

Frequently Asked Questions about Ontario Instrument 32-508 *Not-For-Profit Angel Investor Group Registration Exemption* (Interim Class Order)

May 9, 2024 (Updated June 30, 2025)

Introduction

On May 9, 2024, the Ontario Securities Commission (the **Commission**) issued [Ontario Instrument 32-508 *Not-For-Profit Angel Investor Group Registration Exemption* \(Interim Class Order\)](#) (the **Instrument**), which sets out a new, time-limited exemption from the dealer registration requirement for not-for-profit, Ontario-based angel investor groups, subject to terms and conditions (the **registration exemption**).

This Frequently Asked Questions (**FAQs**) document is intended to address questions that angel investor groups may have in respect of the registration exemption.

Staff of the Commission may update these FAQs from time to time. Terms not defined herein are defined in the Instrument.

Frequently asked questions

General

1. Can you please explain what is meant by “members” of an angel investor group?

We would expect a “member” of an angel investor group to be an angel investor (either a person or company) that applied to join the angel investor group, meets the criteria that the angel investor group has established for membership, and has been approved by the angel investor group as a member. Additionally, the registration exemption requires members of the angel investor group to be either an accredited investor, as defined in section 73.3 of the [Securities Act \(Ontario\)](#) and in section 1.1 of [National Instrument 45-106 Prospectus Exemptions](#), or a self-certified investor, as set out in [Ontario Instrument 45-507 Self-Certified Investor Prospectus Exemption \(Interim Class Order\)](#).

2. To meet the definition of an “angel investor” in the Instrument, does the angel investor always need to provide mentorship with respect to each investment made?

Angel investors typically support early-stage businesses by providing both capital and mentorship, which help support the businesses’ growth and development. However, an angel investor does not always provide mentorship to every business the angel investor invests in. Similarly, an angel investor does not always invest in every business the angel investor mentors. Depending on the needs of the early-stage business, an angel investor may only provide capital or may only provide mentorship to the business. For the purposes of the registration exemption, a member in an angel investor group will not need to provide mentorship to every Canadian early-stage business that it learns of through an angel investor group and invests in.

3. How does an angel investor provide mentorship to an early-stage business?

One of the ways an angel investor can support an early-stage business is by providing mentorship to help the business grow and develop. This mentorship can include coaching, providing advice on strategic partnerships and marketing strategies, as well as providing input on operations or management matters, on uses of capital, and on material business decisions. An early-stage business may be able to access the angel investor's network of contacts to source, recruit and vet individuals to join the early-stage business as it grows. Angel investors can also provide motivation and encouragement to the business. In sharing their knowledge, experiences, and contacts with the business, angel investors can supplement the knowledge that the founders of early-stage businesses may not have.

4. If an entity does not label itself as an “angel investor group” (e.g., has instead labelled itself as an “incubator” or “accelerator”), is the registration exemption available to it?

If the entity meets the requirements of the registration exemption, the registration exemption is available to the entity even if it does not call itself an “angel investor group”.

Conversely, even if an entity refers to itself as an “angel investor group”, if the entity does not meet the requirements of the registration exemption, it cannot rely on the registration exemption.

5. The Instrument states that a condition of the registration exemption is for the angel investor group to be organized “primarily for not-for-profit purposes”. Can you please clarify what is meant by this?

The registration exemption is available to angel investor groups that have a not-for-profit purpose. The registration exemption is not available for for-profit entities. We expect most angel investor groups to be incorporated as not-for-profit corporations (e.g., a “non-share” corporation). Where an angel investor group is not incorporated, but operates as an unincorporated organization or association, we expect that it be organized primarily for the purposes of introducing angel investors to Canadian early-stage businesses and to carry on its activities on a not-for-profit basis.

6. It is a condition of the registration exemption that the angel investor group is not registered under securities legislation in any jurisdiction of Canada or any foreign jurisdiction. Two questions: (a) Is this referring to any kind of registration (i.e., not just dealer); and (b) can an angel investor group that was previously registered rely on the registration exemption?

(a) Yes, this is with respect to any kind of registration under Canadian or foreign securities legislation. The angel investor group cannot be registered and rely on this registration exemption.

(b) If an angel investor group is no longer registered, the registration exemption is available if the entity meets the requirements of the Instrument.

7. Will the registration exemption automatically apply to an angel investor group if the angel investor group satisfies the requirements set out in the Instrument?

The registration exemption will not apply without the angel investor group taking certain steps prior to relying on the registration exemption, including the following: (1) the angel investor group delivers to the Commission a [Form 32-508 Angel Investor Group Information Form](#) with Parts A and C completed; and (2) the angel investor group discloses the information required by paragraph 14(i) of the Instrument to its members. More details on these requirements are set out in the Instrument.

Activities under the exemption

8. Are angel investor groups restricted from introducing or referring Canadian early-stage businesses that operate in a particular industry or sector?

There are no restrictions on the industry of the Canadian early-stage business.

9. Can an angel investor group buy or sell securities on behalf of their members and a Canadian early-stage business under the registration exemption?

The angel investor group can only perform limited activities under the registration exemption. These limited activities are those set out under paragraph 14(g) of the Instrument and include:

- identifying and introducing Canadian early-stage businesses to its members,
- making available information about the Canadian early-stage business to its members in a fair, balanced and not misleading manner,
- holding regular meetings for Canadian early-stage businesses to present their business to its members,
- facilitating its members' due diligence in Canadian early-stage businesses,
- referring Canadian early-stage businesses to other angel investor groups,
- keeping its members up-to-date on the Canadian early-stage businesses, and
- providing educational resources on early-stage investing to its members and on capital raising to Canadian early-stage businesses.

These activities reflect the primary role of angel investor groups, which is to facilitate the introduction of angel investors to early-stage businesses seeking capital.

If an angel investor group engages in activities beyond those set out in paragraph 14(g) of the Instrument, the angel investor group may need to seek registration as a dealer.

Compensation and fees

10. Can you please clarify what transaction-based fees are permitted under the registration exemption?

As set out in paragraph 14(m) and (n) of the Instrument, the angel investor group itself may receive transaction-based compensation in connection with its members' investment in a Canadian early-stage business. However, no individual, including those working for the angel investor group and any involved members, is permitted to personally receive transaction-based compensation in connection with a member's investment in a Canadian early-stage business.

Disclosure by the angel investor group to its members

11. Is there a particular form or method of delivery required for the disclosure to members needed under paragraph 14(i) of the Instrument?

Angel investor groups are to consider the nature of their relationships with their members to determine the appropriate form and delivery of the disclosure (e.g., by mail, e-mail, etc.). However, we would expect the angel investor group to maintain a record as to how they have met this requirement.

12. When does the disclosure required under paragraph 14(i) need to be provided to a new member that joins the angel investor group following the angel investor group's initial reliance on the registration exemption?

The disclosure should be provided to new members once they join the angel investor group and within ten (10) days of any changes, or at least annually, thereafter.

Reporting by the angel investor group to the Commission

13. What filings with the Commission are required?

There are several filings required.

Prior to relying on the registration exemption, the angel investor group should deliver to the Commission a [Form 32-508 Angel Investor Group Information Form](#) with Parts A and C completed. If there are any subsequent changes to the information in Part A, the angel investor group should deliver to the Commission a [Form 32-508 Angel Investor Group Information Form](#) with Parts A and C completed within 10 days of the change.

Within thirty (30) days following the end of the calendar year, the angel investor group is required to deliver to the Commission a [Form 32-508 Angel Investor Group Information Form](#) with Parts A, B and C completed.

Angel investor groups are to complete and file [Form 32-508 Angel Investor Group Information Form](#) online. [Form 32-508 Angel Investor Group Information Form](#) is available on the [Registration Forms and Documents](#) webpage of the Commission website.

14. What information does the Commission require annually?

Paragraph 14(q) of the Instrument sets out the information required to be provided to the Commission annually. To facilitate the delivery of this information to the Commission, [Form 32-508 Angel Investor Group Information Form](#) sets out this information in Part B.

The information to be reported annually is required to be provided within 30 days following the end of the calendar year and pertains to the angel investor group's activities for the prior year. For example, by January 31, 2025, the angel investor group should complete and submit a [Form 32-508 Angel Investor Group Information Form](#), with all parts completed, for its activities from January 1, 2024 to December 31, 2024.

Angel investor groups are to complete and file [Form 32-508 Angel Investor Group Information Form](#) online. [Form 32-508 Angel Investor Group Information Form](#) is available on the [Registration Forms and Documents](#) webpage of the Commission website.

- 15. Is an angel investor group that is relying on the registration exemption required to provide any disclosure or documentation to the Commission beyond [Form 32-508 Angel Investor Group Information Form](#) in order to satisfy the annual disclosure requirements set out in paragraph 14(q) of the Instrument?**

The information required in [Form 32-508 Angel Investor Group Information Form](#) captures the requirements set out in paragraph 14(q) of the Instrument. If [Form 32-508 Angel Investor Group Information Form](#) is fully completed and submitted, along with the financial documentation requested by the Form, a separate document is not required by the Commission.

- 16. How do I submit to the Commission the information required?**

Angel investor groups are to complete and submit [Form 32-508 Angel Investor Group Information Form](#) online. [Form 32-508 Angel Investor Group Information Form](#) is available on the [Registration Forms and Documents](#) webpage of the Commission website.

- 17. The angel investor group is required to identify the industry of the Canadian early-stage business when filling out [Form 32-508 Angel Investor Group Information Form](#). If the Canadian early-stage business falls within multiple industries, should it be counted under multiple industry categories?**

No. Please pick one industry that is the best fit for that Canadian early-stage business. "Other" may be selected if the one industry that the entity best falls under is not listed.

For example, if an early-stage business is developing a new means for testing human blood-type, this business may fall under Life Sciences or Healthcare. However, as it relates to human health, we would expect it to be reported under Healthcare.

Financial documentation

- 18. What type of financial documents need to be provided to members and to the Commission in order to satisfy the requirements to provide both with the financial information relating to the financial position of the angel investor group, as set out in the Instrument and Form?**

We would expect angel investor groups to have appropriate books and records, including financial records. For example, financial documents that may be provided include unaudited financial statements, financial statements that have been reviewed or compiled by an accounting firm, or audited financial statements. Angel investor groups may also provide a combination of documents, such as a statement of comprehensive income and a statement of financial position.

Conflicts of interest

19. Paragraph 14(k) of the Instrument requires the angel investor group to identify, address, and disclose all material conflicts of interest. Where can I obtain more information on how to assess conflicts of interest?

Guidance on conflicts of interest may be found in sections 13.4 and 13.4.1 of the [Companion Policy to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations](#).