threshold would have resulted in a higher percentage of ETFs that would have triggered such disclosure during each year in the 2020-2023

[33] The proposed metrics and presentation are similar to that required to be disclosed by U.S. ETFs pursuant to SEC Rule 6c-11 under the *Investment Company Act of 1940*, which were presented as an example of disclosures regarding arbitrage and secondary market trading in the IOSCO ETF Good Practices (p. 44).

[34] See the approvals granted for exchange rules and policies regarding the dissemination of calculated closing prices that may be based on bid-ask spreads near the close of trading to better reflect secondary market values of ETFs, particularly for ETFs that are not frequently traded: https://www.osc.ca/en/industry/market-regulation/marketplaces/exchanges/recognized-exchanges/tmx-group-inc-and-tsx-inc-rule-review-notices/notice-approval-tsx-closing and https://www.osc.ca/en/industry/market-regulation/marketplaces/exchanges/recognized-exchanges/neo-exchange-inc-rule-review-notices/notice-approval-amendments-trading.

period.[35] While this alternative threshold represents the unique deviations of each ETF and captures the most recent market behaviour, it may be more complex to calculate and implement. We are proposing a 2% threshold to simplify implementation and disclosure and seek feedback on this threshold.

(e) the median bid-ask spread, expressed as a percentage rounded to the nearest hundredth, over the most recent 30 calendar days. **This measure would be computed as follows:**

(A) calculate the "Interval Bid-Ask Spread" for each "Interval Point" in each trading day over the previous 30 calendar days, using the methodology required under Form 41-101F4 for the calculation of Interval Bid-Ask Spreads in determining the "Average Bid-Ask Spread"[36], and

(B) identify the median of the Interval Bid-Ask Spreads.

If an ETF does not have Interval Bid-Ask Spreads for at least 75% of the Interval Points in the previous 30 calendar days, we propose that it state "This ETF did not have sufficient market depth ($50,000) to calculate the median bid-ask spread for the previous 30 calendar days." If an ETF has not traded for more than 30 calendar days, we propose that the ETF include the following statement: "This ETF has not traded for more than 30 calendar days.".

The proposed median bid-ask spread would provide investors with more up-to-date information about the potential costs of investing in ETFs, enhancing cost transparency and comparability among similar ETFs. We propose that the calculation of this measure use the same elements as that required for the calculation of the historical Average Bid-Ask Spread in the ETF facts document, so that ETFs would not be required to obtain and calculate new inputs for a median over a rolling period.

The OSC ETF Study observed that average quoted spreads are typically narrow.[37] However, spreads can widen due to various factors, such as the market volatility experienced in March-April 2020. Information on bid-ask spreads over the past 30 calendar days could enable investors to compare the costs on their intended trading day with recent average spreads, helping them make more informed decisions.

ETF managers may currently monitor other metrics to assess the functioning of the arbitrage mechanism and the liquidity of their ETFs. In addition to the standardized metrics proposed, ETFs may disclose other metrics on their website (with an explanation of the significance of the metrics) as long as the proposed metrics are presented with equal prominence. The website disclosure proposals may lead ETF managers to develop tailored metrics for different types of ETFs and could encourage service providers to develop commercial solutions that facilitate the comparison of trading metrics for different ETFs.

Changes to ETF Facts Document

We propose that the ETF facts document be amended to include a reference to the ETF's website for investors to access the metrics proposed above. We also seek feedback on providing premium/discount information in the ETF facts document.

Consultation Questions:

3. Does the proposed term "closing price" and the proposed definition of this term appropriately represent the secondary market value of an ETF's security? If not, what definition would better reflect the secondary market value of an ETF's security (e.g., a definition that references the national best bid and offer instead of the best bid and offer on the listing exchange) and what term would be better?

4. For ETFs that do not calculate NAV as of the closing time of the listing exchange, would using the value that is the midpoint between the best bid and best offer on the listing exchange as of the time of NAV calculation appropriately represent the secondary market value of the securities of such ETFs? Is the term "closing price" appropriate for such ETFs? If not, what term would be more suitable?

5. Is the 2% premium/discount threshold appropriate to help identify ETFs that present significant deviations from NAV over a period of more than seven consecutive business days?

6. We observed from ETF websites that many ETFs offer downloadable daily NAV per security and closing price data over historical periods (such as for the period since inception). In addition to presenting historical premiums/discounts in a line graph as proposed, would it be beneficial to require ETFs to make their daily NAV per security, closing price, and premium/discount data for the past two calendar years available for download?

[35] Based on OSC staff analysis, a 2% threshold would have triggered disclosure for 5.3%, 0.7%, 0.6%, and 1.1% of the total sample of ETFs annually from 2020 to 2023. In comparison, the 2 standard deviation threshold would have triggered disclosure for 18.5%, 3.0%, 6.6%, and 5.2% of the total sample of ETFs annually over the same period. The majority of the additional ETFs that would have disclosed under the 2 standard deviation threshold are fixed income ETFs.

[36] See Instruction (14) under Item 2(3), Part I of Form 41-101F4 for the calculation of the Average Bid-Ask Spread and the Interval Bid-Ask Spread.

[37] See OSC ETF Study (p.13).

7. Are there alternative metrics or data presentations to those proposed that would help investors assess the functioning of the ETF's arbitrage mechanism and the liquidity of the ETF's securities on the secondary market? Would daily average bid-ask spreads over the same historical periods proposed for premiums and discounts in subsection (c) be useful for investors, in addition to the 30-day median bid-ask spread proposed?

8. To what extent would the proposed website disclosure requirements increase costs for ETFs, taking into consideration the pricing information that is currently required in the ETF facts document? Please provide additional costs beyond the costs of providing the information currently required in the ETF facts document (e.g., initial set-up costs, on-going data costs, etc.).

9. Should the ETF facts document include information about premiums/discounts in the "Pricing Information" table, such as including the mean of the daily premiums/discounts over the 12-month period ending within 60 days of the date of the ETF facts document? What other measure would provide representative information about historical premiums/discounts?

2. Monitoring of Arbitrage and Liquidity Provision

The expectation that an ETF's market price will closely align with its underlying value relies on APs and other liquidity providers taking advantage of arbitrage opportunities to correct price differences. The effective operation of this arbitrage mechanism is critical for the proper functioning of ETFs. The listing exchange monitors the official market maker to assess the quality of liquidity provision and verify dealer adherence to market making program parameters that make them eligible for benefits, such as rebates. In addition to this monitoring by the exchange, we understand that:

- to meet investor expectations and remain competitive, ETF managers aim to design products and establish arrangements that support effective arbitrage (such as constructing baskets with liquid components), reducing the likelihood of significant divergence between the market price of ETF units and their underlying value
- ETFs are dependent on arbitrageurs, and particularly APs as they can create and redeem units with the ETF, to minimize deviations from the underlying value of their units. ETF managers seek to have a group of arbitrageurs that are ready to act on arbitrage opportunities. ETF managers typically select the designated broker and APs based on their capabilities in market making, and conduct due diligence in this regard. The designated broker agreement usually specifies that one of the duties of the designated broker includes posting a liquid two-way market for the ETF. In addition, even though not formalized in a written agreement, ETF managers typically have expectations or arrangements for liquidity provision by APs or a subset of APs, as they frequently provide portfolio holdings information to APs for the purposes of facilitating liquidity provision and arbitrage, as discussed in subsection III.D
- ETF managers may monitor closing prices to assess their alignment with NAV. They also monitor liquidity metrics such as quoted spreads and market depth to ensure that the spreads reflect the spreads of the ETF's portfolio holdings and are within expected values
- when ETF managers observe secondary market trading behaviour that deviates from their expectations, such as widening spreads, they typically address the matter with the relevant AP(s).

Consistent with the IOSCO ETF Good Practices, which encourage ETF managers to monitor APs and market makers on an ongoing basis to ensure that they contribute to the functioning of the arbitrage mechanism and liquidity provision,[38] we propose to introduce requirements for ETF managers to:

(i) monitor the functioning of the arbitrage mechanism and liquidity provision on the secondary market (including designated broker and AP participation in this regard); and

(ii) establish, maintain and follow policies and procedures for their monitoring, to ensure consistent monitoring and oversight of the functioning of arbitrage and liquidity.

Under this proposal, an ETF manager would monitor and assess the effectiveness of arbitrage and liquidity provision for their ETF. This oversight would help verify that the manager's arrangements to facilitate arbitrage serve to maintain secondary market trading at prices that are aligned with the ETF's underlying value. In addition, we contemplate that the ETF manager would specifically monitor arbitrage and liquidity provision by APs and any dealers with whom they made arrangements for liquidity provision (whether formal or informal). This oversight will also enable ETF managers to take appropriate action if quotations and trading do not reflect their expectations based on their design of the ETF, including the arrangements they established to facilitate arbitrage.[39]

[38] IOSCO ETF Good Practices (pp.31-32).
[39] IOSCO ETF Good Practices (p.101).

We propose that the policies and procedures:

(i) set out the ETF manager's process for assessing the effectiveness of arbitrage and liquidity provision on the secondary market. This would include processes to monitor the participation of the designated broker and APs (and any other dealers with whom the ETF manager has made arrangements for liquidity provision) and whether their activity is consistent with the arrangements for liquidity provision and arbitrage made between each dealer and the ETF manager, and

(ii) specify the metrics that the ETF manager monitors for assessing arbitrage effectiveness and liquidity, and include parameters for the metrics. The metrics would include the daily premium/discount to NAV and daily bid-ask spread.

We believe that our proposal offers ETF managers flexibility to use different means for monitoring. For example, ETF managers may monitor based on real-time data or periodic reviews of secondary market activity, with sufficient frequency to ensure effective oversight. ETF managers may have different internal methodologies to assess arbitrage and liquidity. ETF managers may seek to understand the liquidity provision processes of the designated broker and APs to ensure effective monitoring. The proposal in paragraph (ii) above would require the policies and procedures to specify:

(a) any metrics that the ETF manager monitors in addition to daily premiums/discounts to NAV and daily bid-ask spreads, such as market depth, AP participation in daily continuous trading, or any intraday comparisons of market price and the ETF's underlying value, and

(b) specific parameters for the metrics. Parameters may consist of relative measures based on comparisons with ETFs in the same category or expected value ranges, having regard to the ETF's arrangements with APs for conducting arbitrage and providing liquidity, the ETF's investment objectives and strategies (incorporating historical ranges for the market segments the ETF invests in), NAV calculation policies and other factors that may affect arbitrage.

Metrics falling outside the ETF manager's parameters consistently would warrant consideration of whether adjustments should be made to the ETF (such as its AP arrangements) to ensure close alignment of the market price to the underlying value.

Consultation Questions:

10. Does the proposed policies and procedures requirement offer sufficient flexibility for ETF manager monitoring?

11. Should the policies and procedures include other specific metrics that should be monitored? In addition to bid-ask spreads and premiums/discounts to NAV, what metrics should be required to be monitored?

12. Do ETF managers make arrangements for liquidity provision with dealers that are not APs?

13. Would disclosing the ETF manager's parameters on the ETF's website provide context for investors and help them evaluate the trading information proposed to be disclosed on the ETF's website under subsection III.B.1?

C. AP Arrangements

As discussed above in subsection II.A.1, APs have a crucial role in the operation of ETFs. They are the only market participants that are authorized by the ETF manager to create and redeem units with the ETF, which allows them to adjust the supply of ETF units in response to market demand. A robust primary market which allows for the effective creation and redemption of units is important for effective arbitrage. In addition to their role in the primary market, APs are typically also important liquidity providers for ETFs on the secondary market.

1. Disclosure of AP Arrangements

APs are important for the functioning of ETFs, but there is currently little information about an ETF's arrangements with its APs. ETF prospectuses typically disclose that only authorized dealers who have entered into an agreement with the ETF manager to create or redeem units may do so. ETFs do not disclose the identity of their APs in the prospectus. As discussed in subsection II.A.1, APs usually enter into an agreement referred to as a CDDA with the ETF manager. Currently, ETFs do not file a CDDA as a "material contract" (as defined in National Instrument 41-101 *General Prospectus Requirements* (**NI 41-101**)) under s.9.3(1) of NI 41-101, and the terms of the CDDA are not disclosed in the prospectus. Due to this information gap, investors may be unaware of the terms and risks associated with AP arrangements; for example, how many APs the ETF has, and whether the AP group is diverse with APs having varying costs and constraints, or whether the AP group is relatively homogenous.[40]

[40] See, for example, Evgenii Gorbatikov and Taisiya Sikorskaya, Two APs are Better Than One: ETF Mispricing and Primary Market Participation (May 2022), *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3923503, discussing the relationship between the level of mispricing in US equity ETFs and the ETF's AP network diversity.

Given the important role of APs, we propose that ETFs provide transparency regarding their arrangements with dealers to act as APs. First, we propose that an ETF be required to enter into a written agreement with each dealer it authorizes to create and redeem ETF securities. We also contemplate introducing a definition of "authorized participant" in NI 81-102 as follows: an "authorized participant" means "a dealer that has entered into a written agreement with the ETF that allows the dealer to purchase and redeem a manager-prescribed number of units of the ETF". These proposals aim to identify the entities eligible to transact directly with the ETF in the primary market and clarify which entities our proposals concerning the ETF's arrangements with its AP(s) apply to. [41]

Second, we propose that an agreement between an AP and the ETF regarding the creation and redemption of ETF units be enumerated in the list of documents that are required to be filed with a prospectus under s.9.1(1)(a)(iv) of NI 41-101. The agreement would also be listed under the "Material Contracts" heading in the prospectus of the ETF, with particulars of the contract disclosed in the prospectus.[42] We understand that the designated broker typically has the ability to purchase and redeem units of the ETF to fulfil periodic cash subscription requests by the ETF manager and to support their market making activities, in addition to its duty to make a liquid market for the ETF. Given this, we believe that a designated broker also fits the proposed definition of "authorized participant". Therefore, an agreement between the designated broker and the ETF manager would be a "material contract" as proposed. As a result, when providing particulars of the designated broker agreement, key terms (including any liquidity provision obligations) must be disclosed.

We believe that transparency regarding an ETF's arrangements with its APs is important. For example, the affiliation of an AP with the ETF manager may influence investor expectations regarding the level of liquidity support that would be provided by the affiliated AP, even though there is no contractual obligation. Disclosing the key terms of AP agreements would help investors better understand the substance of an ETF's arrangements with its APs.

Consultation Questions:

14. Is information regarding an ETF's arrangements with its APs important for an investor's evaluation of an ETF? If not, why not?

15. Would the proposal to include each agreement to act as an AP for the ETF as a document required to be filed with the prospectus and listed under the "Material Contracts" heading in the prospectus provide investors with useful information about the ETF's arrangements with its APs? Are there other means of providing information regarding the ETF's arrangements with its APs?

16. Should an ETF's agreement with its designated broker be required to be filed with the ETF's prospectus as a required document under s.9.1(1)(a)(iv) of NI 41-101 and disclosed under Item 31 (Material Contracts) of Form 41-101F2 *Information Required in an Investment Fund Prospectus*?

2. Information Provided to APs Equally

Given the benefits of competition outlined in subsection II.A.3, the CSA considered ways to create a level playing field for APs in their arrangements with ETFs to encourage active participation and foster competition among them. We propose that ETF managers be required to provide the same information to facilitate liquidity provision and arbitrage to all APs at the same time and under the same conditions. This includes any information needed to determine the ETF's underlying value (such as portfolio holdings information) and information for the creation and redemption of units. If the ETF manager imposes restrictions on the use of this information, those restrictions must apply equally to all APs.

Consultation Question:

17. Do ETF managers provide information to determine the ETF's underlying value and information for the creation and redemption of units to market participants other than APs (i.e., market participants that do not have a written agreement that authorizes them to create and redeem units) in order to foster a more diverse pool of potential arbitrageurs? If an ETF manager enters into agreements or arrangements with such other market participants, should the ETF manager also provide these participants with the same information for conducting arbitrage as is provided to APs, even though they are not authorized to create or redeem units?

[41] As discussed under subsection II.A.1, currently, a dealer that seeks to act as AP typically enters into a CDDA with the ETF or its manager. We do not expect that this proposal will involve any change to existing CDDAs, as a CDDA would be a written agreement that allows the dealer to purchase and redeem a manager-prescribed number of units of the ETF.

[42] See Item 31 of Form 41-101F2 *Information Required in an Investment Fund Prospectus* (including the accompanying Instructions thereunder) and section 9.3 of NI 41-101.

3. Minimum Number of APs

As discussed in subsection II.A.3, having multiple APs supports an effective arbitrage mechanism. Having multiple APs could:

- *reduce concentration risk* – a robust creation and redemption mechanism is critical for arbitrage. Onboarding multiple APs that are available to deal in the ETF's units reduces the risk of not having any AP available to create and redeem units. During volatile market conditions, having a diverse set of APs with different risk appetites and constraints would also increase the likelihood that at least one AP will continue to maintain arbitrage

- *increase the potential for competition* – arranging for multiple APs to provide liquidity creates a competitive environment, helping to keep the market price of ETF units close to their underlying value.

The OSC ETF Study found that most ETFs have multiple APs. ETF managers typically contract with the same group of APs for all of their ETFs, but we understand that not all APs regularly provide liquidity or create/redeem units for every ETF in the fund family.[43] Even though APs are not obligated to act in the primary or secondary market, most ETF managers seek multiple APs for their ETFs. As of December 2023, 71 ETFs (managed by 5 ETF managers), representing 8% of total ETFs, have only one AP.[44]

We considered whether ETFs should be required to have a minimum number of APs and what that minimum would be. Key considerations included:

- APs are generally not obligated to conduct arbitrage or provide liquidity within specified parameters. AP activity is dependent on the demand for the ETF, and adding more APs may not proportionally increase the benefits discussed above

- the OSC ETF Study found no relationship between the number of APs and bid-ask spreads, but there was some evidence that having more APs is correlated with smaller deviations from NAV for certain periods covered by the research.[45]

Given these considerations, it was not clear if a specific minimum number of APs would promote efficient arbitrage. Similarly, a specified number of APs may still pose concentration risks for some ETFs if there is no AP obligation to conduct arbitrage under all market conditions, including stressed conditions. Therefore, we focused on ETFs with one AP, as they could raise concerns about undue concentration risk and absence of competition in arbitrage and liquidity provision.

Despite AP activity depending on ETF demand and a second AP that may not always act regularly, we believe it could be beneficial for ETFs to avoid sole AP arrangements and contract with at least two APs for the following reasons:

- *increasing primary market resiliency* – relying on a single AP could be unduly risky. During times of market stress, an unexpected shock to an AP could render it unavailable to participate in the primary market. A second AP could increase the resiliency of the primary market, as there would be no delay in onboarding another AP if the first AP is unable to create or redeem units (i.e., there would be a second AP that has passed the ETF's due diligence review and can step in and transact readily)

- *promoting competitive behaviour* – the presence of a second AP, already onboarded by the ETF manager and capable of making markets for the ETF, could encourage the first AP to maintain tight bid-ask spreads and closely track the underlying value of the ETF to avoid losing trades. Promoting competitive behaviour may be particularly important for ETFs that do not publicly disclose portfolio information for arbitrage.[46] Without access to portfolio information, it may be difficult and less likely for informal liquidity providers (who do not have an agreement with the ETF) to compete in market making, raising concerns about a sole AP having an information advantage (see the discussion in section III.D below)

- *avoiding exclusive arrangements* – it is unclear whether the ETFs that have one AP have exclusive arrangements with one dealer. The IOSCO ETF Good Practices encourage avoiding exclusive arrangements if they may unduly affect the effectiveness of the arbitrage mechanism.[47] Contracting with at least two APs ensures that there is no de facto exclusive arrangement that may impact arbitrage effectiveness.

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43 For example, an AP may choose to be active only in relation to ETFs that invest in markets where the AP has particular expertise.

44 See OSC ETF Study (pp.8-9).

45 See OSC ETF Study (pp.3 and 23).

46 ETF managers have expressed the view that multiple AP arrangements reduce the possibility of APs unfairly benefitting from the portfolio holdings information that is disclosed only to APs, because competition for trades among the APs would narrow the quoted spread on the ETF's securities and bring the market price of the ETF's securities in line with their underlying value. See OSC Investment Funds Practitioner – *Portfolio Disclosure Practices of Exchange-Traded Funds* (December 2016), *available at* https://www.osc.ca/en/industry/investment-funds-and-structured-products/ifsp-enews/portfolio-disclosure-practices-exchange-traded-funds (**OSC IF Practitioner**).

47 See IOSCO ETF Good Practices (p.33).

While having two APs may still pose concentration risks, a two AP minimum could alleviate concerns regarding exclusive arrangements. However, newly launched ETFs with lower asset levels or ETFs investing in assets that trade in specialized markets may encounter challenges in contracting with a second AP, potentially hindering the introduction of innovative funds. We seek feedback to better understand the benefits and disadvantages of an ETF having at least two APs.

Consultation Questions:

18. Does having only one AP pose undue risk for the primary market? Are there obstacles for ETFs to contract with at least two APs?

19. Would the presence of a second AP (and therefore, the potential for competition) help mitigate concerns associated with a single AP potentially not maintaining efficient arbitrage to align the market price of the ETF closely to the underlying value? Is this concern more significant for ETFs that do not disclose daily portfolio information to the public, making it less likely for non-AP dealers to provide liquidity? Are there other ways for the ETF manager to ensure that a sole AP maintains efficient arbitrage?

20. If an ETF has only one AP due to specific obstacles in contracting with more APs, should exclusive arrangements with the AP be prohibited, thereby making it possible for the ETF to contract with additional APs once the obstacles do not exist? What benefits would an exclusive arrangement (or de facto exclusive arrangement) provide for the ETF and its investors that would outweigh the risks of limiting primary market access (and potentially, liquidity provision, for certain ETFs) to only one AP?

21. If an ETF only has one AP, should the name of the AP be prominently disclosed in the prospectus or ETF facts document, for example, under Items 14 (Purchases) and 15 (Redemptions) of Form 41-101F2 and under Item 2, Part I of Form 41-101F4 (Quick Facts table), to inform investors of the ETF's reliance on the sole AP?

D. Disclosure of Portfolio Information for Arbitrage and to the Public

As outlined in subsection II.C, APs and other liquidity providers use information about the ETF's portfolio to value an ETF (**valuation information**) to identify arbitrage opportunities and to construct hedges for their market positions. Without sufficient information about the ETF's portfolio to allow APs to quantify the risks of their positions in the ETF and to hedge efficiently, APs may widen bid-ask spreads or require a larger difference between the market price of ETF units and the underlying value before engaging in arbitrage.

Generally, daily public disclosure of full portfolio holdings is associated with facilitating robust arbitrage, enabling APs and other liquidity providers to value the ETF's portfolio holdings continuously and thereby identify arbitrage opportunities, and construct efficient hedges.[48] This practice also makes the same information available to all ETF investors and market participants. However, managers of active ETFs[49] may be concerned that public disclosure of full daily holdings could allow others to discern their proprietary investment strategies and reverse engineer their strategies, free-riding on their investment research. As well, some ETF managers (including managers of index-based ETFs) are concerned that other market participants that can see what their ETF is buying or selling daily can anticipate their trades and trade ahead of the ETF (similar to frontrunning),[50] reducing investment returns.

In this subsection, we discuss: (a) whether an ETF should be required to provide specific valuation information to facilitate arbitrage; and (b) whether an ETF should be required to make the valuation information available to all market participants for the trading day by disclosing the information on its website. We also discuss our proposal for ETFs to clarify the information they disclose for arbitrage and the information they disclose to the public on their websites.

1. Type of Valuation Information

While all ETF managers seek to facilitate arbitrage, ETF managers currently provide varying levels of portfolio information. This can include full daily portfolio holdings or the component securities that make up the creation and redemption baskets.[51] We considered whether it was necessary to prescribe the type of valuation information to facilitate arbitrage and concluded that no requirement is necessary, because:

- ETF managers have a strong interest in providing sufficient valuation information to facilitate effective arbitrage. Without it, APs would be less willing to participate actively in market making as they face higher risks and uncertainties. An ETF would likely exhibit wider bid-ask spreads or larger divergence from NAV compared to its peers, making it less attractive to investors. The OSC ETF Study, which included a review of the quoted spreads

[48] IOSCO ETF Good Practices (p.23).
[49] Active ETFs do not seek to replicate the performance of an index, and do not seek to construct their portfolio in accordance with disclosed rules (e.g., holding an equally weighted portfolio selected in accordance with specified rules).
[50] As this type of trading ahead of anticipated trades is similar to front-running, we use this term in our discussion.
[51] We consider creation and redemption baskets to be portfolio information because the components in the baskets are either included in the ETF's portfolio or will be accepted by the ETF.

and deviations from NAV of ETFs from 2020-2023, found that overall, spreads were low and average deviations from NAV were small,[52] suggesting that ETF managers have effectively determined the necessary information to facilitate effective arbitrage despite the absence of mandated valuation information for arbitrage

- investors will be able to assess the functioning of the arbitrage mechanism and compare across ETFs under our proposal in subsection III.B.1 for an ETF to disclose certain metrics on its website. Further, ETF managers must monitor the effectiveness of arbitrage and liquidity for their ETFs, as proposed under subsection III.B.2, to enable them to take action if their expected parameters are not met.

Depending on the investment strategies offered and the perceived risks of reverse-engineering and free-riding, ETF managers may, in the future, decide to provide other information for valuation (for example, providing varying levels of transparency of the ETF's portfolio).[53] Regardless of the type of valuation information provided for arbitrage, we believe that ETF managers have a strong market incentive to provide sufficient information to promote active AP participation and support effective arbitrage. In addition, our proposal for the disclosure of specific metrics to help investors evaluate the effectiveness of arbitrage will further encourage ETF managers to establish robust arrangements to facilitate efficient arbitrage, including providing information that allows for the accurate valuation of their ETFs.

2. Disclosure of Valuation Information

The CSA also considered whether ETFs should publicly disclose valuation information on their websites, or if ETFs could choose to share it only with APs for arbitrage purposes.[54] Our view is that:

- requiring public disclosure of valuation information does not appear to be necessary. An ETF can decide whether to share valuation information solely to facilitate arbitrage, or make the information available to the public on its website; and

- an ETF should adopt policies and procedures governing the disclosure of portfolio information. The ETF should also disclose what information it shares about its portfolio for the purpose of arbitrage and for informing the public, and specifically, whether it discloses full daily portfolio holdings on its website.

The ETF industry began with the offering of passive, index-based ETFs. These early ETFs sought to replicate the performance of widely-recognized, broad market indices with publicly available compositions. Without proprietary strategies and with lower portfolio turnover, providing full portfolio holdings transparency daily to the public was common practice. This transparency allowed APs and other liquidity providers to use the holdings information for valuing the ETFs for arbitrage purposes, while also enabling investors to see the daily investment exposure. The popularity of passive ETFs may be attributed in part to this daily portfolio transparency that distinguished them from traditional mutual funds.

As discussed in section I, the Canadian ETF market has evolved significantly, introducing a variety of newer products that track fundamental indexes and bespoke indexes and offer exposure to different asset classes. Increasingly, investment fund managers are using the ETF structure to offer active strategies, seeking to use their investment research and analysis in products that have an investment objective of outperforming a benchmark index or providing absolute returns. These ETFs offer active portfolio management services with the benefits of the ETF structure, such as intraday trading, cost efficiency, and the ability to pass transaction costs relating to buying and selling (fund entry and exit) to the investors who engage in these transactions (rather than having the fund bear these costs). The industry continues to innovate, offering active ETFs that provide investors with a broader range of strategies and opportunities beyond index-based ETFs.

ETF managers mitigate the risks of free-riding and front-running in different ways, balancing perceived risks to themselves and their funds with market-driven factors, including investor needs and preferences for portfolio information. Most index-based ETFs, having fewer concerns about free-riding, disclose their portfolio daily by posting all their current holdings daily on their website.[55]

In contrast, managers of active ETFs who are highly concerned about free-riding and front-running do not disclose their current portfolio holdings daily to the public. They typically provide full daily holdings to APs under confidentiality provisions and restrict the use of the information to market making. Some active ETF managers are of the view that investors have different information needs and abilities compared to APs. These managers believe that their investors are more concerned with the identity of the portfolio manager and the investment objectives, strategies and performance of the ETF, rather than daily holdings.[56]

Other ETF managers, including those managing index-based and active ETFs, disclose valuation information other than full daily portfolio holdings to their APs (such as creation and redemption baskets), and also do not make such valuation information available to the public for the same trading day. They are concerned that disclosing full daily holdings could allow free-riding or

[52] OSC ETF Study (pp.13-18).
[53] For example, adopting the "semi-transparent" disclosure models introduced in the U.S. after receiving exemptive relief from the U.S. regulator in 2019.
[54] See consultation question 17 seeking feedback on other arrangements with entities that are not APs to conduct arbitrage and provide liquidity.
[55] See OSC ETF Study (pp.9-10).
[56] See OSC IF Practitioner at footnote 46.

expose their ETFs to front-running risks. As well, they believe that valuation information is needed for arbitrage and is not used by their target investors.[57]

Based on our review of a sample of ETF websites, ETFs that do not publicly disclose full daily holdings typically provide other information on their website regarding their portfolio, such as:

- full portfolio holdings or partial holdings (e.g., top 10 holdings) as of the last day of each month with a 30 or 60 day delay, and/or
- summary characteristics of the portfolio that provide a snapshot of the market exposure provided by the ETF, similar to the portfolio information provided on an aggregate basis in the summary of investment portfolio in the management report of fund performance (e.g., industry sector or geographic allocation, aggregate price/earnings ratio of the portfolio holdings, or in the case of fixed income ETFs, duration and credit quality, etc.). This information is typically updated periodically (e.g., monthly).

Information sharing practices that do not make the same information equally available to all market participants can lead to concerns about information asymmetry, as there is a potential for APs that receive valuation information from an ETF to have an unfair information advantage. The CSA considered whether ETFs should publicly disclose their portfolio holdings or other valuation information to address this asymmetry. After weighing the factors below, our view is that public disclosure should not be required:

- *investor use of valuation information* – while ETFs have provided daily portfolio holdings information and other valuation information to the public, enabling investors to assess the ETF's investment exposure, most investors do not use the information daily and do not have the capability to use valuation information in the same way as dealers that are conducting arbitrage and providing liquidity. Therefore, making valuation information available to the public for the trading day may not effectively address information asymmetry concerns
- *arbitrage efficiency* – a key risk of information asymmetry in this context is that APs may not make markets for the ETF as efficiently, in the same way that they would if the information were publicly disclosed. For example, they may have opportunities to widen the gap between quoted prices and the ETF's underlying value and quote wider spreads. This risk may be elevated if the ETF has only one AP, potentially distorting ETF pricing and allowing the AP to set intraday prices that are not closely linked to the ETF's underlying value. However, most ETFs have multiple APs,[58] and the OSC ETF Study found that public disclosure of full daily portfolio holdings was not associated with quoted spreads or deviations from NAV,[59] suggesting that market making is not different whether an ETF publicly discloses daily portfolio holdings or not
- *attracting liquidity provision* – ETFs that do not make valuation information public, and particularly ETFs that do not seek to replicate the performance of a widely-recognized index, may be less likely to attract other dealers (who do not have the same information as APs) to compete in arbitrage and liquidity provision. However, most ETFs appear to have made appropriate arrangements for dealers to support arbitrage, as indicated by the small average deviations to NAV and narrow average spreads in the market, even for ETFs that do not publicly disclose valuation information[60]
- *supporting availability of diverse ETFs* – allowing ETF managers to provide valuation information to APs without publicly disclosing this information helps ETF managers manage the risks of front-running and free-riding, which are of particular concern for active ETFs. Requiring public disclosure so that all market participants receive the same information (including investors that do not conduct arbitrage and do not use the information for valuation) may discourage the offering of active ETFs, reducing product choices for investors
- *risks of asymmetry can be addressed* – we are also of the view that, collectively, the proposals discussed in the Consultation Paper address the risks of information asymmetry, as outlined in subsection III.D.5 below.

As long as the risks of information asymmetry can be addressed and provided that arbitrage can be maintained effectively to align market prices closely with the ETF's underlying value and narrow spreads, we believe that ETF managers should be permitted to continue their current disclosure practices and choose whether to disclose valuation information publicly. This approach supports the availability of active strategies in the ETF market, increasing investment choices and benefitting investors.

57 See OSC IF Practitioner at footnote 46.
58 We also seek feedback on a requirement to have a minimum of 2 APs in subsection III.C.3.
59 See OSC ETF Study (pp.23, 29-30).
60 See OSC ETF Study (pp.32-33).

3. Policies and Procedures for Disclosure of Portfolio Information

Given the history and development of the ETF market, we think investors consider the availability of information about an ETF's portfolio holdings to be an important feature of an ETF. As well, the valuation information that is provided for arbitrage purposes is critical for an ETF's operations. The CSA propose that an ETF be required to:

(a) establish, maintain and follow written policies and procedures governing the disclosure of portfolio information to:

- facilitate arbitrage
- inform the public; and

(b) disclose key elements of these policies and procedures in its prospectus and on its website (as discussed further below under "4. Disclosure of Policies and Procedures").

We propose that the policies and procedures specify the following:

- *portfolio information for arbitrage* – the portfolio information the ETF provides to APs (and other liquidity providers, if applicable) for valuation to facilitate arbitrage, including how frequently this information is provided and the recipients of the information
- *conditions and restrictions* – any conditions or restrictions that apply to the use of the valuation information, including any requirement that the information be kept confidential or any restrictions on trading based on the information
- *portfolio information for the public* – the portfolio information the ETF provides to the public on its website, including how frequently this information is provided and any delay between the date of the information and the date it is provided
- *process for providing information* – the process for providing information to APs and on the ETF's website
- *equal access for APs* – the procedures for ensuring that the same information is provided to all APs at the same time and under the same conditions (as proposed in subsection III.C.2).

As we propose giving ETFs flexibility in sharing portfolio information, implementing procedures and controls is intended to help ensure that the information is shared consistently in accordance with the ETF's policies. ETF managers may face conflicts of interest in the sharing of portfolio information. Robust policies and procedures to ensure that portfolio information disclosures are transparent and in the best interests of investors will help manage these conflicts. In addition to providing transparency about its policies (as proposed below), the ETF manager should consider whether its policies for sharing portfolio information may be a "conflict of interest matter" (as defined in National Instrument 81-107 *Independent Review Committee for Investment Funds*) that requires review by the ETF's independent review committee.

Establishing these policies and procedures will also strengthen compliance with the proposed disclosure requirements in the ETF's prospectus and website outlined below regarding the sharing of portfolio information. We believe that providing this disclosure would help to address asymmetry risks where portfolio information shared with APs is not provided to investors concurrently.

4. Disclosure of Policies and Procedures

Due to the range of practices on portfolio information disclosure, the CSA believe there is a gap in investor understanding of: (a) whether current daily portfolio holdings information is available to the public, and if not, what information about the ETF's portfolio is available, and (b) the type of valuation information provided to facilitate arbitrage, which may not be publicly disclosed.

To address this gap, the CSA propose that the ETF's prospectus and website: (a) clarify whether the ETF provides current daily portfolio holdings to the public, and (b) disclose key elements of the ETF's policies for disclosing portfolio information for arbitrage and to the public (the **Portfolio Information Disclosure Policy**).

First, we propose that an ETF disclose any portfolio information to the public by posting the information on its website, rather than disclosing it through other means or ahead to certain investors (such as making the information available upon request). Additionally, we propose that the following information be provided under the heading "Portfolio Information Disclosure Policy" on the ETF's website and in the prospectus:

a. Under the sub-heading "Portfolio Holdings Information Available on our Website":

   i. state whether the ETF is a "daily transparent ETF" that provides all of its current portfolio holdings daily on its designated website. We propose to define "daily transparent ETF" as an ETF that: (a) makes

available to the public, before the opening of regular trading on the listing exchange for the ETF's securities on a given day, all of the portfolio holdings that will be used to calculate NAV on that day, by posting such information on a "designated website";[61] and (b) does not make available the information referred to in (a) to any market participant before posting the information on the designated website.

ii. If the ETF is not a "daily transparent ETF", disclose:

1) the portfolio information that the ETF provides to the public on its designated website, including how frequently this information is provided and any delay between the date of the information and the date it is provided;[62] and

2) whether the ETF provides portfolio information other than the information disclosed on its designated website daily to facilitate arbitrage, as described under the sub-heading "Information Provided for Valuing the ETF".

b. Under the sub-heading "Information Provided for Valuing the ETF":

i. If the ETF is a "daily transparent ETF", state that the full portfolio holdings information available on the ETF's designated website can be used for valuing the ETF to facilitate arbitrage and liquidity provision.[63]

ii. If the ETF is not a "daily transparent ETF":

1) state whether full daily portfolio holdings are provided to other entities. If other portfolio information is provided for valuing the ETF to facilitate arbitrage and liquidity provision, describe the information that the ETF provides, including how frequently the information is provided;

2) describe the ETF's process for providing the valuation information;

3) state whether any conditions or restrictions apply to the use of the valuation information, including any requirement that the information be kept confidential or any restrictions on trading based on the information;

4) disclose the recipients of the valuation information[64]; and

5) disclose the rationale for not making the information in subsection 1) available on the ETF's website.

We proposed that the above information regarding an ETF's Portfolio Holdings Disclosure Policy be provided in the ETF's prospectus and on its website, as we believe that investors access ETF websites to obtain information regarding ETFs.

5. Addressing Information Asymmetry Concerns

The CSA believe that our proposals to enhance the ETF framework, collectively, also mitigate concerns regarding ETF managers disclosing portfolio information only to APs for arbitrage:

- *disclosing trading metrics on ETF website (see subsection III.B.1)* – by disclosing historical spreads and deviations from NAV on the ETF's website, investors will be able to assess how well the ETF manager's arrangements facilitate arbitrage and maintain narrow spreads. We believe this disclosure is critical because ETF managers have flexibility to implement various arrangements to facilitate arbitrage, including providing different levels of valuation information and disclosing the information only to APs, and contracting with a diverse group of APs

- *ETF manager monitoring of arbitrage (see subsection III.B.2)* – monitoring whether the arbitrage mechanism is functioning as expected by the ETF manager will increase oversight of the arrangements for arbitrage

61 See NI 81-106 for the definition of "designated website".

62 For example, information provided on the ETF's website may consist of a summary of the full portfolio based on different characteristics, similar to the summary provided in the ETF's management report of fund performance (such as a geographic or industry exposure, market capitalizations, etc.) as of the last day of each month that is updated 10 days after the last day of the month, full portfolio holdings as of the end of each month that are updated 15 days after the last day of the month, top 10 current portfolio holdings that are disclosed daily, etc.

63 The definition of "daily transparent ETF" is intended to describe ETFs that provide full daily portfolio holdings to the public on the ETF's website before the opening of each trading day, without disclosing such information ahead to any market participants (including APs). We understand that ETF managers may provide portfolio holdings information directly to APs through other arrangements before the opening of each trading day (such as through file transfers), but do not believe the different ways of providing daily portfolio holdings information for each trading day pose concerns and therefore, we do not propose that the different information provision arrangements be required to be disclosed in the prospectus or on the ETF's website for a "daily transparent ETF".

64 For example, the valuation information is provided to APs only.

implemented and enable the ETF manager to (i) assess the reasons for significant deviations from expected parameters (which may result in adjustments to reduce the deviations), and (ii) address the deviations with APs

- *fostering competition in arbitrage and liquidity provision (see subsections III.A and III.C)* – competition among APs (and other liquidity providers) contributes to efficient arbitrage. We proposed ways to level the playing field for APs in their interactions with the ETF (including adopting policies and procedures to promote consistency in primary market processes and providing valuation information to APs on an equal basis) and seek feedback on a requirement for ETFs to have at least 2 APs to avoid a single AP having exclusive access to valuation information. Further, we proposed that AP arrangements be disclosed to enhance transparency, allowing investors to see if the ETF manager has established arrangements that promote competition

- *providing transparency regarding the ETF's Portfolio Information Disclosure Policy (see subsection III.D.4)* – providing transparency regarding the portfolio information shared by an ETF will help investors determine if the ETF is suitable for their needs. In particular, the disclosure proposed in subsection III.D.4 will clarify whether the full daily portfolio holdings of the ETF are made available to the public. Investors who require daily portfolio holdings transparency for their investment decisions will be able to select ETFs that provide this level of information. Investors concerned about an ETF's lack of daily public disclosure of current portfolio holdings or about additional portfolio information being disclosed to specific recipients for market making may decide not to invest in such ETFs.

i) Other Measures Considered

The CSA also considered whether there may be other measures that could address asymmetry concerns.

a) Publication of an Indicative Net Asset Value (iNAV)

Some jurisdictions require the publication of an iNAV. As discussed in the IOSCO ETF Good Practices, an iNAV is a real-time estimate of the intraday NAV of an ETF based on real-time market values of its underlying assets, and is often calculated by a third-party service provider. Jurisdictions that require an iNAV generally require that it be disseminated regularly (e.g., 15 or 60 second intervals) throughout the trading day and made available to all market participants.[65] iNAV is believed to serve as alternative information about an ETF's portfolio that could (a) facilitate secondary market trading for retail investors by providing a benchmark for the current portfolio value, and (b) potentially facilitate effective arbitrage.

However, the IOSCO ETF Good Practices also noted the potential shortcomings of an iNAV, including questions about the accuracy and reliability of iNAVs resulting from stale pricing (particularly with less liquid holdings and differences in time zones of the markets in which ETF holdings trade). We are concerned that an iNAV could be considered to represent the current value of an ETF even though underlying markets have moved, creating confusion for investors. We further understand that APs have historically not relied on an iNAV for valuing an ETF; therefore, it is not clear that this information would be useful to address asymmetry concerns. While, in some circumstances, an iNAV could provide information about the recent value of an ETF's portfolio, the CSA does not believe a requirement for all ETFs to publish an iNAV would uniformly help to reduce asymmetry risks.

b) Disclosure of Full Portfolio Holdings on a Less Frequent and/or Delayed Basis

As discussed in the IOSCO ETF Good Practices, some jurisdictions allow ETFs to share portfolio information to APs without sharing it with the public concurrently. These jurisdictions often require ETFs to disclose their full portfolio holdings to the public on a less frequent, delayed basis.[66] For example, ETFs may be required to disclose their full portfolio holdings as of the end of each month, with a delay of up to 30 days. The CSA did not propose this disclosure approach because it is not clear that this approach effectively addresses information asymmetry.

While many Canadian ETFs provide daily portfolio holdings to the public, some do not have this disclosure policy. ETFs have balanced the need to provide sufficient information for valuation and arbitrage with the risks of front-running and free-riding, while also meeting investor expectations for up-to-date information regarding the ETF's portfolio. Considering the different factors that contribute to effective arbitrage, and that the industry has evolved to offer a range of ETFs that are supported by effective arbitrage, it appears that full daily portfolio holdings transparency may not be a fundamental, essential feature of an ETF. Instead, it may be a factor that investors consider when choosing ETFs, leading some ETFs to disclose their daily full holdings to the public for competitive reasons, despite the associated risks.

Therefore, we did not propose that ETFs be required to disclose specific portfolio information to the public, such as disclosing portfolio holdings on a less frequent or delayed basis. Instead, we propose that ETF managers be allowed to continue their current approach of considering the information needs and expectations of their target investors, and providing information accordingly. Under our proposal in subsection III.D.4, an ETF's Portfolio Information Disclosure Policy would be disclosed on its website and prospectus. An ETF may adopt policies that include providing delayed disclosure of full portfolio holdings on the ETF's website to

[65] IOSCO ETF Good Practices (p.65).
[66] IOSCO ETF Good Practices (p.24).

help investors understand the ETF's investment exposure as of a previous date or identify the holdings that contributed to its performance.

Consultation Questions:

22. Should ETFs continue to be allowed to determine the type of valuation information they provide to facilitate the arbitrage mechanism? If not, what parameters for portfolio information would ensure that the valuation information provided can facilitate effective arbitrage that will promote close tracking of the market price of the ETF to the underlying value? For example, should there be a requirement to provide the portfolio holdings that make up a minimum percentage of the portfolio's value?

23. Do our proposals, as outlined in subsection III.D.5, sufficiently address the risks of information asymmetry? Are there additional measures that could further reduce these risks?

24. Do you agree that permitting ETFs to provide full portfolio holdings (or other valuation information) daily only to APs for market making purposes strikes an appropriate balance between offering investors more product choice and the potential risks of information asymmetry?

25. Do the proposed policies and procedures regarding an ETF's disclosure of portfolio information for valuation and its disclosure of portfolio information to the public outlined in subsection III.D.3 cover the key elements for portfolio information disclosure?

26. Would the proposed disclosure requirements regarding an ETF's Portfolio Holdings Disclosure Policy in the ETF's prospectus and website provide sufficient information about the public availability of information regarding the ETF's portfolio holdings and the portfolio information that it provides to facilitate arbitrage? Is there other information that would be helpful for an ETF to disclose about its Portfolio Information Disclosure Policy? Should the proposed disclosure be included in both the prospectus and the ETF's website?

27. Does the proposed defined term "daily transparent ETF" effectively convey to investors that such an ETF discloses its full portfolio holdings to the public daily?

28. Should ETFs be required to publish an iNAV and why? If yes, please provide estimates of costs for publishing an iNAV for a specified frequency (e.g., every 15 seconds).

29. Should ETFs be required to provide public disclosure of full portfolio holdings on a less frequent and/or delayed basis, such as at the end of each month, with a delay of no more than 30 days? Please specify the benefits and costs of any proposal for less frequent (e.g., weekly, monthly, etc.) and/or delayed public disclosure of full holdings, including details on the proposed frequency and delay.

E. Offering an Exchange-Traded Series Together with Unlisted Series

The CSA has observed an increase in funds that offer both exchange-traded series and unlisted series. The exchange-traded series, often referred to as "ETF series" or "Series ETF", are referable to the same pool of assets as conventional mutual fund units that are not listed on an exchange, appealing to a broader range of investors. The CSA has provided exemptive relief to facilitate the offering of exchange-traded series, allowing an exchange-traded series to be treated as if it were a fund that is separate from the assets attributable to the unlisted series.

An exchange-traded series may benefit from being part of a mutual fund that offers unlisted series. An existing mutual fund with substantial assets could reduce fixed costs for the exchange-traded series (e.g., marketing costs, audit costs, costs related to the independent review committee, etc.) and provide investment fund managers with an efficient way to launch an "ETF". The track record of the unlisted series may also help attract assets to the new exchange-traded series. The offering of both series could broaden distribution opportunities and attract a larger amount of assets, providing economies of scale for the fund.

The CSA considered the differences between investing in an exchange-traded series and an ETF that does not offer unlisted units (a **standalone ETF**) and whether conflicts of interests may arise between the two series. Potential differences associated with offering unlisted series together with exchange-traded series include:

- *portfolio transaction costs from investor entry and exit* – Unlisted series use cash for transacting with investors, and investors' purchases and redemptions of unlisted series may generate portfolio transaction costs. In contrast, exchange-traded series that transact with APs on an in-kind basis would be expected to have lower portfolio transaction costs, as such costs are borne by APs and passed on to transacting investors.[67] We observed that generally, the trading expense ratio of the exchange-traded series and of the unlisted series of existing funds presented in disclosure documents are the same, indicating that the same level of costs is

[67] See footnote 15.

allocated proportionately to both the exchange-traded series and unlisted series even if portfolio transaction costs may be lower for exchange-traded series. Investors in a standalone ETF would have the benefit of not being impacted by portfolio transaction costs arising from investor entry and exit

- *cash drag* – A fund offering both series may need to hold more cash to satisfy redemptions from unlisted series holders, as compared to a standalone ETF that transacts using in-kind securities

- *portfolio rebalancing costs* – A fund offering both series may not be able to use in-kind transactions to the same extent as a standalone ETF to rebalance its portfolios, resulting in higher portfolio transaction costs that are allocated to both series.

We seek feedback on the differences between investing in an exchange-traded series and a standalone ETF, and whether additional disclosure is needed to clarify the differences, including potential costs, risks (including conflicts of interests) and benefits. We also seek feedback on whether portfolio transaction costs related to unlisted series inflows and redemptions discussed above could be allocated solely to the unlisted series, as if the unlisted series were a separate fund.[68] A fund-on-fund structure where a mutual fund invests all of its assets in units of an underlying ETF and that buys and sells units of the underlying ETF in response to investor entry and exit would achieve a similar outcome, but may involve higher costs for operating two separate funds.

We observed that there are varying practices among investment fund managers regarding the switching of exchange-traded series units to unlisted series units. Most managers prohibit switches to or from the exchange-traded series to unlisted series, while others allow them. We believe that restricting switches to or from exchange-traded series units is consistent with the liquidity preferences of each group of investors. Additionally, during volatile market conditions, if exchange-traded series units were to trade at a significant discount to NAV, market participants would not have the opportunity to purchase these units, switch to unlisted series units, and redeem at NAV. We seek feedback on whether funds that offer both exchange-traded and unlisted series should be required to prohibit switches between the two series of units.

Consultation Questions:

30. Are there differences between investing in an exchange-traded series and a standalone ETF in addition to those discussed above? Please specify any additional benefits, costs or risks of investing in an exchange-traded series compared to a standalone ETF. Is there a potential for conflict of interest matters to arise in the management of an exchange-traded series and unlisted series within one fund, where the fund manager's actions could prioritize the interests of one series over the other?

31. Are there costs attributable only to unlisted series (such as costs attributable to purchases or redemptions of unlisted series, as discussed above) that are shared with the exchange-traded series? Could such costs be allocated only to the unlisted series to avoid impacting the exchange-traded series, such that the exchange-traded series would operate more similarly to a standalone ETF?

32. Is additional disclosure necessary to inform investors of the differences between investing in an exchange-traded series and a standalone ETF? Should this disclosure be included in the ETF facts document or only in the prospectus?

33. Should there be a restriction on switches to and from exchange-traded series? Should the restriction only apply to switches from exchange-traded series to unlisted series?

F. Availability of Foreign ETFs

As noted in subsection II.A.2, investors can access U.S.-listed ETFs through brokerage accounts with Canadian investment dealers, including full-service brokerages and discount brokers, even though U.S.-listed ETFs do not market directly in Canada. This access makes available a wide array of products, including U.S.-listed ETFs that may engage in strategies not permitted under NI 81-102. Investors can also purchase U.S.-listed ETFs that offer the same investment exposures as competing Canadian ETFs, such as passive exposure to U.S. and international market indexes. A significant portion of ETF assets held by Canadian investors are in U.S.-listed ETFs.[69]

Additionally, investors may have exposure to foreign ETFs through investment fund holdings. NI 81-102 prohibits publicly offered investment funds from investing in underlying funds that are not compliant with CSA fund regulations, preventing the indirect offering of non-compliant foreign investment funds in Canada.[70] However, NI 81-102 allows exemptions for "index participation

[68] For example, where hedged and unhedged series units are offered by one fund, investment fund managers typically track the hedging instruments used in the currency hedged series and allocate currency hedging costs to the hedged series units only.

[69] As of December 2024, U.S.-listed ETFs represented approximately $108 billion or 25% of total ETF assets (Canadian and US-listed) held by Canadian retail investors. Data provided by ISS Market Intelligence, Investor Economics ETF and Index Funds Report 2024.

[70] See subsections 2.5(2)(a) and (c) of NI 81-102.

units" (**IPUs**).[71] As defined in NI 81-102, an IPU is an index-based ETF that tracks the performance of a specified widely quoted market index and that is listed in Canada or the United States. When NI 81-102 was implemented, ETFs were relatively new investment vehicles and were mainly listed on Canadian and U.S. exchanges.

The exemption for IPUs, along with the exemption from the concentration restriction in subsection 2.1(2)(d) of NI 81-102, allows ETFs to invest 100% of their assets in U.S.-listed index-based ETFs, often managed by an affiliated manager. This structure allows Canadian ETFs to feed assets into larger U.S.-listed ETFs, providing operational efficiencies. As assets grow, ETF managers may collapse the "feeder" structure and invest in the underlying securities in the reference index directly, balancing factors such as applicable tax considerations and operational and trading costs.

As ETFs represent an efficient and cost-effective way of achieving exposure to a wide range of markets and asset classes, investment fund managers have sought exemptive relief to invest in foreign ETFs beyond U.S.-listed IPUs, including those managed by unaffiliated fund managers. Initially, relief allowed investment funds to invest up to 100% of net assets in foreign index-based ETFs listed outside the U.S., such as in Hong Kong and the UK.[72] The rationale was that these ETFs would qualify as IPUs if listed in Canada or the U.S. and are subject to a regulatory regime comparable to that in Canada.

Over time, relief has been extended to allow investments in U.S. ETFs that: (a) are not IPUs, as the reference index tracked by the U.S. ETFs may not be considered to be a widely recognized market index, or (b) are actively managed.[73] Initially, this relief was limited to 10% of net assets, but recently, ETFs have been granted relief to invest 100% of their net assets in related underlying active U.S. ETFs.[74]

Generally, relief has not been granted to allow investment funds to obtain exposure to foreign ETFs that engage in strategies not permitted under NI 81-102. However, investors can directly buy U.S.-listed ETFs that may engage in non-81-102 compliant strategies through their brokerage accounts.

The CSA seeks stakeholder views on the availability of foreign ETFs to the public, both directly through brokerage accounts and indirectly through publicly offered investment funds.

Consultation Questions:

34. Please provide your views on the availability of foreign ETFs for investors through brokerage accounts and through holdings by investment funds subject to NI 81-102.

35. Are there any additional measures that would be beneficial for investors in their consideration of investments in foreign ETFs in comparison to investments in Canadian ETFs?

G. Rule Amendments to Implement Proposals

After receiving feedback on our proposals, in the areas where we conclude rules are necessary, the CSA will publish proposed rules or rule amendments for comment following the CSA's usual public comment process. We anticipate that any new requirements would be added by amending existing investment fund rules such as NI 81-102 and NI 81-106. For example, if implemented, the requirement for policies and procedures for creations and redemptions would be added to NI 81-102 and the website disclosure of key metrics would be added to NI 81-106.

Comments and Submissions

We invite participants to provide input on the issues outlined in this public consultation paper. You may provide written comments in hard copy or electronic form. The consultation period expires **October 17, 2025.**

Certain CSA regulators require publication of the written comments received during the comment period. We will publish all responses received on the websites of the Autorité des marchés financiers (www.lautorite.qc.ca), the Ontario Securities Commission (www.osc.ca), and the Alberta Securities Commission (www.albertasecurities.com). Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

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71 See subsection 2.5(3) of NI 81-102.

72 See, for example, *In the Matter of Horizons ETFs Management (Canada) Inc.* dated July 24, 2015, *available at* https://www.osc.ca/en/securities-law/orders-rulings-decisions/horizons-etfs-management-canada-inc-2, *In the Matter of BMO Investments Inc.* dated September 18, 2015, *available at* https://www.osc.ca/en/securities-law/orders-rulings-decisions/bmo-investments-inc-8 and *In the Matter of CI Investments Inc.* dated February 28, 2020, *available at* https://www.osc.ca/en/securities-law/orders-rulings-decisions/ci-investments-inc-4.

73 See, for example, *In the Matter of AGF Investments Inc.* dated November 2, 2016, *available at* https://www.osc.ca/en/securities-law/orders-rulings-decisions/agf-investments-inc-4 and *In the Matter of TD Asset Management Inc.* dated May 27, 2016, *available at* https://www.osc.ca/en/securities-law/orders-rulings-decisions/td-asset-management-inc-5.

74 See *In the Matter of FT Portfolios Canada Co.* dated September 11, 2024, *available at* https://www.osc.ca/en/securities-law/orders-rulings-decisions/ft-portfolios-canada-co-4 and *In the Matter of JP Morgan Asset Management (Canada) Inc.* dated September 11, 2024, *available at* https://www.osc.ca/en/securities-law/orders-rulings-decisions/jp-morgan-asset-management-canada-inc.

Please submit your comments in writing on or before **October 17, 2025.**

Address your submission to all of the CSA as follows:

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

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

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
comments@osc.gov.on.ca

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
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consultation-en-cours@lautorite.qc.ca

Questions

Please refer your questions to any of the following:

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B.1.2 CSA Notice of Publication – Amendments and Changes to Certain National Instruments and Policies related to the Senior Tier of the Canadian Securities Exchange, the Cboe Canada Inc. and AQSE Growth Market Name Changes, and Majority Voting Form of Proxy Requirements

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA NOTICE OF PUBLICATION

AMENDMENTS AND CHANGES TO CERTAIN NATIONAL INSTRUMENTS AND POLICIES RELATED TO THE SENIOR TIER OF THE CANADIAN SECURITIES EXCHANGE, THE CBOE CANADA INC. AND AQSE GROWTH MARKET NAME CHANGES, AND MAJORITY VOTING FORM OF PROXY REQUIREMENTS

June 19, 2025

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are publishing in final form amendments to:

- National Instrument 41-101 *General Prospectus Requirements*
- National Instrument 44-101 *Short Form Prospectus Distributions*
- National Instrument 45-106 *Prospectus Exemptions*
- National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**)
- Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*
- National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*
- National Instrument 52-110 *Audit Committees*
- National Instrument 58-101 *Disclosure of Corporate Governance Practices*
- Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*
- National Instrument 62-104 *Take-Over Bids and Issuer Bids*
- National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*
- National Instrument 81-101 *Mutual Fund Prospectus Disclosure*

(collectively, the **Amendments**).

We are also publishing in final form changes to the following:

- Companion Policy 44-101CP to National Instrument 44-101 *Short Form Prospectus Distributions*
- National Policy 46-201 *Escrow for Initial Public Offerings*

(collectively, the **Changes**).

The Amendments are expected to be adopted by each member of the CSA, where applicable, and provided all necessary regulatory and ministerial approvals are obtained, the Amendments will come into force on September 19, 2025.

The text of the Amendments and Changes is contained in Annexes A through N of this notice and is also available on the websites of CSA jurisdictions, including:

- www.bcsc.bc.ca
- www.asc.ca
- www.mbsecurities.ca
- www.fcaa.gov.sk.ca
- www.osc.ca
- www.lautorite.qc.ca
- nssc.novascotia.ca
- www.fcnb.ca

Substance and Purpose

We are making the Amendments and Changes to address the following:

- the Canadian Securities Exchange (the **CSE**) creating, by amendments to its listing policies, a senior tier (the **CSE Senior Tier**), which is intended to be a non-venture tier but is currently categorized as a venture marketplace in securities legislation,
- ensuring that CSE Senior Tier issuers are treated the same way under securities legislation as issuers listed on other non-venture exchanges,
- the name change of the PLUS markets to AQSE Growth Market as a result of PLUS Markets Group plc selling those markets,
- the name change of Aequitas Neo Exchange Inc. (**NEO**) to Cboe Canada Inc. as a result of Cboe Global's acquisition of NEO, and
- amendments to the *Canada Business Corporations Act* (**CBCA**) dealing with "majority voting", which amendments may have created uncertainty about the voting options required to be provided to securityholders in uncontested director elections of CBCA-incorporated reporting issuers and those required under securities legislation.

Background

On April 3, 2023, amendments to the CSE's listing policies came into effect, creating the CSE Senior Tier. The CSE Senior Tier is intended to be a non-venture tier with initial and continued listing requirements in line with a non-venture exchange. However, under the current definition of "venture issuer" in securities legislation, the CSE is a venture exchange.

On January 15, 2019, the legal name of Aequitas NEO Exchange Inc. was changed to NEO Exchange Inc. On June 1, 2022, Cboe Canada Holdings, ULC purchased the direct shareholder of NEO Exchange Inc. Effective January 1, 2024, NEO Exchange Inc. was amalgamated with other related entities into a single legal entity named Cboe Canada Inc.

The PLUS markets no longer exist under that name and have had a name change to AQSE Growth Market operated by Aquis Stock Exchange Limited.

On August 31, 2022, amendments to the CBCA and the *Canada Business Corporations Regulations*, *2001* (the **Majority Voting Amendments**) came into effect that generally require "majority voting" for each candidate nominated for director in uncontested director elections of CBCA-incorporated reporting issuers. Where the Majority Voting Amendments apply, the form of proxy must provide securityholders with the option to specify whether their vote is to be cast "for" or "against" each candidate nominated for director, rather than "voted" or "withheld" from voting as is required by subsection 9.4(6) of NI 51-102.

To address any uncertainty about the voting options required to be provided to securityholders of CBCA-incorporated reporting issuers by the Majority Voting Amendments and those required by subsection 9.4(6) of NI 51-102, on January 31, 2023, the CSA

jurisdictions issued substantively harmonized local blanket orders that exempt CBCA-incorporated reporting issuers from the director election form of proxy requirement in subsection 9.4(6) of NI 51-102 in respect of the uncontested election of directors.[1]

In certain CSA jurisdictions, the local blanket order will expire or be revoked when the Amendments related to NI 51-102 come into force. The Ontario local blanket order will expire on January 31, 2026.

Summary of the Amendments and Changes

On August 1, 2024, we published for comment proposals reflected in the Amendments and Changes (the **August 1, 2024, Materials**). Please refer to the August 1, 2024, Materials for further background and a summary of the Amendments and Changes.

Summary of Written Comments Received by the CSA

During the 90-day comment period, which ended on October 30, 2024, we did not receive any comments.

Summary of Changes Since Publication for Comment

We have made only minor, non-material changes to the August 1, 2024, Materials.

Local Matters

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

Contents of Annexes

Annex A:	Amendments to National Instrument 41-101 *General Prospectus Requirements*
Annex B:	Amendments to National Instrument 44-101 *Short Form Prospectus Distributions*
Annex C:	Amendments to National Instrument 45-106 *Prospectus Exemptions*
Annex D:	Amendments to National Instrument 51-102 *Continuous Disclosure Obligations*
Annex E:	Amendments to Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-The-Counter Markets*
Annex F:	Amendments to National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*
Annex G:	Amendments to National Instrument 52-110 *Audit Committees*
Annex H:	Amendments to National Instrument 58-101 *Disclosure of Corporate Governance Practices*
Annex I:	Amendments to Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*
Annex J:	Amendments to National Instrument 62-104 *Take-Over Bids and Issuer Bids*
Annex K:	Amendments to National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*
Annex L:	Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*
Annex M:	Changes to Companion Policy 44-101CP to National Instrument 44-101 *Short Form Prospectus Distributions*
Annex N:	Changes to National Policy 46-201 *Escrow for Initial Public Offerings*
Annex O:	Local Matters

[1] *CSA Coordinated Blanket Order 51-930 Exemption From the Director Election Form of Proxy Requirement*

Questions

Please refer your questions to any of the following:

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ANNEX A

AMENDMENTS TO
NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS*

1. National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.

2. Section 1.1 is amended

(a) by repealing the definition of "Aequitas personal information form***",***

(b) by adding the following definition:

"Cboe personal information form" means a personal information form for an individual pursuant to Cboe Canada Inc. Form 3, as amended from time to time;**,**

(c) by adding the following definition:

"CSE senior tier" has the same meaning as "senior tier" as defined in section 1.3 of the listing rules of the Canadian Securities Exchange, as amended from time to time;**,**

(d) by repealing the definition of "IPO venture issuer***" and replacing it with the following:***

"IPO venture issuer" means an issuer that

(a) files a long form prospectus,

(b) is not a reporting issuer in any jurisdiction immediately before the date of the final long form prospectus, and

(c) at the date of the long form prospectus,

(i) does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on

(A) the Toronto Stock Exchange,

(B) Cboe Canada Inc.

(C) a U.S. marketplace, or

(D) a marketplace outside of Canada and the United States of America, other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited, and

(ii) is not, has not applied to become, and does not intend to apply to become, a CSE senior tier issuer;**, and**

(e) in the definition of "personal information form***" by replacing paragraph (c) with the following:***

(c) a completed Cboe personal information form submitted by an individual to Cboe Canada Inc., to which is attached a completed certificate and consent in the form set out in Schedule 1 – Part B of Appendix A;**.**

3. Subsection 1.9(4) of Form 41-101F1 Information Required in a Prospectus is repealed and replaced with the following:

(4) If the issuer has complied with the requirements of the Instrument as an IPO venture issuer, include a statement, in substantially the following form, with bracketed information completed:

"As at the date of this prospectus, [name of issuer] is not, has not applied to become, and does not intend to apply to become, a CSE senior tier issuer and does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Cboe Canada Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited)."**.**

4. Section 20.11 of Form 41-101F1 Information Required in a Prospectus is repealed and replaced with the following:

IPO venture issuers

20.11 If the issuer has complied with the requirements of the Instrument as an IPO venture issuer include a statement, in substantially the following form, with bracketed information completed:

"As at the date of the prospectus, [name of issuer] is not, has not applied to become, and does not intend to apply to become, a CSE senior tier issuer and does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Cboe Canada Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited)."***.***

5. (1) This Instrument comes into force on September 19, 2025.

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after September 19, 2025, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX B

AMENDMENTS TO
NATIONAL INSTRUMENT 44-101 *SHORT FORM PROSPECTUS DISTRIBUTIONS*

1. National Instrument 44-101 Short Form Prospectus Distributions is amended by this Instrument.

2. Section 1.1 is amended in the definition of "short form eligible exchange***" by replacing "***Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***".***

3. Section 2.7 is amended by adding the following subsection:

(4) Paragraphs 2.2(d), 2.3(1)(d) and 2.6(1)(b) do not apply to an issuer if

(a) the issuer is not exempt from the requirement in the applicable CD rule to file annual financial statements within a prescribed period after its financial year end, but the issuer has not yet, since the completion of a fundamental change, as defined in section 1.3 of the listing rules of the Canadian Securities Exchange, as amended from time to time, been required under the applicable CD rule to file annual financial statements, and

(b) a listing statement of the Canadian Securities Exchange

(i) was filed in connection with the fundamental change, and

(ii) complied with the listing rules of the Canadian Securities Exchange, as amended from time to time, in respect of the fundamental change.**.**

4. (1) This Instrument comes into force on September 19, 2025.

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after September 19, 2025, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX C

AMENDMENTS TO
NATIONAL INSTRUMENT 45-106 *PROSPECTUS EXEMPTIONS*

1. National Instrument 45-106 Prospectus Exemptions is amended by this Instrument.

2. Section 2.22 is amended in paragraph (a) of the definition of "*listed issuer*"

(a) in subparagraph (ii.1) by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***", and***

(b) by adding the following subparagraph:

(ii.2) the Canadian Securities Exchange,.

3. (1) This Instrument comes into force on September 19, 2025.

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after September 19, 2025, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX D

AMENDMENTS TO
NATIONAL INSTRUMENT 51-102 *CONTINUOUS DISCLOSURE OBLIGATIONS*

1. National Instrument 51-102 Continuous Disclosure Obligations is amended by this Instrument.

2. Section 1.1 is amended

(a) by adding the following definition:

"CSE senior tier" has the same meaning as "senior tier" as defined in section 1.3 of the listing rules of the Canadian Securities Exchange , as amended from time to time;**, *and***

(b) in the definition of "venture issuer***"***

(i) by adding "was not a CSE senior tier issuer and***" after "***as at the applicable time,***",***

(ii) by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***",***

(iii) by replacing "the PLUS markets operated by PLUS Markets Group plc***" with "*** the AQSE Growth Market operated by Aquis Stock Exchange Limited***".***

3. Section 9.4 is amended by adding the following subsection:

(6.1) Subsection (6) does not apply to a form of proxy sent to securityholders of a reporting issuer in respect of the election of directors if any of the following applies:

(a) the reporting issuer is incorporated, organized or continued under the Canada Business Corporations Act (Canada) and complies with subsection 54.1(2) of the Canada Business Corporations Regulations, 2001 (SOR/2001-512) under the Canada Business Corporations Act (Canada);

(b) the reporting issuer

(i) is incorporated, organized or continued under the laws of a jurisdiction of Canada or a foreign jurisdiction that contain a requirement substantially similar to subsection 54.1(2) of the Canada Business Corporations Regulations, 2001 (SOR/2001-512) under the Canada Business Corporations Act (Canada), and

(ii) complies with the requirement referred to in subparagraph (i)..

4. Paragraph 9.4(7)(b) is amended by replacing "subsection (4) or (6)***" with "***subsection (4), (6) or (6.1)***".***

5. (1) This Instrument comes into force on September 19, 2025.

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after September 19, 2025, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX E

AMENDMENTS TO
MULTILATERAL INSTRUMENT 51-105 *ISSUERS QUOTED IN THE U.S. OVER-THE-COUNTER MARKETS*

1. Multilateral Instrument 51-105 Issuers Quoted in the U.S. Over-the-Counter Markets is amended by this Instrument.

2. Section 1 is amended in the definition of "OTC issuer***":***

(a) in subparagraph (b)(iii) by replacing "Canadian National Stock Exchange***" with "***Canadian Securities Exchange***", and***

(b) in subparagraph (b)(viii) by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***".***

3. (1) This Instrument comes into force on September 19, 2025.

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after September 19, 2025, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX F

AMENDMENTS TO
NATIONAL INSTRUMENT 52-109 *CERTIFICATION OF DISCLOSURE IN ISSUERS' ANNUAL AND INTERIM FILINGS*

1. National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings is amended by this Instrument.

2. Section 1.1 is amended

(a) by adding the following definition:

"CSE senior tier" has the meaning ascribed to "senior tier" in section 1.3 of the listing rules of the Canadian Securities Exchange, as amended from time to time;**, *and***

(b) by repealing the definition of "venture issuer***" and replacing it with the following:***

"venture issuer" means a reporting issuer that, as at the end of the period covered by the annual or interim filings, as the case may be,

(a) did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, Cboe Canada Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited, and

(b) was not a CSE senior tier issuer.**.**

3. (1) This Instrument comes into force on September 19, 2025.

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after September 19, 2025, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX G

AMENDMENTS TO
NATIONAL INSTRUMENT 52-110 *AUDIT COMMITTEES*

1. National Instrument 52-110 Audit Committees is amended by this Instrument.

2. Section 1.1 is amended

(a) by adding the following definition:

"CSE senior tier" has the meaning ascribed to "senior tier" in section 1.3 of the listing rules of the Canadian Securities Exchange, as amended from time to time;**, *and***

(b) by repealing the definition of "venture issuer***" and replacing it with the following:***

"venture issuer" means an issuer that, at the end of its most recently completed financial year,

(a) did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, Cboe Canada Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited, and

(b) was not a CSE senior tier issuer.**.**

3. (1) This Instrument comes into force on September 19, 2025.

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after September 19, 2025, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX H

AMENDMENTS TO
NATIONAL INSTRUMENT 58-101 *DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES*

1. National Instrument 58-101 Disclosure of Corporate Governance Practices is amended by this Instrument.

2. Section 1.1 is amended

(a) by adding the following definition:

"CSE senior tier" has the same meaning as "senior tier" as defined in section 1.3 of the listing rules of the Canadian Securities Exchange, as amended from time to time;***, and***

(b) by repealing the definition of "venture issuer***" and replacing it with the following:***

"venture issuer" means a reporting issuer that, at the end of its most recently completed financial year,

(a) did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, Cboe Canada Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited, and

(b) was not a CSE senior tier issuer..

3. (1) This Instrument comes into force on September 19, 2025.

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after September 19, 2025, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX I

AMENDMENTS TO
MULTILATERAL INSTRUMENT 61-101 *PROTECTION OF MINORITY SECURITY HOLDERS IN SPECIAL TRANSACTIONS*

1. Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions is amended by this Instrument.

2. Section 1.1 is amended by adding the following definition:

"CSE senior tier" has the meaning ascribed to "senior tier"in section 1.3 of the listing rules of the Canadian Securities Exchange, as amended from time to time;**.**

3. Paragraph 4.4(1)(a) is repealed and replaced with the following:

(a) Issuer Not Listed on Specified Markets – the issuer is not a CSE senior tier issuer and no securities of the issuer are listed or quoted on the Toronto Stock Exchange, Cboe Canada Inc., the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited,**.**

4. Paragraph 5.5(b) is repealed and replaced with the following:

(b) Issuer Not Listed on Specified Markets – the issuer is not a CSE senior tier issuer and no securities of the issuer are listed or quoted on the Toronto Stock Exchange, Cboe Canada Inc., the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited**,.**

5. Subparagraph 5.7(1)(b)(i) is repealed and replaced with the following:

(i) the issuer is not a CSE senior tier issuer and no securities of the issuer are listed or quoted on the Toronto Stock Exchange, Cboe Canada Inc., the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the AQSE Growth Market operated by Aquis Stock Exchange Limited,**.**

6. (1) This Instrument comes into force on September 19, 2025.

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after September 19, 2025, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX J

AMENDMENTS TO
NATIONAL INSTRUMENT 62-104 *TAKE-OVER BIDS AND ISSUER BIDS*

1. National Instrument 62-104 Take-Over Bids and Issuer Bids is amended by this Instrument.

2. Subsection 4.8(1) is amended by adding ", Cboe Canada Inc.***" after "***the TSX Venture Exchange***".***

3. (1) This Instrument comes into force on September 19, 2025.

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after September 19, 2025, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX K

AMENDMENTS TO
NATIONAL INSTRUMENT 71-102 *CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS*

1. National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers is amended by this Instrument.

2. Paragraph 4.7(2)(a) is amended by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***".***

3. Paragraph 5.8(2)(a) is amended by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***".***

4. (1) This Instrument comes into force on September 19, 2025.

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after September 19, 2025, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX L

AMENDMENTS TO
NATIONAL INSTRUMENT 81-101 *MUTUAL FUND PROSPECTUS DISCLOSURE*

1. National Instrument 81-101 Mutual Fund Prospectus Disclosure is amended by this Instrument.

2. Section 1.1 is amended

(a) by repealing the definition of "Aequitas personal information form***",***

(b) by adding the following definition:

"Cboe personal information form" means a personal information form for an individual pursuant to Cboe Canada Inc. Form 3, as amended from time to time;**, *and***

(c) in the definition of "personal information form***" by replacing paragraph (c) with the following:***

(c) a completed Cboe personal information form submitted by an individual to Cboe Canada Inc., to which is attached a completed certificate and consent in the form set out in Schedule 1 – Part B of Appendix A to National Instrument 41-101 *General Prospectus Requirements;***.**

3. (1) This Instrument comes into force on September 19, 2025.

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after September 19, 2025, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX M

CHANGES TO
COMPANION POLICY 44-101CP TO NATIONAL INSTRUMENT 44-101 *SHORT FORM PROSPECTUS DISTRIBUTIONS*

1. Companion Policy 44-101CP to National Instrument 44-101 Short Form Prospectus Distributions is changed by this Document.

2. Subsection 1.7(5) is changed by replacing the third sentence with the following:

In both instances, prospectus level disclosure or comparable disclosure prescribed by the TSX Venture Exchange or the Canadian Securities Exchange, as the case may be, for such issuer must be provided in an information circular or similar disclosure document pursuant to subsections 2.7(2), (3) and (4) of NI 44-101..

3. This change becomes effective on September 19, 2025.

ANNEX N

CHANGES TO
NATIONAL POLICY 46-201 *ESCROW FOR INITIAL PUBLIC OFFERINGS*

1. National Policy 46-201 Escrow for Initial Public Offerings is changed by this Document.

2. Section 3.2 is changed

(a) in paragraph (a.i) by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***" wherever it occurs, and***

(b) by deleting "*or****" at the end of paragraph (a.i) and by adding the following paragraph:***

(a.ii) is a Canadian Securities Exchange senior tier issuer (the **CSE senior tier**) and is a Closed End Fund, Exchange Traded Fund or Structured Product (as defined in section 1.3 of the listing rules of the Canadian Securities Exchange, as amended from time to time); or***.***

3. Subsection 3.3(2) is changed

(a) by adding the following paragraph:

(a.i) is a CSE senior tier issuer and is not an exempt issuer;***, and***

(b) in paragraph (c) by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***".***

4. Subsection 4.4(1) is changed

(a) in paragraph (a) by replacing "Aequitas NEO Exchange Inc***." with "***Cboe Canada Inc.***", and***

(b) in paragraph (b) by adding "or a CSE senior tier issuer***" after "***Tier 1 issuer***".***

5. Section 3.1 of Form 46-201F1 Escrow Agreement is changed

(a) in paragraph (a) by replacing "Aequitas NEO Exchange Inc***." with "***Cboe Canada Inc.***", and***

(b) in paragraph (b) by adding "or a CSE senior tier issuer***" after "***Tier 1 issuer***".***

6*. *Form 46-201F1 Escrow Agreement is changed by replacing the signature blocks with the following:

[**Escrow Agent**]

_____
Authorized signatory

_____
Authorized signatory

[**Issuer**]

_____
Authorized signatory

_____
Authorized signatory

If the Securityholder is an individual:

_____
Signature of Securityholder

If the Securityholder is not an individual:

[Securityholder]

_____
Authorized signatory

_____
Authorized signatory

7. Schedule "B" to Form 46-201F1 Escrow Agreement is changed by replacing the signature blocks with the following:

Where the transferee is an individual:

_____
Signature of Transferee

Where the transferee is not an individual:

[Transferee]

_____
Authorized signatory

_____
Authorized signatory

8. These changes become effective on September 19, 2025.

ANNEX O

LOCAL MATTERS

ONTARIO SECURITIES COMMISSION

On May 7, 2025,

- amendments were made to:
    - National Instrument 41-101 *General Prospectus Requirements*
    - National Instrument 44-101 *Short Form Prospectus Distributions*
    - National Instrument 45-106 *Prospectus Exemptions*
    - National Instrument 51-102 *Continuous Disclosure Obligations*
    - Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*
    - National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*
    - National Instrument 52-110 *Audit Committees*
    - National Instrument 58-101 *Disclosure of Corporate Governance Practices*
    - Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*
    - National Instrument 62-104 *Take-Over Bids and Issuer Bids*
    - National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*
    - National Instrument 81-101 *Mutual Fund Prospectus Disclosure*

  (collectively, the **CSA Amendments**),
- changes were made to
    - Companion Policy 44-101 *Short Form Prospectus Distributions*
    - National Policy 46-201 *Escrow for Initial Public Offerings*

  (collectively, the **CSA Changes**),
- the Ontario Securities Commission:
    - amended Ontario Securities Commission Rule 45-501 *Ontario Prospectus and Registration Exemptions* (**Rule 45-501**)
    - amended Ontario Securities Commission Rule 56-501 *Restricted Shares* (**Rule 56-501**)

  (collectively, the **Ontario Amendments**), and
    - repealed Ontario Securities Commission Rule 55-502 *Facsimile Filing or Delivery of Inside Reports* (**Rule 55-502**)

  (the **Repeal**).

The CSA Amendments and the CSA Changes are described in the related CSA notice (the **CSA Notice**) to which this Annex is appended.

Substance and Purpose

Please refer to the CSA Notice for a discussion of the substance and purpose of the CSA Amendments and CSA Changes. With regards to the Ontario Amendments, the amendments to Rule 45-501 and Rule 56-501 reflect the name change of Aequitas Neo Exchange Inc. to Cboe Canada Inc. Rule 55-502 is repealed because it applied to reports required to be filed under section 109 of the *Securities Act* (Ontario), which section was repealed in 2019.

Delivery to the Minister

The CSA Amendments, the Ontario Amendments, the Repeal and other required materials were delivered to the Minister of Finance on or about June 18, 2025. The Minister may approve or reject the CSA Amendments, the Ontario Amendments and the Repeal, or return them for further consideration. If the Minister approves the CSA Amendments, the Ontario Amendments and the Repeal, or does not take any further action, the CSA Amendments, the Ontario Amendments and the Repeal will come into force on September 19, 2025.

Summary of Written Comments

We did not receive any comments.

SCHEDULE 1

AMENDMENTS TO
ONTARIO SECURITIES COMMISSION RULE 45-501 *ONTARIO PROSPECTUS AND REGISTRATION EXEMPTIONS*

1. Ontario Securities Commission Rule 45-501 Ontario Prospectus and Registration Exemptions is amended by this Instrument.

2. Subsection 2.9(1) is amended by replacing "Aequitas NEO Exchange***" with "***Cboe Canada Inc.***".***

3. This Instrument comes into force on September 19, 2025.

SCHEDULE 2

REPEAL OF
ONTARIO SECURITIES COMMISSION RULE 55-502 *FACSIMILE FILING OR DELIVERY OF INSIDE REPORTS*

1. ***Ontario Securities Commission Rule 55-502 Facsimile Filing or Delivery of Inside Reports is repealed by this Instrument.***

2. This Instrument comes into force on September 19, 2025.

SCHEDULE 3

AMENDMENTS TO
ONTARIO SECURITIES COMMISSION RULE 56-501 *RESTRICTED SHARES*

1. Ontario Securities Commission Rule 56-501 Restricted Shares is amended by this Instrument.

2. Subsection 2.2(1) is amended by replacing "Aequitas NEO Exchange Inc.***" with "***Cboe Canada Inc.***".***

3. This Instrument comes into force on September 19, 2025.

B.1.3 Notice of Variation Orders – Ontario Instrument 32-508 Not-for-Profit Angel Investor Group Registration Exemption (Interim Class Order) and Ontario Instrument 32-509 Early-Stage Business Registration Exemption (Interim Class Order)

NOTICE OF VARIATION ORDERS

ONTARIO INSTRUMENT 32-508
NOT-FOR-PROFIT ANGEL INVESTOR GROUP REGISTRATION EXEMPTION (INTERIM CLASS ORDER)
AND
ONTARIO INSTRUMENT 32-509
EARLY-STAGE BUSINESS REGISTRATION EXEMPTION (INTERIM CLASS ORDER)

June 17, 2025

INTRODUCTION

The Ontario Securities Commission (the **Commission**) is committed to ensuring that Ontario's regulatory environment continues to meet the evolving needs of businesses, investors and other market participants in Ontario. This includes balancing our newest mandates to foster capital formation and competitive capital markets with our longstanding mandates to protect investors from unfair, improper or fraudulent practices, foster fair and efficient capital markets and contribute to the stability of the financial system and the reduction of systemic risk.

On May 9, 2024, the Commission launched a series of initiatives aimed at fostering early-stage capital-raising for small business in Ontario:

- Ontario Instrument 32-508 *Not-for-Profit Angel Investor Group Registration Exemption (Interim Class Order)* (**OI 32-508**),
- Ontario Instrument 32-509 *Early-Stage Business Registration Exemption (Interim Class Order)* (**OI 32-509**),
- Ontario Securities Commission Rule 45-508 *Extension to Ontario Instrument 45-507 Self-Certified Investor Prospectus Exemption*, and
- Ontario Instrument 45-509 *Report of Distributions under the Self-Certified Investor Prospectus Exemption (Interim Class Order)*.

The initiatives are time-limited and were introduced together through OSC TestLab, a Commission program which uses testing to accelerate the evaluation of capital market innovations and new approaches to regulation to advance responsible innovation in Ontario's capital markets and economic growth for Ontario.

Staff anticipated that insights from the initiatives would provide valuable input to inform the Commission's efforts to modernize the regulatory environment.

FEEDBACK AND CONSULTATIONS

Since the launch of the initiatives, the Commission has been collecting data on the use of the exemptions through required forms, has been engaging with businesses, investors and other key stakeholders in the early-stage capital raising ecosystem in Ontario for their perspectives on the initiatives, and has been monitoring developments in the capital markets.

The information received to date have highlighted potential changes to OI 32-508 and OI 32-509 that would be beneficial to angel investor groups and early-stage businesses that have relied, and those that may subsequently rely, on the exemptions set out therein.

OI 32-508 provides an exemption from dealer registration for not-for-profit angel investor groups that carry on certain activities, subject to terms and conditions.

OI 32-509 provides eligible early-stage businesses with an exemption from the registration requirement and permits them to engage in certain promotional activities to raise capital without a dealer.

DESCRIPTION OF THE VARIATION ORDERS AND REASONS

The OI 32-508 variation order makes four amendments. First, it expands the early-stage businesses that an angel investor group may support to include any early-stage business in Canada. Second, it amends the list of activities that an angel investor group may undertake to include that an angel investor group may refer early-stage businesses to other angel investor groups. Third, it amends the annual reporting requirements by removing the requirement for an angel investor group to provide annual information to the Commission relating to (i) the early-stage businesses introduced to and funded by members of the angel investor group

and (ii) the number of investments exited. Last, it maintains the definition of a "self-certified investor" but no longer specifically refers to Ontario Instrument 45-507 *Self-Certified Investor Prospectus Exemption* (**OI 45-507**).

The OI 32-509 variation order similarly makes an amendment to remove the specific reference to OI 45-507 from the definition of a "self-certified investor". In addition, the OI 32-509 variation order removes the definition of "reporting period" and, instead, refers to a calendar quarter.

Reasons

Angel investor groups bring together angel investors interested in supporting early-stage businesses and provide them with opportunities to invest in early-stage businesses seeking capital to grow and scale their operations.

While many angel investor groups in Ontario focus on early-stage businesses in certain industries and regions of Ontario, from time to time, there may be early-stage businesses in other jurisdictions of Canada that may seek capital from angel investor groups in Ontario. Allowing angel investor groups to introduce these early-stage businesses to their members may improve the efficiency of capital and reduce interprovincial barriers.

In some cases, an angel investor group may be aware of an early-stage business that does not fall within the group's targeted industries or of an early-stage business seeking capital that is greater than what the members of that angel investor group would typically invest. In these circumstances, the angel investor group may wish to refer the early-stage business to another angel investor group. While it is a condition of the OI 32-508 that an angel investor group may not introduce an early-stage business to persons or companies who are not members of the angel investor group, there is no restriction in OI 32-508 that would prevent angel investor groups from referring early-stage businesses to other angel investor groups that, in turn, would introduce the early-stage businesses to their respective members. However, since it is not identified as a permitted activity, it may not be clear that this is a permissible activity.

Additionally, many angel investor groups act as introducers. In some cases, after being introduced by the angel investor group, a member and the early-stage business may engage in investment discussions. As the angel investor group may not be involved in those discussions, it may not have the information to report on the number of investments made in early-stage businesses introduced through the angel investor group without asking its members and the early-stage businesses for this information. Moreover, since these investments are long-term, a member may cease to be a member of the angel investor group in subsequent years. As a result, the angel investor group may not be informed of any exits of investments in an early-stage business that was introduced through the angel investor group, and may not have the resources to contact the angel investor or early-stage business to obtain this information.

Having considered the information from the feedback and consultations conducted to date, the Commission is satisfied that it would not be prejudicial to the public interest to amend OI 32-508 to support early-stage businesses across Canada, to clarify that referrals of early-stage businesses to other angel investor groups is permissible, and to remove certain annual reporting requirements.

EFFECTIVE DATE OF THE VARIATION ORDER

The variation orders will come into effect on June 17, 2025. OI 32-508 and OI 32-509, as varied, will remain in effect until October 25, 2025, unless extended by the Commission.

QUESTIONS

If you have any questions regarding OI 32-508, please contact any of the following:

Gloria Tsang
Senior Legal Counsel
Trading & Markets
Ontario Securities Commission
(416) 593-8263
gtsang@osc.gov.on.ca

Emily Park
Senior Legal Counsel
Trading & Markets
Ontario Securities Commission
(416) 593-8327
epark@osc.gov.on.ca

If you have any questions regarding OI 32-509, please contact the following:

Amanda Ramkissoon
Senior Regulator Advisor, Legal
Office of Economic Growth and Innovation
Ontario Securities Commission
(437) 221-3617
aramkissoon@osc.gov.on.ca

ONTARIO SECURITIES COMMISSION

VARIATION ORDER OF
ONTARIO INSTRUMENT 32-508
NOT-FOR-PROFIT ANGEL INVESTOR GROUP REGISTRATION EXEMPTION (INTERIM CLASS ORDER)
(the Variation Order)

(Section 144 of the *Securities Act* (Ontario))

Date: June 17, 2025

Definitions

1. In this Variation Order:

   "**Act**" means the *Securities Act*, R.S.O. 1990, c. S.5, as amended from time to time;

   "**Commission**" means the Ontario Securities Commission; and

   "**OI 32-508**" means Ontario Instrument 32-508 *Not-For-Profit Angel Investor Group Registration Exemption (Interim Class Order)*.

2. Terms used in this Variation Order that are defined in the Act have the meaning ascribed to them in the Act and in OI 32-508, unless otherwise defined in this Variation Order or the context otherwise requires.

Background

3. On May 9, 2024, the Commission launched a series of initiatives aimed at fostering early-stage capital-raising for small business in Ontario. The initiatives are time-limited and were introduced together through OSC TestLab, a Commission program which uses testing to accelerate the evaluation of capital market innovations and new approaches to regulation to advance responsible innovation in Ontario's capital markets and economic growth for Ontario.

4. Staff anticipated that insights from these initiatives will provide valuable input to inform the Commission's efforts to modernize the regulatory environment.

5. Since the launch of the initiatives, Commission staff have been collecting information to help evaluate the initiatives. This includes surveys of, and consultations and roundtables with, stakeholders in Ontario's early-stage capital-raising ecosystem.

6. OI 32-508 provides an exemption from dealer registration for not-for-profit angel investor groups that carry on certain activities, subject to terms and conditions. The feedback received to date have highlighted potential changes to OI 32-508 that would be beneficial to angel investor groups that have filed, or may subsequently file, to rely on the exemption set out therein.

7. Specifically, the Variation Order amends the list of activities that an angel investor group may undertake to clarify that an angel investor group may refer early-stage businesses to other angel investor groups, as well as amends the annual reporting requirements to better reflect angel investor group activities by removing the requirement for an angel investor group to provide annual information to the Commission relating to the early-stage businesses introduced to and funded by members of the angel investor group and relating to the number of investments exited.

8. Additionally, to reduce interprovincial barriers and support the flow of capital, the Variation Order expands the jurisdictions that the early-stage business may be operating from or doing business in.

Variation Order

9. The Commission, considering that to do so would not be prejudicial to the public interest, orders under subsection 144(1) of the Act that OI 32-508 is varied by:

   (a) replacing "Ontario early-stage businesses" with "Canadian early-stage businesses" in the definition of "angel investor group" in section 1,

   (b) adding the following definition in section 1:

   "**Canadian early-stage business**" means an issuer that

   (a) is in the start-up phase of its development;

(b) is, or is proposed to be, operating from or doing business in a jurisdiction of Canada where either 1. or 2. applies:

1. the head office of the issuer is located in a jurisdiction of Canada; or

2. at least 25% of the payroll of the issuer is for employees and consultants who reside in a province or territory of Canada;

(c) is not a reporting issuer in any jurisdiction of Canada or in any foreign jurisdiction; and

(d) is not an investment fund;,

(c) deleting the definition “Ontario early-stage business” in section 1,

(d) replacing the definition “self-certified investor” in section 1 with the following:

“**self-certified investor**” has the meaning set out in legislation or a rule that specifically provides a prospectus exemption that allow purchasers in Ontario, who may not meet the financial thresholds or other criteria required to qualify as an accredited investor, to invest in issuers provided that the purchasers meet other criteria intended to demonstrate financial knowledge, investment knowledge or relevant industry-specific experience and acknowledge that they understand certain investment considerations and risks;,

(e) replacing “an Ontario early-stage business” with “a Canadian early-stage business” and “Ontario early-stage businesses” with “Canadian early-stage businesses” in section 14,

(f) adding the following subparagraph to section 14:

(g)(vii) refer Canadian early-stage businesses to other angel investor groups;,

(g) deleting subparagraphs 14(q)(ii) and (iii), and

(h) replacing Appendix A with Appendix A to this Variation Order.

Effective Date

10. This Variation Order comes into effect on June 17, 2025.

For the Commission

“D. Grant Vingoe”
Chief Executive Officer
Ontario Securities Commission

Appendix A

Form 32-508 *Not-For-Profit Angel Investor Group Information Form*

Instructions

- This form is available on the Ontario Securities Commission website, and is to be completed and submitted online.
- This form should be completed in one sitting. There is no ability to save the information entered and return to the form at a future time to complete it.
- Please save a copy of the completed form for your records. You will not be able to access the completed form once submitted. You will need the Submission ID (e.g., AGF1234567890-123) to amend any information.

Type of Filing

_____	Initial			
_____	Annual	If this is an annual report, provide the year the activities that are being reported on took place (i.e., the prior year): _____		
_____	Amendment	If amending a previous report:		
		1. Provide the Submission ID of the report being amended (e.g., AGF1234567890-123):	_____	
		2. Indicate the part of the form being amended:	_____	Part A: Angel Investor Group
			_____	Part B: Annual Information

Part A: Angel Investor Group

Legal name:
Trade name:
URL:
Head office address Street address: _____ Municipality: _____ Province: _____ Postal code: _____
Mailing address (if different from head office address) Street address: _____ Municipality: _____ Province: _____ Postal code: _____
Please provide the following names (as applicable) CEO/President: _____ Treasurer or CFO: _____

CONTACT PERSON

Name: _____

Position: _____ Telephone number: _____

E-mail address: _____

Part B: Annual Information

Angel investor group (as of December 31 of the prior year)

Number of employees: _____ Number of independent contractors[1]: _____ Number of volunteers: _____

Number of members: _____

Number of accredited investor members: _____

Number of self-certified investor members: _____

Canadian early-stage businesses **that applied to the angel investor group or that were identified by the angel investor group** (between January 1 and December 31 of the prior year)

Total number that applied: _____

Total number that were identified by the angel investor group: _____

Total number of that operate from or do business in Ontario: _____

Industries of the Canadian early-stage businesses that applied or were identified (enter the number of businesses for the applicable categories):

Agriculture	_____	Consumer goods	_____
Crypto assets	_____	Energy	_____
Financial services	_____	Healthcare	_____
Information and communications technologies	_____	Life sciences	_____
Manufacturing	_____	Mining	_____

Other (please describe and provide the number of businesses) _____

Total number of Canadian early-stage businesses that applied or were identified with:

0 to 5 employees and independent contractors: _____

6 to 10 employees and independent contractors: _____

11 to 20 employees and independent contractors: _____

21 to 50 employees and independent contractors: _____

[1] A self-employed individual who provides goods or services to the entity under a contract with the entity.

51 to 100 employees and independent contractors: _____

More than 100 employees and independent contractors: _____

Total number of Canadian early-stage businesses that applied or were identified and that have been operational for:

0 to less than 1 year: _____

1 to less than 3 years: _____

3 to less than 5 years: _____

5 to 10 years: _____

More than 10 years: _____

Canadian early-stage businesses **introduced to members** (between January 1 and December 31 of the prior year)

Total number of Canadian early-stage businesses introduced: _____

Total number of Canadian early-stage businesses introduced that operate from or do business in Ontario: _____

Industries of the Canadian early-stage businesses introduced (enter the number of businesses for the applicable categories):

Agriculture	_____	Consumer goods	_____
Crypto assets	_____	Energy	_____
Financial services	_____	Healthcare	_____
Information and communications technologies	_____	Life sciences	_____
Manufacturing	_____	Mining	_____

Other (please describe and provide the number of businesses) _____

Total number of Canadian early-stage businesses introduced with:

0 to 5 employees and independent contractors: _____

6 to 10 employees and independent contractors: _____

11 to 20 employees and independent contractors: _____

21 to 50 employees and independent contractors: _____

51 to 100 employees and independent contractors: _____

More than 100 employees and independent contractors: _____

Total number of Canadian early-stage businesses introduced that have been operational for:

0 to less than 1 year: _____

1 to less than 3 years: _____

3 to less than 5 years: _____

5 to 10 years:	
More than 10 years:	

Financial information document(s)

Attach the document(s) with the financial information relating to the financial position of the angel investor group. A maximum of five (5) documents may be uploaded. All such documents should be unrestricted, in Word, Excel or searchable PDF/A file format: _____

Part C: Certification

By signing below, I, on behalf of the angel investor group, certify to the Ontario Securities Commission that:

- I have read and understand this form and Ontario Instrument 32-508 *Not-for-profit Angel Investor Group Registration Exemption (Interim Class Order)*,
- the angel investor group has complied with all of the terms and conditions of the Instrument, and
- to the best of my knowledge, all of the information provided in this form is true and complete.

Date (YYYY/MM/DD): _____

Signature of Individual/Authorized Signing Officer: _____

Full Name (Print): _____

Title: _____

Legal Name of Angel Investor Group: _____

ONTARIO SECURITIES COMMISSION

VARIATION ORDER OF
ONTARIO INSTRUMENT 32-509
EARLY-STAGE BUSINESS REGISTRATION EXEMPTION (INTERIM CLASS ORDER)
(the Variation Order)

(Section 144 of the *Securities Act* (Ontario))

Date: June 17, 2025

Definitions

1. In this Variation Order:

   "**Act**" means the *Securities Act*, R.S.O. 1990, c. S.5, as amended from time to time;

   "**Commission**" means the Ontario Securities Commission; and

   "**OI 32-509**" means Ontario Instrument 32-509 *Early-Stage Business Registration Exemption (Interim Class Order)*.

2. Terms used in this Variation Order that are defined in the Act have the meaning ascribed to them in the Act and in OI 32-509, unless otherwise defined in this Variation Order or the context otherwise requires.

Background

3. On May 9, 2024, the Commission launched a series of initiatives aimed at fostering early-stage capital-raising for small business in Ontario. The initiatives are time-limited and were introduced together through OSC TestLab, a Commission program which uses testing to accelerate the evaluation of capital market innovations and new approaches to regulation to advance responsible innovation in Ontario's capital markets and economic growth for Ontario.

4. Staff anticipated that insights from these initiatives will provide valuable input to inform the Commission's efforts to modernize the regulatory environment.

5. Since the launch of the initiatives, Commission staff have been collecting information to help evaluate the initiatives. This includes surveys of, and consultations and roundtables with, stakeholders in Ontario's early-stage capital-raising ecosystem.

Variation Order

6. The Commission, considering that to do so would not be prejudicial to the public interest, orders under subsection 144(1) of the Act that OI 32-509 is varied by:

   (a) deleting the definition of "**OI 45-507**" in section 1,

   (b) deleting the definition of "**reporting period**" in section 1,

   (c) replacing the definition "self-certified investor" in section 1 with the following:

   "**self-certified investor**" has the meaning set out in legislation or a rule that specifically provides a prospectus exemption that allow purchasers in Ontario, who may not meet the financial thresholds or other criteria required to qualify as an accredited investor, to invest in issuers provided that the purchasers meet other criteria intended to demonstrate financial knowledge, investment knowledge or relevant industry-specific experience and acknowledge that they understand certain investment considerations and risks;,

   (d) deleting "under OI 45-507" in subparagraph 15(1)(e)(ii),

   (e) replacing "reporting period" with "calendar quarter" in paragraphs 15(2)(b), 15(2)(c), 15(2)(d), 18(2)(b), and Section 4 of Appendix B, and

   (f) replacing "October 25, 2025" with "the end of the calendar year" in paragraphs 15(2)(e) and 18(2)(c).

Effective Date

7. This Variation Order comes into effect on June 17, 2025.

For the Commission

"D. Grant Vingoe"
Chief Executive Officer
Ontario Securities Commission

B.2
Orders

B.2.1 Shorcan Brokers Limited

Headnote

Application for a ruling pursuant to section 38 of the Commodity Futures Act – relief from the dealer registration requirement – Filer is an inter-dealer bond broker seeking to broker trades in futures contracts on fixed income securities which are standardized derivatives traded through the Montreal Exchange – relief subject to sunset clause.

Statutes Cited

Commodity Futures Act, R.S.O. 1990, c. C.20, as am., ss. 22, 32, and 38.
National Instrument 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations, ss. 8.5, 13.2(5) and 13.3(3).

June 12, 2025

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, c. C.20,
AS AMENDED
(the CFA)

AND

IN THE MATTER OF
SHORCAN BROKERS LIMITED
(the Filer)

RULING

Background

The Ontario Securities Commission (**OSC**) has received an application from the Filer for a ruling under the CFA pursuant to subsection 38(1) of the CFA (the **Ruling**) exempting the Filer from the derivatives dealer registration requirement of section 22(1) of the CFA in respect of the facilitation of trades in futures contracts on fixed income securities which are standardized derivatives traded through the Montreal Exchange (**Contracts**) between investment dealers that are registered derivatives dealers under the *Derivatives Act* (Quebec) (the **QDA**), or if the dealer has clients in Ontario, as both a derivatives dealer under the QDA and a future commission merchant (**FCMs**) under the CFA (the **Exemption Sought**). The Filer has also submitted an application to the Autorité des marchés financiers (**AMF**) requesting relief similar to the Exemption Sought in this Ruling.

Interpretation

Terms that are defined in the *Securities Act* (Ontario), and not otherwise defined in this Ruling or in the CFA, shall have the same meaning as in the *Securities Act* (Ontario), unless the context otherwise requires.

Representations

This Ruling is based on the following representations made by the Filer:

1. The Filer is a company with its headquarters in Toronto, Ontario.

2. The Filer is a wholly owned subsidiary of TMX Group Limited and is registered as an exempt market dealer (**EMD**) in Alberta, Ontario, Québec and Nova Scotia. The Filer's principal regulator is the Ontario Securities Commission (**OSC**).

3. The Filer is an inter-dealer bond broker (**IDBB**) approved by the Canadian Investment Regulatory Organization (**CIRO**).

4. As an IDBB, the Filer brokers fixed income securities trades (government and corporate bonds) through CIRO registered investment dealers by offering a hybrid voice and electronic brokerage service (the **Service**) to its customers in a unified

Central Limit Order Book (**CLOB**), pursuant to the Filer's Procedures and Guidelines (the **P&G**). The P&G set out the obligations of the Filer's customers as principals in the transactions brokered by the Filer, and the responsibilities of the Filer, which acts as the agent for both the buying and selling customers in all trades carried out using the Filer's Service.

5. The Filer provides its customers access to the CLOB through its electronic proprietary trading platform, Shorcan HTX. Customers can view the bond markets, post bid and offer prices, as well as execute trades by speaking to a registered dealing representative or transacting electronically via Shorcan HTX. Quotes are binding until and unless withdrawn, and all quotes are anonymous to the customers.

6. The CLOB matches buyers and sellers while ensuring anonymity, even post trade. Whether via voice or electronic brokering, the Filer charges a fee per transaction for the Service. As per IDBB rules, the Filer takes no principal position at any time for trades completed using Shorcan HTX, and the Filer is never a counterparty to a transaction.

7. The Filer is not in default of any requirements of securities, commodity futures or derivatives legislation in any jurisdiction of Canada.

8. The Filer proposes to extend the Service it offers its customers to include facilitating a financial strategy commonly known as basis trading, to the extent such customers are also approved participants of the Montreal Exchange (**MX**). Basis trading involves profiting from the price difference between the spot price of an asset (such as a bond) and its futures price (under a futures contract) by taking opposing positions in the spot and futures market.

9. The Filer currently brokers the bond (cash) portion of a basis transaction, and is proposing to broker the Contracts relating to the futures portion of this trading strategy using the same Service in connection with the brokerage of the bond trade. Similar to the bond portion, the Filer will not take a principal position at any time for basis trades on the Contracts, and the Filer will not be a counterparty to a basis transaction on the Contracts.

10. The Filer will only grant access to trade basis transactions on the Contracts to customers that are approved participants of the MX that are trading the relevant bond and are duly registered as required either as derivatives dealers under the QDA, or if the dealer has clients in Ontario, as both a derivatives dealer under the QDA and an FCM under the CFA.

11. To the extent that the Filer has clients outside of Canada that will engage in basis trading through the Filer, the Filer will have documentation that includes disclosure regarding the Contracts, as required per Investment Dealer and Partially Consolidated Rule (**IDPC**) Rule 7305(7).

12. The Filer will modify its commission schedule, operating policies and procedures manual and daily reporting to include information regarding the Contracts, as required per IDPC Rules 7305(8)-(10).

Ruling

The OSC is satisfied that it would not be prejudicial to the public interest to make the Ruling. It is ruled that Exemption Sought is granted provided that, and for so long as:

A. The subject matter of the trades on Contracts is futures on the fixed income securities the Filer already brokers.

B. The trades on Contracts are made on the MX.

C. The Filer will only broker the trades on Contracts between dealers that are each

   a. registered as

      i. a derivatives dealer under the QDA, and

      ii. if the dealer has clients in Ontario, both a derivatives dealer under the QDA and an FCM under the CFA; and

   b. an approved participant of the MX.

D. The Filer will never be a counterparty, and hence will never take a principal position, to a basis trade on the Contracts.

E. The Filer will maintain its registration as an EMD in each jurisdiction of Canada where it is required and its approval as an IDBB, in each case in good standing.

F. The Filer will notify the OSC promptly of:

a. any restrictions or conditions placed on its registration as an EMD with a securities regulatory authority or regulator in any jurisdiction of Canada or on its approval as an IDBB by CIRO; and

b. any sanctions imposed on it in connection with its activities as a EMD or IDBB

under a settlement agreement entered into with, pursuant to an order issued by, or otherwise required by a securities regulatory authority or regulator in any jurisdiction of Canada or CIRO.

G. This Ruling will expire on June 12, 2030.

For the Ontario Securities Commission:

"Michelle Alexander"
Associate Vice President
Trading & Markets
Ontario Securities Commission

Application File #: 2024/0514

B.2.2 Valeo Pharma 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).

[Original text in French]

April 29, 2025

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

AND

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

AND

IN THE MATTER OF
VALEO PHARMA INC.
(the Filer)

ORDER

Background

The securities regulatory authority or regulator in each of the Jurisdictions (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 Autorité des marchés financiers is the principal regulator for this application,

b) the Filer has provided notice that subsection 4C.5(1) of *Regulation 11-102 respecting Passport System* (Regulation 11-102) is intended to be relied upon Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Saskatchewan and Yukon, 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 *Regulation 14-101 respecting Definitions*, Regulation 11-102 and, in Québec, in *Regulation 14-501Q on definitions* 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 *Regulation 51-105 respecting 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 *Regulation 21-101 respecting 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.

“Marie-Claude Brunet-Ladrie”
Directrice de la surveillance des émetteurs et initiés

OSC File #: 2025/0082

B.2.3 Clean Seed Capital Group Ltd.

Headnote

National Policy 11-207 Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions – Application by an issuer for a revocation of cease trade order issued by the Commission and the British Columbia Securities Commission – Ontario opt-in to revocation order issued by British Columbia Securities Commission, as principal regulator.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 144.
National Policy 11-207 Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions.

Citation: 2025 BCSECCOM 255

REVOCATION ORDER

CLEAN SEED CAPITAL GROUP LTD.

UNDER THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA
AND
ONTARIO
(the Legislation)

Background

¶ 1 Clean Seed Capital Group Ltd. (the Issuer) is subject to a failure-to-file cease trade order (the FFCTO) issued by the regulator of the British Columbia Securities Commission (the Principal Regulator) and Ontario (each a Decision Maker) respectively on January 5, 2024.

¶ 2 The Issuer has applied to each of the Decision Makers under National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocation in Multiple Jurisdictions* (NP 11-207) for an order revoking the FFCTOs.

¶ 3 This order is the order of the Principal Regulator and evidences the decision of the Decision Maker in Ontario.

¶ 4 The issuer has filed the continuous disclosure required under the Legislation.

Interpretation

¶ 5 Terms defined in National Instrument 14-101 *Definitions* or in NP 11-207 have the same meaning if used in this order, unless otherwise defined.

Order

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

¶ 7 The decision of the Decision Makers under the Legislation is that the FFCTO is revoked.

¶ 8 June 10, 2025

"Allan Lim"
CPA, CA
Manager, Corporate Disclosure
Corporate Finance

OSC File #: 2024/0604

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B.3
Reasons and Decisions

B.3.1 T. Rowe Price (Canada), Inc. and The Top Funds

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Mutual funds that are not reporting issuers granted extensions of the annual financial statement filing and delivery deadlines under NI 81-106 to permit the fund to file and deliver annual financial statements within 120 days of its most recently completed financial year – Funds invest the majority of their assets in Underlying Funds with later financial reporting deadlines – Relief subject to conditions including disclosure of extended financial reporting deadlines in each Fund's offering memorandum.

Applicable Legislative Provisions

National Instrument 81-106 Investment Fund Continuous Disclosure, ss. 2.2, 5.1(2)(a), and 17.1.

June 11, 2025

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)

AND

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

AND

IN THE MATTER OF
T. ROWE PRICE (CANADA), INC.
(the Filer)

AND

THE TOP FUNDS
(as defined below)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer, as investment fund manager of T. Rowe Price Retirement Date 2025 Fund, T. Rowe Price Retirement Date 2030 Fund, T. Rowe Price Retirement Date 2035 Fund, T. Rowe Price Retirement Date 2040 Fund, T. Rowe Price Retirement Date 2045 Fund, T. Rowe Price Retirement Date 2050 Fund, T. Rowe Price Retirement Date 2055 Fund, T. Rowe Price Retirement Date 2060 Fund and T. Rowe Price Retirement Date 2065 Fund (the **Initial Top Funds**) and any other existing or future mutual fund that is not and will not be, a reporting issuer, and that is, or will be, managed by the Filer and invests in underlying funds as part of its investment strategy (the **Future Top Funds**, and together with the Initial Top Funds, the **Top Funds** and each, a **Top Fund**) for a decision under the securities legislation of the Jurisdiction (the **Legislation**) exempting the Filer and the Top Funds from:

1. the requirement in section 2.2 of National Instrument 81-106 *Investment Fund Continuous Disclosure* (**NI 81-106**) that the Top Funds file their audited annual financial statements and auditor's report (the **Annual Financial Statements**) on or before the 90th day after the Top Funds' most recently completed financial year (the **Annual Filing Deadline**); and

2. the requirement in paragraph 5.1(2)(a) of NI 81-106 that the Top Funds deliver their audited financial statements by the Annual Filing Deadline (the **Annual Delivery Requirement**)

(collectively, relief from the Annual Filing Deadline and the Annual Delivery Requirement, the **Exemption Sought**).

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

1. the Ontario Securities Commission is the principal regulator (the **Principal Regulator**) for this application as the head office of the Filer is located in Ontario, and

2. the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of the other provinces and territories of Canada (the **Other Jurisdictions** and, together with the Jurisdiction, the **Jurisdictions**).

Interpretation

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

Representations

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

The Filer

1. The Filer is a corporation formed under the laws of the State of Maryland.

2. The Filer is registered as a portfolio manager and exempt market dealer in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec and Saskatchewan and an investment fund manager in each of Ontario, Québec and Newfoundland and Labrador.

3. The Filer is not a reporting issuer in any jurisdiction and is not in default of securities legislation of any jurisdiction of Canada.

4. The Filer is the investment fund manager and portfolio manager of the Initial Top Funds. The Filer is, or will be, the investment fund manager and portfolio manager of each Top Fund. The Filer or a third party acts or will act as trustee of each Top Fund.

The Top Funds

5. The Initial Top Funds are trusts under the laws of Ontario pursuant to a fifth amended and restated pooled fund trust agreement dated as of June 15, 2023, as amended by amendment no. 1 dated April 8, 2024. Each of the Future Top Funds will be organized as a trust or a limited partnership under the laws of Ontario or another jurisdiction of Canada.

6. Each Top Fund is or will be a mutual fund under the securities legislation of the Jurisdictions.

7. Securities of the Top Funds are offered for sale to qualified investors in one or more Jurisdictions pursuant to an exemption from the prospectus requirements, including the accredited investor exemption under National Instrument 45-106 *Prospectus Exemptions* or equivalent.

8. The Top Funds are not, or will not be, a reporting issuer in a Jurisdiction.

9. The Top Funds have or will have a financial year-end of December 31.

10. Each Top Fund's investment objective is to invest, or will be achieved by investing, in units of one or more underlying funds managed by the Filer or an affiliate of the Filer as well as externally managed pooled funds and exchange traded funds (each, an **Underlying Fund**), which may pursue a variety of investment strategies.

11. The Filer believes that the Top Funds' investment in the Underlying Funds offers benefits not available through a direct investment in the investment vehicles, companies, other issuers or assets held by the relevant Underlying Fund(s).

12. Securities of the Top Funds will typically be redeemable at various intervals, as will securities of certain Underlying Funds. As each Top Fund has a medium- to long-term investment horizon, each Top Fund will be able to manage its own liquidity requirements by: (i) investing a portion of its assets in liquid securities; (ii) imposing redemption conditions, which will be disclosed in the Top Fund's offering memorandum; and/or (iii) taking into consideration the frequency at which securities of the Underlying Funds may be redeemed.

13. The net asset value of each Top Fund is calculated on each day that the Toronto Stock Exchange is open for business, and investors will be provided with the net asset value on a daily basis.

14. Certain holdings of each Top Fund invested in securities of the Underlying Funds may be disclosed in the Top Fund's financial statements.

The Underlying Funds

15. The Underlying Funds may be domiciled in Canada, the United States or other international jurisdictions.

16. The Underlying Funds may have varying financial year-ends and may be subject to a variety of financial reporting deadlines. Currently, each of the Underlying Funds held by each Top Fund has a financial year-end of December 31. Therefore, the Top Funds may not be able to obtain the finalized financial statements of the Underlying Funds prior to the Annual Filing Deadline for filing the Financial Statements and, in all cases, no sooner than other investors in the Underlying Funds receive the financial statements of the Underlying Funds. The Filer expects this timing delay in the completion of the Annual Financial Statements of each Top Fund may occur every year for the foreseeable future.

17. The offering memorandum of each Top Fund that will be provided to prospective investors, will disclose, or such investors will be otherwise notified, that the Annual Financial Statements for such Top Fund will be delivered to each investor within 120 days of such Top Fund's financial year end.

18. The Filer will notify securityholders of the Top Funds that it has received and intends to rely on relief from the Annual Filing Deadline and Annual Delivery Requirement.

Financial Statement Filing and Delivery Requirements

19. Section 2.2 and paragraph 5.1(2)(a) of NI 81-106 require a Top Fund to file and deliver its annual audited financial statements by the Annual Filing Deadline. As each Initial Top Funds' financial year end is December 31, they each would have a financial statement filing and delivery deadline of March 31.

20. Section 2.11 of NI 81-106 provides an exemption from the Annual Filing Deadline if, among other things, an investment fund delivers its annual financial statements in accordance with Part 5 of NI 81-106 by the Annual Filing Deadline.

21. As noted above, the Underlying Funds may have varying financial year ends and may be subject to the financial reporting deadlines contemplated by NI 81-106 and that are applicable to the Top Funds. In addition, even if such reporting deadlines are aligned, they do not allow for sufficient time for the Filer, the Top Funds and the auditor of the Top Funds, as applicable, to prepare the applicable financial statements and reports in a manner to meet the deadlines set out in NI 81-106.

22. In order to formulate an opinion on the financial statements of each Top Fund, the Top Fund's auditor requires audited financial statements of its respective Underlying Fund(s) as at the date of the financial year-end of the Top Fund in order to audit the information contained in the Top Fund's financial statements.

23. The auditors of the Top Funds have advised the Filer that they will be unable to complete the audit of the Top Funds' annual financial statements until the audited financial statements of the applicable Underlying Funds are completed and available to the applicable Top Fund.

24. Each Top Fund therefore seeks an extension of the Annual Filing Deadline and Annual Delivery Requirement to within 120 days after its year end, to enable the Top Fund's auditors to receive the audited financial statements of the relevant Underlying Fund(s) and then prepare the Top Fund's annual audited financial statements.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted to a Top Fund for so long as:

1. The Top Fund has a financial year ended December 31.

2. The Top Fund's investment strategy is to primarily invest its investable assets in securities of one or more Underlying Funds whose investment objectives are compatible with the Top Fund's investment objectives.

3. The Top Fund invests the majority of its assets in Underlying Funds.

4. No less than 25% of the total assets of the Top Fund as at its financial year end of December 31 are invested in Underlying Funds that have financial year ends corresponding to the Top Fund and are subject to laws of their jurisdictions, or applicable exemptive relief, that require annual financial statements of the Underlying Funds to be delivered within 120 days of their financial year ends.

5. The offering memorandum provided to prospective investors regarding the Top Fund discloses that the Annual Financial Statements for the Top Fund will be filed and delivered on or before the 120th day after the Top Fund's most recently completed financial year.

6. The Top Fund notifies its securityholders that the Top Fund has received and intends to rely on relief from the filing and delivery requirements under section 2.2 and paragraph 5.1(2)(a) of NI 81-106.

7. The Top Fund is not a reporting issuer in any jurisdiction of Canada, and the Filer has the necessary registrations to carry out its operations in each jurisdiction of Canada in which it operates.

8. The conditions in section 2.11 of NI 81-106 will be met, except for subsection 2.11(b), and the Annual Financial Statements will be delivered to securityholders of the Top Fund in accordance with Part 5 of NI 81-106 on or before the 120th day after the Top Fund's most recently completed financial year.

9. This Exemption Sought terminates within one year of the coming into force of any amendment to NI 81-106 or other rule that modifies how the Annual Filing Deadline or Annual Delivery Requirement applies in connection with mutual funds under the Legislation.

"Darren McKall"
Associate Vice President, Investment Management Division
Ontario Securities Commission

Application File #: 2025/0332
SEDAR+ File #: 6289290

B.3.2 Global X Investments Canada Inc. et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from paragraphs 2.5(2)(a.1) and (c) of NI 81-102 to permit exchange-traded alternative mutual funds to invest in US-listed bitcoin exchange-traded product – Investment in US-listed exchange traded product would not result in fund having exposure to assets or investment strategies that they would not be permitted to seek through direct investment – Funds to benefit from an efficient and cost-effective alternative to investing in bitcoin directly.

Relief granted from fund multi-layering restriction in paragraph 2.5(2)(b) of NI 81-102 to permit exchange-traded alternative mutual fund to invest in another exchange-traded alternative mutual fund under common management that holds more than 10% of its net assets in securities of other investment funds – Top fund proposing to invest in middle fund rather than directly in bottom funds in order to gain exposure to the middle fund's covered call writing strategy and eliminate the need to employ its own covered call writing strategy – Relief subject to conditions.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 2.5(2)(a.1), (b) and (c), and 19.1.

June 16, 2025

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)

AND

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

AND

IN THE MATTER OF
GLOBAL X INVESTMENTS CANADA INC.
(the Filer)

AND

IN THE MATTER OF
GLOBAL X BITCOIN COVERED CALL ETF
(BCCC)
AND
GLOBAL X ENHANCED BITCOIN COVERED CALL ETF
(BCCL, and together with BCCC, the Funds)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the Funds for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) for an exemption from the following:

a. paragraph 2.5(2)(a.1) of National Instrument 81-102 *Investment Funds* (**NI 81-102**) to permit the Funds to purchase securities (**IBIT Shares**) of iShares® Bitcoin Trust ETF (**IBIT**) even though IBIT is not subject to NI 81-102 and does not comply with the provisions of NI 81-102 applicable to an alternative mutual fund;

b. paragraph 2.5(2)(c) of NI 81-102 to permit the Funds to purchase IBIT Shares even though IBIT is not a reporting issuer in a Jurisdiction (together with the relief under paragraph (a), the **IBIT Relief**); and

c. paragraph 2.5(2)(b) of NI 81-102 to permit BCCL to invest in BCCC even though BCCC may hold more than 10% of its NAV in IBIT Shares or securities of other Underlying Funds (as defined below) (the **Three-Tier Relief**),

(collectively, the **Exemption Sought**).

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

(a) the Ontario Securities Commission (**OSC**) is the principal regulator for this application; and

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in all of the provinces and territories of Canada other than the Jurisdiction (together with the Jurisdiction, the **Jurisdictions**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, MI 11-102 and NI 81-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

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

The Filer

1. The Filer is a corporation incorporated under the laws of Canada. The Filer's head office is located in Toronto, Ontario.

2. The Filer is registered as a portfolio manager in Alberta, British Columbia, Ontario and Québec, an exempt market dealer in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec and Saskatchewan, a commodity trading manager and a commodity trading adviser in Ontario and an investment fund manager in each of Ontario, Québec and Newfoundland and Labrador. The Filer is the investment fund manager and portfolio manager of the Funds.

3. The Filer is not in default of securities legislation in any of the Jurisdictions.

The Funds

4. The Funds are each open-ended exchange-traded mutual funds that are "alternative mutual funds" (as defined in NI 81-102) subject to NI 81-102 and are trusts governed by the laws of the Province of Ontario.

5. The Funds distribute their securities pursuant to a long form prospectus prepared and filed in accordance with National Instrument 41-101 – *General Prospectus Requirements* and Form 41-101F2 – *Information Required in an Investment Fund Prospectus*, subject to any exemptions therefrom that have been, or may in the future be, granted by the applicable securities regulatory authorities.

6. The Funds are subject to and governed by NI 81-102, subject to any exemptions therefrom that have been, or may in the future be, granted by the applicable securities regulatory authorities.

7. The Funds are reporting issuers under the laws of the Jurisdictions and are not in default of securities legislation in any of the Jurisdictions.

8. Units of the Funds (the **Units**) are listed on a stock exchange recognized by the OSC.

9. The fundamental investment objective of BCCC is to seek to provide, to the extent possible and net of expenses: (a) exposure to the performance of bitcoin; and (b) distributions of call option premiums, at least monthly. To mitigate downside risk and generate premiums, BCCC employs a dynamic covered call option writing program. The fundamental investment objective of BCCL is to seek to provide, to the extent possible and net of expenses: (a) exposure to the performance of bitcoin; and (b) high distributions of call option premiums, at least monthly. To mitigate downside risk and generate premiums, BCCL is exposed to a dynamic covered call option writing program. BCCL employs leverage through cash borrowing and generally endeavours to maintain a leverage ratio of approximately 125%. Currently, it is anticipated that BCCL will seek to achieve its investment objective by investing substantially all of its net asset value (**NAV**), on a leveraged basis, in units of BCCC, and BCCC is expected, at any given time, to invest all or substantially all of its assets in securities issued by other funds that invest directly in bitcoin, including IBIT (the **Underlying Funds**).

10. Each of the Underlying Funds, other than IBIT, is an open-ended mutual fund that is a reporting issuer in Canada and is subject to the provisions of NI 81-102 and National Instrument 81-106 – *Investment Fund Continuous Disclosure* (**NI 81-106**). Each of the Underlying Funds, other than IBIT, is listed on a stock exchange recognized by the OSC.

11. Each Underlying Fund, other than IBIT, is managed by a third-party investment fund manager registered in Canada.

12. Each Underlying Fund invests all or substantially all of its assets directly in bitcoin.

Overview of IBIT

13. IBIT is a Delaware statutory trust that issues IBIT Shares representing fractional undivided beneficial interests in its net assets.

14. IBIT is governed by the provisions of a Second Amended and Restated Trust Agreement (the **Trust Agreement**) executed as of December 28, 2023, as amended from time to time, by the Sponsor, the Trustee and the Delaware Trustee (each as defined below).

15. IBIT seeks to reflect generally the performance of the price of bitcoin, before payment of IBIT's expenses and liabilities, by investing directly in bitcoin. The assets of IBIT consist solely of bitcoin and cash.

16. IBIT Shares are distributed in the United States pursuant to a prospectus dated August 8, 2024, as amended and supplemented from time to time, that is part of a registration statement on Form S-1 under the United States *Securities Act of 1933* (the **'33 Act**) that was filed in respect of IBIT with the United States Securities and Exchange Commission (the **SEC**).

17. IBIT Shares are listed and traded on The Nasdaq Stock Market LLC (**Nasdaq**) under the ticker symbol "IBIT". IBIT has net assets in excess of USD$48.4 billion as of March 20, 2025.

18. IBIT issues IBIT Shares on a continuous basis. IBIT issues and redeems IBIT Shares only in blocks of a specific number of IBIT Shares (called a **Basket**), or integral multiples thereof, based on the quantity of bitcoin attributable to each IBIT Share (net of accrued but unpaid renumeration due to the Sponsor and any accrued but unpaid expenses or liabilities). IBIT may change the number of IBIT Shares in a Basket. These transactions take place in exchange for cash.

19. Baskets are offered continuously by IBIT at the NAV per IBIT Share multiplied by the Shares in a Basket. Only registered broker-dealers that become authorized participants by entering into a contract with the Sponsor and the Trustee (**Authorized Participants**) may purchase or redeem Baskets. Authorized Participants deliver only cash to create IBIT Shares and receive only cash when redeeming IBIT Shares.

20. IBIT is an "investment fund" within the meaning of applicable Canadian securities legislation. IBIT is not registered, and is not required to be registered, as an "investment company" under the United States *Investment Company Act of 1940*, as amended (the **'40 Act**).

21. The sponsor (the **Sponsor**) of IBIT is iShares Delaware Trust Sponsor LLC, a Delaware limited liability company and an indirect subsidiary of BlackRock, Inc. (**Blackrock**).

22. The Sponsor arranged for the creation of IBIT, the registration of the IBIT Shares for their public offering in the United States and the listing of the IBIT Shares on the Nasdaq. The Sponsor has certain marketing and administrative duties in respect of IBIT and is responsible for the oversight and overall management of IBIT but has delegated day-to-day administration of IBIT to the Trustee (as defined below) under the Trust Agreement.

23. The trustee (the **Trustee**) of IBIT is BlackRock Fund Advisors, an indirect, wholly-owned subsidiary of BlackRock.

24. The Trustee is responsible for the day-to-day administration of IBIT. The Trustee has delegated certain day-to-day responsibilities to the Trust Administrator (as defined below).

25. The Bank of New York Mellon serves as the trust administrator (**Trust Administrator**) of IBIT. The Trust Administrator has been engaged to provide certain administrative services, including, but not limited to, arranging for the computation of the NAV of IBIT; preparing IBIT's financial statements and annual and quarterly reports; and recording payment of fees and expenses on behalf of IBIT. The Bank of New York Mellon is also the custodian for IBIT's cash holdings.

26. Coinbase Custody Trust Company, LLC (the **Bitcoin Custodian**) is the custodian for IBIT's bitcoin holdings. The Bitcoin Custodian has represented that it is a fiduciary under Section 100 of the *New York Banking Law* and a qualified custodian for purposes of Rule 206(4)-2(d)(6) under the '40 Act.

27. The Bitcoin Custodian satisfies the criteria for a sub-custodian for assets held outside Canada in Section 6.3 of NI 81-102.

Reasons for Exemption Sought

28. Absent the Exemption Sought, an investment by a Fund of up to 100% of its NAV in IBIT Shares would be prohibited by:

    a. paragraph 2.5(2)(a.1) of NI 81-102 because IBIT is not subject to NI 81-102 and does not comply with the provisions of NI 81-102 applicable to an alternative mutual fund or a non-redeemable investment fund; and

b. paragraph 2.5(2)(c) of NI 81-102 because IBIT is not a reporting issuer in any Jurisdiction.

29. An investment by a Fund in IBIT Shares would not qualify for the exceptions in paragraph 2.5(3)(a) or paragraph 2.1(2)(e) of NI 81-102.

30. Absent the Exemption Sought, an investment by BCCL in BCCC would be prohibited by paragraph 2.5(2)(b) of NI 81-102 because BCCC is expected to hold more than 10% of its NAV in securities of other investment funds. An investment by BCCL in BCCC would not qualify for the exemptions in paragraph 2.5(4) of NI 81-102 from the multi-tiering restriction in paragraph 2.5(2)(b) of NI 81-102.

31. The Exemption Sought is therefore needed for (i) each Fund to be permitted to invest up to 100% of its NAV in IBIT Shares in furtherance of its investment objectives; and (ii) BCCL to be permitted to invest in BCCC.

The IBIT Relief

32. IBIT's investment objectives and strategies are consistent with the investment restrictions in NI 81-102. A Fund's investment in IBIT Shares will not cause such Fund to indirectly invest in assets or have access to investment strategies that it would be prohibited to have directly. There are currently several Canadian public investment funds that directly invest in bitcoin in a manner similar to IBIT.

33. IBIT is regulated by the SEC as a reporting issuer under the '33 Act. IBIT Shares are registered with the SEC under the '33 Act and are offered in the primary market in a manner similar to the Funds pursuant to a prospectus filed with the SEC which discloses a description of IBIT's properties and business, a description of the IBIT Shares being offered for sale, information about the management of IBIT and financial statements certified by independent accountants, similar to the disclosure requirements under NI 41-101 and Form 41-101F2.

34. IBIT prepares key investor information documents which provide disclosure that is substantially similar to the disclosure required to be included in the ETF facts document required by Form 41-101F4 *Information Required in an ETF Facts Document*.

35. IBIT is subject to continuous disclosure obligations which are substantially similar to the disclosure obligations under NI 81-106. IBIT is required to update information of material significance in its prospectus, to prepare management reports and an unaudited set of financial statements at least quarterly, and to prepare management reports and an audited set of financial statements annually.

36. IBIT operates in a manner that is substantially similar to an exchange traded fund in Canada.

37. IBIT Shares are listed and traded on the Nasdaq, a National Securities Exchange (as defined in the United States *Securities Exchange Act of 1934*) in the United States.

38. The investment in IBIT Shares by a Fund is an efficient and cost-effective alternative to investing in bitcoin directly. The investment objectives, investment strategies, investment restrictions and risk factors applicable to the Funds and IBIT are substantially the same, other than the use of leverage and a covered call option strategy by the Funds. IBIT's investment objectives and strategies are consistent with the investment restrictions in NI 81-102.

39. The Filer will review IBIT's ongoing filings to ensure that IBIT is being managed in a manner consistent with the investment restrictions in NI 81-102.

40. The Funds' prospectus provides appropriate disclosure about the Funds' investment in IBIT, including risk factors associated therewith and the particulars of the Exemption Sought.

41. A Fund's investment in IBIT Shares will otherwise comply with the investment restrictions in Part 2 of NI 81-102, except to the extent any discretionary relief has been granted to the Funds therefrom.

42. An investment by a Fund in IBIT Shares will represent the business judgment of responsible persons uninfluenced by considerations other than the best interests of such Fund.

The Three-Tier Relief

43. The investment objectives, investment strategies, investment restrictions and risk factors applicable to BCCL and BCCC are substantially the same, except that BCCL employs leverage and therefore is subject to the risks associated with the use of leverage. BCCL is a leveraged version of BCCC and is managed and advised by the same portfolio management team.

44. An investment by BCCL in BCCC results in less operational risk because BCCL will only need to pledge securities of BCCC in respect of any cash borrowing (rather than in respect of cash borrowing and call option writing). It is more

practical for the covered call option writing program to be conducted at the level of BCCC, instead of the level of each of BCCL and BCCC, which would be redundant.

45. When BCCL invests in BCCC, no management fees or incentive fees will be payable by either BCCL or BCCC that, to a reasonable person, would duplicate a fee payable by BCCL or BCCC for the same service.

46. No sales fees or redemption fees will be payable by BCCL in relation to purchases or redemptions of the units of BCCC in which it will invest. No sales fees or redemption fees will be payable by BCCC in relation to its purchases or redemptions of securities of any Underlying Fund that, to a reasonable person, would duplicate a fee payable by an investor in BCCC.

47. An investment in BCCC by BCCL should pose little investment risk to BCCL because:

    a. BCCC is subject to NI 81-102, subject to any exemptions therefrom that may be granted by the securities regulatory authorities;

    b. BCCC and BCCL are both managed by the Filer; and

    c. BCCL's investment in securities of BCCC is otherwise made in compliance with all other requirements of section 2.5 of NI 81-102, except to the extent that discretionary relief has been granted from any such requirement.

48. An investment by BCCL in units of BCCC will represent the business judgement of responsible persons uninfluenced by considerations other than the best interests of each Fund.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

1. The decision of the principal regulator is that the IBIT Relief is granted, provided that:

    (a) A Fund will only invest in IBIT Shares so long as IBIT continues to be a reporting issuer, and IBIT Shares continue to be distributed in the United States in accordance with all applicable SEC requirements;

    (b) A Fund's investment in IBIT Shares is made in accordance with such Fund's investment objectives;

    (c) A Fund will not invest in IBIT Shares if, at the time of acquisition, IBIT holds more than 10% of its NAV in securities of any other investment fund other than securities of a "money market fund" or a fund that issues "index participation units" as those terms are defined in NI 81-102;

    (d) IBIT is managed in a manner that is consistent with the investment restrictions of sections 2.1, 2.2, 2.3 and 2.4 of NI 81-102, as such provisions apply to alternative mutual funds;

    (e) A Fund's investment in IBIT Shares will otherwise remain consistent with the investment restrictions in Part 2 of NI 81-102, as they apply to alternative mutual funds, except to the extent discretionary relief from such requirements has been granted to each Fund; and

    (f) The investment strategy section of the prospectus of each Fund will disclose in the next regularly scheduled renewal, or amendment if earlier, the fact that each Fund has obtained the IBIT Relief to permit investments in IBIT Shares on the terms described in this decision.

2. The decision of the principal regulator is that the Three-Tier Relief is granted, provided that:

    (a) The investment by BCCL in securities of BCCC is in accordance with the investment objectives and strategies of BCCL to provide exposure to the performance of bitcoin and a covered call writing program by investing, on a leveraged basis, in exchange traded funds that provide direct or indirect exposure to bitcoin;

    (b) The Filer is the investment fund manager and portfolio manager of each of BCCC and BCCL;

    (c) BCCC complies with the terms of the IBIT Relief;

    (d) No management fees or incentive fees are payable by BCCL or BCCC that would duplicate a fee payable by BCCL, BCCC, or an Underlying Fund for the same service;

(e) BCCL's investment in securities of BCCC is otherwise made in compliance with all other requirements of section 2.5 of NI 81-102, except to the extent that discretionary relief has been granted from any such requirement; and

(f) The investment strategy section of the prospectus of BCCL will disclose in the next regularly scheduled renewal, or amendment if earlier, the fact that BCCL has obtained the Three-Tier Relief to permit investments in BCCC on the terms described in this decision.

"Darren McKall"
Associate Vice President, Investment Management Division
Ontario Securities Commission

Application File #: 2025/0225
SEDAR+ File #: 6270583

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
Clean Seed Capital Group Ltd.	January 5, 2024	June 10, 2025
Montfort Capital Corp.	June 5, 2025	June 12, 2025

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

Company Name	Date of Order	Date of Lapse
THERE IS NOTHING TO REPORT THIS WEEK.		

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	
FenixOro Gold Corp.	July 5, 2023	
HAVN Life Sciences Inc.	August 30, 2023	
Perk Labs Inc.	April 4, 2024	
Rivalry Corp.	May 1, 2025	
Pond Technologies Holdings Inc.	May 1, 2025	
Frontenac Mortgage Investment Corporation	May 9, 2025	

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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:
TD Target 2028 Investment Grade Bond Fund
TD Target 2029 Investment Grade Bond Fund
TD Target 2030 Investment Grade Bond Fund
TD Target 2031 Investment Grade Bond Fund
Principal Regulator – Ontario
Type and Date:
Combined Preliminary and Pro Forma Simplified Prospectus dated Jun 12, 2025
NP 11-202 Preliminary Receipt dated Jun 13, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06299268

Issuer Name:
Canada Life Canadian Enhanced Equity Income Fund
Canada Life International Enhanced Equity Income Fund
Canada Life Risk Reduction Pool
Canada Life U.S. Enhanced Equity Income Fund
Principal Regulator – Ontario
Type and Date:
Combined Preliminary and Pro Forma Simplified Prospectus dated Jun 10, 2025
NP 11-202 Preliminary Receipt dated Jun 11, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing # 06298253

Issuer Name:
Sprott Physical Platinum and Palladium Trust
Principal Regulator – Ontario
Type and Date:
Preliminary Shelf Prospectus (NI 44-102) dated Jun 9, 2025
NP 11-202 Preliminary Receipt dated Jun 10, 2025

Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing # 06298080

Issuer Name:
Friedberg Asset Allocation Fund
Friedberg Global-Macro Hedge Fund
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated Jun 12, 2025
NP 11-202 Final Receipt dated Jun 13, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06281052

Issuer Name:
Quadravest Preferred Split Share ETF
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated Jun 10, 2025
NP 11-202 Final Receipt dated Jun 10, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06281754

Issuer Name:
BetaPro Equal Weight Canadian Bank -2x Daily Bear ETF
BetaPro Equal Weight Canadian Bank 2x Daily Bull ETF
BetaPro Equal Weight Canadian REIT -2x Daily Bear ETF
BetaPro Equal Weight Canadian REIT 2x Daily Bull ETF
Principal Regulator – Ontario
Type and Date:
Amendment No. 2 to Final Long Form Prospectus dated Jun 9, 2025
NP 11-202 Final Receipt dated Jun 16, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing # 06159482

Issuer Name:
iShares Jantzi Social Index ETF
Principal Regulator – Ontario
Type and Date:
Amendment No. 3 to Final Long Form Prospectus dated Jun 6, 2025
NP 11-202 Final Receipt dated Jun 13, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing # 06135767

Issuer Name:
Global X Cybersecurity Index ETF
Principal Regulator – Ontario
Type and Date:
Amendment No. 6 to Final Long Form Prospectus dated Jun 9, 2025
NP 11-202 Final Receipt dated Jun 16, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06153651

Issuer Name:
LFG Daily (2X) COIN Long ETF
LFG Daily (2X) MSTR Long ETF
Type and Date:
Final Long Form Prospectus dated Jun 16, 2025
NP 11-202 Final Receipt dated Jun 16, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06289033

Issuer Name:
Yorkville Aegon Global Equity Income Class
Yorkville Aegon Investment Grade Global Bond Class
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated Jun 9, 2025
NP 11-202 Final Receipt dated Jun 10, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06279989

Issuer Name:
Purpose XRP ETF
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated Jun 12, 2025
NP 11-202 Final Receipt dated Jun 16, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06234355

Issuer Name:
Evolve XRP ETF
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated Jun 12, 2025
NP 11-202 Final Receipt dated Jun 16, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06234355

Issuer Name:
RP Alternative Global Bond Fund
RP Strategic Income Plus Fund
RP Target 2026 Discount Bond Fund
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated Jun 11, 2025
NP 11-202 Final Receipt dated Jun 12, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06240455

Issuer Name:
North Growth Canadian Equity Fund
North Growth U.S. Equity Advisor Fund
Principal Regulator – British Columbia
Type and Date:
Final Simplified Prospectus dated Jun 13, 2025
NP 11-202 Final Receipt dated Jun 13, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06283994

Issuer Name:
Forge First Conservative Alternative Fund
Forge First Long Short Alternative Fund
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated Jun 9, 2025
NP 11-202 Final Receipt dated Jun 10, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06281701

Issuer Name:
Yorkville Aegon Balanced Portfolio
Yorkville Aegon Conservative Income Portfolio
Yorkville Aegon Global Equity Income Class
Yorkville Aegon Growth Portfolio
Yorkville Aegon Investment Grade Global Bond Class
Yorkville American QVR Enhanced Protection Class
Yorkville Canadian QVR Enhanced Protection Class
Yorkville Crypto, Blockchain and FinTech Opportunities Class
Yorkville Dividend Income Class
Yorkville Enhanced Protection Class
Yorkville Focused Growth Class
Yorkville Global Opportunities Class
Yorkville Health Care Opportunities Class
Yorkville International QVR Enhanced Protection Class
Yorkville Optimal Return Bond Class
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated Jun 9, 2025
NP 11-202 Final Receipt dated Jun 10, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing # 06278504

Issuer Name:
Sprott Physical Platinum and Palladium Trust
Principal Regulator – Ontario
Type and Date:
Final Shelf Prospectus (NI 44-102) dated Jun 12, 2025
NP 11-202 Final Receipt dated Jun 12, 2025
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing #06298080

Issuer Name:
3iQ XRP ETF
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated Jun 10, 2025
NP 11-202 Final Receipt dated Jun 13, 2025

Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Filing # 06288442

NON-INVESTMENT FUNDS

Issuer Name:
Atlantic Horizon Capital Corp.
Principal Regulator – New Brunswick
Type and Date:
Preliminary CPC Prospectus TSXV dated Jun 13, 2025
NP 11-202 Preliminary Receipt dated June 13, 2025
Offering Price and Description:
Minimum Offering: $500,000 (5,000,000 Common Shares)
Maximum Offering: $750,000 (7,500,000 Common Shares)
Price: $0.10 per Common Share
Filing # 06299433

Issuer Name:
Light AI Inc., formerly, Mojave Brands Inc.
Principal Regulator – British Columbia
Type and Date:
Final Shelf Prospectus dated June 6, 2025
NP 11-202 Final Receipt dated June 9, 2025
Offering Price and Description:
$100,000,000 - Common Shares, Warrants, Subscription Receipts, Debt Securities, Units
Filing # 06251600

Issuer Name:
FireFly Metals Ltd.
Principal Regulator – Ontario
Type and Date:
Preliminary Short Form Prospectus dated Jun 10, 2025
NP 11-202 Preliminary Receipt dated June 10, 2025
Offering Price and Description:
$25,800,000 - 30,000,000 Ordinary Shares
Price: $0.86 per Offered Share
Filing # 06296910

Issuer Name:
QCAD Digital Trust
Principal Regulator – Ontario
Type and Date:
Preliminary Long Form Prospectus dated June 10, 2025
NP 11-202 Preliminary Receipt dated June 13, 2025
Offering Price and Description:
No Securities are being offered pursuant to this Prospectus
Filing # 06299003

Issuer Name:
Arizona Sonoran Copper Company Inc.
Principal Regulator – Ontario
Type and Date:
Final Short Form Prospectus dated Jun 12, 2025
NP 11-202 Final Receipt dated June 13, 2025
Offering Price and Description:
$45,000,000 – 22,500,000 Common Shares
Price: $2.00 per Offered Share
Filing #06296242

Issuer Name:
Ballard Power Systems Inc.
Principal Regulator – British Columbia
Type and Date:
Final Shelf Prospectus dated Jun 11, 2025
NP 11-202 Final Receipt dated June 11, 2025
Offering Price and Description:
Common Shares, Preferred Shares, Warrants, Debt Securities, Units
Filing # 06298650

Issuer Name:
CT Real Estate Investment Trust
Principal Regulator – Ontario
Type and Date:
Final Shelf Prospectus dated Jun 10, 2025
NP 11-202 Final Receipt dated June 10, 2025
Offering Price and Description:
Units, Preferred Units, Debt Securities, Subscription Receipts, Warrants
Filing # 06298122

Issuer Name:
AYA GOLD & SILVER INC.
Principal Regulator – Quebec
Type and Date:
Final Shelf Prospectus dated June 10, 2025
NP 11-202 Final Receipt dated June 10, 2025
Offering Price and Description:
Common Shares, Subscription Receipts, Warrants, Debt Securities, Units
Filing # 06298252

Issuer Name:
Matchpoint Ventures Corp.
Principal Regulator – Ontario
Type and Date:
Preliminary CPC Prospectus TSXV dated June 5, 2025
NP 11-202 Preliminary Receipt dated June 10, 2025
Offering Price and Description:
$500,000 – 5,000,000 Offered Shares
Price: $0.10 per Offered Share
Filing # 06297719

Issuer Name:
NextGen Digital Platforms Inc.
Principal Regulator – Ontario
Type and Date:
Preliminary Shelf Prospectus dated Jun 10, 2025
NP 11-202 Preliminary Receipt dated June 11, 2025
Offering Price and Description:
$20,000,000 - Common Shares, Warrants, Subscription Receipts, Debt Securities, Units
Filing # 06298477

Issuer Name:
Quarterback Resources Inc.
Principal Regulator – British Columbia
Type and Date:
Final Long Form Prospectus dated June 6, 2025
NP 11-202 Final Receipt dated June 9, 2025
Offering Price and Description:
6,400,000 Units Upon the Exercise of 6,400,000 Series “A” Special Warrants and
863,000 Common Shares Upon the Exercise of 863,000 Series “B” Special Warrants
Filing # 06298477

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B.10
Registrations

B.10.1 Registrants

Type	Company	Category of Registration	Effective Date
Change of Registration Category	Designed Securities Ltd.	From: Investment Dealer and Mutual Fund Dealer To: Investment Dealer, Mutual Fund Dealer and Investment Fund Manager	June 6, 2025

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B.11
CIRO, Marketplaces, Clearing Agencies and Trade Repositories

B.11.3 Clearing Agencies

B.11.3.1 CDS Clearing and Depository Services Inc. – Proposed Amendments to CDS Fee Schedule – Entitlements Messaging MT564/REPE and MT564/RMDR – Notice of Commission Approval

CDS CLEARING AND DEPOSITORY SERVICES INC.

NOTICE OF COMMISSION APPROVAL

PROPOSED AMENDMENTS TO
CDS FEE SCHEDULE – ENTITLEMENTS MESSAGING MT564/REPE AND MT564/RMDR

In accordance with the Rule Protocol between the Ontario Securities Commission (Commission) and CDS Clearing and Depository Services Inc. (CDS), the Commission approved on June 10, 2025 the amendments to the CDS Fee Schedule related to two new optional entitlement messaging service subscription fees.

For further details, please see the Request for Comments Notice published on CDS's website on April 24, 2025.

B.11.3.2 CDS Clearing and Depository Services Inc. – Proposed Amendments to CDS Fee Schedule – Removal of Certain Fees and Amended Fee Descriptions – Notice of Commission Approval

CDS CLEARING AND DEPOSITORY SERVICES INC.

NOTICE OF COMMISSION APPROVAL

PROPOSED AMENDMENTS TO
CDS FEE SCHEDULE – REMOVAL OF CERTAIN FEES AND AMENDED FEE DESCRIPTIONS

In accordance with the Rule Protocol between the Ontario Securities Commission (Commission) and CDS Clearing and Depository Services Inc. (CDS), the Commission approved on June 10, 2025 the amendments to the CDS Fee Schedule related to the implementation of its Post-Trade Modernization (PTM) platform.

For further details, please see the Request for Comments Notice published on CDS's website on April 24, 2025.

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