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Notices / News Releases

1.1 Notices

1.1.1 National Instrument 24-101 Institutional Trade Matching and Settlement – Notice of Ministerial Approval

NOTICE OF MINISTERIAL APPROVAL OF
AMENDMENTS TO NATIONAL INSTRUMENT 24-101
INSTITUTIONAL TRADE MATCHING AND SETTLEMENT

On June 26, 2017, the Minister of Finance approved amendments (Amendments) to National Instrument 24-101 *Institutional Trade Matching and Settlement* (NI 24-101) under the *Securities Act*. NI 24-101 provides a framework in provincial securities regulation for ensuring efficient and timely settlement processing of trades, particularly institutional trades. The Amendments are made in anticipation of shortening the settlement cycle for equity and long-term debt market trades in Canada from three days after the date of a trade (T+3) to two days after the date of a trade (T+2), and to update, modernize and clarify certain provisions of NI 24-101.

The Commission had published for comment for 90 days proposed amendments to NI 24-101 in the Bulletin on August 18, 2016 at (2016), 39 OSCB 7225. Based on the comments received, the Commission substantially left the proposed amendments unchanged (except for certain proposed amendments to Part 6 of NI 24-101, which were withdrawn). The changes were incorporated into the Amendments, and published in the Bulletin on April 27, 2017 at (2017), 40 OSCB 3941, before being approved by the Minister on June 26, 2017.

The Amendments are expected to come into force no earlier than September 5, 2017, concurrent with the expected move to a T+2 settlement cycle in the United States. The Amendments will be published again in their final form in Part 5 of the Bulletin shortly before their coming into force.

1.1.2 OSC Staff Notice 33-748 Compliance and Registrant Regulation – Annual Summary Report for Dealers, Advisers and Investment Fund Managers

OSC Staff Notice 33-748 *Compliance and Registrant Regulation – Annual Summary Report for Dealers, Advisers and Investment Fund Managers* is reproduced on the following separately numbered pages. Bulletin pagination resumes at the end of the Staff Notice.

ONTARIO SECURITIES COMMISSION

Annual Summary Report for Dealers, Advisers and Investment Fund Managers

Compliance and Registrant Regulation

OSC Staff Notice 33-748

July 11, 2017

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DIRECTOR'S MESSAGE

For the 2017-2018 fiscal year, the Compliance and Registrant Regulation (CRR) Branch continues to focus on conducting compliance reviews, our registrant outreach program, and various policy initiatives.

We continue to strive for strong and open lines of communication with registrants and look for ways to better achieve this goal. In the past year, the Ontario Securities Commission (OSC) introduced the OSC LaunchPad. OSC LaunchPad is the first dedicated team assembled by a securities regulator in Canada to provide direct support to eligible financial technology businesses in navigating the regulatory requirements. Additional information regarding the initiative can be found at OSC LaunchPad's dedicated site.

Our Registrant Outreach program continues to be very popular and well attended by registrants. For those of you who may have missed a topic or would like to refresh what you previously heard, you can find the materials from past sessions on the Registrant Outreach web page.

We would like to take this opportunity and remind registrants that:

- Know your client (KYC) and suitability are fundamental obligations that registrants owe to their clients. However, these areas continue to be the top deficiencies noted in compliance reviews for all registrant categories. Firms need to do more to focus their resources in these areas to reduce the number of deficiencies.
- Firms play an important gatekeeper role in the registration regime. As such, firms need to provide complete and accurate information in all registration applications filed with us. Firms are also encouraged to assess their existing policies and procedures relating to the due diligence reviews they conduct on applicants that they put forward for registration. As gatekeepers, firms are responsible for assessing that the applicants they sponsor have the required proficiency, integrity and are a suitable candidate to represent their firm.
- Investors must always be a priority and we expect firms to process transfer requests in a timely and efficient manner without unnecessary delays. We will take issue with any anti-competitive practices in relation to requests from clients to transfer their assets to another firm.

This year, we are focusing our compliance reviews in the following areas:

- firms who have a significant number of senior investors as clients,
- compliance with the new prospectus exemptions that came into force in fiscal 2016,
- expenses charged by a fund manager to its funds,
- funds that have large holdings in illiquid securities and their valuation procedures,
- continue reviewing high-risk firms identified from our 2016 Risk Assessment Questionnaire (the 2016 RAQ), and
- firms that participated in the "Registration as the First Compliance Review" program to assess their compliance after participating in the program.

CRR is also involved in a number of projects that have impacted or will impact the regulatory landscape in Ontario. These initiatives include:

- Syndicated mortgages - as detailed in the 2017 Ontario Budget, the government plans to transfer regulatory oversight of syndicated mortgage investments from the Financial Services Commission of Ontario (FSCO) to the OSC. The OSC will be working with the government and FSCO to plan an orderly transfer of the oversight of these products.
- Targeted Reforms and Best Interest Standard projects – the objective of these projects are to enhance the obligations that dealers and advisers owe to their clients.
- Review of compensation practices - we will continue to review the compensation practices of firms to inform our views of the potential material conflicts of interest that arise from certain compensation arrangements.
- Publication of amendments to National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* pertaining to custody requirements, CRM 2 and exempt market dealer activities - these amendments are designed to provide further clarity to registrants and enhance compliance.
- Financial planning – On November 1, 2016, the Final Report from the Expert Committee appointed by the Minister of Finance was published with policy recommendations on regulating financial planning. The OSC is working with the government and other stakeholders to respond to the recommendations of the Expert Committee.

Over the course of the last few years we have increased the number of compliance reviews, provided additional guidance to industry on various topics and areas of concern and introduced and enhanced our Registrant Outreach program. We are hopeful that these additional activities have had a positive impact on overall compliance by registrants. There appears to be some evidence of this as the firms selected for review last year had fewer significant deficiencies than in the prior year. We are encouraged that firms are more aware of compliance issues and are responding to them more effectively.

We look forward to continuing to build on these improvements and our relationship with firms in the current year.

Debra Foubert
Director, Compliance and Registrant Regulation Branch

INTRODUCTION

Introduction

This annual summary report prepared by the CRR Branch (this annual report or report) provides information for registered firms and individuals (collectively, registrants) that are directly regulated by the OSC. These registrants primarily include:

- exempt market dealers (EMDs),
- scholarship plan dealers (SPDs),
- advisers (portfolio managers or PMs), and
- investment fund managers (IFMs).

The CRR Branch registers and oversees firms and individuals that trade or advise in securities or act as IFMs in Ontario.

Individuals	Firms			
67,793	1,010[1]			
	PMs	EMDs	SPDs	IFMs
	296[2]	215[3]	5	494[4]

Registrants overseen by the OSC

Although the OSC registers firms and individuals in the category of mutual fund dealer and dealing representatives and firms in the category of investment dealer, these firms and their registered individuals are directly overseen by their SROs, the Mutual Fund Dealers Association of Canada (MFDA) and the Investment Industry Regulatory Organization of Canada (IIROC), respectively. This report focuses primarily on registered firms and individuals directly overseen by the OSC, but the firms directly overseen by the SROs should review the registration section of this report (Section 2).

Executive Summary

In this annual report, Section 1 provides an update on our Registrant Outreach program that helps strengthen our communication with registrants on compliance practices. This annual report is a key component of our outreach to registrants.

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[1] This number excludes firms registered as mutual fund dealers or firms registered solely in the category of investment dealer or other registration categories (commodity trading manager, futures commission merchant, restricted PM, and restricted dealer).
[2] This number includes firms registered as sole PMs and PMs also registered as EMDs, and in other registration categories.
[3] This number includes firms registered as sole EMDs and EMDs also registered in other registration categories.
[4] This number includes sole IFMs and IFMs registered in multiple registration categories.

We strongly encourage registrants to read and use this annual report:

- to enhance their understanding of our expectations of registrants and our interpretation of regulatory requirements,
- to understand the initial and ongoing registration and compliance requirements,
- to review and be made aware of new and proposed rules and other regulatory initiatives, and
- as a self-assessment tool to strengthen their compliance with Ontario securities law and, as appropriate, to make changes to enhance their systems of compliance, internal controls, and supervision.[5]

Sections 2 and 3 of this report respectively summarize current trends in registration and in deficiencies identified through compliance reviews of registrants (including acceptable practices to address them and unacceptable practices to prevent them). A summary of these matters and where more information can be found in this annual report are outlined in the table below:

Current Trends in Registration – Section 2

Deficiency Trends	Update on Initiatives
• Firms failing to know the applicants they sponsor (pg.23) • Use of misleading titles (pg.23) • Late Item 5 updates for notices of termination filings (pg.24) • Incorrect Item 5 updates for notice of termination filings (pg.25) • Incomplete information with respect to surrender applications or category removals (pg.25) • Unclear/evolving business models at time of application for registration (pg.28) • Delayed or no response to staff inquiries (pg.28) • Lack of information provided with respect to wire transfer payments for EFT exempt firms (pg.28) • Estimate as to the proportion of the fees attributable to registerable activities in Ontario (pg.29) • Chief compliance officers for international firms (pg.29)	• Registration Outreach Roadshow (pg.20) • Review of insurance requirements (pg.21) • Automatic acceptance of notices of termination and update/correct termination information submissions on NRD (pg.22) • OSC responsibility for registration of MFDA member firms and individuals (pg.22)

[5] The content of this annual report is provided as guidance for information purposes and not as advice. We encourage firms to seek advice from a professional advisor as they conduct their self-assessment and/or implement any changes to address issues raised in this annual report.

Current Trends in Compliance Reviews of Registrants – Section 3

	Deficiency Trends	Update on Initiatives
All Firms	• Inadequate collection/documentation of KYC/suitability information (pg.35) • Client account statement common deficiencies and missing information in trade confirmations (pg.36) • Common deficiencies and previously published guidance (pg.37)	• Seniors and vulnerable investors (pg.38) • "One-person" firms and business continuity/succession planning (pg.39) • Lending firms (pg.40) • High impact sweep (pg.41) • Marketing in public places (pg.43) • Cybersecurity (pg.44) • Excessive fees (pg.44) • Whistleblower review (pg.45)
EMDs	• Inadequate documentation to support assessment of products (pg.47) • Individuals trading without appropriate registration (pg.48) • Applications for dealer registration relief in connection with leverage employee share offering (pg.49)	• Dealers distributing securities in reliance of the new prospectus exemptions (pg.50) • Derivatives – trade repository and data reporting compliance reviews (pg.55) • U.S. online equity funding portals (pg.56) • Registration and oversight of foreign broker dealers (pg.56)
PMs	• Vulnerable investors – lack of policies and procedures (pg.57) • PMs with inappropriate access to client's custody accounts (pg.58)	• PM-IIROC member dealer service arrangements (pg.59) • Online advisers (pg.60) • PM with IIROC affiliate compliance reviews (pg.63)
IFMs	• Repeat common deficiencies (pg.66) • Holding client assets (pg.67) • Prohibited investments resulting in a fund becoming a substantial security holder (pg.69)	• Focused reviews on mutual fund sales practices (pg.70) • Advisor discount fee arrangements survey (pg.72) • Summary of Investment Funds and Structured Products Branch policy initiatives (pg.73)

Section 4 highlights the types of regulatory action we take when we find serious non-compliance and misconduct at registered firms and by registered individuals. A summary of these matters and where more information can be found in this annual report is included in the following table:

Summary of Registrant Misconduct – Section 4

Registrant Misconduct	Topics
Regulatory actions taken during April 1, 2016 – March 31, 2017	• Summary chart of regulatory actions taken (pg.76)
Cases of interest	• Novel dealer business model, conflicts of interest, controls and supervision (pg.78) • Disclosure of outside business activity including community involvement / positions of influence (pg.81) • Registration of individuals with prior disciplinary history (pg.82)
Contested opportunity to be heard decisions by topic	• False client documentation (pg.84) • Misleading staff or sponsoring firm (pg.85) • Compliance system and culture of compliance (pg.86) • Outside business activity (including off-book dealing) (pg.88)

Section 5 summarizes new and proposed rules and policy initiatives impacting registrants. Section 6 concludes with details of where registrants can obtain more information about their regulatory obligations and provides CRR Branch contact information.

OUTREACH TO REGISTRANTS

1 Outreach to registrants

We continue to interact with our stakeholders through our Registrant Outreach program, which was launched in 2013. The objectives of our Registrant Outreach program are to strengthen our communication with Ontario registrants that we directly regulate and other industry participants (such as lawyers and compliance consultants), to promote stronger compliance practices and to enhance investor protection.

1.1 Registrant Outreach program

REGISTRANT OUTREACH STATISTICS (since inception)		
48	**8,997**	**Key features**
• in-person and webinar seminars provided to June 30, 2017	• individuals that attended outreach sessions to June 30, 2017	• dedicated web page • educational seminars • Registrant Outreach community • registrant resources

The Registrant Outreach program continues to provide Ontario registrants with practical knowledge on compliance-related matters and the opportunity to hear directly from us on the latest issues impacting them. Since the launch of the Registrant Outreach program in July 2013, approximately 8,997 individuals have attended registrant outreach sessions, either in-person or via a webinar. The feedback from these participants has remained very positive.

The Registrant Outreach program is interactive and has the following features to enhance dialogue with registrants:

a) Registrant Outreach web page

We set up a Registrant Outreach web page on the OSC's website at www.osc.gov.on.ca, which is designed to enhance awareness of key compliance issues and policy initiatives.

Registrants are encouraged to check the web page on a regular basis for updates on regulatory issues impacting them.

b) Educational seminars

Anyone interested in attending an event can go to the Calendar of Events section of the Registrant Outreach web page on the OSC's website for upcoming seminar descriptions and sign-up. A summary of the seminars we have conducted in the past fiscal year is included in the table below (along with links to the recordings where available):

Date of Seminar	Topic
June 14, 2017	Effective oversight of service providers and Modernization of Investment Fund Product Regulation – Alternative Funds (webinar)
April 13, 2017	CSA Consultation Paper 81-408 – *Consultation on the Option of Discontinuing Embedded Commissions* (webinar)
February 23, 2017	CRM2 Reporting to Clients and Portfolio Managers – IIROC Member Service Arrangements (webinar)
November 22, 2016	Communicating with clients in a compliant manner (webinar)

c) Registrant Outreach community

Registrants and other individuals (heads of business lines, in house legal counsel, compliance staff, etc.) are also encouraged to join our Registrant Outreach community to receive regular e-mail updates on OSC policies and initiatives impacting registrants, as well as the latest publications and guidance on our expectations regarding compliance issues and topics.

d) Registrant resources

The registrant resources section of the web page provides registrants and other industry participants with easy, centralized access to recent compliance materials. If you have questions related directly to the Registrant Outreach program or have suggestions for seminar topics, please send an e-mail to RegistrantOutreach@osc.gov.on.ca.

1.2 OSC LaunchPad

"The OSC is committed to providing a tech and innovation-friendly environment where we work with entrepreneurs to give them the opportunity to flourish in a regulated industry."

October 24, 2016 – Maureen Jensen, Ontario Securities Commission, Chair & CEO

Created as a pilot initiative in October 2016, OSC LaunchPad is the first dedicated team assembled by a securities regulator in Canada to provide direct support to eligible financial technology (fintech) businesses in navigating the regulatory requirements. Additional information can be found at OSC LaunchPad's dedicated site.

Mandate

The overall purpose of OSC LaunchPad is to modernize regulation to support digital innovation, while protecting investors and promoting confidence in our markets. The team achieves this through three main focuses, namely:

- engaging with the fintech community,
- offering the opportunity for direct support in navigating the rules, and
- taking learnings and applying them to similar businesses going forward.

The OSC LaunchPad team consists of core members and an extended team of dedicated staff from each of the OSC's operational branches, namely CRR, Corporate Finance, Investment Funds and Structured Products, Derivatives and Market Regulation.

Focus areas

(i) Engagement

The OSC LaunchPad team engages with the fintech community in various ways, including by hosting and attending events. These events have included #RegHackTO (discussed further below); Information Days for fintech businesses to attend our office to meet the team and discuss how OSC LaunchPad can provide guidance; and speaking engagements at events hosted by various law firms, innovation hubs and other fintech industry participants.

(ii) *Direct support*

OSC LaunchPad provides the opportunity for businesses that have innovative products, services or applications that benefit investors to apply for dedicated support from the team. The level and duration of support received will depend on a variety of factors, including the stage of the fintech's business, the novel aspects of the product, service, or

application, and the complexity of the regulatory issues raised. Types of support include one or more meetings with the team, informal guidance on potential securities regulation implications, and/or support during the registration or application process.

Depending on the circumstances, the direct support process may include the opportunity for businesses to obtain time-limited registration and/or exemptive relief in order to test their products, services or applications in a live environment.

Fintech businesses can visit the Request Support tab of the OSC LaunchPad site to obtain additional details on eligibility criteria and the types of support that may be provided, as well as the Request for Support form.

(iii) Applying learnings

As trends, barriers, challenges, and acceptable practices are identified through the engagement and direct support we provide to firms, we will consider how similar businesses can benefit from our learnings going forward. This may result in more streamlined processes, standardized terms and conditions on registration and/or exemptive relief orders and possibly rule and policy changes.

Co-operation and co-ordination with Canadian and global securities regulators

On February 23, 2017, the Canadian Securities Administrators (CSA) launched the CSA Regulatory Sandbox. The CSA Regulatory Sandbox committee is dedicated to working with innovative fintech businesses whose activities trigger the application of securities law. One of the key objectives of the CSA Regulatory Sandbox committee is to foster fintech businesses' ability to efficiently bring innovative products, services or applications to market, not only in their local jurisdictions, but nationally. To apply to the CSA Regulatory Sandbox, an Ontario business should first submit a Request for Support to OSC LaunchPad, since the OSC would be its principal regulator.

On November 1, 2016, the OSC entered into a co-operation agreement with the Australian Securities and Investments Commission (ASIC), which in March 2015 established an innovation hub to assist innovative fintech businesses to navigate ASIC's regulatory system. This agreement facilitates information sharing between the regulators and the referral of fintech businesses between ASIC and the OSC. On February 22, 2017, the OSC entered into a similar co-operation agreement with the UK Financial Conduct

Authority (FCA), which achieves the same objectives. Like ASIC, the FCA has a well-established innovation hub in its jurisdiction.

#RegHackTO

Over the weekend of November 25 to 27, 2016, the OSC hosted the first securities regulatory "hackathon" in Canada, #RegHackTO. #RegHackTO brought together over a hundred members of the fintech community to collaborate on solutions to everyday problems that impact the ongoing work of the OSC.

OSC LaunchPad organized #RegHackTO in recognition of the fact that the regulatory environment is becoming increasingly complex. Solutions that help to streamline the regulatory environment are beneficial for both the OSC and fintech businesses in the securities industry. The hackathon included strategists, subject matter experts, developers and UX designers, and provided them with the opportunity to contribute to a more efficient Canadian regulatory ecosystem by responding to problem statements in the areas of RegTech, know your client (KYC) / identity authentication, financial literacy and transparency in the capital markets.

This event was attended by the Honourable Charles Sousa, the Minister of Finance, Yvan Baker, Parliamentary Assistant (Digital Government and Finance), senior and executive management from the OSC, and numerous notable representatives from the fintech community. Forty OSC staff volunteers were also in attendance at the event. The official whitepaper and video for the event are available on the OSC LaunchPad site.

Fintech Advisory Committee

OSC LaunchPad has established a Fintech Advisory Committee, which will advise the OSC on developments in the fintech space and the unique challenges faced by fintech businesses in the securities industry. Members were selected based on their direct business experience in one or more of digital platforms (e.g. crowdfunding portals, online advisers); cryptocurrency or distributed ledger technology (e.g. blockchain); venture capital, financial services and/or securities, with a focus on fintech; data science and/or artificial intelligence; or fintech entrepreneurship.

News release on distributed ledger technologies

On March 8, 2017, the OSC issued a news release to highlight potential securities law requirements for businesses using distributed ledger technologies, such as blockchain, as part of their investment product or service offerings. Businesses with questions about securities law requirements that may apply to their activities are encouraged to contact the OSC LaunchPad team.

1.3 Registrant Advisory Committee

The OSC's Registrant Advisory Committee (RAC) was established in January 2013. The RAC, which is currently comprised of 10 external members, advises us on issues and challenges faced by registrants in interpreting and complying with Ontario securities law, including registration and compliance related matters. The RAC also acts as a source of feedback on the development and implementation of policy and rule making initiatives that promote investor protection and fair and efficient capital markets. The RAC meets quarterly and members serve a minimum two year term. A call for new members was made in the fall of 2016 and the new RAC members were officially appointed in January of 2017. You can find a list of current RAC members on the OSC website.

Topics of discussion with the new RAC members over the past fiscal year have included:

- experiences and feedback regarding the implementation of CRM2 to date,
- cybersecurity and the Best Practices Guide issued for IIROC members,
- the CSA's review of National Instrument 45-102 - *Resale of Securities* (NI 45-102) and the resale regime, and
- the proposed custody amendments.

1.4 Communication tools for registrants

We use a number of tools to communicate initiatives that we are working on and the findings of those initiatives to registrants, including CRR annual reports, Staff Notices (OSC and CSA) and e-mail blasts. The information provided to registrants via e-mail blasts may also be discussed in various sections of this annual report.

The table below provides a listing of recent e-mail blasts sent to registrants.

Date of e-mail blast	E-mail blast topic and additional information
November 17, 2016	CSA Staff Notice 31-347 – *Guidance for Portfolio Managers for Service Arrangements with IIROC Dealer Members*
November 4, 2016	OSC Capital Markets Participation Fees (Registrant firms in Ontario)
November 4, 2016	OSC Capital Markets Participation Fees (Firms relying on an exemption from registration in Ontario)
August 29, 2016	Automatic Acceptance of Notices of Termination and Update/Correct Termination Information Submission on National Registration Database (NRD)
July 21, 2016	Annual Summary Report for Dealers, Advisers and Investment Fund Managers
July 18, 2016	Ontario Securities Commission Update on Prospectus-Exempt Market Initiatives

For more information, see OSC e-mail blasts.

1.5 Topical Guide for Registrants

In October 2014, we published a Topical Guide for Registrants that is designed to assist registrants and other stakeholders to locate topical guidance regarding compliance and registrant regulation matters. We continue to update the Topical Guide as new information becomes available.

1.6 Director's decisions by topic and by year

Director's decisions on registration matters are published in the OSC Bulletin and on the OSC website at Director's decisions. The decisions are presented by year and by topic. These published decisions are an important resource for registrants and their advisers as they highlight matters of concern to the OSC and the regulatory action that may be taken as a result of misconduct.

REGISTRATION OF FIRMS AND INDIVIDUALS

2 Registration of firms and individuals

"Regulation is never easy, but certainly it is not when the business models you are regulating are changing on a daily basis."

November 2, 2016 – Monica Kowal, Ontario Securities Commission, Vice-Chair at OSC Dialogue

The registration requirements under securities law help protect investors from unfair, improper or fraudulent practices. The information required to support a registration application allows us to assess a firm's and an individual's fitness for registration. When evaluating a firm's or individual's fitness for registration, we consider whether they are able to carry out their obligations under securities law. We use three fundamental criteria to assess a firm's or individual's fitness for registration: proficiency, integrity and solvency. These fitness requirements are the cornerstone of the registration regime.

In this section, we provide an update on current registration initiatives and discuss common deficiencies noted in firm and individual registration filings.

2.1 Update on registration initiatives

a) Registration Outreach Roadshow

We undertook the Registration Outreach Roadshow (the Roadshow) initiative in the fall of 2016. OSC Registration staff visited the offices of the largest registered firms to share ideas, discuss common issues, and impart information about trends that we are seeing.

This initiative gave all participants the opportunity to interact in a meaningful way with counterparts on general areas of registration. It also allowed us to share insights about the registration process.

We visited six firms over one and a half months. We gained useful information about the registration processes of registered firms and have taken that into account as we carry out our own internal processes.

Given the success of this initiative, we expect to conduct a second installment of the Roadshow this fiscal year.

b) Review of insurance requirements

We conducted a desk review of insurance requirements prescribed for registered firms in Part 12, Division 2 – Insurance of National Instrument 31-103 – *Registration Requirements and Exemptions* (NI 31-103). Our objectives were to review the fidelity and insurance bonding policies maintained by firms to determine whether the policies:

- contained the required clauses listed in Appendix A of NI 31-103,
- were sufficient in the covered limits for each clause and in aggregate, and
- were appropriate if covering multiple insured parties as a global bonding or insurance policy.

We selected a sample of 67 registered firms. These firms varied in size and business activity, and included PMs, EMDs and IFMs.

Overall, the majority of the registered firms in our sample had adequate and sufficient policies, although not all firms fully understood the insurance requirements of NI 31-103. Some registered firms in our sample had deficient policies as a result of having insufficient coverage amounts per clause and no provision for a double aggregate limit or full reinstatement of coverage.

Registrants should review their fidelity and insurance bonding policies in detail for compliance with NI 31-103 insurance requirements, and specifically we recommend that:

- Registrants should review the adequacy of coverage limits regularly and at the time of policy renewal at a minimum, by recalculating the limits required if they might be affected by the firm's assets under management or assets the firm may hold or have access to. Additionally, firms should review section 12.4 of the Companion Policy to NI 31-103 (NI 31-103CP), which provides guidance on situations in which a firm may be considered to hold or have access to client assets.
- Firms relying on global insurance and bonding policies should review the language of their policies to ensure that they comply with the global bonding or insurance requirements. This includes the requirement that the firm can claim directly against the insurer and that the individual or aggregate limits can only be affected by the registered firm or its subsidiaries. Registrants should carefully examine their policies to ensure that they do not contain contradictory language limiting their right to claim directly or otherwise affecting their limits inappropriately.
- Firms should ensure that their policies contain a provision for a double aggregate limit or full reinstatement of coverage.

c) Automatic acceptance of notices of termination and update/correct termination information submission on NRD

We introduced an NRD productivity enhancement that automatically accepts Notice of Termination and Update/Correct Termination filings submitted by registered firms in Ontario. This change has allowed for more efficient processing and helps to ensure the public record remains up-to-date and accurate with respect to an individual's registration status. Though these submissions are automatically accepted on NRD, the OSC continues to review them. Pursuant to National Instrument 33-109 - *Registration Information* (NI 33-109), firms must provide accurate and complete information and submit the filings within the time periods prescribed. These requirements have not changed.

d) OSC responsibility for registration of MFDA member firms and individuals

We remind MFDA member firms and individuals that the OSC has jurisdiction over and responsibility for MFDA firm (Members) and individual (Approved Persons) registrations. The OSC is required to assess suitability for registration on an initial and ongoing basis based on the three primary criteria of proficiency, solvency and integrity. Applicants and registrants must also meet the requirements set out in NI 31-103. The outcome of an MFDA proceeding, including settlement, is not binding on the OSC, and we may conduct an independent suitability review of existing MFDA registrants or applicants for registration. The Commission has commented on the registration jurisdiction in two recent cases: see *Re Sawh and Trkulja*, August 1, 2012 at para. 311; and, *Re Reaney*, July 13, 2015 at paras. 159-161.

2.2 Current trends in deficiencies and acceptable practices

Common deficiencies for registration filings were identified in section 3.2 of OSC Staff Notice 33-746 – *2015 Annual Summary Report for Dealers, Advisers and Investment Fund Managers* (OSC Staff Notice 33-746) and section 2.2 of OSC Staff Notice 33-747 – *2016 Annual Summary Report for Dealers, Advisers and Investment Fund Managers* (OSC Staff Notice 33-747). Additional trends that we have identified recently are outlined below.

a) Common deficiencies in individual registration filings

(i) Firms failing to know the applicants they sponsor

We continue to see non-disclosure of, or incorrect and incomplete information on, individual filings. We remind firms that it is their responsibility to know the applicants they put forward for registration and to keep abreast of changes to the information previously submitted by the individuals they sponsor.

Item 22 - *Certification* of Form 33-109F4 creates an obligation on both firms and individual registrants to ensure that applicants and existing registrants fully understand the disclosure obligations required by the form and have been presented with an opportunity to discuss the form with an officer, branch manager, or supervisor. In submitting the form, individuals are certifying that they fully understand the questions and have discussed the form with a responsible person at their firm. Concurrently, in submitting the form, firms are certifying that they discussed the form with the individual and to the best of their knowledge, the individual fully understood the disclosure questions.

We emphasize that it is the responsibility of the firm to explain the form to applicants and existing registrants and to discuss the required disclosure obligations with these persons. It is also the responsibility of individual registrants to discuss their disclosure obligations with an officer, branch manager, or supervisor and to inquire with their sponsoring firm if they are unsure as to how to respond to a question or complete the form. Firms and individuals who certify that they have fulfilled the obligations required by Item 22 – *Certification,* but have not, may be submitting false or misleading information to us.

(ii) Use of misleading titles

We have identified individuals who are not yet registered and who are using titles in social media, and in some cases, on the sponsoring firm's website, that imply that they are registered or are registered in a specific category when they are not. For example, some individuals have been using the title, "Portfolio Manager" or "Associate Portfolio Manager" despite not being registered as either an Advising Representative or Associate Advising Representative. Firms must ensure their personnel are aware that section 25 of the Securities Act (Ontario) prohibits holding oneself out to be in the business of trading or advising in securities unless the individual is registered or exempt from registration in accordance with Ontario securities law.

Acceptable practices for firms with respect to the use of titles:

Registrants must:

- Have adequate policies and procedures in place to address the granting and use of titles by individuals sponsored by the firm.
- Ensure titles do not suggest that individuals are permitted to perform activities that they are not registered to perform.
- Have adequate policies and procedures in place relating to the use of social media that address the use of titles and how firm personnel are holding themselves out to the public.

Unacceptable practices

Registrants must not:

- Post titles such as Portfolio Manager or Associate Portfolio Manager on the firm's website or allow an individual to post such titles on social media prior to the individual's registration being approved.
- Grant or allow an individual to use a title that suggests that an individual is permitted to conduct activities that require registration or is able to rely on a registration exemption when the individual is not registered in a category that permits such activities or is not exempt from registration to conduct those activities.

(iii) Late Item 5 updates for notice of termination filings

We continue to receive late filings of Form 33-109F1 - *Notice of Termination of Registered Individuals and Permitted Individuals* (Notice of Termination Filing). Where a registered individual or permitted individual has left their sponsoring firm or has ceased to act in a registerable capacity or be a permitted individual, the sponsoring firm is required to file a Notice of Termination Filing within 10 days of the cessation or termination date.

In addition, we continue to identify late filings for the "Update/Correct Termination Information" with respect to Item 5 of the Notice of Termination filings. When completing the Notice of Termination Filing on NRD, a firm's Authorized Firm Representative (AFR) may defer the completion of the information in Item 5 of the Notice of Termination Filing by checking a box indicating that the information will be filed within 30 days of the cessation or termination date. We noted that in some instances firms are not completing the "Update/Correct Termination Information" submission on NRD within 30 days.

Completing this information is important as we rely upon this information for determining whether the applicant remains suitable for registration. Depending on the information provided, we may request additional information from the firm and/or individual to assist in making a determination of whether to reactivate the registration of the individual or if terms and conditions would be required.

As set out in OSC Rule 13-502 – *Fees* (OSC Rule 13-502), late fees apply for late filings of the Notice of Termination Filings and updates with respect to Item 5 of the Notice of Termination Filings.

Acceptable practices in Item 5 filings:

Registrants must:

- Ensure the registrant and AFR carefully reviews the Notice of Termination Filing for completeness and accuracy before submitting on NRD. This will reduce the need for subsequent NRD submissions and requests for further information.
- Ensure information is filed on time when the AFR checks off the box in Item 5 of the Notice of Termination Filing to indicate that the information in Item 5 will be filed within 30 days. Firms should put in place to follow up and ensure that the information is filed within 30 days of the cessation or termination date.

(iv) Incorrect Item 5 updates for notice of termination filings

In reviewing Notice of Termination Filings, some firms indicate under Item 5 – *reason for the cessation / termination* that the individual "resigned voluntarily" or "in good standing". However upon further review we have determined that this is not always the case.

Given the importance of keeping the public record up-to-date and ensuring that only persons who are fit for registration are registered, it is critically important that firms provide accurate and complete information regarding any Notice of Termination Filing.

b) Common deficiencies in firm registration filings

(i) Incomplete information with respect to surrender applications or category removals

We have noted that some registrants filing a voluntary surrender application or a change of registration category update are not providing complete or adequate information for us to

accept the voluntary surrender or approve the category removal. We have also noted that in some cases, it is not clear that the registrant has ceased registerable activities in Ontario.

With respect to the full surrender of a registrant's registration in Ontario, section 30(1) of the Securities Act provides for the surrender of a registrant's registration as follows:

> On application by a person or company for the surrender of his, her or its registration, the Director may accept the application and revoke the registration if the Director is satisfied,
>
> a) that all financial obligations of the person or company to his, her or its clients have been discharged;
> b) that all requirements, if any, prescribed by the regulations for the surrender of registration have been fulfilled or the Director is satisfied that they will be fulfilled in an appropriate manner; and
> c) that the surrender of the registration is not prejudicial to the public interest.

When considering a registrant's application to voluntarily surrender its registration or to remove one or more of its registration categories, we consider:

- a firm's past and current activities,
- its future plans,
- the future plans of a firm's key principals,
- documentation to demonstrate that a registrant's clients have been dealt with appropriately, and
- other supporting documentation.

Acceptable practices for registrants removing one or more categories of registration (and still maintaining one or more categories of registration)

At a minimum, registrants must:

- Identify the correct category(ies) being removed and identify the category(ies) remaining.
- Identify the date that the registrant ceased registerable activities for the category(ies) being removed.
- For each category of registration, describe why the firm is removing the category.

- Provide a written "consent to suspension of its registration" for the applicable registration category(ies) and jurisdictions.
- Describe the past and current business activities of the registrant and the registrant's key principals (identify both registerable and non-registerable activities).
- Describe the future plans of the registrant (including non-registerable activities) and how the registrant will ensure it will not be performing registerable activities in the future for which it may require the category(ies) it is seeking to surrender.
- Describe the future plans of each of the registrant's key principals (including non-registerable activities) and ensure the registrant's key principals will not be performing registerable activities in the future for which they may require the category(ies) they are seeking to surrender.
- Identify the number of clients serviced under each registration category being removed.
- Describe what happened to the registrant's clients (e.g. accounts transferred to another registrant firm, assets liquidated, returned to clients and accounts closed, etc.).
- Provide an executed Officer's/Director's Certificate with specific representations.
- Provide additional information as requested by OSC staff.

Acceptable practices for registrants surrendering all registration categories

At a minimum, registrants must, in the course of the surrender process:

- Provide all of the information described above that is required for removing one or more categories of registration.
- Ensure that the registrant's key principal (Chief Compliance Officer (CCO) or Ultimate Designated Person (UDP)) remains with the registrant to complete the surrender.
- Ensure that any outstanding fees owing to the OSC have been paid.
- Provide the most recent audited financial statements, and if the audited financial statements are as at a date prior to the date that the registrant ceased registerable activities, provide unaudited interim financial information dated after the registrant has ceased registerable activities.
- Provide documentation to evidence that all financial obligations have been discharged in accordance with section 30 of the Securities Act and/or section 24

of the Commodity Futures Act by providing one of the following:

(a) Auditor's comfort letter dated after registerable activities have ceased, or

(b) Specified procedures report performed by a licensed public accounting firm.

- Provide additional information as requested by OSC staff.

(ii) Unclear or evolving business models at time of application for registration

We have received a number of firm applications where the applicant has been unclear as to their intended business model or applications where the business model changes significantly during the course of the registration process. It is critical to the review process that we have a clear understanding of the business model. Many important initial and ongoing registration requirements are tied to the business model. When submitting the application for registration, the firm must clearly articulate what its business model will be.

If the firm's plans change significantly after an application is submitted, we will require the firm to withdraw the application and resubmit a new application with the associated application fees.

(iii) Delayed or no response to staff inquiries

Sometimes firms are not responsive to our requests for information necessary to move an application or filing forward (e.g. a registration application). While we recognize that some requests are more complex and require more time to respond to than others, in some cases there are very long delays before firms provide us with the requested information and even then, the information provided may be substantially incomplete.

If firms are unresponsive or we experience significant delays in receiving responses from firms we will require the firm to withdraw the application or filing and resubmit a new application or filing with the associated application fees.

(iv) Lack of information provided with respect to wire transfer payments for EFT exempt firms

We regularly receive wire transfer payments from firms without the required payment details or specific filing details to which the payment relates (e.g. fees for a particular

filing, participation fees or late fees). Without adequate payment and filing information we may be unable to allocate the payment to a firm's particular filing. As a result, resources are spent by both us and the firm in order to reconcile the payment to the firm and to a particular filing.

Acceptable practices for firms making payment through wire transfer:

- In order to assist us in processing the firm's wire transfer payment promptly and to ensure the firm's account is appropriately credited, please email wtp@osc.gov.on.ca with the following details on the day the firm's wire transfer payment is made:
    - Submission number (if your form was filed electronically)
    - Payor name
    - Registrant/Firm name
    - Wire transfer payment amount CAD$ (Add CAD $15 to payment for bank charges)
    - Description of fee(s): (e.g. YYYY Capital Markets Participation Fees, Payment of MM/DD/YYYY late fee invoice or Fee for Submission # _____)
    - Name of your contact at the OSC
    - NRD number (if applicable)

(v) Estimate as to the proportion of the fees attributable to registerable activities in Ontario

Where fees relating to capital markets activities in Ontario are encompassed in an overall management/advisory/administration fee (which may also include non-registerable activities such as insurance), we will consider an estimate as to the proportion of the fees attributable to registerable activities in Ontario, provided it is reasonable.

(vi) Chief compliance officers for international firms

We have streamlined our process for a firm based outside of Canada to appoint someone other than its global head of compliance as CCO for Canadian registration purposes. Firms will no longer need to file an application for an exemption order permitting it to have a CCO for registerable operations in Canada who is not the singular CCO for the firm as a whole.

The firm will now only be required to file a Form 33-109F4 – *Registration of Individuals and Review of Permitted Individuals* (33-109F4) and indicate that the individual is not also head

of compliance for the firm's global operations. Staff reviewing the filing may require submissions concerning the ability of the individual to discharge the obligations of a CCO for purposes of Canadian securities legislation. Relief from the proficiency requirements prescribed in NI 31-103 may be available where the applicant can demonstrate equivalent alternatives or compensating experience, although it remains extremely rare for any CCO to be exempted from having to complete the CCO Qualifying Exam or Partners, Directors and Seniors Officers Course (PDO) exam.

Please note that any registered firm, whether it is based in Canada or outside of Canada, that wishes to appoint more than one individual as CCO for its registerable operations within Canada is still required to obtain an exemption order permitting it do so.

INFORMATION FOR DEALERS, ADVISERS AND INVESTMENT FUND MANAGERS

3 Information for dealers, advisers and investment fund managers

"What has not changed at the OSC is our focus on our touchstone mandate: to protect investors from unfair, improper or fraudulent practices and foster fair and efficient capital markets."

September 27, 2016 – Maureen Jensen, Ontario Securities Commission, Chair & CEO, Keynote address at the Toronto Board of Trade

The information in this section includes the key findings and outcomes from our ongoing compliance reviews of the registrants we directly regulate. We highlight current trends in deficiencies from our reviews and provide acceptable practices to address the deficiencies. We also discuss new or proposed rules and initiatives impacting registrants.

This part of the report is divided into four main sections. The first section contains general information that is relevant for all registrants. The other sections contain information specific to dealers (EMDs and SPDs), advisers (PMs) and IFMs, respectively. This report is organized to allow a registrant to focus on reading the section for all registrants and the sections that apply to their registration categories. *However, we recommend that registrants review all sections in this part, as some of the information presented for one type of registrant may be relevant to other types of registrants*.

3.1 All registrants

This section discusses our compliance review process, current trends in deficiencies resulting from compliance reviews applicable to all registrants (and acceptable practices to address them) and an update on initiatives impacting all registrants.

a) Compliance review process

We conduct compliance reviews of registered firms on a continuous basis. The purpose of compliance reviews is primarily to assess compliance with Ontario securities law; but they also help registrants improve their understanding of regulatory requirements and our expectations, and help us focus on a specific industry topic or practice that we may have concerns with. We conduct compliance reviews on-site at a registrant's premises, but we also perform desk reviews from our office. For information on "What to expect from and how to prepare for an OSC compliance review," see the slides from the Registrant

Outreach session provided on October 22, 2013 titled "Start to finish: Getting through an OSC compliance review".

(i) Risk-based approach

Firms are generally selected for review using a risk-based approach. This approach is intended to identify:

- firms that are most likely to have material compliance issues or practices requiring review (including risk of harm to investors) and that are therefore considered to be higher risk, and
- firms that could have a significant impact to the capital markets if compliance breaches exist.

To determine which firms should be reviewed, we consider a number of factors, including firms' responses to the most recent risk assessment questionnaire, their compliance history, complaints or tips from external parties, and intelligence information from our own or another OSC branch, an SRO or another regulator.

(ii) Risk Assessment Questionnaire

In May 2016, firms registered with the OSC in the categories of PM, restricted PM, IFM, EMD and restricted dealer were asked to complete a comprehensive risk assessment questionnaire (the 2016 RAQ) consisting of questions covering various business operations related to the different registration categories. The RAQ supports our risk-based approach to select firms for on-site compliance reviews or targeted reviews.

The data collected from the 2016 RAQ was analyzed using a risk assessment model. Every registrant's response is risk-ranked and a risk score is generated. Those firms that are risk-ranked as high are recommended for a compliance review. In addition, we may focus on a certain area of interest and select firms for review based on their responses to the questions in the area of interest. The RAQ is issued on a two-year cycle, thus you can anticipate the next version will be distributed in 2018.

(iii) Sweep reviews

In addition to reviewing firms based on risk-ranking, we also conduct sweeps which are compliance reviews on a specific topic. Sweeps, which can be on-site reviews or desk reviews, allow us to respond on a timely basis to industry-wide concerns or issues. In the past year, we performed sweeps of the following topics:

- high risk firms,
- high impact firms (see section 3.1(c)(iv) of this report),
- one-person shops (see section 3.1 (c)(iii) of this report),
- new prospectus exemptions (see section 3.2(b)(i) of this report), and
- mutual fund sales practices (see section 3.4 (b)(i) of this report).

(iv) Outcomes of compliance reviews

In most cases, the deficiencies found in a compliance review are set out in a written report to the firm so that they can take appropriate corrective action. After a firm addresses its deficiencies, the expected outcome is that they have enhanced their compliance. If a firm has significant deficiencies, once addressed, the expected outcome is that they have significantly enhanced their compliance.

In addition to issuing compliance deficiency reports, we take additional regulatory action when we identify more serious registrant misconduct.

The outcomes of our compliance reviews in fiscal 2017 and fiscal 2016, are presented in the following table and are listed in their increasing order of seriousness. Firms are shown under the most serious outcome for a particular review. The percentages in the table are based on the registered firms we reviewed during the year and not the population of all registered firms.

Outcomes of compliance reviews (all registration categories)	Fiscal 2017	Fiscal 2016
Enhanced compliance	56%	45%
Significantly enhanced compliance	34%	49%
Terms and conditions on registration[6]	5%	5%
Surrender of registration	0%	0%
Referral to the Enforcement Branch[7]	5%	1%
Suspension of registration[8]	0%	0%

[6]This percentage includes some registrants reviewed in the prior period.
[7]This percentage includes some registrants reviewed in the prior period.
[8]This percentage includes some registrants reviewed in the prior period.

For an explanation of each outcome, see Appendix A in OSC Staff Notice 33-738 - *2012 OSC Annual Summary Report for Dealers, Advisers and Investment Fund Managers* (OSC Staff Notice 33-738).

b) Current trends in deficiencies and acceptable practices

In this section, we summarize key trends in deficiencies from recent compliance reviews of EMDs, PMs, and IFMs. These deficiencies were noted as common deficiencies across all three registration categories.

For each deficiency, we summarize the applicable requirements under Ontario securities law which must be followed. In addition, where applicable, we provide acceptable and unacceptable practices relating to the deficiency discussed. ***The acceptable and unacceptable practices throughout this report are intended to give guidance to help registrants address the deficiencies and provide our expectations of registrants. While the best practices set out in this report are intended to present acceptable methods registrants can use to prevent or rectify a deficiency, they are not the only acceptable methods. Registrants may use alternative methods, provided those methods adequately demonstrate that registrants have met their responsibility under the spirit and letter of securities law.***

We strongly recommend registrants review the deficiencies and acceptable practices in this report that apply to their registration categories and operations to assess and, as needed, implement enhancements to their compliance systems and internal controls.

(i) Inadequate collection, documentation and updating of KYC and suitability information

Once again the inadequate collection, documentation, and updating of KYC information is the most significant and common deficiency identified. KYC, know your product (KYP), and suitability obligations are a cornerstone of our investor protection regime (see sections 13.2 and 13.3 of NI 31-103) and are basic obligations of a registrant. On a year-over-year basis, we continue to find that registrants are failing to comply with these obligations. We strongly encourage all registrants to review their practices regarding how they:

- collect, document, and update a client's financial circumstances, including for example, the client's risk tolerance, investment needs and objectives, and time horizon,

- conduct and document due diligence on the investments offered, including how the registrant concluded that a security is meeting its investment objectives and that the security is a suitable investment for some clients,
- explain to a client a security's risks, key features, and initial and ongoing costs and fees,
- consider all relevant KYC information for a client when assessing the suitability of an investment, and
- determine if a client meets the requirement of a prospectus exemption.

Please review CSA Staff Notice 31-336 - *Guidance for Portfolio Managers, Exempt Market Dealers and Other Registrants on the Know-Your-Client, Know-Your-Product and Suitability Obligations* (CSA Staff Notice 31-336), section 3.1(b)(i) of OSC Staff Notice 33-747 and section 4.3 (a)(iii) of OSC Staff Notice 33-746 for further information regarding KYC, KYP and suitability obligations.

(ii) Client account statement common deficiencies and missing information in trade confirmations

Sections 14.14 and 14.14.1 of NI 31-103 require registered dealers and advisers to deliver statements to clients at least once every three months. If applicable, the statements must contain the information referred to in subsections 14.14(4), (5) and 14.14.1(2). If applicable, section 14.14.2 also requires firms to deliver security position cost information at least once every three months.

The following are the common deficiencies that we found during our review of client statements. The chart highlights the common deficiency and provides information on where guidance related to this deficiency can be found.

Deficiency	Information source
1) Clients statements missing information: • **the name of the party that holds or controls each security and a description of the way it is held** • **the definition of either "book cost" or "original cost"**	• Subsection 14.14.1(2) of NI 31-103 • Question 24 of CSA Staff Notice 31-345 – *Cost disclosure, performance reporting and client statements* (CSA Staff Notice 31-345) • Subsection 14.14.2(3) of NI 31-103 and section 14.14.2 of 31-103CP

2) Use of closing price when determining the market value of a security for which a reliable price is quoted on a marketplace	• Subparagraph 14.11.1(1)(b)(i) of NI 31-103 and section 14.11.1 of 31-103CP • Question 15 of CSA Staff Notice 31-345
3) Consolidated client statements	• Subsections 14.14(3) and 14.14.1(3) of NI 31-103 and section 14.14 of 31-103CP • Question 22 of CSA Staff Notice 31-345
4) Inappropriate disclaimers in client statements	• Subsection 2.1(1) of OSC Rule 31-505 – *Conditions of Registration* (OSC Rule 31-505)

(iii) Common deficiencies and previously published guidance

The following chart highlights common deficiencies and provides information on where guidance related to the deficiency can be found. We encourage you to review the information sources provided as the previously published guidance is still applicable to these issues.

Repeat Common Deficiency	Information Source
1) Inadequate written policies and procedures	• Section 4.1 (c)(ii) of OSC Staff Notice 33-745 • Elements of an effective compliance system registrant outreach and accompanying slides
2) Inadequate or misleading marketing material	• Communicating with clients in a compliant manner and accompanying slides 6 - 22 • Section 3.1(b) of OSC Staff Notice 33-747 under the heading *Inappropriate use of client testimonials in marketing materials* • CSA Staff Notice 31-325 – *Marketing Practices of Portfolio Managers* (CSA Staff Notice 31-325)
3) Inadequate or no annual compliance report to the board	• Section 4.1.2 in OSC Staff Notice 33-742 under the heading *Inadequate or no annual compliance report* • Section 5.1.2 in OSC Staff Notice 33-738 under the heading *Failure by CCO to submit an annual*

	compliance report • Elements of an effective compliance system registrant outreach and accompanying example of an inadequate report to the board
4) Inaccurate calculation of excess working capital	• Section 4.1.2 in OSC Staff Notice 33- 742 under the heading *Inaccurate calculations of excess working capital* • Registrant outreach seminar: working capital calculations slides
5) Inadequate relationship disclosure information	• CSA Staff Notice 31-334 – *CSA Review of Relationship Disclosure Practices* (CSA Staff Notice 31-334) • Section 5.1.2 in OSC Staff Notice 33-738 under the heading *Inadequate relationship disclosure information* • Communicating with clients in a compliant manner and accompanying slides 28 - 37
6) No notice of or inadequate filing of outside business activities	• Section 4.1(c)(iv) in OSC Staff Notice 33-746 under the heading *Outside business activities – late filings and fees* • Section 3.2 in OSC Staff Notice 33-745 under the heading *Registration related conflicts of interest* • Section 3.2 in OSC Staff Notice 33-742 under the heading *Outside business activities* • Section 5.2.1 of OSC Staff Notice 33-738 under the heading *Not disclosing outside business activities*
7) Referral arrangements – inadequate disclosure or lack of agreements	• Section 4.2(a) in OSC Staff Notice 33-745 under the heading *Referral arrangements and finders* • Section 5.2A of OSC Staff Notice 33-736 • Section 4.3.1 of OSC Staff Notice 33-742

c) Update on initiatives impacting all registrants

(i) Seniors and vulnerable investors

With seniors representing the fastest growing demographic in Canada, we continue to be concerned about the provision of investment advisory services or sales of products to this

investors segment, and our focus continues to be on issues relevant to senior investors. During our compliance reviews, we continue to focus on understanding the challenges firms are facing and practices that they have implemented to service these investors. We are focusing our compliance resources on conducting focused reviews of firms doing business with senior investors. Once our compliance work is completed, we will draft and publish guidance on our work and provide best practices for registrants who are dealing with senior investors to address the particular needs and issues unique to them.

You should review and assess your firm's business model and policies and procedures and the adequacy of your processes to identify and respond to issues unique to working with senior investors. Section 3.3(a)(i) of this annual report provides some suggested practices you should consider incorporating into your firm's policies and procedures to enhance your policies and procedures for dealing with these investors.

(ii) "One person" firms and business continuity/succession planning

From October 1, 2014 to June 30, 2016, participating CSA jurisdictions conducted compliance reviews of 65 small firms registered with the CSA in one or more of the following categories: IFM, PM, and EMD. The firms selected were primarily firms with one registered individual (i.e., one individual who was registered in a category that authorizes the individual to act as a dealer or an adviser on behalf of the registered firm, or in the case of an IFM, one individual registered as the CCO). As a result of the compliance reviews, CSA staff concluded that additional guidance would assist small firms in meeting their compliance and regulatory obligations and on May 18, 2017 published CSA Staff Notice 31-350 - *Guidance on Small Firms Compliance and Regulatory Obligations* (Staff Notice 31-350).

Staff Notice 31-350 provides details and guidance with respect to some of the deficiencies noted during our reviews. Specifically, we identified that small firms can be at risk of failing to meet requirements of applicable securities legislation if they do not have: (i) a comprehensive plan to address significant business interruptions and succession issues; and (ii) monitoring systems that are reasonably likely to identify non-compliance at an early stage and supervisory systems that allow the firm to correct non-compliant conduct in a timely manner. Staff Notice 31-350 highlights five key areas:

- significant business interruptions and succession planning
- monitoring systems
- CCO annual report
- interim financial statements and accounting principles
- inadequate excess working capital

Although we intend Staff Notice 31-350 to provide guidance to small firms, we strongly encourage all firms to use this notice as a self-assessment tool to strengthen their compliance with securities legislation.

(iii) Lending firms

During the year, we conducted reviews of a sample of "lending firms" as part of a sweep. Lending firms are characterized as firms that operate as a lending institution or as a lending business would. These firms raise capital from permitted clients and/or accredited investors, pool the capital raised into a 'loan vehicle', redeploying it in a lending operation, with the goal of receiving interest payments, and ultimately, repayment of the loan(s).

From our reviews, we noted a number of different unique lending business models. For example, one firm we reviewed provides financial assistance in the form of loans to registered charities and not-for-profit foundations to assist them in raising capital to fund on-going operations or special projects/campaigns. Other firms focused on providing alternative financing options to small and mid-sized firms or private issuers. In certain situations, the lending firms reviewed were responsible for providing some or all of the following services to the loan vehicle: identifying borrowers, conducting credit analysis, and sourcing, originating, administering and monitoring the loans.

We focused our work on these business models to assess whether these firms are registered in the appropriate registration categories. At a minimum, these firms require registration as EMDs or Restricted Dealers. Further, due to the limited portfolio management services they provide, these firms may also be registered as Restricted PMs. Lastly, certain firms may also require registration as an IFM if the loan vehicle(s) meets the definition of an investment fund.

Two of the firms reviewed were registered as IFMs, but based on their business model, did not need to be registered as an IFM. In both cases, we applied the analysis discussed in CSA Staff Notice 31-323 – *Guidance Relating to the Registration Obligations of Mortgage*

Investment Entities and OSC Staff Notice 81-722 – *Mortgage Investment Entities and Investment Funds,* to determine whether the loan vehicles, managed and directed by the lending firms, were in fact investment funds. We considered factors gathered through an understanding of how the firm operated the loan vehicles and the review of constituting documents (subscription agreement) and, in both cases, concluded that the loan vehicles did not meet the definition of an investment fund. As such, IFM registration was not required.

Firms that operate, or intend to operate, in a similar fashion to the lending firms, should consult with legal counsel to assess what categories of registration are necessary given their business model.

(iv) High impact sweep

As part of our risk-based approach for selecting firms for review, we include large firms that could have a significant impact to the capital markets if there are compliance breaches. For example, significant impact may be due to the broad nature of their business activities, high amount of client assets under management, or large number of clients. We refer to these as "impact" firms.

This fiscal year, we reviewed a sample of impact firms registered as PMs and/or IFMs. Overall, these firms generally had effective compliance systems, internal controls, and policies and procedures given their size and the nature of their business activities. Typically, the types of deficiencies we identified during these reviews were similar to those deficiencies from reviews of other firms in our registrant population.

However, we found that impact firms more frequently used an automated compliance system (ACS) to monitor and manage compliance for their trading and portfolio management practices. This includes assessing if trades and portfolio holdings were in compliance with clients' (including investment funds) investment objectives and instructions, regulatory requirements, and any applicable firm controls or policies.

Firms that use an ACS, program their compliance rules to their electronic trading and/or portfolio management systems. The rules are automatically applied and assessed against clients' trades and investment holdings. For example, a particular rule may reject a proposed trade in a type of security not permitted for certain clients, or identify when a client's investment holdings are off-side their asset allocation targets. Firms place reliance

on the rules programmed to the system in order to reduce the need for individuals to manually check for compliance. In some cases, there are thousands of different compliance rules programmed by a firm to their system, which may result in the system identifying dozens of rule exceptions each day. As such, it is important that:

- the rules are programmed accurately and timely into the system,
- the rules are regularly tested to assess if they are working as intended,
- the rules are updated for changes in regulatory requirements or to clients' (including investment funds) investment instructions or restrictions, and
- compliance exceptions identified by the system are investigated and addressed by qualified personnel.

An ACS can play an integral part in a registered firm maintaining an effective compliance system as required by section 11.1 of NI 31-103. However, we identified that some impact firms needed to improve their practices and controls for their use of an ACS, as follows:

- some clients' guidelines from their investment policy statements, or some investment funds' investment restrictions in Part 2 of National Instrument 81-102 – *Investment Funds* (NI 81-102) (such as on concentration, control and illiquid assets), were not programmed as rules into the ACS and were not otherwise being monitored (manually),
- some investment restrictions were not updated after a change to a fund's or product's features,
- some exception reports, warnings or alerts identified by the ACS were not investigated by staff, and
- in some cases there were inadequate records to evidence how exceptions, alerts and warnings were investigated and addressed.

With the increase in lower cost technology solutions, more firms (not just impact firms) are using an ACS and we expect to see increased use in the future. The following are acceptable and unacceptable practices that apply to all registered firms that use an ACS:

Acceptable practices for registered firms using an ACS

Firms must:

- Develop a rule set-up/authorization process to ensure the rules for the ACS are developed by qualified staff familiar with the firm's system, clients, trading, portfolio management, and compliance.
- Assign responsibility for ACS development and maintenance to specific staff,

including staff from the compliance function and other key functional groups such as trading, portfolio management, and operations.

- Ensure the rules are accurately added, amended or deleted to/from the system by having a second individual review and approve them.
- Test new rules to assess if they are working as intended (such as by placing a mock trade for a security that a compliance rule prohibits to be traded to see if the system identifies and rejects the trade) and also periodically test existing rules.
- Regularly update the rules, such as when there are changes to clients' instructions or investment mandate, or for changes in regulatory requirements or the firm's policies or controls.
- Have a process for system exception reports, warnings or alerts to be investigated and addressed on a timely basis by qualified staff, and for records to be kept of the exception and of how and when the exceptions were addressed.
- Have a process for high risk or high impact exceptions, warnings or alerts to be escalated for immediate attention by appropriate personnel.
- Ensure that any compliance rules that are not programmed to the ACS are monitored manually by a qualified individual.

Unacceptable practices

Firms must not:

- Rely on having an ACS as a substitute for having an adequate number of competent, qualified compliance staff based on the size, nature and risk of the firm's business activities.
- Assume that once the ACS is operational, there is no further on-going monitoring or adjustments required.

(v) Marketing in public places

Registrants must provide clear, accurate, and non-misleading marketing materials to prospective clients, inclusive of advertisements that are in public places (such as a billboard or a poster) or otherwise appear in the media. All claims made in marketing materials must be substantiated. We have seen advertisements with statements made that lack sufficient context or detail.

It is not reasonable to rely upon the "small print" at the bottom of an advertisement as a way to cure a potentially misleading marketing statement, particularly when the small print would only be seen briefly, partially, or if the person is directed to the firm's website for essential clarification. The eye-catching "hook" in an advertisement must still comply with regulatory requirements, including CSA Staff Notice 31-325.

(vi) Cybersecurity

Cybersecurity has been identified as a priority for the CSA. In order to help us understand cybersecurity practices currently used in the industry, the OSC participated with other CSA jurisdictions in a cybersecurity practices survey, of firms registered as IFMs, PMs and EMDs.

The survey questions were structured to gather information about:

- a firm's policies and procedures with respect to cybersecurity, including details about who is responsible for cybersecurity and training provided to a firm's employees,
- risk assessments conducted by a firm to identify cybersecurity threats, vulnerabilities, and potential consequences,
- cybersecurity incidents and a firm's cybersecurity incident response plan,
- due diligence conducted by a firm of the cybersecurity practices of third party vendors, consultants, or other service providers,
- access to a firm's data or systems by third parties, including clients of the firm, and
- a firm's data or system encryption policies and procedures and its backup process.

As part of a CSA-wide working group, we are currently reviewing the findings from the survey and will provide registered firms with guidance about cybersecurity and social media practices in the upcoming fiscal year.

(vii) Excessive fees

In 2014, we became aware of certain registrant practices that resulted in excessive fees being charged to clients over an extended period of time (the excessive fee issue). The excessive fee issue occurred in two different scenarios. Under the first scenario, assets with an embedded trailer fee were included in the total assets used to calculate a client's advisory or managed account fee. As a result, clients were paying their adviser a 'double' fee on a portion of their assets. In the second scenario, clients who qualified for a lower management expense ratio (MER) series of an investment fund based on minimum investment thresholds were not being advised to purchase or switch into that series upon

becoming eligible and as a result, indirectly paid excess fees when they remained in the higher MER series of the same investment fund.

The second scenario described above is of particular concern for IFMs that are part of integrated organizations. The IFM, and its affiliated dealer and PM entities, are all earning fees from the same proprietary investment fund products. Therefore, there is an inherent conflict of interest. For clients that have invested in the higher MER product based on the recommendation of a registrant that is affiliated with the IFM, the IFM is earning a higher management fee on the assets of these clients who would otherwise qualify for a lower MER product. Although the excessive fee issue is not directly related to an IFM's responsibilities in relation to the daily operation of its investment funds, this conflict of interest has a direct effect on IFMs. Some IFMs have already taken steps to address this issue, for example by enhancing their internal controls to identify eligible clients in a timely manner or by amending their prospectuses and the product features of their investment funds to automatically move clients to the lower MER product once they become eligible.

We expect all registrants to have robust compliance systems that provide reasonable assurance that they are complying with securities laws, including the requirement to identify and manage conflicts of interest and to deal fairly with clients with regards to fees. Registrants should have appropriate procedures in place to allow them to identify and correct any non-compliance with securities law in a timely manner.

Although this issue was first identified in 2014, we are continuing to deal with the excessive fee issue in integrated organizations where the conflict of interest issues are greater. We completed a desk review of selected integrated firms on a coordinated basis with other participating CSA jurisdictions and in consultation with IIROC and the MFDA. We have also worked closely with the Enforcement Branch to complete five no-contest settlements related to the excessive fee issue since that time. During compliance reviews, we are also scrutinizing other types of fee arrangements which may be unfair to clients.

(viii) Whistleblower review

On July 14, 2016, the OSC launched the Office of the Whistleblower and implemented the Whistleblower Program (the Whistleblower Program) to target serious and hard to detect regulatory misconduct. Details of the Whistleblower Program are outlined in OSC Policy 15-601 – *Whistleblower Program* and can also be found at the Office of the Whistleblower's website.

The Whistleblower Program is the first of its kind in Canada to offer financial incentives for information about securities law violations. The Whistleblower Program provides compensation of up to $5 million to individuals who voluntarily come forward with tips that lead to enforcement action resulting in monetary sanctions of over $1 million. It also provides whistleblower protections of which all registrants should be aware.

Whistleblower protections

Whistleblower protections have been built directly into section 121.5 of the Securities Act through legislative amendments. These protections, set out below, apply equally to whistleblowers who report internally, to the OSC, to a SRO or to a law enforcement agency:

- Protection from reprisals – The OSC may take enforcement action against employers who seek to retaliate or take reprisals against whistleblowers.
- Prohibition regarding agreements – Contractual provisions aimed at silencing whistleblowers are void.

Review of restrictive provisions

Registrants should be aware that the OSC will be working to identify restrictive provisions in employment contracts, severance agreements, confidentiality agreements and other related agreements, which seek to prevent employees from reporting violations to the OSC, SRO or law enforcement agency. In particular, the OSC is concerned about contractual language that:

- allows disclosure "only as required by law",
- limits the types of information that an employee may report,
- prohibits any and all disclosure of information, without an exception for reporting potential violations of securities law,
- requires representations that an employee has not assisted in any investigation involving their employer, and
- requires notification or consent from an employer prior to reporting information.

Improving registrant compliance

Registrants should consider reviewing any and all such agreements to ensure that they do not contain provisions which prevent or discourage whistleblowers from coming forward.

We encourage registrants to look at their internal compliance systems to determine whether a culture of compliance is being fostered. As part of this exercise, registrants may

also want to assess the availability and appropriateness of employee reporting channels to encourage potential whistleblowers to report misconduct internally and to allow the organization to investigate and remediate as appropriate.

3.2 Dealers (EMDs and SPDs)

This section contains information specific to EMDs, including current trends in deficiencies from compliance reviews of EMDs (and acceptable practices to address them), and an update on initiatives impacting EMDs.

a) Current trends in deficiencies and acceptable practices

(i) Inadequate documentation to support assessment of products

During our most recent compliance reviews, while we found that EMDs are able to verbally describe their KYP due diligence process and demonstrate that they possess a detailed knowledge of a product, they are not maintaining adequate books and records to demonstrate that they have conducted their own product due diligence.

Dealers are required to maintain records to accurately record their business activities and to demonstrate compliance with applicable requirements of securities legislation (see section 11.5 of NI 31-103). This includes maintaining records that demonstrate compliance with KYC and suitability requirements. Adequate documentation of the suitability process (which includes KYC and KYP) is critical to ensuring that a registrant is meeting its securities law obligations. Firms are also encouraged to refer to CSA Staff Notice 31-343 – *Conflicts of interest in distributing securities of related or connected issuers* where additional best practices related to KYP are discussed.

Acceptable practices to document an assessment of products (KYP):

EMD firms must:

- Document the due diligence conducted on an issuer prior to recommending the security to clients, including reviewing and assessing the information contained within an offering document provided by the issuer.
- Document the key features, financial information, and product risks of the securities being offered.
- Document the analysis and review of any third party assessment of the issuer for

completeness, reasonableness and accuracy.

- Document questions asked of the issuer or other third parties where appropriate.
- Document the training provided to dealing representatives on all product offerings approved for distribution on the firm's product list.
- Document how information about the product, including the meaning of terms, is explained and provided to clients.
- Have policies and procedures in place to require and maintain documentation to support the KYP due diligence completed.
- If competitive products are less risky or less costly, registrants should maintain adequate documentation to demonstrate the suitability of the product recommended.

Unacceptable practices

EMDs must not:

- Rely solely on the issuer's or a third party's documentation to fulfill their KYP obligation documentation, (i.e. no evidence of review and assessment of information in the issuer's offering documents by the registrant).

(ii) Individuals trading without appropriate registration

We have identified a number of individuals who act on behalf of a dealer and trade in securities without being registered to do so. A registered firm is responsible for the conduct of individuals employed or engaged by the firm, including determining when to register an individual. Failure of a registered firm to take reasonable steps to discharge these responsibilities may be relevant to the firm's own continued fitness for registration.

Individuals must be registered if they underwrite or trade in securities on behalf of a registered dealer. A person is prohibited from engaging in the business of trading in securities or acting as an underwriter unless the person is registered as a dealing representative of a registered dealer and is acting on behalf of the dealer. Furthermore, a person or company is prohibited from representing that it is registered under the Securities Act unless the representation is true.

Acceptable processes and practices

EMDs must:

- Have adequate internal controls in place to prevent unregistered individuals from trading in securities or acting as an underwriter on behalf of the registered dealer. The internal controls should include ongoing monitoring and supervision of unregistered individuals.
- Have a process in place to monitor individuals' social media websites (e.g. LinkedIn, Facebook, Twitter) to prevent unregistered individuals from holding themselves out as registered.
- Have adequate policies and procedures in place to review and approve the use of job titles used by individuals employed or engaged by the firm.
- Ensure that individuals use job titles that are appropriate.
- Undertake due diligence before sponsoring an individual to be registered to act on its behalf.

Unacceptable practices

EMDs must not:

- Allow individuals to trade in securities or act as an underwriter on behalf of the registered dealer when they are unregistered.

(iii) Applications for dealer registration relief in connection with leverage employee share offering

We have recently received a number of applications for dealer registration and prospectus relief in connection with global employee share offerings by foreign public companies to employees of the companies and their affiliates, including employees in Canada. The employee share offerings typically involve a special purpose investment vehicle (SPIV) administered by a foreign asset management company (the Foreign Manager). The employees subscribe for units of the SPIV typically at a discount to the public trading price of the foreign public company's shares and the SPIV subscribes for shares of the foreign public company on behalf of the employee participants in the offering. The foreign companies are typically not public companies in Canada and the Foreign Manager is typically not registered in Canada.

Under these types of offerings, employees are sometimes provided with an opportunity to participate in a "leveraged plan" under which the SPIV will enter into a swap (a type of

derivative) with a financial institution (the Bank) and use the funding to purchase an additional number of shares (*e.g.*, 10 additional shares) on behalf of the employee.

We have historically had a number of policy concerns with recommending dealer registration relief in respect of leveraged plans, including the following:

- The nature of the leveraged plans, and in particular the swap with the Bank, can be highly complex and may not be well understood by Canadian participants,
- In a number of cases, we have seen leveraged plan disclosure materials that appear to be highly promotional, and overly focused on the potential for leveraged returns to employees without any discussion of concentration risk or the importance of portfolio diversification. This is particularly a concern where employees may invest a significant proportion of their annual salary in the leveraged plan, and
- In some cases, it appears that employees in Canada may be subject to a tax liability for any dividends paid on the shares but, since the employees do not actually receive the dividends because they are paid to the Bank under the terms of the swap, the employees will need to cover this liability out of other funds. This may be of particular concern in the event of a corporate reorganization or other event that results in an extraordinary dividend being paid on the shares.

We have generally recommended, as a condition of exemptive relief in respect of leveraged plans, that distributions of units of a SPIV to employees in Ontario be made through an investment dealer. The involvement of an investment dealer in a leveraged plan offering is an important safeguard for investors, helping to ensure an employee's investment in the leveraged plan is suitable. Accordingly, if a firm intends to apply for exemptive relief for an SPIV involving a leveraged plan but without the involvement of an investment dealer, we would recommend that the firm make a pre-filing sufficiently in advance of when the relief is required to allow staff a reasonable period of time to consider the matter. The pre-filing should include submissions that address the specific policy concerns noted above.

b) Update on initiatives impacting EMDs

(i) Dealers distributing securities in reliance of the new prospectus exemptions

We completed a sweep of registrants who distributed securities in reliance on the family, friends and business associates (FFBA) and/or the offering memorandum (OM) prospectus

exemptions. As a result of the findings from the sweep, we are providing additional guidance to registrants to assist in their understanding and the application of the provisions of these newer prospectus exemptions and to help firms meet their regulatory obligations.

Accepting client-directed trade instructions which exceed the prescribed investment limits

We found some registrants had assessed that a proposed transaction was unsuitable for their eligible investor clients. Despite this assessment, the registrants proceeded to accept client-directed trade instructions and processed transactions that exceeded the $30,000 prescribed investment limit.

The acquisition cost of all securities acquired by a purchaser who is an individual and who qualifies as an eligible investor under the OM prospectus exemption, cannot exceed $30,000 during a 12-month period, unless the purchaser has received advice from a PM, investment dealer or EMD that the investment is suitable. This means that the investor must receive positive suitability advice in order for an EMD to process a transaction which would cause the eligible investor to exceed the $30,000 investment limit.

Paragraph 3.8(1.1)(c) of the Companion Policy to National Instrument 45-106 – *Prospectus Exemptions* (NI 45-106) clarifies that it is a condition of the OM exemption that unless a registrant determines that exceeding the $30,000 investment limit is suitable for the purchaser, the issuer cannot accept a subscription in excess of $30,000 from the purchaser. In this case, the EMD could also not proceed to take instructions from the purchaser to exceed the $30,000 investment limit. We also refer you to the guidance published in CSA Staff Notice 31-336 on the appropriate use of the client-directed trade instruction.

Processing trades which exceed the prescribed investment limits

We found some registrants had processed a single trade that on its own exceeded the investment limit for the investor, without considering any other investments made by the client under the OM exemption in the applicable 12-month period. It is a breach of the OM exemption requirements to proceed with a transaction that would exceed the prescribed investment limits for certain individuals in Ontario who are acquiring securities distributed in reliance on the OM exemption. Paragraph 2.9(2.1) (b) of NI 45-106 provides the

investment limits in a 12-month period under the OM prospectus exemption for certain individual investors.

Processing trades for clients who are not family members, close personal friends or close business associates

We are concerned that some EMDs do not understand that the FFBA exemption requires the existence of a specific relationship between the purchaser and a principal of the issuer. During our compliance reviews, we found some dealers had processed trades where:

- their client knew a principal of the issuer through social media contact only (e.g. Facebook),
- their client knew a principal of the issuer solely because they were employed by the issuer (e.g. same place of employment), and/or
- they only knew the client was a family member of a principal of the issuer, but did not know what the actual family relationship was (e.g. brother, sister, mother etc.).

We suggest registrants review the categories of specified relationships, including family relationships, which are stated in paragraphs (a) through (i) of subsection 2.5(1) of NI 45-106. Section 2.7 of NI 45-106CP provides guidance on the meaning of the term "close personal friend" and section 2.8 of NI 45-106CP provides guidance on the meaning of the term "close business associate", including the factors considered relevant in making this determination.

Inadequate collection of information and documentation to support compliance with the conditions of the prospectus exemptions

We noted the inadequate collection and documentation of information by registrants to evidence the reasonable steps it had taken to confirm that the purchaser met the conditions of the exemption that they were relying on.

For clients who were relying on the OM exemption, we found that some EMDs did not collect and document adequate information to assess compliance with the prescribed investment limits. We found that some firms:

- asked questions about other investments, but did not inquire of their client as to whether or not they were made under the OM exemption during the 12-month period preceding the investment, and/or

- did not understand that the investment limits apply to the aggregate of all investments made by their client in reliance on the OM exemption during a 12-month period.

For clients who were relying on the FFBA exemption, we found that some firms did not collect and document adequate information about the relationship between the individuals. We found that some firms:

- did not inquire about the nature of the relationship, the frequency of contact, and/or the level of trust and reliance between the individuals, and/or
- relied solely on self-certification representations made by their clients, including representations made by a purchaser in the risk acknowledgement form.

The seller (in this case, a dealer), should consider what documentation it needs to retain or collect from a purchaser to evidence the steps the seller followed to establish the purchaser met the conditions of the exemption. In addition, a registered firm must maintain records to accurately record its business activities, financial affairs, and client transactions, and be able to demonstrate the extent of the firm's compliance with applicable requirements of securities legislation. We also want to remind EMDs that information collected on a KYC form may be used to determine whether the client meets the definition of eligible investor.

Incorrect or incomplete risk acknowledgement form

Some dealers are asking their clients to complete an incorrect risk acknowledgement form for the exemption that they are relying on. We also found that some dealers are changing the language of the risk acknowledgement forms. The risk acknowledgement forms are prescribed forms which must not be amended.

The required form of risk acknowledgement under the OM exemption is Form 45-106F4 – *Risk Acknowledgement For*m and the required form of risk acknowledgement under the FFBA exemption is Form 45-106F12 – *Risk Acknowledgement Form for Family, Friends and Business Associate Investors.*

Outcome of compliance reviews

The compliance reviews resulted in the issuance of deficiency reports to certain registrants. We are currently in the process of reviewing the responses to the deficiency reports to determine follow-up steps that may be necessary in some instances.

Acceptable processes and practices

EMDs must:

- Know, understand and provide adequate training to registered individuals on the specific conditions of the prospectus exemption being relied on.
- Have a process in place to monitor transactions for non-eligible investors and eligible investors to prevent transactions occurring that exceed the investment limits set in Ontario, including client-directed trade instructions.
- Make inquiries of their clients and document the information they obtain with respect to (as applicable):
    - determining whether the client meets a certain definition.
    - other investments made under the OM exemption during the 12-month period preceding the current investment, when relying on the OM exemption.
    - the relationship between the individuals, when relying on the FFBA exemption.
- Have a process in place to review the information obtained from clients for consistency with the conditions of the exemption being relied on. For example, the information collected on the KYC form should be consistent with the meaning of "eligible investor" if relying on this definition under the OM exemption. When conflicting information exists, take appropriate follow-up steps to ensure that the investor meets the conditions of the exemption being relied on. Evidence of follow-up procedures should be documented and reviewed by the CCO.
- Where the EMD has determined that an investment for an eligible investor who is relying on the OM exemption:
    - is suitable - maintain adequate documentation of their advice that exceeding the investment limit of $30,000 and the investment itself is suitable for the eligible investor client.
    - is unsuitable - document and inform the investor of their opinion that the proposed trade would not be suitable for the investor and provide the client with a written explanation of the basis for the registrant's opinion.
- Establish policies and procedures to provide reasonable assurance of compliance with the FFBA and OM exemptions.

Unacceptable practices

EMDs must not:

- Process a transaction for a non-eligible investor, or an eligible investor, that would exceed the investment limits under the OM exemption.
- Take instructions from, or process a transaction for, an eligible investor to exceed the $30,000 investment limit, when the advice provided is that exceeding the investment limit of $30,000 and the investment itself is unsuitable, when relying on the OM exemption.
- Sell an exempt security if they do not have sufficient information to determine whether the client qualifies for the exemption being relied on. For example, a dealer may have insufficient information if they relied solely on self-certification representations made by their clients, including representations made by a purchaser in the schedules to the risk acknowledgment form. Information obtained from inquiries of their clients should be documented to support the determination of qualification.
- Change the language in the risk acknowledgement forms.

(ii) Derivatives – trade repository and data reporting compliance reviews

On June 29, 2015, we published OSC Staff Notice 91-704 - *Compliance Review Plan for OSC Rule 91-507 Trade Repositories and Derivatives Data Reporting* (OSC Staff Notice 91-704). OSC Staff Notice 91-704 describes how OSC staff intends to review compliance with reporting requirements of OSC Rule 91-507 - *Trade Repositories and Derivatives Data Reporting* (the TR Rule). Since the publication of OSC Staff Notice 91-704, CRR staff together with Staff of the Derivatives branch have commenced reviews of large derivatives market participants to review and test their compliance with these new reporting requirements.

Initial reviews have focused on the requirements in Part 3 – Data Reporting of the TR Rule, by market participants that are most active in the market. Testing has been concentrated on derivatives data reporting obligations to verify that reported data is accurate, complete, and reported within the required timeframes. In addition, the reviews encompass assessments over the adequacy of internal controls and management oversight to ensure compliance with the TR Rule. Upon completion of each review, a written report is provided to the market participant outlining any observations identified from the review.

Market participants should take the necessary steps to ensure compliance with the reporting obligations for over-the-counter derivatives transactions. We will continue to conduct reviews of derivatives market participants to evaluate compliance with the requirements.

(iii) U.S. online equity funding portals

We are aware that a number of U.S.-based online equity funding portals are interested in offering investment opportunities in businesses located in Ontario and/or for investors resident in Ontario. We remind such entities that they must comply with applicable securities legislation, including registration prior to conducting business in Ontario. It is important to remember that registration is a separate requirement and the availability of a prospectus exemption to distribute securities does not mean there is a corresponding registration exemption.

Where a U.S. online funding portal facilitates the distribution of securities (including but not limited to engaging in activities that showcase investment opportunities to investors in return for fees from issuers and dealers that advertise on the portal), the entity is "in the business" of trading or advising and is subject to the dealer or adviser registration requirement under the Securities Act.

Please refer to the guidance in section 1.3 of NI 31-103CP and Multilateral Instrument 45-108 - *Crowdfunding*. We also remind these entities that the definition of "trade" is very broad and includes "any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of" a trade. See section 1.2 – OSC Launch Pad of this annual report for more information.

(iv) Registration and oversight of foreign broker-dealers

Since publishing CSA Staff Notice 31-333 - *Follow-up to Broker-Dealer Registration in the EMD category* on February 7, 2013, we published amendments to NI 31-103 that prohibited EMDs from conducting brokerage activities (the NI 31-103 Amendments).

The NI 31-103 Amendments came into force on July 11, 2015. Since that date, only investment dealers that are dealer-members of IIROC or firms relying on an applicable exemption from the dealer registration requirement are permitted to engage in trading in a security if the security is listed, quoted or traded on a marketplace and if the trade in the security does not require reliance on a further exemption from the prospectus requirement.

We remind firms to consider how they conduct brokerage activities, including having a Canadian incorporated IIROC firm carrying out the brokerage activities, tailoring their activities to fit solely within the EMD category, or relying upon the international dealer exemption in section 8.18 of NI 31-103.

3.3 Advisers (PMs)

This section contains information specific to PMs, including current trends in deficiencies from compliance reviews of PMs (and acceptable practices to address them) and some current initiatives applicable to PMs.

a) Current trends in deficiencies and acceptable practices

(i) Vulnerable investors – lack of policies and procedures

Some PMs do not have written policies and procedures to adequately address the provision of investment advisory services to vulnerable investors - in particular, senior investors, but also investors with other vulnerabilities (e.g. a diminished cognitive capacity, a severe or long term illness, mental or physical impairment, a language barrier). Vulnerable investors, especially those who may have diminished mental capacity, can be vulnerable to investment advice that is unsuitable, investment fraud and financial abuse.

In section 3.1 (c)(i) of OSC Staff Notice 33-747, we provided guidance:

- on the contents of a firm's policies and procedures for servicing vulnerable investors, and
- that a firm is responsible for the adequacy of their firm's policies and procedures for the protection of investors, including vulnerable investors.

As noted in section 3.1(c)(i) of this report, we continue to work on our vulnerable investor initiative. We anticipate that future compliance reviews of PMs will include a review of a firm's policies and procedures that address the concerns related to the provision of investment advisory services to vulnerable investors.

Acceptable practices

Your written policies and procedures should address the following areas:

- How to identify investors in potentially vulnerable circumstances.

- Suitability of investments for accounts of senior investors (e.g., age-based heightened review criteria for certain investments or product concentration).
- Communicating with senior investors (e.g. documentation standards for marketing and communications).
- Identification and escalation of suspected or attempted financial elder abuse,
- Identification and escalation of concerns about an investor with diminished capacity (and how the account will continue to be managed).
- The importance of a power of attorney (POA) and consideration of when a POA may be necessary.
- Discussions with clients about the existence of a POA document and the retention of any POA documents.
- Identification and escalation of the misuse or abuse of POAs.
- Training of staff who interact with vulnerable investors.

(ii) PMs with inappropriate access to client's custody accounts

It is inappropriate for PMs to ask their clients for, and to use, their client's usernames and passwords to access their accounts at a custodian (such as an investment dealer) to conduct online trading in the client's accounts. The custodian is likely not aware of this access, which effectively allows the PM to act as if they were the client and not only to conduct trading, but also to transfer cash out of the account. Although we have not found PM's asking for and using their client's usernames and passwords to access their accounts during compliance reviews, it has been noted as a compliance issue by U.S. securities regulators for U.S. investment advisers.

This type of custody account access is inappropriate, as the PM:

- has the same access as the client and therefore the ability to transfer client's cash out of the account,
- is effectively impersonating the client and there is no audit trail to differentiate between actions of the PM and the client, and
- may void certain protections their client has, such as being reimbursed by the custodian for unauthorized transfers in their accounts (for example, from identity theft), if the client breached their agreement with the custodian by giving their username and password to the PM.

If we find this practice during a compliance review, this would raise significant concerns about whether the PM is meeting its obligations in section 2.1 of OSC Rule 31-505 to deal fairly, honestly, and in good faith with clients.

Acceptable practices for PMs to access their client's custodial accounts

PMs should:

- Perform an assessment to determine if any advising representatives or traders at their firm are using clients' usernames and passwords to conduct online trading in clients' custody accounts, and if so, take immediate steps to stop this practice and instead obtain appropriate access, as outlined below.

PMs with trading authority over clients' portfolios should:

- Have their clients provide their custodians with written instructions giving the PM trading authority over their accounts.
- Obtain from their clients' custodians, and use, their own usernames and passwords to conduct online trading in their clients' custody accounts, but not have the ability to transfer cash out of the accounts.
- If offered by the clients' custodian, enter into an arrangement with the custodian for the PM to be given "master account" access over all of their clients' accounts at the custodian using their own username and password. This "master account" access allows the PM to trade securities and monitor and analyze its clients' trades and holdings, but not to transfer cash out of the account.

Unacceptable practices

PMs must not:

- request or use their clients' usernames and passwords to conduct trading in their clients' custody accounts.

b) Update on initiatives impacting PMs

(i) PM-IIROC member dealer service arrangements

On November 17, 2016, CSA staff published CSA Staff Notice 31-347 - *Guidance for Portfolio Managers for Service Arrangements with IIROC Dealer Members* (CSA Staff Notice 31-347) to provide guidance for PMs that enter into custody and trading service arrangements with IIROC dealer members (DMs). CSA Staff Notice 31-347 outlines acceptable practices for PMs with these arrangements so that they can comply with their

obligations in NI 31-103, such as books and records, disclosure, and client statement reporting (including when only the DM sends "custody" statements to clients). The key points in the notice are:

- the PM must maintain its own records of its clients' investment positions and trades,
- the PM and DM are expected to have a written agreement on the arrangement,
- the PM is expected to provide written disclosure to its clients on the arrangement,
- if the PM holds any cash or investments for a client, it must issue its own client statements, and
- if all of the cash and investments that the PM is authorized to trade for a client are held by a DM, the PM may satisfy its client statement obligations if the DM delivers a "custody" statement to the client that is compliant with IIROC DM rules, provided that the PM takes the steps outlined in the notice to verify that the DM's statement is complete, accurate and delivered on a timely basis.

(ii) Online advisers

In early 2016, we began the compliance reviews of Ontario-based online advisers that were operating for more than a year. Online advisers are portfolio managers that offer managed accounts comprised of portfolios of simple exchange-traded funds or investment funds to retail clients at a low cost primarily through an interactive website, but with the active involvement of an advising representative (AR) in the KYC and suitability process.

The purpose of our online adviser compliance reviews was to:

- further enhance our understanding of the registrants' online business operations and to assess the effectiveness of their KYC and suitability processes, including online KYC questions, system logic, model portfolios, role of ARs and their discussions with clients,
- assess the registrant's compliance with relevant sections of Ontario securities law, terms and conditions of registration (if applicable), and CSA Staff Notice 31-342 – *Guidance for Portfolio Managers Regarding Online Advice* (CSA Staff Notice 31-342),
- assess if the registrant's current online business activities were consistent with the registrant's representations in their pre-registration review, and
- determine whether there were any fitness for registration issues (e.g. going concern, proficiency issues).

As a result of the compliance reviews, we identified deficiencies:

- common among traditional portfolio managers, such as, inadequate written policies and procedures manual, inadequate client statements, incorrect calculation of excess

working capital, unsubstantiated marketing claims, an inadequate ratio of ARs to clients, and

- unique to online advisers, which are discussed in more detail below.

Inadequate online KYC questionnaire

The online KYC questionnaire used by some online advisers did not allow firms to obtain adequate or sufficient KYC information. For example, the questionnaire asked for liquid assets without inquiring about the amount of debt the client may have, therefore, the registrant did not obtain the client's true financial situation or net worth. In other circumstances, the registrant's online KYC questionnaire did not inquire about the client's financial circumstances, investment knowledge or investment restrictions.

Approval of model portfolios

Model portfolios are created using algorithmic software, however, an AR is responsible for assessing the suitability of each client's investments. In conducting our compliance reviews, we noted that some online advisers did not maintain evidence to support that the system-recommended model portfolio was reviewed and approved for suitability by an AR.

Meaningful discussions with clients

As noted in CSA Staff Notice 31-342, an online adviser's KYC process must amount to a meaningful discussion with the client or prospective client, even if that discussion is not in the form of a face-to-face conversation. In circumstances where the online advisers reviewed did not have a well-designed KYC questionnaire and software mechanisms (as described in CSA Staff Notice 31-342) which would identify inconsistencies in responses and other triggers for the AR to contact the client or prospective client, we would expect an AR to contact the client or prospective client and have a meaningful discussion with them prior to opening an account. During the course of our compliance reviews, we noted that some online advisers who did not have a comprehensive KYC questionnaire and/or software mechanisms, as described in CSA Staff Notice 31-342, did not always contact clients or prospective clients to have a meaningful discussion with them. In other cases, we noted that the online adviser did not maintain evidence to support that an AR had, in fact, had this meaningful discussion with clients or prospective clients.

KYC update process

Some of the online advisers reviewed did not have an adequate process in place to ensure client's KYC information is updated at least annually or when there has been a material

change in a client's circumstances (e.g. marriage, divorce, birth of child, loss or change in employment).

No notice to the OSC of material change to business model

During the course of our review, we noted that the OSC was not notified in circumstances where there was a material change to the online adviser's business model. As noted in CSA Staff Notice 31-342, registrants are required to submit Form 31-109F5 – *Change or Registration Information* (Form 31-109F5) if they change their primary business activities, target market or the products and services they provide to clients. The information provided in Form 33-109F6 - *Firm Registration* (Form 33-109F6) must be kept current at all times. This would include making a significant change to an existing online advice platform's operation or the addition of a traditional portfolio manager model to the existing online advice business model.

Outcome of compliance reviews

The compliance reviews of online advisers resulted in one or more of the following outcomes:

- deficiency reports
- warning letters
- terms and conditions imposed on the firm

As noted in last year's annual report, the CSA-IIROC working group continues to discuss online advice topics, including:

- appropriate registration categories for different business models,
- appropriate terms and conditions of registration for different business models, and
- issues from compliance reviews.

Launching of online advice platforms

We have seen a number of new firms, as well as existing portfolio managers, launching online advice platforms and we are in the process of reviewing proposals from others. We remind anyone contemplating launching an online advice platform in Ontario that they must first submit their plans to us for review, and refer you to CSA Staff Notice 31-342.

To facilitate our due diligence review of proposals for online advice platforms, the following information should be provided with the firm's Form 33-109F6 or Form 31-109F5 when it is filed:

- the proposed online KYC questionnaire,
- details of any other KYC information requested (personal information not collected through the KYC questionnaire),
- the system logic used to determine a client's investor profile and model portfolio based on how they answered the KYC questionnaire,
- details of the investor profiles and model portfolios (including proposed security holdings for each model portfolio and asset allocations),
- the role of registered ARs in the KYC collection and documentation process, assessing suitability of investments for clients, reviewing and approving new accounts, and communicating with clients,
- whether an AR has a live interaction with every client or only when AR deems it necessary or when client requests it,
- how and when KYC information will be updated,
- how client identification obligations will be met,
- how system and cybersecurity risks will be addressed,
- how trading and rebalancing will be performed,
- a sample client agreement with a custodian,
- the relationship disclosure information to be provided to clients at account-opening,
- the applicable fee schedule, including ETF/fund fees, custody and trading charges,
- a sample standard investment management agreement, and
- any conflicts of interest identified by the firm (e.g., use of affiliated investment funds) and, if so, how they will be addressed.

(iii) PM with IIROC affiliate compliance reviews

We conducted a sweep of PM firms who are affiliated with an IIROC member firm to assess their compliance with securities law. Specifically, we focused our reviews on a number of key areas such as conflicts of interest, portfolio management, and trading practices, including best execution and suitability of investments. Some of the major findings are highlighted below.

Conflicts of interest

Most PM firms reviewed during the sweep have full discretion in selecting brokers for executing trades on behalf of their managed account clients (including investment funds). However, they placed the majority of their managed account clients' equity and fixed income trades with their affiliated dealers. We have significant concerns with this practice since the PM firms did not have an adequate process in place to address the inherent

conflicts of interest that exist from their business relationship and integrated operations with the affiliated dealers. While some firms attempted to mitigate the conflict by providing general disclosure to their clients about the use of their affiliated dealers for trade execution, we do not consider such disclosure sufficient to manage the conflicts in these cases. PM firms must establish adequate procedures for identifying and responding to conflicts of interest consistent with their obligation to deal fairly, honestly, and in good faith with their clients.

Acceptable practices for dealing with conflicts of interest

PMs must:

- Provide sufficient evidence to demonstrate that their affiliated dealers have adequate execution capabilities.
- Conduct an analysis to support that the affiliated dealer is indeed providing services to their clients at prices and on terms that are at least favourable to other unrelated dealers.
- Maintain adequate documentation of such analysis.

Best execution obligation

In some cases, we noted that the PM firms relied solely on their affiliated dealers to achieve best execution for their clients. This is inappropriate as a PM has an obligation to make reasonable efforts to achieve best execution for its clients and to establish adequate policies and procedures to demonstrate compliance with this obligation. We also noted a number of instances where the affiliated dealers were charging commissions higher than other unrelated dealers and the firms were unable to satisfactorily explain how they achieved best execution for their clients under those circumstances.

While we understand that the transaction cost is not the only factor when assessing best execution, the firms were unable to explain what other qualitative and quantitative factors had been considered when determining best execution. In some cases, the PM firms had written policies and procedures on best execution, including the factors they consider when selecting a broker for executing trades. However, these procedures were not enforced by the firm.

We expect PM firms to establish adequate policies and procedures that describe how the firm evaluates that best execution was obtained and such procedures should be regularly and rigorously reviewed.

Acceptable practices in meeting the best execution obligation

PMs must:

- Establish a process to test and evaluate the quality of execution by performing periodic assessments of their affiliated dealers' execution capabilities (e.g. transaction price, speed and certainty of execution, overall cost of transactions, etc.).
- Compare execution performance of other unrelated dealers with the affiliated dealer.
- Establish a committee to oversee the firm's policies and procedures on trade management practices and assess the impact of technological changes on trade execution.
- Maintain adequate documentation of any assessments and analysis conducted.

Please also refer to Part 1.1.1 and Part 4 of the Companion Policy to National Instrument 23-101 - *Trading Rules* for a definition of best execution and guidance on the best execution requirement.

Delegation of advisory functions to affiliated dealer

In one instance, we noted that a PM firm inappropriately delegated some advisory functions to its affiliated dealer, such as collecting and updating KYC information, servicing clients on an on-going basis to deal with client questions regarding the managed account and discussing portfolio performance with the PM clients. We have significant concerns with this practice as KYC, KYP, and suitability obligations are a cornerstone of our investor protection regime (see sections 13.2 and 13.3 of NI 31-103). Without sufficient and current KYC information, registrants are not able to adequately fulfill their suitability obligations. To meet these obligations, the advising representative of the PM firm should have a meaningful discussion with the client on KYC and suitability of the investments and these activities cannot be delegated to other parties. For additional guidance, please refer to CSA Staff Notice 31-336.

Apart from the above key findings, we also identified other deficiencies, for example, inadequate compliance system, outdated KYC information, and missing information on client statements. These deficiencies were not unique to PM firms with IIROC affiliates.

3.4 Investment fund managers

This section contains information specific to IFMs, including current trends in deficiencies from compliance reviews of IFMs (and acceptable practices to address them) and an update on current initiatives applicable to IFMs.

a) Current trends in deficiencies and acceptable practices

In this section, we summarize key trends in deficiencies from recent compliance reviews of IFMs.

(i) Repeat common deficiencies

The following includes deficiencies that we continued to find in reviews of registrants that have been reported on in previous annual reports or prior guidance. We encourage you to review the information sources provided below as the previously published guidance's are still applicable to these issues.

Repeat common deficiency	Information source
1) Inadequate oversight of outsourced functions and service providers	• Part V of OSC Staff Notice 33-743 • Section 4.4.1 of OSC Staff Notice 33-742 under the heading *Inadequate oversight of outsourced functions and service providers* • Section 11.1 of NI 31-103 and 11.1 of 31-103CP • Registrant Outreach seminar - Oversight of service provider
2) Inappropriate mutual fund sponsored conferences	• Part I of OSC Staff Notice 33-743 • Section 5.2 of OSC Staff Notice 33-743 • Section 3.4 (b)(i) below of this annual report
3) Inadequate insurance coverage	• Section 4.1(c)(iii) of OSC Staff Notice 33-745 • Sections 12.5 and 12.6 of NI 31-103 and section 12.6 of NI 31-103CP
4) Inappropriate use of trust accounts	• Section 4.4(a)(ii) of OSC Staff Notice 33-746 • Section 3.4(a)(ii) below of this annual report

(ii) Holding client assets

We noted instances of IFMs that were not complying with the requirement to hold fund assets separately from firm assets. Assets of the investment funds that they manage must be in designated trust accounts. Section 14.6 of NI 31-103 provides specific requirements that a registrant must adhere to when holding client assets.

A registered firm that holds client assets must ensure that those client assets are:

- held separate and apart from the registrant's own property,
- held in trust for the registrant's clients, and
- in the case of cash, held in a designated trust account at a Canadian financial institution, a Schedule III bank, or an IIROC member firm.

We noted the following circumstances where IFMs were holding client assets, but were not adhering to these requirements:

- Registrants did not maintain documentation to evidence that the accounts, in which they held client assets, were designated as trust accounts.
- In some cases, registrants held client subscription and redemption proceeds in accounts they referred to as "flow-through accounts". However, the registrants did not properly recognize that they were in fact holding client assets and that these "flow-through accounts" should comply with the requirements of section 14.6 of NI 31-103.
- Registrants commingled management fees and performance fees they earned with client assets.

We also noted the following situations where IFMs did not maintain adequate records of supervision over client assets held in trust accounts:

- registrants did not perform reconciliations of trust accounts, and
- where IFMs outsourced the trust accounting function to service providers, registrants did not oversee the services performed by the service providers (e.g. review reconciliations and/or exception reports of trust accounts).

IFMs are responsible for directing the business, operations and affairs of an investment fund. These responsibilities include fund administration services, whether performed in-house or outsourced to another entity. Section 11.1 of NI 31-103 requires that IFMs have systems of controls and supervision in performing or overseeing fund administration

services. Part 11 of NI 31-103CP states that IFMs are responsible and accountable for all functions that are outsourced to service providers.

Acceptable practices for holding client assets

IFMs must:

- Determine if they hold client assets, including cash or client cheques accepted by the IFM for subscriptions in an investment fund.
- Ensure client assets are held in a designated trust account at a Canadian financial institution, a Schedule III bank, or a member of IIROC.
- Maintain documentation that clearly evidences that the account is a trust account.
- Maintain a separate operating account in the name of the registrant to handle transactions relating to the IFM's operations and ensure that these transactions do not flow through the trust account which has been set up for holding client assets.
- Develop internal policies and procedures regarding the use of the designated trust account, taking into consideration the following:
    - which transactions can and cannot flow through the trust account,
    - which transactions will flow through the IFM's operating account,
    - frequency of reconciliation of activity in the trust account, and
    - process of review and approval of the trust account reconciliation.

Unacceptable practices

IFMs must not:

- Use a bank account that is not designated as a trust account to handle client assets.
- Commingle the assets of an investment fund and/or its unitholders with the assets of the IFM.
- Accept client assets without having clearly documented policies and procedures regarding the handling of client assets.
- Rely exclusively on a service provider to reconcile activity in a trust account without appropriately overseeing the service provided.

(iii) Prohibited investments resulting in a fund being a substantial security holder

For IFMs who manage investment funds with a fund-of-fund structure, we noted instances where a top fund, alone or together with other related investment funds[9], held more than 20% of the voting interest of an underlying fund. This resulted in the top fund being a substantial security holder of the underlying fund which is prohibited under paragraph 111(2)(b) of the Securities Act.

Paragraph 111(2)(b) of the Securities Act prohibits an investment fund from making an investment in any person or company in which the investment fund, alone or together with one or more related investment funds, is a substantial security holder. Paragraph 110(2)(b) of the Securities Act states that a person or company is a substantial security holder of an issuer if it owns beneficially more than 20% of the voting rights attached to all voting securities of the issuer.

Acceptable practices to avoid the top funds from making prohibited investments

IFMs must:

- Have policies and procedures to monitor the percentage of portfolio holdings of a top fund in any of the underlying funds.
- Ensure that if there is more than one related investment fund that holds the same underlying fund, there is a process in place to monitor the aggregate holdings of the related investment funds in the underlying fund.
- Inform the advisers to the top funds of this prohibition and ensure parameters are set to avoid exceeding the 20% threshold.
- Assess if it is necessary to apply for exemptive relief given the business model.
- Have monitoring processes (as described above) and reporting in place to review and assess for compliance with section 111(2)(b) of the Securities Act.

b) Update on initiatives impacting IFMs

The following initiatives were part of a larger initiative executed in collaboration with the MFDA and IIROC, who each reviewed the incentive practices of their respective dealer

[9] The term "related investment funds" is defined under subsection 106(1) of the Securities Act which includes more than one investment fund under common management.

firms[10]. The respective initiatives were part of a larger initiative referenced in OSC Notice 11-775 – *Notice of Statement of Priorities for Financial Year to End March 31, 2017* in which we stated that we would work closely with the SROs to coordinate compliance efforts on common issues, such as sales incentives and related conflicts of interest.

(i) Focused reviews on mutual fund sales practices

In December of 2015, we conducted focused compliance reviews of sales practices relating to section 5.2 of National Instrument 81-105 - *Mutual Fund Sales Practices* (NI 81-105) that governs the organization and presentation of mutual fund sponsored conferences. The compliance reviews included a sample of 20 IFMs and focused on mutual fund sponsored conferences organized and presented between 2013 and 2015. In total, we reviewed 63 mutual fund sponsored conferences organized by 13 IFMs that engaged in this type of sales practice under Part 5 of NI 81-105.

Part 5 of NI 81-105 regulates the sales practices of industry participants in connection with the distribution of publicly offered securities of mutual funds to safeguard the interests of investors. As a result, NI 81-105 establishes a minimum standard of conduct to ensure that any compensation or benefits provided to participating dealers and their respective representatives are not in any way "excessive" or "extravagant" so as to improperly influence the selection of mutual funds for distribution by a representative to its clients.

We noted similar deficiencies to those found through prior reviews conducted in 2014 as reported in OSC Staff Notice 33-743 - *Guidance on sales practices, expense allocation and other relevant areas developed from the results of the targeted review of large investment fund managers* (OSC Staff Notice 33-743).

The purpose of the focused compliance reviews was to:

- determine if there had been improvement with sales practices resulting from the publication of OSC Staff Notice 33-743,
- review and assess an IFM's policies, procedures, and practices relating to sales practices and, specifically, to the organization and presentation of mutual fund sponsored conferences,

[10] MFDA Notice on the Review of Compensation, Incentives and Conflicts of Interest published on December 15, 2016 and IIROC Notice on Managing Conflicts in the Best Interest of the Client – Status Update published on December 15, 2016.

- determine and assess involvement by an IFM's compliance staff in the organization and execution of mutual fund sponsored conferences, and
- assess and identify areas where additional guidance to industry participants may be needed.

Although the majority of IFMs included in the sample used the most recently published guidance in OSC Staff Notice 33-743 to organize and present their mutual fund sponsored conferences, deficiencies were noted in the following areas:

- the process followed to select dealing representatives,
- the payment of prohibited costs, and
- the reasonability of the conference costs.

As a result of these focused compliance reviews, we are considering publishing additional guidance on the issues noted and raised through the focused compliance reviews. Specific guidance on compliance with paragraph 5.2(b) of NI 81-105 that governs the selection of representatives of a participating dealer to attend a mutual fund sponsored conference was published in the December 2016 edition of the Investment Funds Practitioner (the December Practitioner).

We have reported the findings from this current initiative to each IFM included in the focused review. We have also worked closely with the OSC Enforcement Branch to reach a settlement with one firm related to the sales practice review of the firm.

We would like to remind IFMs of their obligations to ensure compliance with Part 5 of NI 81-105 when organizing, presenting, and providing monetary support for sales practices. The guidance previously published in OSC Staff Notice 33-743 remains relevant and we strongly encourage registrants to use that notice to improve their understanding of, and compliance with, applicable regulatory requirements. OSC Staff Notice 33-743 and the guidance published in the December Practitioner, collectively, are meant to assist IFMs in meeting their duty to act honestly, in good faith, and in the best interests of their investment funds as required by section 116 of the Securities Act. Many of the concepts related to sales practices require judgment. Through previously issued guidance, we have tried to establish parameters around these concepts which best correlates with an IFM's standard of care. We would like to remind IFMs that in establishing and complying with

internal sales practices parameters, the overarching objective and spirit of the rule must always be at the forefront and adhered to.

(ii) Advisor discount fee arrangements survey

As part of our focus on conflicts of interest and incentives practices, we sent a survey to approximately one hundred IFMs to obtain information about certain arrangements involving an IFM's provision of discounted management fees to certain representatives of participating dealers that distribute the IFM's mutual funds. The reduction in the management fee is achieved through a management fee rebate provided to certain mutual fund security holders that are clients of representatives that have entered into these arrangements. We are referring to these arrangements as *advisor discount fee arrangements*.

From the survey results, we identified advisor discount fee arrangements with the following common characteristics:

- the arrangements were entered into with a select number of representatives which resulted in the management fee rebate being available only to clients of those representatives and therefore only certain security holders of a mutual fund,
- the arrangements required the representatives to maintain in aggregate a certain minimum level of client assets in the IFM's mutual funds for the management fee rebate to be made available to the representatives' clients, and
- the management fee rebate was offered on a tiered scale, dependent on the amount of the aggregate assets invested by clients of the representative.

In some cases, the request to establish an arrangement was initiated by the representative.

The objective of NI 81-105 is to discourage sales practices and compensation arrangements that give rise to the question of whether participating dealers and their representatives are being induced to sell mutual fund securities on the basis of the incentives they are receiving, as opposed to what is suitable for their clients. Under paragraph 2.1(b) of NI 81-105, an IFM is prohibited from providing a non-monetary benefit to a representative of a participating dealer, subject to certain exceptions set out in Part 5 of NI 81-105. These advisor discount fee arrangements are not in compliance with NI 81-105 based on the following observations:

- These arrangements and the corresponding management fee rebate are available only to certain representatives that distribute an IFM's mutual funds and are not available to all security holders of a mutual fund. As a result, the representatives that enter into these arrangements have a competitive advantage over other representatives in that they can offer investments in the mutual funds at a reduced overall cost to their clients, which may allow them to attract and retain more clients.
- Section 4.2(2) of the Companion Policy to NI 81-105 states that a non-monetary benefit includes any benefit that could be perceived as an advantage to the representative receiving the benefit. The competitive advantage obtained by representatives that enter into these arrangements is a non-monetary benefit that may influence those representatives' investment recommendations to clients.
- Sub paragraph 2.1(3)(b) of NI 81-105 prohibits the provision of any benefit that is conditional on a particular amount or value of securities of one or more mutual funds being held in accounts of clients of a representative. These advisor discount fee arrangements require representatives to maintain assets in aggregate across their client accounts in the IFM's mutual funds before a management fee rebate can initially and continually be provided to a representative's clients.

(iii) Investment Funds and Structured Products (IFSP) Branch

Our IFSP Branch has worked on a number of policy initiatives with the CSA on the regulation of investment funds and other initiatives which impact IFMs. A summary of some of this work and the relevant information sources can be found in the chart below.

Project	Information source
1) Mutual fund fees	On January 10, 2017 the CSA published CSA Consultation Paper 81-408 *Consultation on the Option of Discontinued Embedded Commission*. With the objective of enabling the CSA to make an informed decision about potentially discontinuing embedded commissions, the Consultation Paper sought input on: ○ the potential effects on investors and market participants of discontinuing embedded commissions, including on the provision and accessibility of advice for Canadian investors, and on business models and market structure, ○ potential measures that could assist in mitigating any

	negative impacts of such a change, if a decision is made to move forward, and ○ alternative options that could sufficiently manage or mitigate the identified investor protection and market efficiency issues. The comment period ended on June 9, 2017.
2) Summary disclosure documents and delivery regime for exchange traded mutual funds (ETFs) and its delivery	On December 8, 2016, the CSA published final amendments that require ETFs to produce and file a summary disclosure document called ETF Facts. Dealers that receive an order to purchase ETF securities will be required to send or deliver ETF Facts to investors within two days of the purchase. Delivery obligations related to ETF Facts will come into effect on December 10, 2018.
3) CSA risk classification methodology	On December 8, 2016, CSA staff published final amendments which require fund managers to use a standardized CSA mutual fund risk methodology to determine the investment risk level of conventional mutual funds and ETFs in the Fund Facts and ETF Facts, respectively.
4) Final stage of modernization of investment fund product regulation	The CSA published proposed amendments on September 22, 2016 to introduce or revise certain investment restrictions for alternative funds, including concentration limits, limits on illiquid assets, and limits on cash-borrowing. The proposed amendments would also introduce disclosure requirements for alternative funds that would clearly highlight the investment strategies that differentiate these products from conventional mutual funds. The comment period closed on December 22, 2016.
5) Point of sale disclosure	On August 22, 2016, the CSA announced a multi-year project to measure the impact of the requirements introduced by the Point of Sale amendments on investors and the industry.
6) Review of fund-of-funds disclosure of fees and expenses	Staff published the main findings of the continuous disclosure review focused on the disclosure of fees and expenses for fund-of-funds.

ACTING ON REGISTRANT MISCONDUCT

a) Regulatory action during April 1, 2016 to March 31, 2017

b) Cases of interest

c) Contested OTBH decisions and settlements by topic

4 Acting on registrant misconduct

Effective registration and compliance oversight programs combined with timely enforcement, are essential to protect investors and foster trust and confidence in our capital markets.

OSC Statement of Priorities – 2017/18

The Registrant Conduct Team is responsible for investigating conduct issues involving individual and firm registrants, recommending regulatory action where warranted, and conducting Opportunity to be Heard (OTBH) proceedings before the Director. We may become aware of registrant misconduct through compliance reviews, applications for registration, disclosures on NRD, and by other means such as complaints, inquiries or tips.

Registrants must also remain alert and monitor for potential misconduct by enacting and implementing appropriate policies and procedures and ensuring that controls are in place to detect and address instances of misconduct.

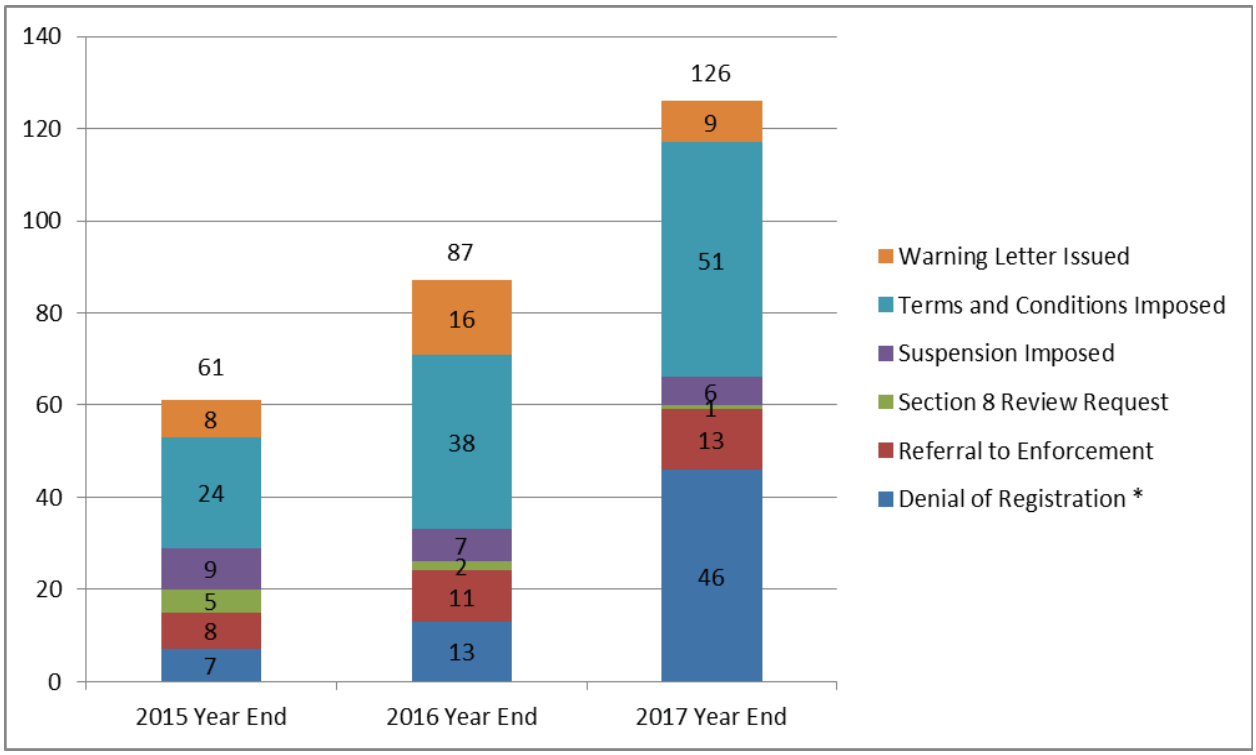
As the Commission recently stated [11]:

> ***"A registrant must have systems of control and supervision in place to provide reasonable assurance that the firm, and each individual acting on its behalf, are complying with Ontario securities law. A firm is responsible for establishing and maintaining its compliance system…***
>
> ***CRR Staff's procedures in processing applications and examining for compliance are not a substitute for careful compliance by the firm itself."***

a) Regulatory action during April 1, 2016 to March 31, 2017

For the period of this report, the following chart summarizes the regulatory actions taken by CRR staff against firms or individuals engaged in registrant misconduct or serious non-compliance with Ontario securities law.

[11] Commission decision in *Re Waverley Corporate Financial Services Ltd. and Donald McDonald*, March 1, 2017 at paras. 130, 149



*Please note that the Denial of Registration category includes individual registration applications that are withdrawn by the sponsoring firm where there is a conduct concern raised, but prior to the conduct review being completed, or in light of other conduct review activity.

We are continually improving our information tools, which is having the intended effect of identifying high risk registrants and high risk applicants for registration. This has resulted in an increase in regulatory actions taken over the past three years. Sources of information include background and solvency checks on individual registrants or individual applicants, the Risk Assessment Questionnaire, external contacts received from OSC Contact Centre, and referrals from SROs and other agencies.

Opportunity to be Heard (OTBH) Process

Prior to a Director of the OSC imposing terms and conditions on registration, or refusing an application for registration or reinstatement of registration, or suspending or amending a registration, an applicant or registrant has the right under section 31 of the Securities Act to request an OTBH before the Director.

Directors' decisions on OTBH proceedings are published in the OSC Bulletin and on the OSC website at Director's Decisions. The decisions are sorted by year and by topic. Director's decisions are an important resource for registrants and their advisers, as they highlight matters of concern to the OSC, as well as, the regulatory action that may be taken as a

result of misconduct. Directors' decisions approving settlements of OTBH proceedings are also published on the website. Publication of Directors' decisions increases transparency by communicating important information regarding registrant conduct to the public in a timely manner.

In some cases, a registrant may request a hearing and review by the Commission of a Director's decision under section 8 of the Securities Act.

b) Cases of interest

(i) Novel dealer business model, conflicts of interest, controls and supervision

On March 1, 2017, the Commission released its decision in *Re Waverley Corporate Financial Services Ltd. and Donald McDonald*. Waverley Corporate Financial Services Ltd. ("Waverley"), an EMD, and Donald McDonald, Waverley's UDP and CCO, were the subject of a decision of the Director dated July 15, 2016, following an OTBH. Waverley and McDonald sought a review of the decision pursuant to section 8 of the Securities Act.

Background

Waverley's business involved marketing its services to issuers. Dealing representatives associated with the issuers or their affiliates (through business or family connections[12]) were registered with Waverley to market the issuer's securities to investors. The dealing representatives generally sold the securities of the issuer with which they were associated. Investors became clients of Waverley. The business model was designed to avoid the issuers incurring the financial costs and compliance responsibilities required of dealers. The dealing representatives typically carried on business from locations connected with the issuers. Waverley was paid through monthly fees paid by or on behalf of the dealing representatives and a share of the commissions paid by the issuers. Waverley did not disclose this business model at the time of its registration with the Commission.

Director decision

Following a compliance review, we sought to impose terms and conditions on Waverley's registration relating to Staff's allegations that Waverley had failed to comply with various

[12] For example, some of the dealing representatives were officers and/or directors of the associated issuer; others were immediate family members of the associated issuer's officers and/or directors.

provisions of Ontario securities law. Waverley and McDonald requested an OTBH pursuant to section 31 of the Securities Act.

In the OTBH decision, the Director described Waverley's business model as providing "registration and compliance services to independent issuers by sponsoring a… person connected to an independent issuer as a dealing representative." Waverley marketed itself as a "registration alternative to issuers" (Decision, para. 40). The Director found that Waverley breached paragraph 25(1)(b) of the Securities Act, which requires dealing representatives to act on behalf of their sponsoring firm, and subsection 32(2) of the Securities Act, regarding control and supervision obligations required of a firm. The Director also found that Waverley did not appropriately respond to conflicts of interest as required by subsection 32(1) of the Securities Act and section 13.4 of NI 31-103. The Director imposed terms and conditions on Waverley and McDonald's registrations.

Commission decision

Waverley sought a hearing and review of the Director's decision under section 8 of the Securities Act. As a result of the hearing and review, the Commission substituted its own terms and conditions for those imposed by the Director.

Paragraph 25(1)(b) – Acting on behalf of registered firm

The Commission did not find that Waverley breached paragraph 25(1)(b) of the Securities Act. The Commission was persuaded that "Waverley's Representatives, at least to some extent, act on behalf of Waverley." The Commission did not find that a dealing representative acted exclusively for his or her associated issuer. However, to ensure that dealing representatives unambiguously acted on behalf of Waverley, the Commission imposed several terms and conditions, including provisions requiring dealing representatives to use Waverley e-mail and telephone services and prohibiting them from accepting compensation from issuers for registerable activities. As well, the Commission required issuers who sponsored Waverley dealing representatives to produce to Waverley such information and materials as if the issuer itself became registered as a dealer.

Conflicts of interest

The Commission found that disclosures of conflicts of interest arising from the dealing representatives' relationships to the issuer to Waverley's clients were "inconsistent and deficient… [P]arsing these multiple disclosures… does not constitute clear and effective communication of these conflicts" (at para. 58). In its decision, the Commission found that

Waverley did not adequately disclose these conflicts either to clients or in its NRD filings. The Commission stated that incentives provided directly by the issuer to the dealing representatives were "essentially 'secret commissions' that are obscured from an investor's view" (at para. 66).

The Commission concluded that Waverley contravened Ontario securities law requirements to (i) identify conflicts of interest, (ii) respond to the conflicts of interest by appropriately disclosing, managing or avoiding the conflicts, and (iii) describe the conflict to clients in terms of how it could affect the services offered to them.

Among the terms and conditions imposed by the Commission was a requirement to create a clear and enhanced conflict of interest disclosure, and a prohibition on registering senior executives of an issuer because of the severity of that conflict of interest.

Systems of control and supervision

The Commission also found that Waverley's systems of control and supervision were not effective in addressing key aspects of its activities and those of its dealing representatives, in breach of subsection 32(2) of the Securities Act and section 11.1 of NI 31-103. In particular, the Commission found that Waverley did not have appropriate controls over its referral arrangements and payment of referral fees and commissions, the marketing materials used by its dealing representatives, and that it did not adequately supervise its branch offices.

Throughout the hearing and review, Waverley repeatedly offered to fix deficiencies identified by Staff. This is an inadequate approach to supervision. A registrant must have systems of control and supervision in place to provide reasonable assurance that the firm, and each individual acting on its behalf, are complying with Ontario securities law. A firm is responsible for establishing and maintaining its compliance system. Waverley's practice of fixing key deficiencies found by regulatory authorities after the fact in areas that are central to its activities is an inadequate approach to compliance (para. 130).

The Commission imposed terms and conditions on Waverley's registration aimed at addressing these deficiencies through "more robust supervisory controls and procedures relating to Waverley's oversight of its Representatives' interactions with customers." The Commission found that the CCO did not demonstrate the proficiency necessary to fulfill this "challenging role" of and imposed a term and condition on the CCO's registration

requiring him to increase his proficiency by completing a course for senior executives in the securities industry.

(ii) Disclosure of outside business activity including community involvement / positions of influence

In the past year, we have observed a number of instances where registrants and applicants for registration have failed to disclose, or were late in disclosing, positions of influence with religious and community organizations. Such positions, whether paid or unpaid, are considered to be "current employment" on the Form 33-109 F4 and in change submissions (Form 33-109 F5). See OSC Staff Notice 33-738 and CSA Staff Notice 31-326 - *Outside Business Activities.*

We may recommend that "restricted client" terms and conditions be imposed on registrants conducting outside business activities that potentially pose a conflict of interest with their registerable activity. These terms and conditions may require increased supervision by the sponsoring firm and/or restrict the individual from dealing with people over whom they may exert power or influence.

Director decision in Re: Ranisau

Restricted client terms and conditions were considered in a recent decision of the Director. On November 30, 2016, the Director issued a decision following an OTBH regarding terms and conditions on the registration of George Ranisau. Ranisau, a dealing representative in the category of mutual fund dealer and sponsored by Quadrus Investment Services Ltd. ("Quadrus"), submitted a current employment change submission. Ranisau disclosed that he had been serving as president of a church and charitable organization since 2013. Staff recommended terms and conditions be imposed on Ranisau's registration to restrict him from acting as a dealing representative for any person who is a member of his church, or a spouse, parent, brother, sister, grandparent or child of a church member.

Our position is that restricted client terms and conditions are appropriate where a registrant is in a position of power or potential influence, because a transaction with a client may be influenced by the client's perception of the dealing representative's role in a charitable or faith-based outside activity.

We submitted that the terms and conditions were appropriate because: (i) Ranisau was in a position of trust and potential influence over members of the church as the organization's

president and because he had authority over the church's accounts; (ii) Staff has imposed similar terms and conditions on the basis of outside business activities, including for lay religious officials; and (iii) the terms and conditions were necessary for Ranisau's sponsoring firm to adequately supervise his outside business activities.

Ranisau argued that the terms and conditions would pose a significant burden on his business due to the requirement for trade pre-approval, the requirement for clients to confirm that they are not members of the church, and more onerous auditing requirements with respect to Ranisau's files. Ranisau argued that his position with the church was purely administrative, with minimal interaction with vulnerable individuals. Ranisau offered to provide a voluntary undertaking to withdraw from his position at the church, to refrain from accepting a position with the church other than voluntary positions (with Staff's input), and not to accept any new church members as clients.

The Director found that the evidence disclosed that Ranisau had opened accounts for several church members without providing them with the requisite outside business activities disclosure. The Director was not satisfied that a voluntary undertaking from Ranisau would be effective in addressing Staff's undue influence concerns. Moreover, the Director rejected the suggestion that the terms and conditions would create a burden on Ranisau's business. Rather, the terms and conditions would allow Quadrus to supervise his outside business activities.

The Director stated "The objective of the Restricted Client Terms and Conditions is not to prohibit dealing activity, but rather to limit the scope of clients that the Registrant can deal with. Also, the purpose of the Restricted Client Terms and Conditions is not to prohibit registrants from volunteering with charitable or religious organizations, but to protect clients from potential undue influence or a registrant who is in a position of power or trust, whether spiritual or otherwise" (at para. 19).

The Director concluded that Ranisau was in a position of power or potential influence over clients or potential clients who were members of the church and that the "restricted client" terms and conditions were warranted.

(iii) Registration of individuals with prior disciplinary history

From time to time we receive applications for registration from individuals who have a prior discipline history, which may include a refusal of registration, a suspension of registration,

or an adverse decision from the Commission and/or the Director and/or a SRO. We are often asked whether a prior disciplinary decision will preclude future registration.

Applications for registration are considered on a case-by-case basis. The fundamental criteria for registration (proficiency, solvency and integrity) will be considered. In cases where an applicant has a disciplinary history, the application may be escalated to the Registrant Conduct Team for review.

In *Re: Sawh (2016)*, the Director set out a number of factors to be considered when reviewing such applications. The applicant should provide evidence that he or she has satisfied each of the factors, if applicable:

- the applicant must show by a sufficient course of conduct that he/she can be trusted in performing business duties,
- the applicant must introduce evidence of other independent, trustworthy persons with whom the applicant has been associated since the prior refusal, suspension or revocation of registration,
- a sufficient period of time must have elapsed for the purposes of general and specific deterrence,
- where proficiency is at issue, the applicant must demonstrate how he or she has specifically remediated his or her proficiency,
- the applicant must demonstrate that the misconduct that led to the prior refusal, suspension or revocation is unlikely to recur in the future by no longer engaging in business with non-compliant business associates, and
- the applicant must demonstrate remorse and take full responsibility for his or her past conduct.

The Director stated in *Sawh*, "I agree that, at a minimum, these six factors must be considered before the Director can make a determination on an applicant's suitability for registration; after a finding by the Director or the Commission that the applicant was not suitable for registration" (at para. 25). These factors are not exhaustive – there may be other factors that warrant consideration by Staff in the circumstances of the individual application.

In addition, the prior decision of the Commission or Director may have required terms and conditions to be imposed at the time of re-registration (such as supervisory terms and

conditions or restrictions on the registrant's activities). The applicant would be required to comply with any such terms and conditions in order to be registered.

Finally, we expect that applicants be in good standing with the terms of an SRO order prior to registration. For example, this would include the payment of fines resulting from an SRO order or settlement agreement.

c) Contested OTBH decisions and settlements by topic

The following matters came before the Director this year. The full Directors' decisions on these matters are available on the OSC website at Director's Decisions. The decisions are sorted by year and by topic. In the following table, the topical headings are indicated for each decision.

(i) False client documentation

Registrant and date of Director's decision	Description
Jarnail Kahlon[13] April 28, 2016	Jarnail Kahlon was registered as mutual fund dealing representative (formerly known as mutual fund salesperson) since 1995 with various mutual fund dealers. He was last registered with Investia Financial Services Inc. ("Investia"), between 2009 and 2014. At Investia, Kahlon failed to disclose his involvement with seven outside corporations and misled Investia in his annual compliance questionnaires. He repeatedly failed to keep adequate client notes despite a warning letter issued to him by Investia for this reason. He did not respond to compliance inquires in a timely manner. Kahlon resigned effective June 5, 2014 after Investia gave him a 30-day notice of termination in good standing. In a settlement agreement with the MFDA dated February 23, 2015 (the "MFDA Settlement Agreement"), he admitted to obtaining and maintaining 21 pre-signed forms in respect of 16 clients, despite receiving training at Investia that this practice was prohibited. He applied for reactivation of

[13] The Director's decision in *Kahlon* can also be found in the Director's decisions section of the OSC website under the topical heading "Misleading Staff or Sponsor Firm".

	registration in June 2014. In the review of the application, we noted that he failed to disclose many of his outside business activities to his former sponsoring mutual fund dealers. Although Kahlon showed remorse and took responsibility for his conduct, he demonstrated a prolonged period of non-disclosure and non-compliance. We entered into a settlement agreement with Kahlon providing that he would withdraw the application and would not reapply for a minimum of 18 months. Before reapplying, he must pass the Conduct and Practices Handbook Course and fully pay the fine and costs agreed to in the MFDA Settlement Agreement. Further, he would be subject to one year of strict supervision upon reactivation of registration.

(ii) Misleading staff or sponsoring firm

Registrant	Description
John Doe April 28, 2016	John Doe ("Doe") applied to reactivate his registration as an advising representative under the Securities Act. (Because of the sensitive nature of this matter, the name "John Doe" was used to protect the identity of individuals other than the applicant who were involved in, or affected by the Director's decision). While he was registered with his previous firm, Doe had an extra-marital affair with Jane Doe ("Jane"). According to Doe, Jane grew angry when he ended the relationship and began directing harassing text messages, emails, social media posts, and telephone calls to him, his wife, and others that knew him, including two of his supervisors at work. When the supervisors met with Doe to question him about the emails they had received from Jane, he lied about the true nature of his relationship with her. Doe eventually made honest disclosure to his supervisors about his relationship with Jane, after they informed him about another email they had received from her. The next day, Doe's wife called the police to complain that Jane was harassing her. When the police questioned Doe about his relationship with Jane, he lied to them about the matter. Doe subsequently admitted the true nature of his relationship with Jane to the police after they informed him that they had seen text messages between Doe and Jane. The police also told Doe that Jane had alleged that he had threatened to kill her and they eventually charged him with uttering a death threat.

	However, the charge was withdrawn when he agreed to a peace bond. During an interview with Staff about his application, Doe gave inaccurate information about the specific nature of the alleged death threat. In addition to the matter involving Jane, while he was employed with his previous sponsor firm, Doe and a colleague had discussed the possibility of leaving the firm to begin their own investment fund. After the colleague left the firm, he and Doe continued to communicate about the possibility of starting their own fund, and Doe sent his former colleague confidential data belonging to his firm about a fund the two of them had worked on together while at the firm. Doe and Staff agreed to a resolution of the application pursuant to which (i) Doe would withdraw the application and not reapply for registration for a minimum period of 12 months from the date it was initially submitted, (ii) he would successfully complete the Conduct and Practices Handbook Course before reapplying, and (iii) his sponsor firm would submit a supervisory plan for our approval and implement the plan for Doe once approved by us. We agreed to this resolution because Doe had taken full responsibility for his misconduct, his actions did not directly affect any client of his previous employer, and he had obtained counseling to assist him in dealing with the personal issues that he believed had contributed to his misconduct.

(iii) Compliance system and culture of compliance

Registrant	Description
Smart Investments Ltd. and David Hopps[14] May 2, 2016 with addendum to decision dated	Smart Investments Ltd. ("Smart") was registered as an investment fund manager, portfolio manager, and exempt market dealer. Smart was the manager for six prospectus-qualified mutual funds (the "Smart mutual funds") and also had a small discretionary managed account business. David Hopps was the sole beneficial owner of Smart. The predecessor of Smart was involved in proceedings before the Commission resulting in terms and conditions on Smart's registration. We recommended the suspension of the firm due to numerous compliance problems at the

[14] The Director's decision in *Smart Investments Ltd. and David Hopps* can also be found in the Director's decisions section of the OSC website under the topical headings "Compliance with Terms and Conditions of Registration", "Misleading Staff or Sponsor Firm" and "Trading or Advising Without Appropriate Registration".

July 6, 2016	firm, and because we obtained evidence that Smart had engaged in advising activity when it did not have an appropriately registered advising representative, and Smart had filed false notices and registration information on the NRD. At the opportunity to be heard proceeding , Smart did not dispute Staff's factual submissions. Smart submitted a reorganization plan for Staff and the Director to consider as an alternative to a suspension of the firm's registration. On May 2, 2016, the Director issued a decision rejecting the reorganization plan and suspending the firm's registrations in all categories, including its registration as an investment fund manager, effective 70 calendar days from the date of the decision. The Director found that the firm lacked an effective compliance system, a proficient and experienced CCO, and a sound governance structure. The suspension was deferred to September 6, 2016 to allow time for the firm to wind-up the Smart mutual funds and to distribute proceeds to the unitholders. In addition, the registration of David Hopps as the UDP of the firm was suspended as a result of the Director's decision. The Director found that Hopps failed to discharge his duties as the UDP of the firm and that he "demonstrated a lack of understanding and appreciation for the responsibilities of a UDP". On July 4, 2016, an addendum to the Director's decision was signed which allowed the firm to retain its registrations as a portfolio manager and exempt market dealer. This was contingent on a corporation controlled by Loren Greenspoon acquiring 100% of the voting securities of Smart from Hopps and Thomas Nicolle obtaining registration as CCO for the firm.
Waverley Corporate Financial Services Ltd. and Donald McDonald[15] July 21, 2016,	See *page 78* for this case summary and commentary on a novel dealer business model, conflicts of interest, controls and supervision.

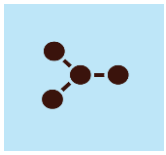
[15] The Director's decision in *Waverley Corporate Financial Services Ltd. and Donald McDonald* can also be found in the Director's decisions section of the OSC website under the topical headings "Conflicts of Interest" and "Duty to Supervise".

Commission decision March 1, 2017	
Investar Investments Ltd., Liyuan Qi and Jian (Bob) Guo[16] October 20, 2016, addendum issued February 17, 2017	Investar Investment Ltd. ("Investar") was registered as an EMD. Liyuan Qi was the UDP of Investar and Jian (Bob) Guo was CCO. Investar, Qi and Guo are collectively referred to herein as the "Investar Registrants". During a compliance review, we discovered that Investar had been dealing outside of its registration category by entering into mutual fund distribution agreements with two fund companies and selling mutual funds to clients and that Investar held itself out as a mutual fund dealer to clients. Investar also failed to make timely and accurate filings with the Commission. Although the Investar Registrants requested an OTBH regarding the suspensions of their registrants, they failed to appear on the scheduled date and the OTBH proceeded in their absence. The Director found that the Investar Registrants engaged in a pattern of serious non-compliance with Ontario securities law and permanently suspended the registrations of the firm and the individuals. The Investar Registrants requested a review of the decision pursuant to section 8 of the Securities Act, although they did not do so within the time specified in section 8. The request for a review was subsequently withdrawn following an agreement with Staff and the issuance of an addendum to the Decision to clarify that Qi and Guo could apply for registration as a dealing representative in future with an appropriately registered firm.

(iv) Outside business activity

Registrant	Description
George Ranisau[17] December 2, 2016	See page 81 for this case summary and commentary on disclosure of outside business activity including community involvement / positions of influence.

[16] The Director's decision in *Investar Investments Ltd., Liuyan Qi and Jian (Bob) Guo* can also be found in the Director's Decisions section of the OSC website under the topical headings "Misleading Investors or the Public" and "Trading or Advising Without Appropriate Registration".
[17] The Director's decision in *George Ranisau* can also be found in the Director's Decisions section of the OSC website under the topical heading "Duty to Supervise".



KEY POLICY INITIATIVES IMPACTING REGISTRANTS

5 Key policy initiatives impacting registrants

5.1 Syndicated mortgages

Subsections 35(4) and 73.2(3) of the Securities Act provide that mortgages sold by persons registered or exempt from registration under mortgage brokerage legislation are exempt from the registration and prospectus requirements in Ontario. These exemptions currently include syndicated mortgages, which are defined as mortgages in which two or more persons participate, directly or indirectly, as the mortgagee. As such, syndicated mortgage investments are primarily regulated by the Financial Services Commission of Ontario (FSCO).

As detailed in the 2017 Ontario Budget, the government plans to transfer regulatory oversight of syndicated mortgage investments from FSCO to the OSC. This is consistent with the manner in which these products are regulated in most other provinces.

Going forward, the government will work with both FSCO and the OSC to plan an orderly transfer of the oversight of syndicated mortgage investments.

5.2 Targeted reforms and best interest standard

On April 28, 2016, the CSA published Consultation Paper 33-404 *Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives Toward Their Clients* (the Consultation Paper). The Consultation Paper sought comment on proposed regulatory action aimed at enhancing the obligations that registrants owe to their clients. The Consultation Paper set out:

- a proposed set of regulatory amendments (the targeted reforms) to NI 31-103, and
- a proposed regulatory best interest standard, accompanied by guidance. [18]

[18] The British Columbia Securities Commission (BCSC) did not consult on the proposed regulatory best interest standard.

The comment period ended on September 30, 2016 and the CSA received over 120 comment letters.

The CSA engaged in extensive consultations following the publication of the Consultation Paper, including roundtable sessions, registrant outreach sessions, meetings with individuals as well as groups of stakeholders, speaking at conferences, and meeting with members from the SROs.

On May 11, 2017, the CSA published CSA Staff Notice 33-319 - *Status Report on Consultation Under CSA Consultation Paper 33-404 Proposals to Enhance the Obligation of Advisers, Dealers, and Representatives Toward Their Clients* (the Status Report). The Status Report provided a description of the consultation process on the Consultation Paper, identified key themes emerging from the various consultation activities, and indicated the direction that the CSA would be proceeding on the various reforms proposed in the Consultation Paper.

In the Status Report, the CSA expressed its support for advancing each of the areas of reform outlined in the Consultation Paper. However, in light of the significant feedback received on the proposals, the CSA is considering changes to refine or eliminate a number of the prescriptive elements of the targeted reforms and will not proceed with some of the elements of the proposed reforms.

The CSA also identified certain reforms that should be given higher priority in the next phase of the work, namely conflicts of interest, suitability, KYC, KYP, titles, and designations.

The Status Report also indicated that while the CSA remain firmly committed to developing the targeted reforms, the CSA did not reach consensus on proceeding with work to develop a regulatory best interest standard. The OSC and the Financial and Consumer Services Commission of New Brunswick (FCNB) confirmed their commitment to proceeding with work to articulate a regulatory best interest standard, indicating that this work will include continued consultation with stakeholders and SROs and will advance in parallel while working on the targeted reforms with the CSA. The BCSC, Alberta Securities Commission, Autorité des marches financiers, and Manitoba Securities Commission are of the view that no further work should be done on the proposed regulatory best interest standard. The

Nova Scotia Securities Commission and the Financial Consumer Affairs Authority of Saskatchewan will consider the results of the OSC and FCNB's further consultations with stakeholders and the SROs.

Over the 2017-2018 fiscal year, the CSA will prioritize the work on many of the targeted reforms. This work will culminate in rule proposals that will be published for comment, providing further opportunity for meaningful input from stakeholders. The OSC and FCNB will also be further advancing the work on a proposed regulatory best interest standard on a parallel path.

5.3 Review of compensation practices

On December 15, 2016, the CSA published CSA Staff Notice 33-318 - *Review of Practices Firms Use to Compensate and Provide Incentives to their Representatives* (CSA Staff Notice 33-318).

CSA Staff Notice 33-318 outlines the results of a survey conducted in 2014 to identify the practices that firms use to compensate their representatives, including direct tools such as commissions, performance reviews, and sales targets (compensation arrangements), as well as indirect tools such as promotions and valuation of representatives' books of business for various purposes (for example, retirement and awards) (incentive practices). CSA Staff Notice 33-318 also sets out the potential material conflicts of interest that could arise, if not properly controlled, from some of these compensation arrangements and incentive practices.

The survey focused on compensation arrangements and incentive practices in use for retail representatives at large financial institutions that serve clients in the MFDA and IIROC channels and high net worth clients in the portfolio manager channel.

Firms are reminded that we consider a conflict of interest to be any circumstance where the interests of different parties, such as the interests of a client and those of a registrant, are inconsistent or divergent. As explained in the NI 31-103CP, a registered firm's policies and procedures for managing conflicts should allow the firm and its staff to (i) identify conflicts of interest that should be avoided, (ii) determine the level of risk that a conflict of interest raises, and (iii) respond appropriately to conflicts of interest.

On the same day that CSA Staff Notice 33-318 was published, both IIROC and the MFDA each published their own notices outlining findings of their recent work in the area of compensation arrangements and incentive practices.

We may issue further guidance and/or proposed regulation related to compensation arrangements and incentive practices in light of our on-going work on this issue and in conjunction with our review and analysis of comments received on the Consultation Paper 33-404.

5.4 Proposed amendments to registration rules for dealers, advisers, and investment fund managers

On July 7, 2016, the CSA published for comment proposals to amend the regulatory framework for dealers, advisers, and investment fund managers.

Since the implementation of NI 31-103 on September 28, 2009, we have monitored the operation of NI 31-103, NI 33-109, and related instruments (collectively, the National Registration Rules) and have engaged in continuing dialogue with stakeholders with a view to further enhancing the registration regime. Certain amendments to the National Registration Rules have been published since 2009 and the current proposed amendments, which range from technical adjustments to more substantive matters, are the latest result of this on-going monitoring and dialogue.

The current proposed amendments aim to achieve four objectives, namely:

- to make permanent certain temporary relief granted by the CSA in May 2015 relating to client reporting requirements introduced under "CRM2", and also to add guidance to NI 31-103CP regarding the delivery of information required under CRM2,
- to enhance custody requirements applicable to registered firms that are not members of IIROC or the MFDA,
- to clarify the activities that may be conducted under the EMD category of registration in respect of trades in prospectus-qualified securities and to expand an existing exemption from the dealer registration requirement for registered advisers who trade in the securities of affiliated investment funds to their clients' managed accounts, and
- incorporate other changes of a minor housekeeping nature.

The comment period for the proposed amendments ended on October 5, 2016. We have reviewed the comments received and anticipate that the final amendments will be published shortly.

5.5 Derivatives regulation

"The proposed business conduct regime will protect investors, accountability, and protect against market abuse."

April 4, 2017 – Louis Morisset, CSA Chair and President, discussing NI 93-101 being published for comment

CRR staff have been working with the OSC Derivatives Branch in developing a number of rules relating to the regulation of derivatives, including proposed rules that will set out the principal business conduct and registration requirements and exemptions for derivatives dealers and derivatives advisers (collectively, derivatives firms) and a proposed rule that will prohibit the advertising, offering, selling or otherwise trading of binary options to or with individual investors. In addition, CRR staff continue to work with the Derivatives Branch on the implementation of other rules relating to derivatives, including compliance reviews of derivatives market participants in connection with their compliance with the derivatives data trade reporting rule.

Derivatives business conduct and registration rules

On April 4, 2017, the CSA published for comment proposed National Instrument 93-101 - *Derivatives: Business Conduct* and a related companion policy (collectively, the Proposed Business Conduct Rule). The Proposed Business Conduct Rule sets out the principal business conduct obligations and exemptions for derivatives firms and certain of their representatives and will apply to a derivatives firm, regardless of whether the derivatives firm is registered or exempted from the requirement to be registered under Ontario securities law.

The Proposed Business Conduct Rule sets out a comprehensive regime regulating the conduct of derivatives firms and certain of their representatives, including requirements relating to the following:

- Fair dealing
- Conflicts of interest
- KYC
- Suitability
- Pre-trade disclosure
- Reporting
- Compliance
- Senior management duties
- Recordkeeping
- Treatment of derivative party assets

Many of the requirements in the Proposed Business Conduct Rule are similar to existing market conduct requirements applicable to registered dealers and advisers under NI 31-103 but have been modified to reflect the different nature of derivatives markets and their participants.

As indicated in the notice to the Proposed Business Conduct Rule, we are monitoring the work being conducted in connection with the CSA best interest initiative CSA Consultation Paper 33-404 and may recommend amendments to the Proposed Business Conduct Rule at a later date based on this work.

We are also in the process of developing a proposed registration regime for derivatives firms and certain of their representatives and expect to publish Proposed National Instrument 93-102 - *Derivatives: Registration* and a related companion policy (collectively the Proposed Registration Rule) for comment in the fall of 2017 during the consultation period for the Proposed Instrument.

Prohibition on the offer or sale of binary option to individuals

CRR staff have been working with the Derivatives Branch, Enforcement Branch and the Investor Office in developing a number of strategies to respond to investor complaints over binary options fraud.

Binary options take the form of a wager in which investors bet on the performance of an underlying asset, often a currency, commodity, stock index or share. The timeframe on this bet is typically very short, sometimes hours or even minutes. When the time is up, the investor either receives a predetermined payout or loses the entire amount. In many instances, no actual trading occurs and the transaction takes place for the sole purpose of stealing money. In addition, those who have provided credit or personal information to binary options sites frequently fall victim to identity theft.

The firms and individuals involved in binary options trading platforms are often located overseas. Many of these products and the platforms selling them have been identified as vehicles to commit fraud. We emphasize that no offering of these products, including by a broker, dealer or platform, has been authorized in Canada. All current offerings in Canada are therefore illegal, with only limited and narrow exceptions for transactions with highly sophisticated investors. Nevertheless, some persons are using misleading information to promote these products as legal and legally offered.

Before making a decision to invest, investors should check the registration of a person or company offering the investment by visiting the CSA website, the National Registration Search Database or the CSA Disciplined Persons List. There are no registered individuals or firms permitted to trade binary options in Canada.

Over the last year, CRR staff have assisted Enforcement Branch staff in a number of enforcement proceedings involving unregistered offshore platforms that have victimized Canadian investors. In addition, CRR staff have worked with the Investor Office in developing investor warning materials about the risks of binary options, including the materials at http://www.binaryoptionsfraud.ca/.

On April 26, 2017, the CSA published for comment a proposed rule, National Instrument 91-102 *Prohibition of Binary Options*, that would prohibit advertising, offering, selling or otherwise trading a binary option to or with an individual. The comment period is open until July 28, 2017 in Ontario.

5.6 Dealers and advisers servicing foreign resident clients from Ontario

We remind non-registered firms that the requirement to register is triggered when providing registerable services (for example, trading or advising) to foreign resident clients from offices, or with employees, in Ontario.

On June 5, 2015 OSC Rule 32-505 - *Conditional Exemption from Registration for United States Broker-Dealers and Advisers Servicing U.S. Clients from Ontario* (OSC Rule 32-505) and its companion policy came into force. OSC Rule 32-505 provides exemptions from the relevant dealer and adviser registration requirements under the Securities Act, subject to certain conditions. These exemptions are for U.S. broker-dealers that are trading to, with, or on behalf of, clients that are resident in the United States, or for U.S. advisers that are acting as advisers to clients resident in the United States. In these cases, the requirement to register as a dealer or adviser in Ontario is triggered because these dealers and advisers have offices or employees in Ontario. The exemptions in OSC Rule 32-505 are not available in respect of clients that are resident in Ontario.

Members of the CSA, except Ontario, issued parallel orders of general application (the Blanket Orders) granting exemptions from the requirement to register as a dealer or an

adviser on conditions that are substantially similar to those in OSC Rule 32-505 (the OSC made OSC Rule 32-505 to coordinate with the action taken by the CSA as orders of general application are not authorized under Ontario securities law).

For more information see section "1.5 Outbound advising and dealing" of OSC Staff Notice 33-746.

5.7 Independent dispute resolution services for registrants

Release of the independent evaluation report of OBSI

As mentioned in last year's annual report, the Ombudsman for Banking Services and Investments (OBSI) underwent an independent evaluation of its investment operations and practices by an external evaluator in early 2016 as required by the Memorandum of Understanding (MOU). The purpose of the review was to assess whether OBSI meets the standards set out by the CSA in the MOU and whether any reform to its operations or procedures are necessary to improve OBSI's effectiveness. The final report *Independent Evaluation of the Canadian Ombudsman for Banking Services and Investments (OBSI) Investment Mandate* was released by OBSI on June 6, 2016. The Report stated that OBSI meets the requirements of the MOU and that its decisions were fair and consistent to both firms and investors. The Report also included nineteen recommendations, including that OBSI be empowered to make decisions that are binding on firms. The Joint Regulators Committee (JRC) is currently reviewing the report and looking at various regulatory options to strengthen OBSI's ability to secure redress for investors in response to this key recommendation made by the independent evaluator.

Publication of OBSI JRC Annual Report

On March 23, 2017, the CSA, IIROC, and the MFDA jointly published the third annual report of the JRC, see CSA Staff Notice 31-348 - *OBSI Joint Regulators Committee Annual Report for 2016* (the JRC Annual Report).

The JRC Annual Report provides an overview of the JRC's mandate and also highlights the major activities in 2016, including a review of the independent evaluation report, and on-going monitoring of complaint trends and patterns that are of interest to the JRC, such as compensation refusals, amounts recommended by OBSI, and actual amounts paid, complaint volumes, and types of investment issues.

The JRC is comprised of representatives from the CSA and the SROs. It meets regularly with OBSI to discuss governance and operational matters and other significant issues that could influence the effectiveness of the dispute resolution system. For more information on the JRC please see JRC web page on the OSC's website.

5.8 Proposed exemptions for distributions of securities outside of Canada

On June 30, 2016, the OSC published for a 90-day comment period proposed OSC Rule 72-503 - *Distributions Outside of Canada* and proposed Companion Policy 72-503 (together, the 2016 Proposal).

The 2016 Proposal was intended to replace "Interpretation Note 1 - *Distributions of Securities Outside Ontario*"[19] (the Interpretation Note) and to provide a stand-alone regime for the distribution of securities outside Canada. The comment period expired on September 28, 2016 and we received 15 comment letters.

Subsequent to the publication for comment of the 2016 Proposal, the CSA decided to publish for comment proposed amendments to NI 45-102 that would address many of the concerns associated with the resale of securities outside of Canada under section 2.14 of NI 45-102.

In the interests of harmonizing resale regimes across the CSA for outbound securities, the OSC has proposed to remove the resale provisions from the 2016 Proposed Rule. We have also proposed a number of additional changes in response to comments that we received on the 2016 Proposal. As a result of these changes, a revised proposal was published for a 90-day comment period on June 29, 2017. The comment period is open until September 27, 2017.

5.9 Efforts to move to T+2 settlement cycle

The securities industry in Canada is changing the standard settlement cycle from the current period of three days after the date of a trade (T+3) to two days after the date of a

[19] Interpretation Note 1 was published in connection with the Notice of Repeal of OSC Policy 1.5 *Distribution of Securities Outside of Ontario,* (March 25, 1983) 6 OSCB 226.

trade (T+2). It is expected that this change will occur on September 5, 2017, at the same time as the markets in the United States are expected to move to a T+2 settlement cycle.

Registered firms should continue to assess all of the potential impacts of a transition to a T+2 settlement cycle and make any necessary changes to their systems and processes for settling trades.

On April 27, 2017, the CSA published final amendments to National Instrument 24-101 - *Institutional Trade Matching and Settlement* to facilitate the expected move to a T+2 settlement cycle and to update, modernize, and clarify certain provisions in the rule. The amendments are expected to come into force on September 5, 2017.

For more information see:

- CSA Consultation Paper 24-402 - *Policy Considerations for Enhancing Settlement Discipline in a T+2 Settlement Cycle Environment* (see Annex E)
- CSA Staff Notice 24-314 - *Preparing for the Implementation of T+2 Settlement: Letter to Registered Firms*
- CSA Staff Notice 24-312 – *Preparing for the Implementation of T+2 Settlement*

5.10 International Organization of Securities Commissions (IOSCO): Committee 3 – Market Intermediaries (C3)

We continued to participate in IOSCO C3 during the past year. This committee is focused on issues related to market intermediaries (primarily broker-dealers) and comprises of representatives from over 30 regulators. The international developments and priorities at IOSCO C3 inform our policy and operational work, which is also guided by the principles and best practices published by IOSCO.

During the past year, IOSCO C3 published:

- its final report on *Update to the Report on the IOSCO Automated Advice Tools Survey*, which identifies how automated advice tools have developed in IOSCO member jurisdictions, whether IOSCO member jurisdictions have any additional regulatory concerns, and whether there have been any regulatory initiatives undertaken or envisaged at a national level since the publication of the 2014 report,
- its final report on *IOSCO Survey on Retail OTC Leveraged Products*, which set out the results of a survey of IOSCO members on their experiences with rolling spot (or

leveraged) forex contracts, contracts for differences, and binary options, applicable regulations and supervisory concerns, and

- its consultation report on *Order Routing Incentives*, which sets out a review of the approaches and practices used by IOSCO members in their respective markets regarding order routing and execution, as well as planned reforms by IOSCO members.

ADDITIONAL RESOURCES

6 Additional resources

This section discusses how registrants can get more information about their obligations. The CRR Branch works to foster a culture of compliance through outreach and other initiatives. We try to assist registrants in meeting their regulatory requirements in a number of ways.

We continue to develop new discussion topics and update the Registrant Outreach program to registrants (see section 1.1 of this annual report) to help them understand and comply with their obligations. We encourage registrants to visit our Registrant Outreach web page on the OSC's website.

The Industry: Dealers, Advisers and IFMs section on the OSC website provides detailed information about the registration process and registrants' ongoing obligations. It includes information about compliance reviews and acceptable practices and provides quick links to forms, rules, past reports, and e-mail blasts to registrants. It also contains links to previous years' versions of our annual reports to registrants.

The Industry: Investment Funds and Structured Products section on our website also contains useful information for IFMs, including past editions of The Investment Funds Practitioner published by the IFSP Branch. The Industry: Industry Resources - The Exempt Market section on our website also contains useful information for issuers that are distributing securities under a prospectus exemption.

Registrants may also contact us. Refer to Appendix A of this report for the CRR Branch's contact information. The CRR Branch's PM, IFM, and dealer teams focus on oversight, policy changes, and exemption applications for their respective registration categories. The Registrant Conduct team supports the PM, IFM, dealer, registration, and financial analyst teams in cases of potential registrant misconduct. The financial analysts on the Compliance, Strategy, and Risk team review registrant submissions for financial reporting (such as audited annual financial statements, calculations of excess working capital, and subordination agreements). The Registration team focuses on registration and registration-related matters for the PM, IFM, and dealer registration categories (including mutual fund dealers), among others.

Appendix A – contact information for registrants

Director's Office

Name	Title	Telephone*	E-mail
Debra Foubert	Director	593-8101	dfoubert@osc.gov.on.ca
Ranjini Srikantan	Administrative Assistant	593-2320	rsrikantan@osc.gov.on.ca

Team 1 – Portfolio Manager

Name	Title	Telephone*	E-mail
Lisa Bonato	Manager	593-2188	lbonato@osc.gov.on.ca
Felicia Tedesco	Manager	593-8273	ftedesco@osc.gov.on.ca
Sabrina Philips	Administrative Assistant	593-2302	sphilips@osc.gov.on.ca
Chris Jepson	Senior Legal Counsel	593-2379	cjepson@osc.gov.on.ca
Kat Szybiak	Senior Legal Counsel	593-3686	kszybiak@osc.gov.on.ca
Leigh-Ann Ronen	Legal Counsel	204-8954	lronen@osc.gov.on.ca
Melissa Taylor	Legal Counsel	596-4295	mtaylor@osc.gov.on.ca
Andrea Maggisano	Legal Counsel	204-8988	amaggisano@osc.gov.on.ca
Carlin Fung	Senior Accountant	593-8226	cfung@osc.gov.on.ca
Trevor Walz	Senior Accountant	593-3670	twalz@osc.gov.on.ca
Teresa D'Amata	Accountant	595-8925	tdamata@osc.gov.on.ca
Scott Laskey	Accountant	263-3790	slaskey@osc.gov.on.ca
Daniel Panici	Accountant	593-8113	dpanici@osc.gov.on.ca
Tai Mu Xiong	Accountant	263-3797	txiong@osc.gov.on.ca

Team 2 - Investment Fund Manager

Name	Title	Telephone*	E-mail
Felicia Tedesco	Manager	593-8273	ftedesco@osc.gov.on.ca
Margot Sobers	Administrative Assistant	593-8229	msobers@osc.gov.on.ca
Robert Kohl	Senior Legal Counsel	593-8233	rkhol@osc.gov.on.ca
Maye Mouftah	Senior Legal Counsel	593-2358	mmouftah@osc.gov.on.ca
Erin Seed	Senior Legal Counsel	593-4264	eseed@osc.gov.on.ca
Yan Kiu Chan	Legal Counsel – on secondment	204-8971	ychan@osc.gov.on.ca
Jennifer Lee-Michaels	Legal Counsel	593-8155	jleemichaels@osc.gov.on.ca
Faustina Otchere	Legal Counsel	596-4255	fotchere@osc.gov.on.ca
Alizeh Khorasanee	Senior Accountant	593-8129	akhorasanee@osc.gov.on.ca
Jessica Leung	Senior Accountant	593-8143	jleung@osc.gov.on.ca
Merzana Martinakis	Senior Accountant	593-2398	mmartinakis@osc.gov.on.ca
Estella Tong	Senior Accountant	593-8219	etong@osc.gov.on.ca
Daniel Brown	Accountant	593-2353	dbrown@osc.gov.on.ca
Saleha Haji	Accountant	593-2397	shaji@@osc.gov.on.ca
Daniela Schipani	Accountant	263-7671	dschipani@osc.gov.on.ca
Jeff Sockett	Accountant	593-8162	jsockett@osc.gov.on.ca

Team 3 – Dealer

Name	Title	Telephone*	E-mail
Lisa Bonato	Manager	593-2188	lbonato@osc.gov.on.ca
Linda Pinto	Registration Administrator	595-8946	lpinto@osc.gov.on.ca
Paul Hayward	Senior Legal Counsel	593-8288	phayward@osc.gov.on.ca
Elizabeth Topp	Senior Legal Counsel	593-2377	etopp@osc.gov.on.ca
Adam Braun	Legal Counsel	593-2348	abraun@osc.gov.on.ca
Roxane Gunning	Legal Counsel	593-8269	rgunning@osc.gov.on.ca
Gloria Tsang	Legal Counsel	593-8263	gtsang@osc.gov.on.ca
Maria Carelli	Senior Accountant	593-2380	mcarelli@osc.gov.on.ca

Stratis Kourous	Senior Accountant	593-2340	skourous@osc.gov.on.ca
Susan Pawelek	Senior Accountant - secondment	593-3680	spawelek@osc.gov.on.ca
Dena Staikos	Senior Accountant	593-8058	dstaikos@osc.gov.on.ca
Allison Guy	Compliance Examiner	593-2324	aguy@osc.gov.on.ca
Jennifer Chan	Accountant	593-2351	jchan@osc.gov.on.ca
Mark Delloro	Accountant	597-7225	mdelloro@osc.gov.on.ca
Louise Harris	Accountant	593-2359	lharris@osc.gov.on.ca
Michael Rizzuto	Accountant	263-7663	mrizzuto@osc.gov.on.ca
George Rodin	Accountant	263-3798	grodin@osc.gov.on.ca
Jarrod Smith	Accountant	263-3778	jsmith@osc.gov.on.ca

Team 4 - Registrant Conduct

Name	Title	Telephone*	E-mail
Elizabeth King	Deputy Director	204-8951	eking@osc.gov.on.ca
Tekla Johnson	Administrative Assistant	593-8284	tjohnson@osc.gov.on.ca
Michael Denyszyn	Senior Legal Counsel	595-8775	mdenyszyn@osc.gov.on.ca
Mark Skuce	Senior Legal Counsel	593-3734	mskuce@osc.gov.on.ca
Victoria Paris	Legal Counsel	204-8955	vparis@osc.gov.on.ca
Marlene Costa	Legal Counsel	593-2192	mcosta@osc.gov.on.ca
Lisa Piebalgs	Forensic Accountant	593-8147	lpiebalgs@osc.gov.on.ca
Allison McBain	Compliance Examiner - secondment	593-8164	amcbain@osc.gov.on.ca
Rita Lo	Registration Research Officer	593-2366	rlo@osc.gov.on.ca

Team 5 - Compliance, Strategy and Risk

Name	Title	Telephone*	E-mail
Tekla Johnson	Administrative Assistant	593-8284	tjohnson@osc.gov.on.ca
Ahmed Meer	Senior Financial Analyst	263-3779	ameer@osc.gov.on.ca

Isabelita Chichioco	Financial Analyst	593-8105	ichichioco@osc.gov.on.ca
Helen Walsh	Lead Risk Analyst	204-8952	hwalsh@osc.gov.on.ca
Wayne Choi	Business Analyst	593-8189	wchoi@osc.gov.on.ca
Brandon Nixon	Business Analyst	595-8942	bnixon@osc.gov.on.ca
Clara Ming	Registration Data Analyst	593-8349	cming@osc.gov.on.ca
Lucy Gutierrez	Registration Support Officer	593-8277	lgutierrez@osc.gov.on.ca

Team 6 – Registration

Name	Title	Telephone*	E-mail
Louise Brinkmann	Manager	596-4263	lbrinkmann@osc.gov.on.ca
Linda Pinto	Registration Administrator	595-8946	lpinto@osc.gov.on.ca
Kamaria Hoo	Registration Supervisor	593-8214	khoo@osc.gov.on.ca
Feryal Khorasanee	Acting Registration Supervisor	595-8781	fkhorasanee@osc.gov.on.ca
Colin Yao	Legal Counsel	593-8059	cyao@osc.gov.on.ca
Jonathan Yeung	Accountant	595-8924	jyeung@osc.gov.on.ca
Jane Chieu	Corporate Registration Officer	593-3671	jchieu@osc.gov.on.ca
Chris Hill	Corporate Registration Officer	593-8181	chill@osc.gov.on.ca
Anne Leung	Corporate Registration Officer	593-8235	anneleung@osc.gov.on.ca
Anthony Ng	Corporate Registration Officer	263-7655	ang@osc.gov.on.ca
Kipson Noronha	Corporate Registration Officer	593-8258	knoronha@osc.gov.on.ca
Rachel Palozzi	Corporate Registration Officer	595-8921	rpalozzi@osc.gov.on.ca
Edgar Serrano	Corporate Registration Officer	593-8331	eserrano@osc.gov.on.ca
Jenny Tse Lin Tsang	Corporate Registration Officer	593-8224	jtselintsang@osc.gov.on.ca
Pamela Woodall	Corporate Registration Officer	593-8225	pwoodall@osc.gov.on.ca
Christy Yip	Corporate Registration Officer	595-8788	cyip@osc.gov.on.ca
Linda Tam	Individual Registration Officer	204-8957	ltam@osc.gov.on.ca
Dianna Cober	Individual Registration Officer	593-8107	dcober@osc.gov.on.ca
James Hunter-Swarm	Individual Registration Officer	593-3673	jhunterswarm@osc.gov.on.ca

Toni Sargent	Individual Registration Officer	593-8097	tsargent@osc.gov.on.ca
Azmeer Hirani	Individual Registration Officer	596-4254	ahirani@osc.gov.on.ca
Cheryl Pereira	Registration Officer	593-8149	cpereira@osc.gov.on.ca

OSC LaunchPad

Name	Title	Telephone*	E-mail
Pat Chaukos	Chief, OSC LaunchPad	593-2373	pchaukos@osc.gov.on.ca
Amy Tsai	Fintech Regulatory Advisor, OSC LaunchPad	593-8074	atsai@osc.gov.on.ca

*Area code (416)

The OSC Inquiries & Contact Centre operates from
8:30 a.m. to 5:00 p.m. Eastern Time, Monday to Friday,
and can be reached on the Contact Us page of

www.osc.gov.on.ca

If you have questions or comments about this report, please contact:

Stratis Kourous
Senior Accountant
Compliance and Registrant Regulation
skourous@osc.gov.on.ca
(416) 593-2340

1.1.3 CSA Staff Notice 31-349 Change to Standard Form Reports for Close Supervision and Strict Supervision Terms and Conditions

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA STAFF NOTICE 31-349
CHANGE TO STANDARD FORM REPORTS FOR CLOSE SUPERVISION AND STRICT SUPERVISION TERMS AND CONDITIONS

July 13, 2017

Firms and individuals registered under the securities legislation of the provinces and territories in Canada enjoy the privilege of trading in securities with or on behalf of members of the public, advising members of the public about buying, selling, or investing in securities, or acting as an investment fund manager, in accordance with their category of registration. From time to time, a provincial or territorial securities regulator (or a person with delegated authority) imposes terms and conditions on the registration of a registrant to address a regulatory concern relating to that firm or individual. The authority to impose such terms and conditions is found in the applicable provincial or territorial securities legislation.

There is no prescribed form for the terms and conditions that may be applied to a registrant's registration, as their use is intended to be a broad and flexible tool capable of being adapted to meet a variety of regulatory concerns. However, over time, staff of the members of the Canadian Securities Administrators ("**Staff**") has developed standard form terms and conditions for a variety of situations, including when dealing representatives require enhanced supervision with respect to their trading activities.

Two types of terms and conditions that are frequently imposed on the registration of dealing representatives are "close supervision" and "strict supervision". These supervisory terms and conditions are usually imposed to address regulatory concerns resulting from past conduct by the registrant, or other issues bearing on their suitability for registration.

Close supervision terms and conditions require the individual registrant's sponsoring firm to review that individual's trades daily and to complete a standard form monthly report based on the review. Close supervision reports must be kept by the firm and provided to Staff upon request. Strict supervision terms and conditions require the individual registrant's sponsoring firm to pre-approve their trades and to complete a similar standard form report. Strict supervision reports must be delivered to Staff monthly. Close and strict supervision reports set out the issues that the firm must check for when carrying out its trade reviews.

The purpose of this Notice is to inform stakeholders that effective immediately, Staff has changed the standard form report for both close supervision and strict supervision terms and conditions. The new standard form reports for close supervision and strict supervision are included as schedules A and B to this Notice, respectively. It is intended that these new reports will be used for terms and conditions imposed after the date of this Notice. Neither the new reports nor the existing reports modify or subtract from any account supervision rules imposed on the individual or his or her sponsoring firm by any applicable self-regulatory organization.

The standard form reports are being changed to facilitate Staff's assessment of the nature and quality of the enhanced supervisory activities being conducted by firms with individual representatives under close or strict supervision terms and conditions. The changes to these reports also allow Staff to determine the volume of supervised trading activity being undertaken by the individual who is subject to the terms and conditions, a relevant consideration for Staff when considering any subsequent application by that individual to have the terms and conditions removed from their registration.

The documents included as schedules A and B represent the form of reports that Staff expects to recommend be imposed on the registration of individuals. Ultimately, the decision to impose terms and conditions, and the content of any terms and conditions imposed (including any forms to be delivered pursuant to those terms and conditions) is within the discretion of the statutory decision-maker, subject to any right to be heard under the relevant securities legislation.

Questions

If you have questions about the content of this Notice, please contact the following:

Mark Skuce Senior Legal Counsel Compliance and Registrant Regulation Ontario Securities Commission 416-593-3734 mskuce@osc.gov.on.ca	Brian Murphy Deputy Director, Registration and Compliance Nova Scotia Securities Commission 902-424-4592 brian.murphy@novascotia.ca

Navdeep Gill Manager Market Regulation Alberta Securities Commission 403-355-9043 navdeep.gill@asc.ca	Jeff Mason Superintendent of Securities Department of Justice Government of Nunavut 867-975-6591 jmason@gov.nu.ca
Nirwair Sanghera Senior Compliance Analyst Capital Markets Regulation British Columbia Securities Commission 604-899-6861 nsanghera@bcsc.bc.ca	Steven Dowling Department of Justice and Public Safety Prince Edward Island 902-368-4551 sddowling@gov.pe.ca
Sue Henderson Deputy Director, Registrations The Manitoba Securities Commission 204-945-1600 sue.henderson@gov.mb.ca	Sylvie Demers Coordonnatrice à l'inscription en valeurs mobilières Direction de la certification et de l'inscription Autorité des marchés financiers 418-525-0337 ext. 2765 sylvie.demers@lautorite.qc.ca
Alex Wu Senior Securities Officer Financial and Consumer Services Commission (New Brunswick) 506-643-7695 alex.wu@fcnb.ca	Curtis Brezinski Compliance Auditor Financial and Consumer Affairs Authority of Saskatchewan 306-787-5876 curtis.brezinski@gov.sk.ca
Craig Whalen Manager of Licensing, Registration and Compliance Office of the Superintendent of Securities Newfoundland and Labrador 709-729-5661 cwhalen@gov.nl.ca	Rhonda Horte Securities Officer, Deputy Superintendent of Securities Office of the Yukon Superintendent of Securities 867-667-5466 rhonda.horte@gov.yk.ca
Shmaila Nosheen Document Examiner Office of the Superintendent of Securities – Department of Justice Government of the Northwest Territories 867-767-9260 ext. 82206 shmaila_nosheen@gov.nt.ca	

Schedule A

Close Supervision Report

This close supervision report must be completed by the firm's chief compliance officer or his or her designate.

The undersigned certifies that all supervisory activities required by this close supervision report have been properly performed, and that reasonable steps have been taken to confirm the accuracy of the information provided in this report.

Print name: _____

Sign name: _____

Position: _____

Date: _____

Instructions

1. This is a close supervision report and is required by the terms and conditions (the "**Terms and Conditions**") on the registration of the individual to which it relates (the "**Registered Individual**").

2. While the Registered Individual is subject to the Terms and Conditions, their sponsoring firm must review their trades on a daily basis and complete this report on a monthly basis.

3. For the purpose of this report, "trade" means the purchase, sale, or any other form of transfer of securities.

4. The review of trades undertaken by the firm pursuant to the Terms and Conditions must check for the following:

   (a) no trades have been made in any client account until the full and correct documentation is in place;

   (b) the Registered Individual has not been granted any power of attorney over any client accounts;

   (c) all payments for the purchase of securities were made payable to the dealer or the fund company, and there were no cash payments accepted by the Registered Individual;

   (d) all applicable fees have been appropriately disclosed to the client in writing;

   (e) investment suitability (including the suitability of leveraging, if any);

   (f) the use of pre-signed, forged, or otherwise irregular documents;

   (g) excess trading or switching;

   (h) any additional issues specifically identified in the Terms and Conditions as being subject to trade reviews for the purpose of this close supervision report; and

   (i) any other issues identified by the firm during the review;

   (collectively, the **"Review Issues**").

5. The firm must maintain a copy of this report in its records, including following the removal of the Terms and Conditions or the termination of the Registered Individual's employment with the firm.

6. A copy of this report must be delivered to staff of the [*applicable securities regulator*] ("**Staff**") immediately:

   (a) upon request; and

   (b) if the firm identifies any Review Issues in Part B, any client complaints in Part C, or any instance where the individual may have failed to comply with securities legislation, the requirements of an applicable self-regulatory organization, or the firm's policies and procedures in Part D.

7. This report and all related documents that the firm is required to deliver to Staff pursuant to the Terms and Conditions shall be delivered using the Electronic Filing portal on the website of the [*applicable securities regulator*]. [For securities regulators that do not have an Electronic Filing portal, replace this paragraph 7 with the following: "This report and all related documents that the firm is required to deliver to Staff pursuant to the Terms and Conditions shall be delivered to: [*insert recipient*]."]

8. If the firm identifies that it has failed to comply with anything in these Instructions, the firm shall immediately deliver to Staff written notice of its non-compliance and its explanation for the non-compliance.

Part A – Trading Information

1. The name of the Registered Individual is: _____.

2. The Registered Individual's sponsoring firm is _____.

3. The Terms and Conditions were imposed on _____.

4. The period covered by this report is _____.

5. During the reporting period, the Registered Individual made _____ trades in _____ different client accounts, of which _____ were leveraged trades. These numbers do not include trades made through pre-authorized contribution plans implemented prior to the imposition of the Terms and Conditions.

Part B – Supervision Information

1. Describe the process that was used to review all trades identified in Part A for the existence of the Review Issues

_____

_____

_____

_____

_____

2. Please complete the following chart for all Review Issues identified by the firm:

Name of Client	Trade	Description of Review Issue	Remedial measure taken in response

Part C – Client Complaints

1. Please complete the following chart for all complaints received from clients about the Registered Individual during the review period, regardless of whether or not the complaint relates to a Review Issue.

Name of Client	Trade	Description of Review Issue	Remedial measure taken in response

Part D – Additional Information

1. If as a part of its supervision of the Registered Individual during the review period the firm has identified any instance where the Registered Individual may not have complied with securities legislation, the requirements of an applicable self-regulatory organization, or the firm's policies and procedures, please identify those instances below, unless they have already been identified elsewhere in this report.

Schedule B

Strict Supervision Report

This strict supervision report must be completed by the firm's chief compliance officer or his or her designate.

The undersigned certifies that all supervisory activities required by this strict supervision report have been properly performed, and that reasonable steps have been taken to confirm the accuracy of the information provided in this report.

Print name: _____

Sign name: _____

Position: _____

Date: _____

Instructions

1. This is a strict supervision report and is required by the terms and conditions (the "**Terms and Conditions**") on the registration of the individual to which it relates (the "**Registered Individual**").

2. While the Registered Individual is subject to the Terms and Conditions:

   (a) each trade made by the Registered Individual must be pre-approved by their sponsoring firm (excluding trades made through pre-authorized contribution plans implemented prior to the imposition of the Terms and Conditions); and

   (b) on a monthly basis, this report must be completed and a copy must be sent to staff of the [*applicable securities regulator*] ("**Staff**").

3. For the purpose of this report, "trade" means the purchase, sale, or any other form of transfer of securities.

4. The review of trades undertaken by the firm pursuant to the Terms and Conditions must check for the following:

   (a) no trades have been made in any client account until the full and correct documentation is in place;

   (b) the Registered Individual has not been granted any power of attorney over any client accounts;

   (c) all payments for the purchase of securities were made payable to the dealer or the fund company, and there were no cash payments accepted by the Registered Individual;

   (d) all applicable fees have been appropriately disclosed to the client in writing;

   (e) investment suitability (including the suitability of leveraging, if any);

   (f) the use of pre-signed, forged, or otherwise irregular documents;

   (g) excess trading or switching;

   (h) any additional issues specifically identified in the Terms and Conditions as being subject to trade reviews for the purpose of this strict supervision report; and

   (i) any other issues identified by the firm during the review;

   (collectively, the "**Review Issues**").

5. If a Review Issue has been identified with respect to a proposed trade, the firm must not approve the trade until the Review Issue has been resolved to the firm's satisfaction.

6. The firm must maintain a copy of this report in its records, including following the removal of the Terms and Conditions or the termination of the Registered Individual's employment with the firm.

7. This report and all related documents that the firm is required to deliver to Staff pursuant to the Terms and Conditions shall be delivered using the Electronic Filing portal on the website of the [*applicable securities regulator*]. [For securities regulators that do not have an Electronic Filing portal, replace this paragraph 7 with the following: "This report and all related documents that the firm is required to deliver to Staff pursuant to the Terms and Conditions shall be delivered to: [*insert recipient*].]

8. If the firm identifies that it has failed to comply with anything in these Instructions, the firm shall immediately deliver to Staff written notice of its non-compliance and its explanation for the non-compliance.

Part A – Trading Information

1. The name of the Registered Individual is: _____.

2. The Registered Individual's sponsoring firm is _____.

3. The Terms and Conditions were imposed on _____.

4. The period covered by this report is _____.

5. During the reporting period, the Registered Individual made _____ trades in _____ different client accounts, of which _____ were leveraged trades. These numbers do not include trades made through pre-authorized contribution plans implemented prior to the imposition of the Terms and Conditions.

Part B – Supervision Information

1. Describe the process that was used to review all trades identified in Part A for the existence of the Review Issues:

_____

_____

_____

_____

_____

2. Please complete the following chart for all Review Issues identified by the firm:

Name of client	Proposed trade	Description of Review Issue	If the trade proceeded, how was the Review Issue resolved to the firm's satisfaction?	If the trade did not proceed, what became of the Review Issue?

Part C – Client Complaints

1. Please complete the following chart for all complaints received from clients about the Registered Individual during the review period, regardless of whether or not the complaint relates to a Review Issue.

Name of client making complaint	Date of complaint	Description of complaint	What did the firm do in response to the complaint?	Date Record of complaint sent to Staff

Part D – Additional Information

1. If as a part of its supervision of the Registered Individual during the review period the firm has identified any instance where the Registered Individual may not have complied with securities legislation, the requirements of an applicable self-regulatory organization, or the firm's policies and procedures, please identify those instances below, unless they have already been identified elsewhere in this report.

_____

_____

_____

_____

_____

1.1.4 CSA Staff Notice 33-320 The Requirement for True and Complete Applications for Registration

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Staff Notice 33-320
The Requirement for True and Complete Applications for Registration

July 13, 2017

Purpose of Notice

The purpose of this Notice is to alert stakeholders to the serious problem of false or misleading applications for registration, to caution them about the potential consequences of submitting such applications, and to provide guidance regarding the completion of the application form.

The application process is governed by National Instrument 33-109 *Registration Information* (**NI 33-109**), and applications for individual registration are submitted through the National Registration Database using a Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* (**Form F4**). The application process, including the Form F4, is an integral part of the registration regime.

Individual applicants are encouraged to carefully read this Notice and consider whether they are complying with their obligation to provide true and complete information in their applications, and firms are encouraged to self-assess their existing policies and procedures relating to the due diligence they must exercise to ensure the truth and completeness of applications they sponsor.[1]

The securities legislation of the various jurisdictions in Canada imposes other document delivery obligations on registrants. These obligations are generally found in NI 33-109 and National Instrument 31-103 *Registration Requirements, Exemptions, and Ongoing Registrant Obligations*. While this Notice addresses the specific problem of false and misleading applications for registration, registrants should consider the guidance in this Notice as generally applicable to all registration-related documents they are required to deliver to their securities regulatory authority under applicable securities legislation.

The Issue of False or Misleading Applications is Serious

Applications for registration are made in a prescribed form that requires the applicant to disclose various items of information that are used to assess the applicant's suitability for registration. Unfortunately, false or misleading applications for registration have been a significant and recurring issue since the early years of securities regulation in Canada. Staff has historically taken a strong stance against false or misleading applications,[2] and will continue to do so in the future.

A registration application may be false or misleading because it includes information that is simply untrue, omits relevant information, provides vague information, or mischaracterizes information. In addition, applications may be false or misleading because of things said (or not said) on the application form itself, or in information and materials provided in connection with the application, such as correspondence from the applicant or statements made during interviews with staff of one of the members of the Canadian Securities Administrators (**Staff** or **we**).

An applicant's suitability for registration is determined with reference to three criteria: integrity, proficiency, and solvency. An obvious consequence of a false or misleading application for registration is that it raises a red flag for Staff that the applicant may be lacking in integrity. In this regard, the Ontario Securities Commission said in an earlier case:

> The keystone to the registration system is the application form. A desire and an ability to answer the questions in it with candour in many respects can be said to be the first test to which the applicant is put.[3]

---

1 In each jurisdiction in Canada, a designated official of the local securities regulatory authority is responsible for deciding whether to grant registration applications from individuals in all categories of registration except, in certain jurisdictions, those with investment dealers. For example, in Ontario this official is the "Director". Pursuant to an assignment of powers to the Investment Industry Regulatory Organization of Canada (**IIROC**), IIROC is responsible for granting or refusing applications from individuals seeking registration to work at investment dealers. Staff of IIROC share the views set out in this Notice. For additional IIROC guidance on the suitability requirement for registration, refer to IIROC Notice 09-0192 *IIROC Registration – The Fit and Proper Test for Approved Persons*.

2 See for example: *Re Base*, (1949) OSCB 10 (January) (false information regarding prior refusal of a licence); *Re Morton*, (1949) OSCB 7 (October) (false information regarding prior employment); *Re Lindover*, (1950) OSCB 7 (February) (failure to disclose criminal convictions).

3 *Re Thomas*, (1972) OSCB 118 at p. 120.

In addition to having consequences for the application itself, false or misleading statements made during the application process may constitute a provincial[4] or criminal offence[5] attracting significant sanctions, including the potential for imprisonment. In this regard, the importance of truth and candour in the application process is emphasized by the inclusion in Form F4 of Item 21 – *Warning*, which states: "It is an offence under securities legislation and derivatives legislation, including commodity futures legislation, to give false or misleading information on this form."

Carelessness or Misunderstandings are not Satisfactory Explanations for Non-Disclosure

Each year, Staff reviews numerous applications for registration that contain false or misleading statements. In our experience, while some applicants admit to intentionally making false or misleading statements on their application, more often they will cite carelessness or a misunderstanding of the form as the reason for their conduct.[6]

As has been stated in previous decisions in this area, explanations based on carelessness or misunderstanding are not convincing. For instance, in a 2007 case refusing an application for registration where the applicant had not disclosed a guilty plea for a fraud-related criminal offence, the Executive Director of the Alberta Securities Commission said:

> [I]ntegrity is broader than dishonesty and encompasses a certain duty of care in one's work product. One may not be dishonest and yet be reckless or lackadaisical over whether one complies with the rules or requirements of one's industry. ... The Applicant's actions reveal a lack of attention to detail in complying with formal requirements. This, in my mind, reflects either a lack of integrity, based on a reckless or wilful disregard of matters critical to her responsibilities, or a lack of competence, either of which is fatal to her registration application.[7]

In a similar case arising in 2010, a Director of the Ontario Securities Commission adopted the reasoning in the Alberta case and said:

> Moreover, even if the Applicant somehow was honestly mistaken in the chain of inaccurate disclosure he provided to OSC staff (which I doubt) I agree with the statement in *Re Doe* that integrity is broader than dishonesty and encompasses a certain duty of care in one's work product. The Applicant had a duty to carefully complete documents relating to his registration, including his initial application for registration. In my view, he did not meet this duty.[8]

Two years later, in another Ontario case where the applicant was refused registration for his failure to disclose a criminal conviction, the Director said:

> First, the application form is designed to provide the OSC with the information it needs to assess the applicant's suitability for registration. Sometimes the information sought by the application form may reflect negatively on an applicant's suitability. The effectiveness of the application process would be significantly diminished if applicants could avoid disclosing detrimental information on the basis of unreasonable assumptions, forgetfulness, or misunderstandings. Second, the OSC must

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4 The Securities Acts of the various jurisdictions in Canada generally include a provision that makes it an offence to provide false or misleading information in a document required to be filed or furnished under the securities laws of that jurisdiction. For example, paragraph 136(1)(a) of the *Securities Act* (Manitoba) states: "Every person or company that ... makes a statement in any material, evidence, or information submitted or given under this Act or the regulations to the commission, its representative, or the Director, or to any person appointed to make an investigation or audit under this Act, that, at the time, and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact or that omits to state any material fact, the omission of which makes the statement false or misleading . . . is guilty of an offence and is liable on summary conviction to a fine of not more than $5,000,000 or imprisonment for a term of not more than five years less a day, or both." In the 2010 case of *R. v. Fileccia*, the accused pled guilty under this section after she provided false and misleading information to staff of the Manitoba Securities Commission about her criminal record in support of her application. Paragraph 122(1)(b) of the *Securities Act* (Ontario) states: "Every person or company that ... makes a statement in any application ... or other document required to be filed or furnished under Ontario securities law that, in a material respect and at the time and in the light of the circumstances under which it is made, is misleading or untrue or does not state a fact that is required to be stated or that is necessary to make the statement not misleading ... is guilty of an offence and on conviction is liable to a fine of not more than $5 million or to imprisonment for a term of not more than five years less a day, or to both."

5 In the 2014 case of *R v. Khalkhali*, the accused pled guilty to a charge of falsifying an employment record, which she had submitted to Staff in connection with an application for registration. The falsified record indicated that she had resigned from a previous employment position when in fact she had been terminated for cause.

6 See for example *Re Ryan* (1990), 1990 LNBCSC 262, where a respondent in an enforcement proceeding admitted to providing false answers on his application form, but claimed he was "too busy to pay attention to the completion of the forms", and had never learned to properly complete forms because throughout his career he had always had others do things for him and he relied on his lawyers. In ordering sanctions against the respondent, the hearing panel of the British Columbia Securities Commission dismissed the respondent's explanation as "ludicrous".

7 *Re Jane Doe* (2007), 2007 ABASC 296, para. 13.

8 *Re John Doe* (2010), 33 OSCB 1371 at p. 1377, para. 47.

> be reasonably confident that the individuals to whom it grants the privilege of registration will discharge their professional obligations to their clients honestly and diligently. The application process is the seminal event in an applicant's career as a capital markets professional, and a lack of care and diligence in this process may be a worrisome signal about how they will approach the interest of their clients.[9]

The Disclosure Obligation is Ongoing

If the information included in an individual's Form F4 changes after the individual becomes registered, the registrant is required to update that information by delivering a Form 33-109F5 *Change of Registration Information* within the time periods provided for in NI 33-109. For instance, if a registrant is charged with a criminal offence, they must update their information within 10 days of the charge. This means that it is not acceptable for a registrant to wait to disclose a criminal charge until after they have been found not guilty at trial.

The failure by a registered individual to update their information on a timely basis may impugn their suitability for registration, and also constitutes a breach of securities legislation, and accordingly the guidance in this Notice extends to an individual's obligation to keep their registration information up-to-date.

The Consequences of Non-Disclosure

The mere fact that an applicant or registrant has detrimental information to disclose does not necessarily mean that their application will be refused or that their registration status will be negatively impacted. The nature and age of the detrimental event, and the circumstances surrounding it, will be considered when assessing the matter.

However, a failure to disclose detrimental information will always be concerning to Staff, and will likely result in the matter being investigated further, which could result in a recommendation by Staff that the application be refused. At a minimum, applicants should expect that the review of their application will take longer than it would have had it been properly completed.

Similarly, if Staff discovers after an individual has become registered that their application was false or misleading, or that they have failed to meet their ongoing disclosure obligation, the matter will be investigated and could result in regulatory action being taken against the registrant, including a possible suspension of their registration.

The Responsibilities of the Sponsoring Firm and its Personnel

Subsection 5.1(1) of NI 33-109 states: "A sponsoring firm must make reasonable efforts to ensure the truth and completeness of information that is submitted in accordance with this Instrument for any individual." Registered firms often assign an employee to support an applicant in completing their application. In larger firms, this employee may be a part of a registration department, and in smaller firms this support may be provided directly by head office personnel such as the ultimate designated person or chief compliance officer.

If it appears to Staff that someone within a firm has been complicit in an applicant's delivery of a false or misleading application, or has otherwise facilitated such an application through their own carelessness, we may expand our investigation into their conduct, and we may take regulatory action against them and the firm itself.

Guidance for Completing Applications

The application form is an integral part of a registration regime that is intended to protect investors. It follows from this and from the integrity requirement for registration that the "golden rules" for completing registration applications are:

1. Read the application form carefully.

2. Complete the application form truthfully and with candour.

These rules mean that applicants should always err on the side of disclosure. Form F4 is intended to foster investor protection, and accordingly it does not admit of novel, aggressive, or otherwise self-serving interpretations that would diminish its effectiveness.

Against the backdrop of this general guidance, we have set out below some of the more frequently encountered specific issues of non-disclosure that we have encountered, and our responses to them.

[9] *Re Couto* (2012), 35 OSCB 4106 at p. 4106, para. 15.

a. Item 10 – Current employment, other business activities, officer positions held and directorships

Item 10 of Form F4 directs the applicant to complete Schedule G, which in turn requires that current business and employment activities be listed and officer and director positions be disclosed. Some applicants have taken the position that because they were not receiving any compensation for a particular activity, it did not need to be disclosed, even though it otherwise had the appearance of a business activity. This position is inconsistent with the instructions in the Form F4, which requires disclosure whether or not the applicant receives compensation for the services in question.

b. Item 11 – Previous employment and other activities

Item 11 of Form F4 directs the applicant to complete Schedule H, which in turn requires that certain previous employment positions be listed and the reasons for departing those positions be identified. Staff has encountered numerous instances where an applicant who had been fired or asked to resign from a job has stated in Schedule H that they left that same job "to pursue other opportunities". Staff considers this to be a misleading answer.

c. Item 12 – Resignations and terminations

Item 12 of Form F4 asks:

> Have you ever resigned, been terminated or been dismissed for cause by an employer from a position following allegations that you
>
> 1. Violated any statutes, regulations, rules or standards of conduct?
>
> ...
>
> 2. Failed to appropriately supervise compliance with any statutes, regulations, rules or standards of conduct?
>
> ...
>
> 3. Committed fraud or the wrongful taking of property, including theft?
>
> ...

In our view, the purpose of item 12 is to capture all situations where an individual was terminated for cause by a firm at a time when the individual was the subject of allegations of misconduct, regardless of whether the alleged wrongdoing was the stated cause of the termination or resignation.

In addition, we consider a firm's policies and procedures to be "standards of conduct" for the purpose of item 12.

d. Item 14 – Criminal disclosure

Item 14 of Form F4 asks:

> 1. Are there any outstanding or stayed charges against you alleging a criminal offence that was committed?
>
> ...
>
> 2. Have you ever been found guilty, pleaded no contest to, or been granted an absolute or conditional discharge from any criminal offence that was committed?
>
> ...
>
> 3. To the best of your knowledge, are there any outstanding or stayed charges against any firm of which you were, at the time the criminal offence was alleged to have taken place, a partner, director, officer or major shareholder?
>
> ...
>
> 4. To the best of your knowledge, has any firm, when you were a partner, officer, director or major shareholder, ever been found guilty, pleaded no contest to or been granted an absolute or conditional discharge from a criminal offence that was committed?
>
> ...

Some applicants who had criminal charges outstanding at the time of their application and who failed to disclose those charges claimed that they mistakenly believed that only convictions had to be disclosed. This belief, even if honestly held, is unreasonable because it is inconsistent with the plain wording of question 1 of Item 14, which specifically refers to "outstanding charges".

Some applicants have also said that they did not disclose outstanding charges because they believed that they were innocent of the charges. An applicant's belief as to their guilt or innocence in respect of criminal charges is irrelevant to their obligation to disclose those charges on their application.

With respect to convictions, some applicants who have failed to disclose convictions have explained that they believed the disclosure obligation only applied to "white-collar crimes" or crimes that had been committed recently. Again, this interpretation is unreasonable because it is inconsistent with the plain wording of question 2, which states: "Have you ever been found guilty, pleaded no contest to, or been granted an absolute or conditional discharge from any criminal offence that was committed?"

Finally, some applicants have claimed that they did not understand the terminology that is used in Item 14. Form F4 has been drafted using language designed to make it as accessible as possible to the user. However, in some areas of the form legal terminology must be used, and Item 14 is one such area. If an applicant is truly uncertain about the meaning of a legal term used in Item 14 or any other part of the form, they should consider consulting a lawyer who practises in the relevant area of the law to get clarification before they submit their application form, as Item 22 of Form F4 includes a certification by the applicant that they understand the questions in the document.

e. Item 16 – Financial Disclosure

Part 1 of Item 16 of Form F4 asks the following questions:

1. – Bankruptcy

Under the laws of any applicable jurisdiction, have you or has any firm when you were a partner, director, officer or major shareholder of that firm:

a) Had a petition in bankruptcy issued or made a voluntary assignment in bankruptcy or any similar proceeding?

...

b) Made a proposal under any legislation relating to bankruptcy or insolvency or any similar proceeding?

...

c) Been subject to proceedings under any legislation relating to the winding up or dissolution of the firm, or under the *Companies' Creditors Arrangement Act* (Canada)?

...

d) Been subject to or initiated any proceedings, arrangement or compromise with creditors? This includes having a receiver, receiver-manager, administrator or trustee appointed by or at the request of creditors, privately, through court process or by order of a regulatory authority, to hold your assets.

...

Some applicants have interpreted this item as applying only to corporate bankruptcies or insolvencies, but this is inconsistent with the item's introductory words "have <u>you</u> or has any firm when you were a partner, director, officer or major shareholder of the firm ...".

Some applicants have said that they did not appreciate that this item requires the disclosure of consumer proposals. However, this ignores the express reference to "a <u>proposal</u> under any legislation relating to bankruptcy or insolvency or any similar proceeding".

Finally, some applicants have read a time limit into Part 1 of Item 16. However, no such time limit exists. Part 2 of Item 16 is entitled "Debt obligations", and asks applicants:

> Over the past 10 years, have you failed to meet a financial obligation of $10,000 or more as it came due, or to the best of your knowledge, has any firm, while you were a partner, director, officer or major shareholder of that firm, failed to meet any financial obligation of $10,000 or more as it came due?

Part 2 is separate from Part 1, and importing the 10-year reference in Part 2 into Part 1 is another example of a self-serving and unreasonable interpretation of Form F4.

f. Supervisory Obligations

With respect to their due diligence obligation under section 5.1(1) of NI 33-109, we refer firms to that instrument's Companion Policy, which recommends that firms establish written policies and procedures to verify an individual's information prior to submitting an application, document the firm's review of the individual's information in accordance with those policies and procedures, and regularly remind registered and permitted individuals about their disclosure obligations.

Questions

If you have questions about the content of this Notice, please contact any of the following:

Mark Skuce Senior Legal Counsel Compliance and Registrant Regulation Ontario Securities Commission 416-593-3734 mskuce@osc.gov.on.ca	Brian Murphy Deputy Director, Registration and Compliance Nova Scotia Securities Commission 902-424-4592 brian.murphy@novascotia.ca
Navdeep Gill Manager Market Regulation Alberta Securities Commission 403-355-9043 navdeep.gill@asc.ca	Jeff Mason Superintendent of Securities Department of Justice Government of Nunavut 867-975-6591 jmason@gov.nu.ca
Nirwair Sanghera Senior Compliance Analyst Capital Markets Regulation British Columbia Securities Commission 604-899-6861 nsanghera@bcsc.bc.ca	Steven Dowling Department of Justice and Public Safety Prince Edward Island 902-368-4551 sddowling@gov.pe.ca
Sue Henderson Deputy Director, Registrations The Manitoba Securities Commission 204-945-1600 sue.henderson@gov.mb.ca	Sylvie Demers Coordonnatrice à l'inscription en valeurs mobilières Direction de la certification et de l'inscription Autorité des marchés financiers 418-525-0337 ext. 2765 sylvie.demers@lautorite.qc.ca
Alex Wu Senior Securities Officer Financial and Consumer Services Commission (New Brunswick) 506-643-7695 alex.wu@fcnb.ca	Curtis Brezinski Compliance Auditor Financial and Consumer Affairs Authority of Saskatchewan 306-787-5876 curtis.brezinski@gov.sk.ca
Craig Whalen Manager of Licensing, Registration and Compliance Office of the Superintendent of Securities Newfoundland and Labrador 709-729-5661 cwhalen@gov.nl.ca	Rhonda Horte Securities Officer, Deputy Superintendent of Securities Office of the Yukon Superintendent of Securities 867-667-5466 rhonda.horte@gov.yk.ca

Shmaila Nosheen Document Examiner Office of the Superintendent of Securities – Department of Justice Government of the Northwest Territories 867-767-9260 ext. 82206 shmaila_nosheen@gov.nt.ca	

1.1.5 OSC Staff Notice 11-739 (Revised) – Policy Reformulation Table of Concordance and List of New Instruments

OSC STAFF NOTICE 11-739 (REVISED)

POLICY REFORMULATION TABLE OF CONCORDANCE AND LIST OF NEW INSTRUMENTS

The following revisions have been made to the Table of Concordance and List of New Instruments. A full version of the Table of Concordance and List of New Instruments as of June 30, 2017 has been posted to the OSC Website at www.osc.gov.on.ca.

Table of Concordance

Item Key
The third digit of each instrument represents the following: 1-National/Multilateral Instrument; 2-National/Multilateral Policy; 3-CSA Notice; 4-CSA Concept Release; 5-Local Rule; 6-Local Policy; 7-Local Notice; 8-Implementing Instrument; 9-Miscellaneous

Reformulation

Instrument	Title	Status
	None	

New Instruments

Instrument	Title	Status
51-404	Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers	***Published for comment April 6, 2017***
11-739	Policy Reformulation Table of Concordance and List of New Instruments	***Published April 6, 2017***
94-101	Mandatory Central Counterparty Clearing of Derivatives	***Ministerial approval published April 6, 2017***
93-101	Derivatives: Business Conduct	***Published for comment April 6, 2017***
11-335	Notice of Local Amendments and Changes in Certain Jurisdictions	***Published April 13, 2017***
45-323	Update on Use of the Rights Offering Exemption in National Instrument 45-106 Prospectus Exemption s	***Published April 20, 2017***
52-403	Auditor Oversight – Issues in Foreign Jurisdictions	***Published for comment April 27, 2017***
24-101	Institutional Trade Matching and Settlement – Amendments	***Commission approval published April 27, 2017***
91-102	Prohibition of Binary Options	***Published for comment April 27, 2017***
81-102	Investment Funds – Amendments	***Published for comment April 27, 2017***
31-350	Guidance on Small Firms Compliance and Regulatory Obligations	***Published May 18, 2017***
33-319	Status Report on CSA Consultation Paper 33-404 Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives Toward Their Clients	***Published June 1, 2017***
45-106	Prospectus Exemptions – Amendments relating to Reports of Exempt Distribution	***Published for comment June 8, 2017***
93-301	Derivatives Business Conduct Rule – No Overlap with Derivatives Registration Rule Comment Period	***Published June 22, 2017***

New Instruments

Instrument	Title	Status
51-530	Extension of Consultation Period – CSA Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers	***Published June 22, 2017***
11-777	Notice of Statement of Priorities for Financial Year to End March 31, 2018	***Published June 29, 2017***
45-102	Resale of Securities – Amendments	***Published for comment June 29, 2017***
31-103	Registration Requirements, Exemptions and Ongoing Registrant Obligations – Amendments	***Published for comment June 29, 2017***
11-206	Process for Cease to be a Reporting Issuer Applications – Amendments	***Published for comment June 29, 2017***
72-503	Distributions Outside Canada	***Published for comment June 29, 2017***

For further information, contact:
Darlene Watson
Project Specialist
Ontario Securities Commission
416-593-8148

July 13, 2017

1.2 Notices of Hearing

1.2.1 Hanane Bouji et al. – s. 8

IN THE MATTER OF
HANANE BOUJI,
GLOBAL RESP CORPORATION, and
GLOBAL GROWTH ASSETS INC.

NOTICE OF HEARING
(Section 8 of the Securities Act, RSO 1990, c S.5)

TAKE NOTICE THAT the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to section 8 of the *Securities Act*, RSO 1990, c S.5 at the offices of the Commission, 20 Queen Street West, 17th Floor, on August 23, 2017 at 10:00 a.m., or as soon thereafter as the hearing can be held;

AND TAKE FURTHER NOTICE that the purpose of the hearing is to consider an application made by Hanane Bouji, Global RESP Corporation and Global Growth Assets Inc. for a hearing and review of a decision of a Director dated June 23, 2017;

AND TAKE FURTHER NOTICE that any party to the proceeding may be represented by a representative at the hearing;

AND TAKE FURTHER NOTICE that upon failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of the party and such party is not entitled to any further notice of the proceeding;

AND TAKE FURTHER NOTICE that the Notice of Hearing is also available in French on request, participation may be in either French or English and participants must notify the Secretary's Office in writing as soon as possible, and in any event, at least thirty (30) days before a hearing if the participant is requesting a proceeding to be conducted wholly or partly in French; and

ET AVIS EST ÉGALEMENT DONNÉ PAR LA PRÉSENTE que l'avis d'audience est disponible en français sur demande, que la participation à l'audience peut se faire en français ou en anglais et que les participants doivent aviser le Bureau du secrétaire par écrit le plut tôt possible et, dans tous les cas, au moins trente (30) jours avant l'audience si le participant demande qu'une instance soit tenue entièrement ou partiellement en français.

DATED at Toronto this 11th day of July, 2017.

"Grace Knakowski"
Secretary to the Commission

1.3 Notices of Hearing with Related Statements of Allegations

1.3.1 Manulife Securities Incorporated and Manulife Securities Investment Services Inc. – ss. 127(1), 127(2)

IN THE MATTER OF
MANULIFE SECURITIES INCORPORATED AND
MANULIFE SECURITIES INVESTMENT SERVICES INC.

NOTICE OF HEARING
(Subsections 127(1) and 127(2) of the Securities Act)

TAKE NOTICE THAT the Ontario Securities Commission (the "**Commission**") will hold a hearing pursuant to sub-sections 127(1) and 127(2) of the *Securities Act*, RSO 1990, c S.5 (the "**Act**") at the offices of the Commission located at 20 Queen Street West, 17th Floor, commencing on July 13, 2017 at 10:00 a.m. or as soon thereafter as the hearing can be held;

AND TAKE NOTICE that the purpose of the hearing is for the Commission to consider whether it is in the public interest to approve the Settlement Agreement dated July 10, 2017, on a no-contest basis, between Staff of the Commission and Manulife Securities Incorporated and Manulife Securities Investment Services Inc.;

BY REASON OF the allegations set out in the Statement of Allegations of Staff, dated July 10, 2017;

AND TAKE FURTHER NOTICE that any party to the proceedings may be represented by a representative at the hearing;

AND TAKE FURTHER NOTICE that upon failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party and such party is not entitled to any further notice of the proceeding;

AND TAKE FURTHER NOTICE that the Notice of Hearing is also available in French on request, participation may be in either French or English and participants must notify the Secretary's Office in writing as soon as possible, and in any event, at least thirty (30) days before a hearing if the participant is requesting a proceeding to be conducted wholly or partly in French; and

ET AVIS EST ÉGALEMENT DONNÉ PAR LA PRÉSENTE que l'avis d'audience est disponible en français sur demande, que la participation à l'audience peut se faire en français ou en anglais et que les participants doivent aviser le Bureau du secrétaire par écrit le plut tôt possible et, dans tous les cas, au moins trente (30) jours avant l'audience si le participant demande qu'une instance soit tenue entièrement ou partiellement en français.

DATED at Toronto this 10th day of July, 2017.

"Robert Blair"
Per: Grace Knakowski
Secretary to the Commission

**IN THE MATTER OF
THE SECURITIES ACT,
RSO 1990, c S.5, AS AMENDED**

AND

**IN THE MATTER OF
MANULIFE SECURITIES INCORPORATED AND
MANULIFE SECURITIES INVESTMENT SERVICES INC.**

STATEMENT OF ALLEGATIONS OF STAFF OF THE ONTARIO SECURITIES COMMISSION

Staff ("Commission Staff") of the Ontario Securities Commission (the "Commission") make the following allegations:

I. THE RESPONDENTS

1. Manulife Securities Incorporated ("MSI") is a corporation incorporated pursuant to the laws of Ontario. MSI is a member of the Investment Industry Regulatory Organization of Canada and is registered with the Commission as an investment dealer.

2. Manulife Securities Investment Services Inc. ("MSISI") is a corporation incorporated pursuant to the laws of Canada. MSISI is a member of the Mutual Fund Dealers Association of Canada and is registered with the Commission as a mutual fund dealer and an exempt market dealer.

3. Each of MSI and MSISI (together the "Manulife Dealers") is a subsidiary of Manulife Financial Corporation.

II. THE MANULIFE DEALERS' CONDUCT

4. Commencing in June 2015, the Manulife Dealers self-reported to Commission Staff inadequacies in their systems of controls and supervision which formed part of their compliance systems (the "Control and Supervision Inadequacies") which resulted in certain clients paying, directly or indirectly, excess fees that were not detected or corrected by the Manulife Dealers in a timely manner.

5. Commission Staff do not allege, and have found no evidence of dishonest conduct by the Manulife Dealers.

6. The Manulife Dealers formulated an intention to pay appropriate compensation to eligible clients and former clients when they self-reported the Control and Supervision Inadequacies to Commission Staff. The Manulife Dealers have taken corrective action, including implementing additional controls, supervisory and monitoring systems designed to prevent the re-occurrence of the Control and Supervision Inadequacies in the future.

7. Some clients of the Manulife Dealers have fee-based accounts and are charged a fee for investment management services received in respect of assets held in the account (the "Fee-Based Accounts"). The investment management fee is based on the market value of the client's assets under management (the "Account Fee").

8. Manulife Asset Management Limited ("MAML"), an affiliate of the Manulife Dealers, manages a number of mutual funds that are available in different series. For certain of these mutual funds, there were two series (Advisor and Elite) of the same mutual fund which differed solely in that the management expense ratio ("MER") of the Advisor series, which has a lower minimum investment threshold, contains a pre-determined service fee, whereas the MER of the Elite Series, which has a higher minimum investment threshold, contains a lower service fee negotiated between the client and the Manulife advisor.

9. The Control and Supervision Inadequacies are summarized as follows:

a. certain investment products with embedded advisor fees held in Fee-Based Accounts with the Manulife Dealers were incorrectly included in Account Fee calculations, thereby resulting in some clients paying excess fees during the period June 30, 2005 to September 23, 2016; and

b. beginning in 2007, some clients of the Manulife Dealers were not advised that they qualified for a lower MER series of a MAML managed mutual fund, the Elite Series, and indirectly paid excess fees when they invested in the higher MER series of the same mutual fund.

III. BREACH OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

10. In respect of the Control and Supervision Inadequacies, the Manulife Dealers failed to establish, maintain and apply procedures to establish controls and supervision:

(a) sufficient to provide reasonable assurance that the Manulife Dealers, and each individual acting on behalf of the Manulife Dealers, complied with securities legislation, including the requirement to deal fairly with clients with regard to fees; and

(b) that were reasonably likely to identify the non-compliance described in (a) above at an early stage and that would have allowed the Manulife Dealers to correct the non-compliant conduct in a timely manner.

11. As a result, these instances of Control and Supervision Inadequacies constituted a breach of section 11.1 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. In addition, the failures in the Manulife Dealers' systems of controls and supervision associated with the Control and Supervision Inadequacies were contrary to the public interest.

12. Commission Staff reserve the right to make such other allegations as Commission Staff may advise and the Commission may permit.

DATED at Toronto, this 10th day of July, 2017.

1.5 Notices from the Office of the Secretary

1.5.1 Money Gate Mortgage Investment Corporation et al.

FOR IMMEDIATE RELEASE
July 5, 2017

IN THE MATTER OF
MONEY GATE MORTGAGE
INVESTMENT CORPORATION,
MONEY GATE CORP.,
MORTEZA KATEBIAN and
PAYAM KATEBIAN

TORONTO – The Commission issued its Reasons and Decision in the above named matter.

A copy of the Reasons and Decision dated July 4, 2017 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.5.2 TCM Investments Ltd. et al.

FOR IMMEDIATE RELEASE
July 6, 2017

IN THE MATTER OF
TCM INVESTMENTS LTD.
carrying on business as OPTIONRALLY,
LFG INVESTMENTS LTD.,
AD PARTNERS SOLUTIONS LTD., and
INTERCAPITAL SM LTD.

TORONTO – The Commission issued an Order in the above named matter which provides that pursuant to subsection 127(8) of the Act, Staff's application to extend until September 28, 2017, paragraph 1 of the Temporary Order, which provides that under paragraph 2 of subsection 127(1) of the Act, all trading in any securities by the respondents shall cease, is approved.

A copy of the Order dated July 6, 2017 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.5.3 Manulife Securities Incorporated and Manulife Securities Investment Services Inc.

FOR IMMEDIATE RELEASE
July 11, 2017

IN THE MATTER OF
MANULIFE SECURITIES INCORPORATED AND
MANULIFE SECURITIES INVESTMENT SERVICES INC.

TORONTO – The Office of the Secretary issued a Notice of Hearing to consider whether it is in the public interest to approve the Settlement Agreement dated July 10, 2017, on a no-contest basis, between Staff of the Commission and Manulife Securities Incorporated and Manulife Securities Investment Services Inc.

The hearing pursuant to subsections 127(1) and 127(2) of the *Securities Act*, will be held at the offices of the Commission located at 20 Queen Street West, 17th Floor, on July 13, 2017 at 10:00 a.m.

A copy of the Notice of Hearing dated July 10, 2017 and Statement of Allegations of Staff of the Ontario Securities Commission dated July 10, 2017 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.5.4 Hanane Bouji et al.

FOR IMMEDIATE RELEASE
July 11, 2017

IN THE MATTER OF
HANANE BOUJI,
GLOBAL RESP CORPORATION, and
GLOBAL GROWTH ASSETS INC.

TORONTO – The Ontario Securities Commission will hold a hearing to consider the Application made by Hanane Bouji, Global RESP Corporation and Global Growth Assets Inc. on June 28, 2017 for a hearing and review of a decision of a Director dated June 23, 2017.

The hearing will be held on August 23, 2017 at 10:00 a.m. on the 17th floor of the Commission's offices located at 20 Queen Street West, Toronto.

A copy of the Application and the Notice of Hearing dated July 11, 2017 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 NGAM Canada LP et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Exemption granted from NI 81-101 to permit a top fund and a bottom fund to combine their profiles in a simplified prospectus – top and bottom funds have an integrated investment structure.

Applicable Legislative Provisions

National Instrument 81-101 Mutual Fund Prospectus Disclosure, ss. 2.1(1)(c), 6.1.

June 12, 2017

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
NGAM CANADA LP
(the Filer)

AND

IN THE MATTER OF
NEXGEN CANADIAN BOND TAX MANAGED FUND AND LOOMIS SAYLES GLOBAL DIVERSIFIED CORPORATE BOND TAX MANAGED FUND (FORMERLY NEXGEN CORPORATE BOND TAX MANAGED FUND)
(the Existing Top Corporate Funds)

AND

IN THE MATTER OF
NEXGEN CANADIAN BOND FUND AND LOOMIS SAYLES GLOBAL DIVERSIFIED CORPORATE BOND FUND (FORMERLY NEXGEN CORPORATE BOND FUND) (the Existing Underlying Trust Funds)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the Funds (defined below) for a decision under the securities legislation of the Jurisdiction (the **Legislation**) exempting the Funds from paragraph 2.1(1)(c) of National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**) to permit the Funds to file a simplified prospectus (**SP**) that is not prepared in accordance with General Instruction (15) to Form 81-101F1 and instead allows the Part B of the SP for each Top Corporate Fund (defined below) to be combined with the Part B of the SP for its corresponding Underlying Trust Fund (defined below) as further described below (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 the application; and

(b) the Filer has provided notice that section 4.7 of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, North-west Territories, Yukon Territory and Nunavut (together with Ontario, the **Jurisdictions**).

Interpretation

Terms defined in MI 11-102, National Instrument 14-101 *Definitions* and NI 81-101 have the same meanings if used in this decision unless otherwise defined and the terms set out below have the following meaning:

Corporate Fund means each mutual fund managed by the Filer that is comprised of classes of a corporation.

Corporation means NGAM Canada Investment Corporation, an open-end mutual fund corporation established under the laws of Ontario.

Funds means, collectively, the Top Corporate Funds and the Underlying Trust Funds, and individually, each is a **Fund**.

Trust Fund means each mutual fund managed by the Filer that is a trust.

Top Corporate Fund means (a) each Existing Top Corporate Fund and (b) each future Corporate Fund that is the top fund in a Corporate Fund on Trust Fund Arrangement (defined below) that is substantially similar in

investment structure, investment strategy and operational purpose to each Existing Top Corporate Fund and its corresponding Existing Underlying Trust Fund.

Underlying Trust Fund means (a) each Existing Underlying Trust Fund and (b) each future Trust Fund that is the underlying fund in a Corporate Fund on Trust Fund Arrangement that is substantially similar in investment structure, investment strategy and operational purpose to each Existing Top Corporate Fund and its corresponding Existing Underlying Trust Fund.

Representations

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

The Filer and the Funds

1. The Filer is a limited partnership formed under the laws of the Province of Ontario having its head office in Toronto, Ontario.

2. The Filer is registered as an investment fund manager, mutual fund dealer and portfolio manager in Ontario, as an investment fund manager in Quebec and Newfoundland and Labrador and as an exempt market dealer in each of the Jurisdictions.

3. The Filer is the investment fund manager and principal distributor of the existing Funds and the trustee of the Existing Underlying Trust Funds. The Filer will be the investment fund manager of any future Funds and the trustee of any future Underlying Trust Funds.

4. Each Fund is, or will be, an open-end mutual fund created as a trust under the laws of the Province of Ontario or an open-end mutual fund that is comprised of classes of shares of a mutual fund corporation.

5. Each Fund is, or will be, a reporting issuer in some or all of the provinces and territories of Canada and is, or will be, subject to National Instrument 81-102 *Investment Funds*.

6. The securities of the Funds are, or will be, qualified for distribution pursuant to a SP, Fund Facts and annual information form that have been, or will be, prepared and filed in accordance with NI 81-101, subject to any exemptions therefrom that have been, or may in the future be, granted to the Funds by the securities regulatory authorities.

7. Neither the Filer nor any of the existing Funds is in default of securities legislation in any of the Jurisdictions.

The Corporate Fund on Trust Fund Arrangement

8. Each Existing Top Corporate Fund invests, and each future Top Corporate Fund will invest, substantially all of its portfolio assets in units of its corresponding Underlying Trust Fund (the **Corporate Fund on Trust Fund Arrangement**).

9. The Corporate Fund on Trust Fund Arrangement is intended to allow each Top Corporate Fund to replicate the performance of its corresponding Underlying Trust Fund.

10. Each Top Corporate Fund and Underlying Trust Fund comprising the particular Corporate Fund on Trust Fund Arrangement shares, or will share, substantially similar investment objectives and investment strategies and has, or will have, the same portfolio managers/subadvisors and the same underlying investment portfolio.

11. As a result of the Corporate Fund on Trust Fund Arrangement, the investment return of each Top Corporate Fund is determined by the investment performance of its corresponding Underlying Trust Fund.

The Proposed SP Part B Disclosure

12. Subject to any other exemption from NI 81-101 that has been, or may in the future be, granted to the Funds by the securities regulatory authorities, it is proposed that the SP of the Funds comply with the form requirements of NI 81-101, with the exception of Part B, where the Filer proposes, for expediency, to combine the Part B disclosure for two Funds, namely for each Top Corporate Fund and its corresponding Underlying Trust Fund, within a single Part B fund profile.

13. A separate Fund Facts document for each series of each Fund will continue to be prepared and filed in accordance with NI 81-101.

14. The Part B of a Fund will not be combined with the Part B of more than one other Fund by allowing the Funds to rely upon both the Exemption Sought and any of the Previous Decisions (defined below). Specifically, no Underlying Trust Fund will rely upon the Exemption Sought if the Underlying Trust Fund is part of a fund on fund structure other than a Corporate Fund on Trust Fund Arrangement described in this decision.

The Previous Relief

15. The Filer previously obtained similar relief to the Exemption Sought for Trust Fund on Corporate Fund investment structures managed by the Filer where the Trust Fund invests substantially all of its portfolio assets in a combination of non-publicly offered limited recourse debt and securities of its corresponding underlying Corporate Fund in a

series of decisions dated February 24, 2006 (the **2006 Decision**), March 8, 2007 (the **2007 Decision**) and December 20, 2012 (the **2012 Decision**, together with the 2006 Decision and the 2007 Decision, the **Previous Decisions**). The 2012 Decision applies to each Trust Fund and Corporate Fund in existence on that date as well as future funds that use the same investment structure.

16. NexGen Corporate Bond Tax Managed Fund (now named Loomis Sayles Global Diversified Corporate Bond Tax Managed Fund) and NexGen Corporate Bond Fund (now named Loomis Sayles Global Diversified Corporate Bond Fund) were inadvertently mentioned (using their former NexGen names) in the 2012 Decision, but could not rely on the 2012 Decision because the Corporate Fund on Trust Fund Arrangement was not contemplated by the 2012 Decision.

17. The Existing Top Corporate Funds and their corresponding Existing Underlying Trust Funds originally employed a fund on fund forward structure involving the use of a derivative (a forward contract) to allow each Existing Top Corporate Fund to obtain exposure to the performance of its corresponding Existing Underlying Trust Fund in a tax efficient manner.

18. Following the wind up of the forward structures in 2016, each Existing Top Corporate Fund began to invest directly in its respective Existing Underlying Trust Fund. At this time, the Part B of the SP of each Existing Top Corporate Fund was combined with the Part B of the SP for its corresponding Existing Underlying Trust Fund in reliance on an exemption granted as evidenced by issuance of the receipt for the current SP dated June 10, 2016.

19. The Filer is seeking the Exemption Sought: (a) because the Corporate Fund on Trust Fund Arrangement was not contemplated by the Previous Decisions; and (b) to extend the exemption granted by issuance of the receipt for the current SP dated June 10, 2016.

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 provided that the Exemption Sought will terminate on the latest of: (a) the coming into force of any legislation or rule dealing with the Exemption Sought; or (b) the end date of any applicable transition period for any legislation or rule dealing with the Exemption Sought.

"Vera Nunes"
Manager,
Investment Funds and Structured Products Branch
Ontario Securities Commission

2.1.2 Desjardins Investments Inc. and Desjardins Québec Balanced Fund

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Existing and future mutual funds granted relief from paragraphs 15.3(4)(c) and (f) of National Instrument 81-102 Investment Funds to permit references to Fundata A+ Awards and relief from paragraph 15.3(4)(c) to permit references to FundGrade Ratings in sales communications – Relief subject to conditions requiring specified disclosure and the requirement that the Fundata A+ Awards being referenced not have been awarded more than 365 days before the date of the sales communication.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 15.3(4)(c) and (f), 19.1.

[Translation]

June 27, 2017

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

AND

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

AND

IN THE MATTER OF
DESJARDINS INVESTMENTS INC.
(the "Filer")

AND

THE DESJARDINS QUÉBEC BALANCED FUND
(the "Québec Balanced Fund")

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions ("**Decision Maker**") has received an application from the Filer on the behalf of the Funds (as defined below) for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") for an exemption under section 19.1 of Regulation 81-102 *Investment Funds* (c. V-1.1, r.39) ("**Regulation 81-102**") for exemptive relief from the requirements set out in paragraphs 15.3(4)(c) (in respect of both the FundGrade A+ Awards presented annually by Fundata Canada inc. ("**Fundata**") and the FundGrade Ratings) and paragraph 15.3(4)(f) (in respect of the FundGrade A+ Awards only) of Regulation 81-102 ("**Requested Relief**"), which provide that a sales communication must not refer to a performance rating or ranking of a mutual fund or asset allocation service unless:

A) the rating or ranking is provided for each period for which standard performance data is required to be given, except the period since the inception of the mutual fund; and

the rating or ranking is to the same calendar month end that is:

(i) not more than 45 days before the date of the appearance or use of the advertisement in which it is included, and

(ii) not more than three months before the date of first publication of any other sales communication in which it is included; in order to permit the FundGrade A+ Awards and the FundGrade Ratings to be referenced in sales communications relating to the Funds (as defined below).

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

(a) the Autorité des marchés financiers is the principal regulator for this application,

(b) the Filer has provided notice that section 4.7(1) of *Regulation 11-102 respecting Passport System* (c. V-1.1, r.1) ("**Regulation 11-102**") is intended to be relied upon in the jurisdictions of Canada other than in the Jurisdictions, and

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

Interpretation

Terms defined in *Regulation 14-101 respecting Definitions* (c. V-1.1, r.3), Regulation 11-102 and Regulation 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 and the Funds

1. The Filer is registered as an investment fund manager in the Provinces of Québec, Ontario, Newfoundland and Labrador. The head office of the Filer is in Montreal, Québec.

2. The Filer acts as the investment fund manager of the Québec Balanced Fund and also acts as the investment fund manager of certain other mutual funds (the "**Existing Mutual Funds**"). The Filer may, in the future, become the investment fund manager of additional mutual funds (the "**Future Mutual Funds**"). The Quebec Balanced Fund, and any Existing Mutual Fund or Future Mutual Fund that is awarded a prize by Fundata in the future will herein be referred to as a "**Fund**" and collectively referred to as the "**Funds**".

3. Each Fund is, or will be, a reporting issuer in each of the jurisdictions of Canada and is or will be subject to Regulation 81-102 including Part 15 thereof which governs sales communications.

4. None of the Existing Mutual Funds nor the Filer are in default of securities legislation in any of the jurisdictions of Canada.

Fundata FundGrade A+ Awards Program and FundGrade Ratings

5. The Québec Balanced Fund had been awarded a FundGrade A+ Award.

6. FundGrade A+ Awards and FundGrade Ratings are awarded by Fundata, a company that is not a member of the Funds' organization. Fundata is a "mutual fund rating entity", as that term is defined in Regulation 81-102. Fundata is a supplier of mutual fund information and analytical tools to advisors, media and investors worldwide.

7. The FundGrade A+ Awards are awarded to funds in most individual fund classifications for the previous calendar year, and the awards are announced in January of each year. The categories for fund classification used by Fundata are those maintained by the Canadian Investment Funds Standards Committee ("**CIFSC**") (or a "**successor to CIFSC**"), a Canadian organization that is independent of Fundata.

8. The FundGrade A+ Awards are based on a rating methodology, the FundGrade Rating system which evaluates funds based on their risk-adjusted performance. The metrics for evaluating fund performance are calculated for the two through ten year time periods for each fund. The FundGrade Ratings are letter grades determined each month and are released on the seventh business day of the following month. Because the overall score of a fund is calculated by equally weighting the periodic rankings, to receive an A grade, a fund must show consistently high scores for all ratios across all time periods.

9. At the end of each calendar year, Fundata calculates a "fund GPA" for each fund based on the full year's performance. The fund GPA is calculated by converting each month's FundGrade Rating letter grade into a numerical score. Any fund earning a GPA of 3.5 or greater earns a FundGrade A+ Award.

10. When a fund is awarded a FundGrade A+ Award, Fundata will permit such fund to make reference to the award in its sales communications.

Reasons for the Exemption Sought

11. The FundGrade Ratings fall within the definition of "performance data" under Regulation 81-102, as they constitute "a rating, ranking, quotation, discussion or analysis regarding an aspect of the investment performance of an investment fund". Therefore, references to FundGrade Ratings and FundGrade A+ Awards in sales communications relating to the funds need to meet the applicable requirements in Part 15 of Regulation 81-102.

12. Paragraph 15.3(4)(c) of Regulation 81-102 imposes a "matching" requirement, for performance ratings or rankings that are included in sales communications for mutual funds, it must be provided for, or "match", each period for which standard performance data is required to be given for the fund, except for the period since the inception of the fund (i.e., for one, three, five and ten year periods, as required by section 15.8 of Regulation 81-102).

13. While FundGrade Ratings are based on calculations for a minimum of two years through to a maximum of ten years, and the FundGrade A+ Awards are based on a yearly average of monthly FundGrade Ratings, specific ratings for the three, five and ten year periods within the two to ten year measurement period are not given. This means that a sales communication referencing FundGrade Ratings and the FundGrade A+ Awards cannot comply with the "matching" requirement contained in paragraph 15.3(4)(c) of Regulation 81-102. Relief from paragraph 15.3(4)(c) of Regulation 81-102 is, therefore, required in order for a fund to use FundGrade Ratings and the FundGrade A+ Awards in sales communications.

14. Paragraph 15.3(4)(f) of Regulation 81-102 provides that in order for a rating or ranking such as a FundGrade A+ Award to be used in an advertisement, it must be published within 45 days of the calendar month end to which the rating or ranking applies. Further, in order for the rating or ranking to be used in any other sales communication, the rating or ranking must be published within three months of the calendar month end to which the rating or ranking applies.

15. Because the evaluation of funds for the FundGrade A+ Awards will be based on data aggregated until the end of December in any given year and the results will be published in January of the following year, by the time a fund receives a FundGrade A+ Award in January, paragraph 15.3(4)(f) of Regulation 81-102 will only allow the FundGrade A+ Award to be used in an advertisement until the middle of February and in other sales communications until the end of March.

16. The Filer wishes to include, in sales communications of the Funds, references to the FundGrade Ratings and the FundGrade A+ Awards, where such Funds have been awarded a FundGrade A+ Award.

17. The Filer submits that the Requested Relief is not detrimental to the protection of investors.

Decision

18. Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision. The decision of the Decision Makers under the Legislation is that the Requested Relief is granted to permit the FundGrade A+ Awards and the FundGrade Ratings to be referenced in sales communications relating to a Fund, provided that:

    I) the sales communication that refers to the FundGrade A+ Awards and the FundGrade Ratings complies with Part 15 of Regulation 81-102 other than as set out herein and contains the following disclosure in at least 10 point type:

        (i) the name of the category for which the Fund has received the award or rating;

        (ii) the number of mutual funds in the category for the applicable period;

        (iii) the name of the ranking entity, (i.e., Fundata);

        (iv) the length of period and the ending date, or, the first day of the period and the ending date on which the FundGrade A+ Awards or the FundGrade Rating is based;

        (v) a statement that FundGrade Ratings are subject to change every month;

        (vi) in the case of a FundGrade A+ Award, a brief overview of the FundGrade A+ Awards;

        (vii) in the case of a FundGrade Rating (other than FundGrade Ratings referenced in connection with a FundGrade A+ Award), a brief overview of the FundGrade Rating;

(viii) disclosure of the meaning of the FundGrade Ratings from A to E (e.g., rating of A indicates a fund is in the top 10% of its category); and

(ix) reference to Fundata's website (www.fundata.com) for greater detail on the FundGrade A+ Awards and the FundGrade Ratings;

II) the FundGrade A+ Award being referenced must not have been awarded more than 365 days before the date of the sales communication; and

III) the FundGrade A+ Awards and the FundGrade Ratings being referenced are calculated based on comparisons of performance of mutual funds within a specified category established by the CIFSC (or a successor to the CIFSC).

"Hugo Lacroix"
Senior Director Investment Funds
Autorité des marchés financiers

2.1.3 Manulife Asset Management Limited et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Approval of mutual fund mergers – approval required because merger does not meet the criteria for pre-approved reorganizations and transfers in National Instrument 81-102 – mergers not a "qualifying exchange" or a tax-deferred transaction under the Income Tax Act (Canada) – securityholders mailed preliminary fund facts document instead of the most recently filed fund facts document of the Continuing Fund – securityholders of terminating funds are provided with timely and adequate disclosure regarding the mergers.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 5.5(1)(b), 19.1.

May 31, 2017

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
MANULIFE ASSET MANAGEMENT LIMITED
(the "Filer")

AND

IN THE MATTER OF
MANULIFE PORTRAIT DIVIDEND GROWTH & INCOME PORTFOLIO CLASS,
MANULIFE PORTRAIT GROWTH PORTFOLIO CLASS,
MANULIFE LEADERS OPPORTUNITIES PORTFOLIO
(each a "Terminating Fund" and, collectively, the "Terminating Funds")

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer and the Terminating Funds for a decision under the securities legislation of the Jurisdiction of the principal regulator (the "**Legislation**") for approval of the proposed mergers (each a "**Merger**" and, collectively, the "**Mergers**") of the Terminating Funds into Manulife Growth Portfolio (the "**Continuing Fund**") under subsection 5.5(1)(b) of National Instrument 81-102 – *Investment Funds* ("**NI 81-102**") (the "**Approval Sought**").

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

(a) the Ontario Securities Commission (the "**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 each of the other provinces and territories of Canada (together with Ontario, 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 amalgamated under the *Canada Business Corporations Act* with its head office located in Toronto, Ontario.

2. The Filer is registered in the following categories: portfolio manager in all provinces and territories of Canada; investment fund manager in Ontario, Newfoundland and Labrador, and Quebec; commodity trading manager in Ontario; and derivatives portfolio manager in Quebec.

3. The Filer is the manager of the Terminating Funds and the Continuing Fund (each a "**Fund**" and, collectively, the "**Funds**").

The Funds

4. Manulife Leaders Opportunities Portfolio (the "**Trust Fund**") is an open-ended mutual fund trust established under the laws of Ontario by a declaration of trust ("**Declaration of Trust**") and plan of establishment.

5. Each of Manulife Portrait Dividend Growth & Income Portfolio Class and Manulife Portrait Growth Portfolio Class are classes of mutual fund shares of Manulife Investment Exchange Funds Corp. ("**MIX Corp**"). MIX Corp is a mutual fund corporation formed under the laws of Ontario by articles of amalgamation dated November 21, 2015, as amended. Each Corporate Class is an open-ended mutual fund.

6. The Continuing Fund is an open-ended mutual fund trust established under the laws of Ontario by a declaration of trust and regulation.

7. Securities of each of the Terminating Funds are currently qualified for sale by a simplified prospectus, annual information form and fund facts dated August 2, 2016, which have been filed and receipted in each of the Jurisdictions.

8. The Continuing Fund is a newly established mutual fund trust created to facilitate the Mergers. Securities of the Continuing Fund are currently qualified for sale by a simplified prospectus, annual information form, and fund facts dated May 1, 2017, which have been filed and receipted in each of the Jurisdictions (collectively, the "**Continuing Fund Offering Documents**").

9. The preliminary fund facts in respect of the Continuing Fund were filed on SEDAR on March 23, 2017 at the time of filing the preliminary simplified prospectus and preliminary annual information form. As there were no final fund facts at the time of sending the Meeting Materials (as defined below), the preliminary fund facts of the Continuing Fund was sent with the remaining required Meeting Materials. The preliminary fund facts contained substantially the same information as the final fund facts, which are dated May 1, 2017.

10. The Terminating Funds and the Continuing Fund are reporting issuers as defined under the applicable securities legislation of each province and territory of Canada.

11. The net asset value for each of the Funds is calculated on a daily basis at the end of each day the Toronto Stock Exchange is open for trading.

12. Neither the Filer nor the Terminating Funds are in default of any of the requirements of the securities legislation of any of the provinces and territories of Canada.

13. Other than under circumstances in which the securities regulatory authority or securities regulator of the Jurisdictions has expressly exempted a Fund therefrom, each of the Funds is governed and follows the standard investment restrictions and practices established by NI 81-102.

Reason for Approval Sought

14. The Approval Sought is required because contrary to clause 5.6(1)(b) of NI 81-102, the Mergers will not be effected in reliance on the "qualifying exchange" or tax-deferred transaction provisions of the *Income Tax Act* (Canada) (the "**Tax Act**"). For the Trust to Trust Merger (as identified in Representation 16), a taxable merger is tax-neutral for tax-exempt investors and more beneficial for taxable investors since it is expected to result in the realization of net capital gains equal to approximately 10% of the NAV of their units in the Terminating Fund (as of December 31, 2016), whereas a

tax-deferred merger is expected to result in the realization of net capital gains equal to approximately 15% of the NAV of their units in the Terminating Fund as, prior to effecting the Merger, the Terminating Fund will sell certain portfolio securities (with unrealized capital gains or losses) in order to better align with the portfolio of the Continuing Fund. For each Corporate to Trust Merger (as identified in Representation 16) there is no method under the Tax Act to implement a tax-deferred merger of a corporate fund (a single class of shares of a multi-class mutual fund corporation) into a Trust Fund.

15. The Approval Sought is also required because the materials sent to securityholders of the Terminating Funds did not include the most recently filed fund facts of the Continuing Fund as required by subparagraph 5.6(1)(f)(ii) of NI 81-102 and the Circular (as defined below) sent to securityholders of the Terminating Funds did not contain references to all of the disclosure documents of the Continuing Fund as required by subparagraph 5.6(1)(f)(iii) of NI 81-102. As the Continuing Fund is a newly established mutual fund, the current prospectus, most recently filed annual information form and most recently filed fund facts were not available at the time the Meeting Materials were sent to securityholders of the Terminating Funds. Furthermore not all remaining disclosure documents required by subparagraph 5.6(1)(f)(iii) are available for newly established mutual funds.

The Proposed Mergers

16. The Manager intends to merge each Terminating Fund into the Continuing Fund shown opposite its name in the table below:

TERMINATING FUND	CONTINUING FUND	MERGER TYPE
Manulife Portrait Dividend Growth & Income Portfolio Class	Manulife Growth Portfolio	Corporate to Trust
Manulife Portrait Growth Portfolio Class	Manulife Growth Portfolio	Corporate to Trust
Manulife Leaders Opportunities Portfolio	Manulife Growth Portfolio	Trust to Trust

17. Each Merger is anticipated to be effective on or about June 2, 2017 (the "**Effective Date**").

18. Pursuant to subsection 5.1(f) of NI 81-102, securityholders of the Terminating Funds approved the Mergers at special meetings held on May 18, 2017.

19. Pursuant to National Instrument 81-107 - *Independent Review Committee for Investment Funds, the independent review committee of the Funds* (the "**IRC**") has reviewed the proposed Mergers and the process to be followed in connection with each such Merger, and has advised the Filer that, in the opinion of the IRC, having reviewed each Merger as a potential "conflict of interest matter", each Merger achieves a fair and reasonable result for the Funds. Such opinion of the IRC was disclosed in the Circular.

20. No sales charges will be payable in connection with the acquisition by the Continuing Fund of the investment portfolio of its corresponding Terminating Fund.

21. The Filer will pay for the costs of the Mergers. These costs consist mainly of legal, proxy solicitation, printing, mailing, brokerage costs and regulatory fees.

22. Except as noted above, the Mergers will otherwise comply with all other criteria for pre-approved reorganizations and transfers set out in section 5.6 of NI 81-102.

Securityholder Disclosure

23. A press release was issued and filed on SEDAR on March 23, 2017, and a material change report was filed on SEDAR on March 30, 2017 with respect to the proposed Mergers. The simplified prospectus, annual information form, and fund facts for the Terminating Funds were amended to include disclosure with respect to the Mergers in accordance with applicable securities law. The Continuing Fund Offering Documents disclose the proposed Mergers with the Terminating Funds, including the anticipated Effective Date of each Merger.

24. On April 27, 2017, a notice of meeting, a management information circular (the "**Circular**") and proxy in connection with the Mergers (together, the "**Meeting Materials**") were mailed to investors of record of the Terminating Funds as at April 3, 2017 and filed on SEDAR.

25. The Circular provided securityholders of the Terminating Funds with sufficient information to permit them to make an informed decision as to whether to approve the Mergers or not, including a discussion regarding the tax implications of the Mergers and the potential benefits of the Mergers.

26. The Circular also contained certain prospectus-level disclosure concerning the Continuing Fund, including information in respect of its: investment objective; investment structure (i.e.: trust or corporation); registered plan eligibility; portfolio management responsibility; net asset value; fees and expenses; annual returns; valuation procedures; and distribution policy. In addition, the Circular highlighted the similarities and differences between each Terminating Fund and the Continuing Fund with respect to such matters.

27. The Circular also disclosed that securityholders could obtain the preliminary simplified prospectus, preliminary annual information form, and preliminary fund facts of the Continuing Fund from the Filer upon request or on SEDAR at www.sedar.com. Also accompanying the Circular delivered to securityholders of the Terminating Funds was a copy of the preliminary fund facts for the Continuing Fund. Accordingly, investors of the Terminating Funds will have an opportunity to consider this information prior to voting on the Mergers at the special meetings.

Merger Steps

28. The Mergers will be structured substantially as follows:

    (i) The value of each Terminating Fund's portfolio and other assets will be determined at the close of business on the Effective Date.

    (ii) The Declaration of Trust governing the Trust Fund and the articles of MIX Corp will be amended to permit such actions as are necessary to complete the Mergers.

    (iii) Immediately following the close of business on the Effective Date, the Terminating Fund will transfer all of its assets and liabilities to the Continuing Fund with which the Terminating Fund is merging.

    (iv) Prior to effecting a Merger, each Terminating Fund will sell certain portfolio securities in order to better align with the portfolio of the Continuing Fund.

    (v) In exchange, the Terminating Fund will receive securities of the relevant series of the Continuing Fund, the aggregate value of which is equal to the aggregate net asset value (the "**NAV**") of the assets of the Terminating Fund transferred to such Continuing Fund, in each case calculated as of the close of business on the Effective Date.

    (vi) Immediately thereafter, the Terminating Fund will cause all of its securities to be redeemed and pay the redemption price by distributing securities of the Continuing Fund. This will result in each securityholder of the Terminating Fund receiving securities of the applicable series of the Continuing Fund with a NAV equal to the NAV of the securities of the relevant series of the Terminating Fund that were held by such securityholder.

    (vii) Securityholders of the Terminating Fund will receive securities of the Continuing Fund as follows:

Terminating Fund	**Continuing Fund**
Manulife Portrait Dividend Growth & Income Portfolio Class	*Manulife Growth Portfolio*
Advisor Series securities	Advisor Series securities
Series F securities	Series J securities
Series FT securities	Series JT securities
Series I securities	Series I securities
Series T securities	Series T securities
Advisor Series (FE only) securities	Series H securities
Series T (FE only) securities	Series K securities

Terminating Fund	Continuing Fund
Manulife Portrait Growth Portfolio Class	*Manulife Growth Portfolio*
Advisor Series securities	Advisor Series securities
Series F securities	Series J securities
Series FT securities	Series JT securities
Series T securities	Series T securities
Advisor Series (FE only) securities	Series HE securities
Series T (FE only) securities	Series K securities
Manulife Leaders Opportunities Portfolio	*Manulife Growth Portfolio*
Advisor Series securities	Advisor Series securities
Series F securities	Series J securities
Series FT securities	Series JT securities
Series G securities	Series G securities
Series T securities	Series T securities

As soon as reasonably practicable after the distribution of securities of the Continuing Fund to the Terminating Fund's securityholders, such Fund will be terminated or wound up.

29. New series of securities of the Continuing Fund, being Series J and Series JT securities, were created to grandfather the management fees of existing holdings of the Series F and Series FT securities, respectively, of each of the Terminating Funds as shown in the table under Representation 28. As a result, Series F and Series FT securityholders of the Terminating Funds will maintain the same management fee and DSC schedule within the Continuing Fund. The characteristics of the Series J and Series JT securities are otherwise the same as the Series F and Series FT securities of the Continuing Fund. Following the Mergers, Series J and Series JT securities will only be available to applicable securityholders of a Terminating Fund through pre-authorized chequing plans that have been established in the Terminating Fund prior to the effective date of the Mergers.

30. New series of securities of the Continuing Fund, being Series H, Series HE, and Series K securities, were created to grandfather the front-end load trailer fees ("FE") of the Advisor Series (FE only) and Series T (FE only) securities of Manulife Portrait Dividend Growth & Income Portfolio Class and Manulife Portrait Growth Portfolio Class, as shown in the table under Representation 28. As a result, these new series will receive trailer fee reductions with a corresponding management fee reduction within the Continuing Fund. The characteristics of the Series H, Series HE, and Series K securities are otherwise the same as the Advisor Series and Series T securities of the Continuing Fund. Following the Mergers Series H, Series HE, and Series K securities will only be available to applicable securityholders of a Terminating Fund through pre-authorized chequing plans that have been established in the Terminating Fund prior to the effective date of the Mergers.

31. Securityholders of a Terminating Fund will continue to have the right to redeem securities of such Terminating Fund for cash at any time up to the close of business on the Effective Date. The Circular disclosed that, upon acquisition of securities of the Continuing Fund, Terminating Fund securityholders will be subject to the same redemption charges to which their securities of the Terminating Fund were subject to prior to their Merger occurring.

32. All Terminating Funds will be capped to new purchases and redemptions as of 4:00 pm (Toronto time) on: (i) May 30, 2017 for wire orders over FundSERV; and (ii) after 4:00 pm (Toronto time) on June 2, 2017 for direct orders; in each case to allow for the Mergers to be processed. In addition, all Terminating Funds will be capped to switches and transfers over FundSERV after 4:00 pm (Toronto time) on June 1, 2017.

33. Following the Mergers, pre-authorized chequing plans, systematic withdrawal plans and other active optional services which had been established with respect to a Terminating Fund, will be automatically re-established (subject to limited exceptions which will be dealt with on an account-by-account basis) with respect to the Continuing Fund unless securityholders advise the Filer otherwise.

Benefits of Mergers

34. The Filer believes that the Mergers will benefit securityholders of the Funds because:

(i) Each Terminating Fund has a similar investment mandate as the Continuing Fund. As a result, each Merger will contribute towards reducing duplication and redundancy across the Manulife fund line-up and may potentially reduce the administrative and regulatory operating costs and expenses associated with the Terminating Funds.

(ii) Each Merger has the potential to lower costs for securityholders as the operating costs and expenses of the Continuing Fund will be spread over a greater pool of assets when the Terminating Funds merge into the Continuing Fund, potentially resulting in a lower management expense ratio for the Continuing Fund than may occur otherwise. No securityholder of the Terminating Funds will be subject to an increase in management fees as a result of the Terminating Funds merging into the Continuing Fund. Holders of Series F and Series FT securities of each Terminating Fund will be merged into newly created series of the Continuing Fund to maintain existing management fees for such securityholders. In addition, holders of Advisor Series and Series T securities (for the front-end load trailer fees) in Manulife Portrait Dividend Growth & Income Portfolio Class and Manulife Portrait Growth Portfolio Class will be merged into newly created series of the Continuing Fund which will receive trailer fee reductions with a corresponding management fee reduction.

(iii) The Continuing Fund will have an asset base of greater size, potentially allowing for increased portfolio diversification opportunities and a smaller proportion of assets set aside to fund redemptions. The ability to improve diversification may lead to increased returns and a reduction of risk, while at the same time creating a higher profile that may attract more investors.

(iv) The Continuing Fund is expected to attract more assets as marketing efforts will be concentrated on a single fund, rather than multiple funds with similar investment mandates. The ability to attract assets to the Continuing Fund will benefit investors by ensuring that the Continuing Fund is a viable, long-term, attractive investment vehicle for existing and potential investors.

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 Approval Sought is granted.

"Vera Nunes"
Manager, Investment Funds & Structured Products Branch
Ontario Securities Commission

2.1.4 TransCanada Corporation – s. 5.1 of OSC Rule 48-501 Trading During Distributions, Formal Bids and Share Exchange Transactions

Headnote

Application for a decision, pursuant to section 5.1 of OSC Rule 48-501, exempting the applicants from trading restrictions imposed by section 2.2 of OSC Rule 48-501. Decision granted. Decision and application also held in confidence by decision maker until the earlier of the entering into of an equity distribution agreement, waiver of confidentiality or 90 days from the date of the decision.

Rule Cited

Ontario Securities Commission Rule 48-501 – Trading During Distributions, Formal Bids and Share Exchange Transactions.

June 22, 2017

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S.5, AS AMENDED
(the Act)

AND

IN THE MATTER OF
ONTARIO SECURITIES COMMISSION RULE 48-501
TRADING DURING DISTRIBUTIONS, FORMAL BIDS
AND SHARE EXCHANGE TRANSACTIONS
(the Rule)

AND

IN THE MATTER OF
TRANSCANADA CORPORATION
(the Issuer)

DECISION
(Section 5.1 of the Rule)

UPON the Director (as defined in the Act) having received an application (the **Application**) from the Issuer for a decision (or its equivalent), pursuant to Section 5.1 of the Rule, exempting any person or company that is an insider of the Issuer (each individually, an **Insider** and collectively, the **Insiders**), as applicable, from the trading restrictions imposed on issuer-restricted persons by section 2.2 of the Rule;

AND UPON the Director also having received a request from the Issuer for a decision that the Application and this decision (together, the **Confidential Material**) be kept confidential and not be made public until the earliest of (i) the date on which the Issuer enters into an Equity Distribution Agreement (as defined below), (ii) the date on which the Issuer advises the Director that there is no longer any need for the Confidential Material to remain confidential, and (iii) the date that is 90 days after the date of this decision (together, the **Confidentiality Relief**);

AND UPON considering the Application and the recommendation of staff of the Ontario Securities Commission (the **Commission**);

AND UPON the Issuer having represented to the Director that:

1. The Issuer is a corporation incorporated under the *Canada Business Corporations Act*. The head office of the Issuer is in Calgary, Alberta.

2. The Issuer is a reporting issuer in each province and territory of Canada and is not in default of securities legislation in any jurisdiction of Canada.

3. The Issuer's common shares (the **Common Shares**) are listed on the Toronto Stock Exchange and the New York Stock Exchange.

4. The Common shares meet the requirements in the Rule to be considered a "highly-liquid security".

5. The Issuer has applied to the Alberta Securities Commission and the Commission for exemptive relief pursuant to National Policy 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions* from certain prospectus delivery and form requirements in order to facilitate “at-the-market distributions” of Common Shares by the Issuer in Canada and the United States (**ATM Distributions**) within the meaning of, and pursuant to the shelf prospectus procedures prescribed in, Part 9 of National Instrument 44-102 – *Shelf Distributions* (**NI 44-102**), to be made pursuant to the terms and conditions of one or more substantially identical equity distribution agreements to be entered into between the Issuer and certain agents (the **Equity Distribution Agreement**).

6. Subject to mutual agreement on terms and conditions, the Issuer is proposing to enter into the Equity Distribution Agreement with the Agents, providing for the periodic sale of Common Shares by the Issuer through the Agents, pursuant to an ATM Distribution under the base shelf prospectus procedures prescribed by Part 9 of NI 44-102 (an **ATM Program**), after the filing of base shelf prospectus and a prospectus supplement (together, the **Prospectus**).

7. The Equity Distribution Agreement will provide that, at the time of each sale of Common Shares pursuant to an ATM Distribution, the Issuer will represent to the Agents that the Prospectus contains full, true and plain disclosure of all material facts relating to the Issuer and the Common Shares being distributed. It is therefore likely that the bulk of the sales activity under the ATM Program will occur during periods commencing on the second business day after the public announcement of the Issuer's quarterly or

annual earnings and continuing for 45 calendar days thereafter.

8. Under the Issuer's share ownership guidelines (the **Ownership Guidelines**), directors of the Issuer must hold at least four times their annual cash plus equity retainer in Common Shares or deferred share units, the chief executive officer of the Issuer must hold five times his or her base salary in Common Shares, the members of the Issuer's executive leadership team must hold two times their base salary in Common Shares and senior vice presidents of the Issuer must hold one times their base salary, each having five years to attain such levels once the Ownership Guidelines apply to them.

9. Under the terms of the Issuer's trading policy for employees and insiders (the **Trading Policy**), directors and officers of the issuer, as well as certain other individuals, are limited in trading Common Shares to four approved annual windows (the **Trading Windows**) which commence on the second business day after the public announcement of the Issuer's quarterly or annual earnings and continue for 45 calendar days. If the Issuer puts in place an ATM Program, ATM Distributions by the Issuer will likely occur during the Trading Windows.

10. Pursuant to Section 2.2(a) of Rule 48-501, an insider of a reporting issuer is prohibited from bidding on or purchasing securities of that reporting issuer during the period commencing on the date that is two trading days prior to the day the offering price is determined for a prospectus offering of that reporting issuer, and ending on the date the selling process ends and all stabilization arrangements relating to the offered security are terminated (the **Insider Purchasing Restriction**).

11. In the absence of an exemption from the Insider Purchasing Restriction, Insiders would be restricted from bidding on and purchasing Common Shares during a period of time prior to and during each ATM Distribution by the Issuer, which would likely overlap with the Trading Windows and unduly and unnecessarily impede directors and officers of the Issuer from making purchases of Common Shares, including for the purposes of complying with the Ownership Guidelines.

AND UPON the Director being satisfied that to do so would not be prejudicial to the public interest;

IT IS THE DECISION of the Director pursuant to section 5.1 of the Rule that for purposes of the any ATM Distribution by the Issuer, bids for and purchases of Common Shares by an Insider for the account of such Insider or for an account over which such Insider exercises direction and control are exempt from section 2.2 of the Rule;

AND IT IS THE FURTHER DECISION of the Director that the Confidentiality Relief is granted.

DATED this 22nd day of June, 2017

"Susan Greenglass"
Director, Market Regulation Branch
Ontario Securities Commission

2.1.5 The Intertain Group Limited

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Filer wants to put in place a credit support issuer structure, but is unable to rely on the exemption for credit support issuers in applicable securities legislation – Relief granted from continuous disclosure requirements, certification requirements, insider reporting requirement, audit committee requirements and corporate governance requirements – Filer unable to rely on exemption for credit support issuers in applicable securities legislation since it has securities outstanding that are not designated credit support securities – Relief subject to conditions.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, ss. 107, 121(2)(a)(ii).
National Instrument 51-102 Continuous Disclosure Obligations, ss. 13.1, 13.4.
National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, s. 8.6.
National Instrument 52-110 Audit Committees, s. 8.1.
National Instrument 55-102 System for Electronic Disclosure by Insiders (SEDI), s. 6.1.
National Instrument 55-104 Insider Reporting Requirements and Exemptions, s. 10.1(2).
National Instrument 58-101 Disclosure of Corporate Governance Practices, s. 3.1.

May 9, 2017

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
THE INTERTAIN GROUP LIMITED
(the Filer)

DECISION

Background

1. The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) that, subject to certain conditions:

   (a) the Filer be exempt from continuous disclosure obligations under National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**) and related Legislation (the **Continuous Disclosure Relief**);

   (b) the Filer be exempt from the requirements for the certification of disclosure in annual and interim filings under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (**NI 52-109**) (the **Certification Relief**);

   (c) the Filer be exempt from the requirements relating to the composition and obligations of audit committees contained in National Instrument 52-110 *Audit Committees* (**NI 52-110**) (the **Audit Committee Relief**);

   (d) the insiders of the Filer be exempt from

      (i) the insider reporting requirements under the Legislation and pursuant to National Instrument 55-104 *Insider Reporting Requirements and Exemptions* (**NI 55-104**) in respect of securities of the Filer; and

(ii) the requirement to file an insider profile under National Instrument 55-102 *System for Electronic Disclosure by Insiders* (**NI 55-102**) in respect of securities of the Filer,

(collectively, the **Insider Reporting Requirements**); and

(e) the Filer be exempt from the requirements contained in National Instrument 58-101 *Disclosure of Corporate Governance Practices* (**NI 58-101**) (the **Corporate Governance Relief**);

(collectively, the **Exemptive Relief Sought**).

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

(a) the Ontario Securities Commission 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 British Columbia, Alberta, Québec and New Brunswick.

Interpretation

2. 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

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

The Relevant Entities

(a) The Filer is a corporation incorporated under the laws of Ontario. The Filer is the continuing corporation resulting from the amalgamation on January 25, 2017 of ExchangeCo and Intertain Holdings Inc. (each as defined below);

(b) The Filer's registered and head office was located at 24 Duncan Street, Floor 2, Toronto, Ontario, M5B 2B8.

(c) The Intertain Group Limited (**Original Intertain**) was a corporation incorporated under the laws of Ontario on November 26, 2010;

(d) Jackpotjoy plc (**Jackpotjoy**) is a company incorporated under the laws of England and Wales on July 29, 2016;

(e) Intertain CallCo ULC (**CallCo**) is an unlimited liability company incorporated under the *Companies Act* (Nova Scotia) on August 16, 2016. Jackpotjoy was, and following the Plan of Arrangement (as defined below), remains, the sole owner of the common shares of CallCo;

(f) Intertain ExchangeCo Limited (**ExchangeCo**) was a corporation incorporated under the laws of Ontario. CallCo was the sole holder of common shares of ExchangeCo prior to the Plan of Arrangement;

(g) CallCo and ExchangeCo were each incorporated specifically in connection with the Plan of Arrangement and the Exchangeable Share structure discussed below and neither of them has carried on, nor will CallCo carry on, any business other than in connection with the Exchangeable Share structure. Neither CallCo nor ExchangeCo had any shares listed or posted for trading on any stock exchange, nor was either of them a reporting issuer or the equivalent in any of the provinces or territories of Canada prior to the effective date of the Plan of Arrangement;

The Plan of Arrangement

(h) Original Intertain and Jackpotjoy, among others, entered into an agreement dated August 17, 2016 pursuant to which Original Intertain agreed to, among other things, implement a plan of arrangement pursuant to the *Business Corporations Act* (Ontario), as amended (the **Plan of Arrangement**);

(i) Original Intertain was a reporting issuer in each of the provinces of British Columbia, Alberta, Ontario, Québec and New Brunswick, and its common shares and convertible debentures were each listed on the Toronto

Stock Exchange (the **TSX**). To the knowledge of the Filer, Original Intertain was not in default of the securities legislation of Ontario, British Columbia, Alberta, Québec and New Brunswick;

(j) Original Intertain prepared, filed and mailed to its shareholders a management information circular dated August 19, 2016 which set out the particulars of the Plan of Arrangement and other matters in accordance with applicable Canadian securities laws, including disclosure with respect to the Exchangeable Shares and the structure by which the Exchangeable Shares would be governed, including the ownership of the Underlying Shares by Intertain JerseyCo Ltd (**JerseyCo**) and the ownership of all of the voting securities of CallCo by Jackpotjoy;

(k) on September 23, 2016, the special resolution of the shareholders of Original Intertain in relation to, among other things, the Plan of Arrangement, was approved by approximately 99.98% of the votes cast at the meeting either in person or by proxy;

(l) on September 27, 2016, Original Intertain received a final order of the Ontario Superior Court of Justice approving the Plan of Arrangement;

(m) on January 20, 2017, Jackpotjoy published its prospectus in connection with the admission of its ordinary shares (the **Ordinary Shares**) to the standard listing segment of the Official List of the UK's Financial Conduct Authority and to trading on the Main Market for listed securities of the London Stock Exchange plc (the **LSE** and, collectively, the **Admission**);

(n) on January 25, 2017, effective as of 3:00 a.m. (Toronto time):

  (i) the Admission occurred, such that the Ordinary Shares are now listed and trading on the LSE; and

  (ii) the Plan of Arrangement became effective;

(o) pursuant to the Plan of Arrangement, among other things:

  (i) Original Intertain amalgamated with ExchangeCo and Intertain Holdings Inc. to form the Filer;

  (ii) the Filer became an indirect subsidiary of Jackpotjoy (which holds all of the issued and outstanding shares in the capital of CallCo) and a direct subsidiary of CallCo;

  (iii) Jackpotjoy issued an aggregate of 73,718,942 Ordinary Shares, with 19,564,276 Ordinary Shares being issued to JerseyCo in connection with the establishment of the Exchangeable Share structure (as discussed below) and 54,154,666 in connection with the acquisition of the remaining Original Intertain common shares;

  (iv) the Filer issued an aggregate of 19,564,276 Class C exchangeable shares (the **Exchangeable Shares**) to those former shareholders of Original Intertain who had validly elected to receive Exchangeable Shares in exchange for the Original Intertain common shares held by such former shareholders; and

  (v) the Filer issued a further 54,154,676 Class A common shares (**Class A Shares**) to CallCo, representing all of the issued and outstanding voting securities of CallCo such that CallCo was (and remains) the sole holder of Class A Shares.

(p) The Exchangeable Shares provide for, among other things:

  (i) economic entitlements that are ultimately substantially economically equivalent to those of the Ordinary Shares (subject to certain differences in respect of distributions); and

  (ii) through the mechanics provided in the VETA (as defined and discussed below), the right to direct the exercise of the votes attaching to one Ordinary Share for each Exchangeable Share held on the same basis and in the same circumstances as if the holder held one Ordinary Share;

(q) the Exchangeable Shares are listed and trade on the TSX, such that the Filer continues to be a reporting issuer in each of the provinces of British Columbia, Alberta, Ontario, Québec and New Brunswick (being the jurisdictions in which Original Intertain was a reporting issuer prior to the implementation of the Plan of Arrangement);

(r) following the implementation of the Plan of Arrangement, Jackpotjoy:

(i) indirectly holds all of the voting shares of the Filer and the only business of Jackpotjoy is the business of the Filer;

(ii) is subject to applicable reporting requirements under the applicable laws of England and Wales and to the reporting requirements of the LSE;

(iii) became a reporting issuer in each of the provinces of British Columbia, Alberta, Ontario, Québec and New Brunswick (being the jurisdictions in which Original Intertain was a reporting issuer prior to the implementation of the Plan of Arrangement);

(iv) had more than 10% of its shareholders resident in Canada, either through ownership of Ordinary Shares or Exchangeable Shares. Jackpotjoy is therefore a "foreign issuer" for purposes of Canadian securities laws, and is not eligible to be considered a "designated foreign issuer" at this time; and

(v) is required to prepare and file annual financial statements and other continuous disclosure documents required by Securities Legislation;

The Exchangeable Share Structure

(s) in connection with the establishment of the Exchangeable Share structure, Jackpotjoy issued 19,564,276 Ordinary Shares to JerseyCo (the **Underlying Shares**), such number being equal to the number of Exchangeable Shares issued by the Filer pursuant to the Plan of Arrangement;

(t) pursuant to the Plan of Arrangement, JerseyCo entered into a voting and exchange trust agreement with Jackpotjoy, Intertain and Computershare Trust Company of Canada (as trustee) (the **VETA**), which provides for, among other things, that JerseyCo will not exercise any of the voting rights attaching to the Underlying Shares and that such rights will be exercised (if at all) by the trustee only on the direction of the relevant holder of Exchangeable Shares and that JerseyCo will not transfer or otherwise deal with the Underlying Shares except as directed by Jackpotjoy;

The Convertible Debentures

(u) immediately prior to the implementation of the Plan of Arrangement, there was approximately $2,168,000 principal amount in unsecured subordinated convertible debentures of Original Intertain outstanding and listed for trading on the TSX under the symbol "IT.DB" (each such debenture, a **Convertible Debenture**). Each $1,000 face value Convertible Debenture accrues interest at a rate of 5.0% per annum, payable semi-annually in arrears and was convertible at the holder's option into Original Intertain common shares at a conversion price of $6.00 per share at any time prior to maturity, being December 31, 2018;

(v) holders of Convertible Debentures who wished to acquire Exchangeable Shares (together with certain ancillary rights) rather than Ordinary Shares upon conversion of Convertible Debentures had the option, at any point prior to 5:00 pm on January 17, 2017, to convert their Convertible Debentures into Original Intertain common shares and follow the same procedure to receive Exchangeable Shares as a holder of Original Intertain common shares;

(w) $17,500,000 principal amount of Convertible Debentures were issued on December 19, 2013, when the Convertible Debentures were originally issued. $15,632,000 principal amount of Convertible Debentures were converted into Original Intertain common shares and are no longer an outstanding obligation of the Filer and only $1,868,000 principal amount of Convertible Debentures remain outstanding;

(x) as of the effective date of the Plan of Arrangement, Jackpotjoy, Intertain and Computershare Trust Company of Canada entered into a supplemental convertible debenture indenture in connection with the arrangement to provide for the issuance of Ordinary Shares upon conversion of the Convertible Debentures;

(y) pursuant to the Plan of Arrangement, the Convertible Debentures became convertible into Ordinary Shares but otherwise remain unchanged. Accordingly, the conversion price in respect of the Convertible Debentures continues to be $6.00, such that approximately 166.67 Ordinary Shares will be issued for each $1,000 principal amount of Convertible Debentures so converted, and rounded down to the nearest whole number of Ordinary Shares. The Convertible Debentures are also currently redeemable at a redemption price of 102.5% (i.e., $1,025 for each $1,000 of each principal amount of Convertible Debentures) plus accrued and unpaid

interest until December 31, 2017 and thereafter at par (plus accrued and unpaid interest) until their maturity on December 31, 2018;

(z) the Convertible Debentures continue to be listed on the TSX;

(aa) the Convertible Debentures are exchangeable into Ordinary Shares. Given the trading price of the Original Intertain common shares prior to the implementation of the Plan of Arrangement and the trading price of the Ordinary Shares following the effective date (each of which is well in excess of the $6.00 conversion price under the Convertible Debentures), the 166.67 Ordinary Shares that would be received on the conversion of each $1,000 in principal amount of the Convertible Debentures would have a value significantly higher than the redemption amount of $1,025.00 per $1,000;

(bb) Jackpotjoy has fully and unconditionally guaranteed (the **Parent Guarantee**) the payment and performance when due of all obligations of the Filer under the Convertible Debentures. The Parent Guarantee entitles the holders of the Convertible Debentures to receive payment from Jackpotjoy within 15 days of any failure by the Filer to make a payment;

(cc) the situation of the Filer is closely analogous to credit support issuers that are exempted from the requirements of NI 51-102 pursuant to the provisions of section 13.4 of NI 51-102. However, the exemption set forth in section 13.4 is not available to the Filer solely because the Exchangeable Shares do not qualify as designated credit support securities or any other security of a type enumerated in section 13.4(2)(c) of NI 51-102;

(dd) the Filer has no current intention of: (i) accessing the capital markets in the future by issuing any further securities to the public; or (ii) issuing any securities other than those that are currently outstanding;

(ee) the Filer is an indirect subsidiary of Jackpotjoy and its operational and financial results are consolidated with the operational and financial results of Jackpotjoy for the purposes of Jackpotjoy's satisfaction of its continuous disclosure obligations; and

(ff) continuous disclosure about Jackpotjoy is more relevant to holders of Exchangeable Shares than continuous disclosure about the Filer because the economic value of the Exchangeable Shares is ultimately determined by the operational and financial performance of Jackpotjoy and not the Filer, and because the Exchangeable Shares are directly exchangeable for Ordinary Shares.

Decision

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

5. The decision of the principal regulator under the Legislation is that the Exemptive Relief Sought is granted provided that:

(a) in respect of the Continuous Disclosure Relief, the Certification Relief, the Audit Committee Relief and the Corporate Governance Relief,

(i) Jackpotjoy is the direct or indirect beneficial owner of all of the issued and outstanding voting securities of the Filer, and no party other than Jackpotjoy, CallCo or other wholly-owned subsidiary of Jackpotjoy will have any direct or indirect ownership of the issued and outstanding voting securities of the Filer;

(ii) Jackpotjoy is a reporting issuer in a designated Canadian jurisdiction (as defined in NI 51-102) and has filed all documents it is required to file under NI 51-102;

(iii) the Filer does not issue any securities other than:

(A) Exchangeable Shares;

(B) designated credit support securities (as such term is defined in NI 51-102), including the Convertible Debentures;

(C) securities issued to and held by Jackpotjoy or an affiliate of Jackpotjoy;

(D) debt securities issued to and held by banks, loan corporations, loan and investment corporations, savings companies, trust corporations, treasury branches, savings or credit unions, financial services cooperatives, insurance companies or other financial institutions; and

(E) securities issued under exemptions from the registration requirement and prospectus requirement in Section 2.35 of National Instrument 45-106 *Prospectus Exemptions*;

(iv) the Filer does not have any securities outstanding other than the types of securities described in paragraph 5(a)(iii) above;

(v) the Filer files in electronic format:

(A) a notice indicating that the Filer is relying on the continuous disclosure documents filed by Jackpotjoy and setting out where those documents can be found for viewing in electronic format; or

(B) copies of all documents that Jackpotjoy is required to file under securities legislation, other than in connection with a distribution, at the same time as the filing by Jackpotjoy of those documents with a securities regulatory authority or regulator;

(vi) Jackpotjoy, the Filer or the Trustee concurrently sends to all registered and beneficial holders of Exchangeable Shares all disclosure materials that are sent to the holders of Ordinary Shares, in the manner and at the time required by securities legislation;

(vii) Jackpotjoy, the Filer or the Trustee concurrently sends to all holders of the Convertible Debentures all disclosure materials that are sent to the holders of similar debt of Jackpotjoy in the manner and at the time required by securities legislation;

(viii) Jackpotjoy complies with Canadian securities legislation in respect of making public disclosure of material information on a timely basis, and immediately issues in Canada and files any news release that discloses a material change in its affairs; and

(ix) the Filer issues a news release and files a material change report in accordance with Part 7 of NI 51-102 for all material changes in respect of the Filer's affairs that are not also material changes in Jackpotjoy's affairs;

(x) all or substantially all of the assets of the business carried on by Jackpotjoy are held by the Filer or controlled affiliates of the Filer;

(xi) no person or company other than Jackpotjoy has provided a guarantee or alternative credit support (as such term is defined in NI 51-102) for the payments to be made under any issued and outstanding securities of the Filer; and

(b) in respect of the Insider Reporting Relief:

(i) if the insider is not Jackpotjoy: (A) the insider does not receive, in the ordinary course, information as to material facts or material changes concerning Jackpotjoy before the material facts or material changes are generally disclosed; and (B) the insider is not an insider of Jackpotjoy in any capacity other than by virtue of being an insider of the Filer;

(ii) Jackpotjoy is the beneficial owner, directly or indirectly, of all the issued and outstanding voting securities of the Filer;

(iii) if the insider is Jackpotjoy, Jackpotjoy does not beneficially own any designated credit support securities of the Filer;

(iv) Jackpotjoy is a reporting issuer in a designated Canadian jurisdiction and has filed all documents it is required to file under NI 51-102;

(v) the Filer has not issued any securities other than the types of securities described in paragraph 5(a)(iii) above; and

(vi) the Filer does not have any securities outstanding other than the types of securities described in paragraph 5(a)(iii) above.

As to the Exemptive Relief Sought (other than the Insider Reporting Relief):

"Marie-France Bourret"
Acting Manager, Corporate Finance
Ontario Securities Commission

As to the Insider Reporting Relief:

"Timothy Moseley"
Commissioner
Ontario Securities Commission

"Peter W. Currie"
Commissioner
Ontario Securities Commission

2.1.6 Canadian Natural Resources Limited

Headnote

National Policy 11-203 Process For Exemptive Relief Applications in Multiple Jurisdictions – National Instrument 51-102 Continuous Disclosure Obligations – Application for relief from requirement in Section 8.4 of NI 51-102 to include financial statements relating to the acquisition of outstanding shares of Marathon Oil Canada Corporation in the BAR filed in connection with the acquisition, on the condition that the Filer include in the BAR alternative financial statements prepared in accordance with subsection 3.11(5) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards – Relief granted subject to conditions including provision of the alternative financial statements.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am.

Citation: *Re Canadian Natural Resources Limited*, 2017 ABASC 117

July 7, 2017

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

AND

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

AND

IN THE MATTER OF
CANADIAN NATURAL RESOURCES LIMITED
(the Filer)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Makers**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) exempting the Filer from the requirement to include financial statements relating to the Marathon Acquisition (as defined herein) pursuant to section 8.4 of National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**) in the business acquisition report (**BAR**) filed in connection with the Acquisitions (as defined herein) on the condition that the Filer include in the BAR, the Alternative Financial Statements (as defined herein) (the **Requested Relief**).

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

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

(b) the Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in the provinces of British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador; and

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

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, MI 11-102 or NI 51-102 have the same meaning if used in this decision, unless otherwise defined herein.

Representations

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

1. The Filer is a corporation incorporated under the *Business Corporations Act* (Alberta).

2. The Filer's head office is located in Calgary, Alberta.

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

4. The Filer's common shares are listed and posted for trading on the Toronto Stock Exchange and the New York Stock Exchange under the symbol "CNQ".

5. On March 8, 2017, the Filer entered into an asset purchase agreement with Shell Canada Limited (**Shell**) and certain of its affiliates whereby the Filer agreed to acquire a 60% interest in the Athabasca Oil Sands Project (the **AOSP**) and certain other oil sands leases (the **Shell Acquisition**). Concurrently, the Filer and an affiliate of Shell entered into a share purchase agreement with an affiliate of Marathon Oil Corporation (**Marathon**) whereby the Filer and an affiliate of Shell jointly agreed to purchase Marathon's 20% interest in the AOSP and certain other non-producing oil sands leases through the acquisition by each of CNRL and an affiliate of Shell of 50% of the outstanding shares of Marathon Oil Canada Corporation (**MOCC**) (the **Marathon Acquisition** and together with the Shell Acquisition, the **Acquisitions**).

6. The Acquisitions closed on May 31, 2017. The total purchase price, subject to final adjustments, for the Shell Acquisition was approximately $10.8 billion and the Filer's portion of the purchase price for the Marathon Acquisition was approximately US$1.3 billion (approximately $1.7 billion). The total purchase price, subject to final adjustments, for the Acquisitions was approximately $12.5 billion. As a result of the Acquisitions, the AOSP is currently owned: (a) by CNRL, which directly and indirectly holds a 70% interest; (b) by Shell, which indirectly holds a 10% interest; and (c) by Chevron Canada Corporation, which directly holds a 20% interest.

7. Individually, the Shell Acquisition is not a significant acquisition under

   (a) the investment test as described in paragraph 8.3(2)(b) of NI 51-102 (the **Investment Test**), as the Filer determined that the consolidated investments in the Shell Acquisition equaled approximately 18.4% of the consolidated assets of the Filer based on the most recent audited financial statements of the Filer, or

   (b) the profit or loss test as described in paragraph 8.3(2)(c) of NI 51-102 (the **Profit or Loss Test**), substituting specified profit or loss with operating income in respect of the Shell Acquisition and substituting specified profit or loss for the most recently completed financial year in respect of the Filer with average operating income for the three most recently completed financial years, as described in subsections 8.10(2), 8.3(8) and 8.3(10) of NI 51-102, as the Filer determined that the operating income for the most recently completed financial year attributable to the oil and gas properties acquired pursuant to the Shell Acquisition equaled approximately 14.4% of the Filer's average operating income for the three most recently completed financial years.

8. Individually, the Marathon Acquisition is not a significant acquisition under

   (a) the asset test as described in paragraph 8.3(2)(a) of NI 51-102 (the **Asset Test**), as the Filer determined that the Filer's 50% proportionate share of the assets of MOCC, based on the audited financial statements of MOCC for the year ended December 31, 2016, subject to adjustments as described in subsection 8.3(13) of NI 51-102, equaled approximately 10.7% of the consolidated assets of the Filer based on the most recent audited financial statements of the Filer,

   (b) the Investment Test, as the Filer determined that the consolidated investments of the Filer in the Marathon Acquisition equaled approximately 2.9% of the consolidated assets of the Filer based on the most recent audited financial statements of the Filer, or

   (c) the Profit or Loss Test, substituting specified profit or loss for the most recently completed financial year in respect of the Filer with average specified profit or loss for the three most recently completed financial years, as described in subsections 8.3(8) and 8.3(10) of NI 51-102, as the Filer determined that the Filer's proportionate share of the specified profit or loss for the most recently completed financial year of MOCC, subject to adjustments as described in subsection 8.3(13) of NI 51-102, equaled approximately 3.4% of the Filer's average specified profit or loss for the three most recently completed financial years.

9. The Acquisitions are considered an acquisition of related businesses under section 8.1 of NI 51-102, and as a result are a significant acquisition of the Filer for the purposes of NI 51-102. The Filer will therefore be required to file a BAR within 75 days of the completion of the Acquisitions.

10. As the Shell Acquisition is the acquisition of an interest in oil and gas property, the BAR filed in connection with the Acquisitions will contain the disclosure in respect of the Shell Acquisition contemplated by paragraphs 8.10(3)(e)-(g) of NI 51-102, which provides an exemption from certain financial statements required for a BAR.

11. Although the Marathon Acquisition is also the acquisition of an interest in an oil and gas property, the Filer cannot rely on the exemption in section 8.10 of NI 51-102 because the conditions in paragraphs 8.10(1)(b) and 8.10(3)(a)-(b) are not met.

12. Pursuant to section 8.4 of NI 51-102 and Item 3 of Form 51-102F4 *Business Acquisition Report*, absent the Requested Relief, the BAR filed in connection with the Acquisitions must include the following financial statements in respect of the Marathon Acquisition:

    (a) annual financial statements of MOCC, comprising the statements of financial position as at December 31, 2016 and 2015, the statements of income and comprehensive income, changes in equity and cash flows for the years then ended, together with notes to such financial statements and an audit report in respect of the year ended December 31, 2016;

    (b) an unaudited interim financial report for MOCC for the three month periods ended March 31, 2017 and 2016;

    (c) a pro forma statement of financial position of the Filer as at the date of the Filer's most recent statement of financial position filed at March 31, 2017, that gives effect to the Marathon Acquisition as if it had taken place as at the date of that pro forma statement of financial position;

    (d) a pro forma income statement of the Filer that gives effect to the Marathon Acquisition as if it had taken place at the beginning of the financial year, for each of the following financial periods:

        (i) the Filer's financial year ended December 31, 2016; and

        (ii) the Filer's three month interim period ended March 31, 2017; and

    (e) pro forma earnings per share based on the pro forma financial statements referred to in paragraph (d) above.

13. The Marathon Acquisition is immaterial relative to the Shell Acquisition. The consideration payable by the Filer to Marathon represents approximately 13.6% of the total consideration payable by the Filer in connection with the Acquisitions whereas the Shell Acquisition represents approximately 86.4% of the total consideration payable in connection with the Acquisitions.

14. Individually, the Marathon Acquisition does not constitute a significant acquisition under the Asset Test, Investment Test and Profit or Loss Test and is not significant under the other metrics provided by the Filer.

15. The Filer proposes to include the following alternative financial statements regarding the Marathon Acquisition (the **Alternative Financial Statements**) in the BAR filed in connection with the Acquisitions:

    (a) operating statements for the years ended December 31, 2016 and 2015 in respect of the oil and gas properties owned by MOCC, together with an audit report in respect of the year ended December 31, 2016; and

    (b) unaudited operating statements for the three months ended March 31, 2017 and 2016 in respect of the oil and gas properties owned by MOCC.

17. The Alternative Financial Statements will be prepared in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (**NI 52-107**).

Decision

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

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted, provided that the Filer includes the Alternative Financial Statements prepared in accordance with subsection 3.11(5) of NI 52-107 in the BAR filed in connection with the Acquisitions.

"Cheryl McGillivray"
Manager
Corporate Finance

2.1.7 Frankly Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Multilateral Instrument 11-102 Passport System and National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards, ss. 3.1, 3.2 and 5.1 – National Instrument 51-102 Continuous Disclosure Obligations, s. 13.1 – s. 1.1, definition of "MD&A" – An issuer that is not yet an "SEC issuer" wants to file financial statements prepared in accordance with U.S. GAAP and audited in accordance with U.S. GAAS – the issuer intends to become an SEC registrant – the issuer has filed a registration statement with the SEC; the issuer will meet all the elements of the definition of "SEC issuer" once the SEC accepts its registration statement; the issuer will file financial statements and MD&A that comply with the requirements for SEC issuers in NI 52-107 and NI 51-102; if the issuer does not become an SEC issuer by August 15, 2017, it will re-file its financial statements in accordance with Canadian GAAP and Canadian GAAS and its MD&A in accordance with Form 51-102F1 Management's Discussion and Analysis.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am.

June 30, 2017

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

AND

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

AND

IN THE MATTER OF
FRANKLY INC.
(the Filer)

DECISION

Background

1 The securities regulatory authority or regulator in each of the Jurisdictions (each, a Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) exempting the Filer from the requirement in section 3.2 and 3.3 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107) that financial statements, other than acquisition statements, be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and, if applicable, audited in accordance with Canadian GAAS, and exempting the Filer from the requirement in section 1.1 of National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) (in the definition of MD&A) that management's discussion and analysis be prepared in accordance with the form of 51-102F1 (Canadian MD&A Form) with respect to the financial statements for the year ended December 31, 2016 and the interim period ended March 31, 2017 and the management's discussion and analysis prepared for those periods (collectively, the Exemptions Sought).

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

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

(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 Alberta; and

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

Interpretation

2 Terms defined in National Instrument 14-101 *Definitions*, NI 52-107, NI 51-102 and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

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

1. the Filer is a company continued pursuant to the *Business Corporations Act* (British Columbia) on July 11, 2016;

2. the Filer's head office is located at 333 Bryant Street, Suite 310, San Francisco, CA 94107;

3. the Filer's registered office is located at 2900-550 Burrard Street, Vancouver, British Columbia, V6C 0A3;

4. the primary business of the Filer is to provide an integrated software platform to broadcasters and media companies which use this technology to get their content onto multiscreen devices, increase social interaction on those multiscreen experiences, and enable digital advertising;

5. the Filer is a reporting issuer in British Columbia, Alberta and Ontario and is not in default of securities legislation in any jurisdiction;

6. the common shares of the Filer are listed on the TSX Venture Exchange Inc. under the symbol "TLK";

7. the Filer's financial year end is December 31;

8. all of the executive officers and the majority of the directors of the Filer are resident in the United States; no directors or officers are resident in Canada;

9. the vast majority of the consolidated assets of the Filer are located in the United States through two operating subsidiaries;

10. the business of the Filer is administered principally in the United States;

11. the majority of the Filer's outstanding voting securities are directly or beneficially held by residents of the United States or countries other than Canada;

12. on November 14, 2016, the Filer filed a registration statement on Form S-1 (the Form S-1) with the U.S. Securities and Exchange Commission (the SEC), which was subsequently amended on January 11, 2017, February 1, 2017, April 18, 2017, May 11, 2017, May 19, 2017, May 22, 2017, June 2, 2017, June 16, 2017, and June 27, 2017 in response to comments of the SEC and to reflect changes in terms of the offering and the adding of another underwriter;

13. the audited financial statements for the fiscal years ended December 31, 2016 and December 31, 2015 prepared in accordance with U.S. GAAP and audited in accordance with U.S. PCAOB GAAS were included with the amendment to the Form S-1 filed on April 18, 2017 (the April S-1 Amendment);

14. the Filer has filed the Form S-1, as amended, with the SEC in order to register its common shares under the *Securities Act of 1933*, as amended (the 1934 Act), to conduct an initial public offering of its common shares in the United States and list its common shares on The Nasdaq Capital Market, and upon the effectiveness of the Form S-1, as amended, will become subject to the periodic reporting requirements to file reports with the SEC under the 1934 Act;

15. the Filer has settled all comments on the Form S-1, as amended, provided to date by the SEC;

16. on March 30, 2017, the securities regulatory authority or regulator in British Columbia and Ontario issued a decision (the Initial Order) granting relief substantially similar to the Exemptions Sought (the Existing Relief);

17. in accordance with the terms and conditions of the Existing Relief, the Filer has filed:

(a) financial statements for the year ended December 31, 2016 and the interim period ending March 31, 2017, prepared in accordance with U.S. GAAP and audited in accordance with U.S. PCAOB GAAS, as applicable; and

(b) the related management's discussion and analysis prepared in accordance with Item 303 of Regulation S-K under the 1934 Act, on SEDAR;

18. under the terms of the Existing Relief, if the Filer does not become an SEC Issuer by June 30, 2017, the Filer will be required to re-file on SEDAR:

(a) the financial statements for the year ended December 31, 2016 and the interim period ending March 31, 2017, prepared in Canadian GAAP applicable to publicly accountable enterprises and audited in accordance with Canadian GAAS, as applicable;

(b) the related management's discussion and analysis in the Canadian MD&A Form; and

(c) a news release explaining the nature and purpose of the re-filings;

19. at the time of the Initial Order, the Filer anticipated that it would become an SEC Issuer by June 30, 2017;

20. as a result of delays associated with the modification of the terms for its public offering of shares in the United States, the addition of a co-lead underwriter to manage the offering and ongoing communications with debtholders, the Filer no longer expects that it will become an SEC Issuer by June 30, 2017 but it is expected that it will become an SEC Issuer by no later than August 15, 2017;

21. the Exemptions Sought will extend the deadline of the Existing Relief such that the Issuer is required to make the filings described in paragraph 18 if the Filer does not become an SEC issuer by August 15, 2017; and

22. the Filer submits that the Exemptions Sought would not be prejudicial to the public interest.

Decision

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

The decision of the Decision Makers under the Legislation is that the Existing Relief is revoked and the Exemptions Sought are granted provided that, if the Filer does not become an SEC Issuer by August 15, 2017, the Filer will immediately re-file on SEDAR:

(a) the financial statements for the year ended December 31, 2016 and the interim period ending March 31, 2017, prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and audited, as applicable, in accordance with Canadian GAAS;

(b) the related management's discussion and analysis in the Canadian MD&A Form; and

(c) a news release explaining the nature and purpose of the re-filings.

"John Hinze"
Director, Corporate Finance
British Columbia Securities Commission

2.2 Orders

2.2.1 Eleven Biotherapeutics, Inc.

Headnote

Subsection 74(1) – Application for exemption from prospectus requirement in connection with first trade of shares of issuer through exchange or market outside of Canada or to person or company outside of Canada – issuer not a reporting issuer in any jurisdiction in Canada – conditions of the exemption in section 2.14 of National Instrument 45-102 Resale of Securities not satisfied as residents of Canada own more than 10% of the total number of shares – relief granted subject to conditions, including at the date of the trade, the issuer is not a reporting issuer in any jurisdiction of Canada where that concept exists, the trade is made through an exchange or market outside of Canada or to a person or company outside of Canada and immediately following the private placements, the Canadian security holders will beneficially own, directly or indirectly, no more than 25% of the total issued and outstanding common shares.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 53, 74(1).
National Instrument 45-102 Resale of Securities, s. 2.14.

July 4, 2017

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED
(THE "ACT")

AND

IN THE MATTER OF
ELEVEN BIOTHERAPEUTICS, INC.
(the "Issuer")

ORDER

Background

The Ontario Securities Commission (the "**Commission**") has received an application from the Issuer for an exemption under Section 74(1) of the *Securities Act* (Ontario) (the "**Act**") from the prospectus requirement set forth in Section 53 of the Act in connection with the first trades of: (i) the Private Placement Shares (as defined below) issued by the Issuer to the Ontario Investors (as defined below) in connection with the Ontario Private Placement (as defined below) and (ii) the Clairmark Shares (as defined below) (the "**Requested Relief**").

Interpretation

Terms defined in the Act and in National Instrument 14-101 *Definitions* have the same meaning if used in this ruling, unless otherwise defined.

Representations

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

1. The Issuer was formed on February 25, 2008 and is a corporation formed with limited liability under the laws of the State of Delaware. The Issuer is a reporting issuer in the United States and its Common Shares are listed for trading on the NASDAQ Stock Market (the "**NASDAQ**") under the symbol "EBIO". The Issuer's principal and executive offices are located at 245 First Street, Suite 180, Cambridge, Massachusetts.

2. The authorized capital of the Issuer currently consists of 5,000,000 shares of preferred stock, of which none are issued and outstanding, and 200,000,000 common shares (the "**Common Shares**"), of which 24,700,746 are issued and outstanding. As of June 27, 2017, 3,582,328 Common Shares (the "**Clairmark Shares**") representing approximately 14.5% of the issued and outstanding Common Shares are held by Clairmark Investments Ltd. ("**Clairmark**"), an affiliate of Leslie Dan, a Canadian Resident and a director of the Issuer.

3. Clairmark acquired 3,582,328 Common Shares as consideration in a share purchase agreement dated September 20, 2016, by and among the Issuer, the shareholders of Viventia Bio Inc. ("**Viventia**"), and Clairmark pursuant to which Viventia was acquired by the Issuer. At the time of the transaction, Clairmark was the majority shareholder of Viventia and received its pro rata share of the consideration in the transaction.

4. The Issuer is not a reporting issuer in any province or territory of Canada. The Issuer's securities are not listed or posted for trading on any exchange or market in Canada or outside of Canada. The Issuer has no present intention of listing its Common Shares on any Canadian stock exchange or of becoming a reporting issuer under any Canadian securities legislation.

5. Clairmark was amalgamated under the laws of Ontario on January 1, 2015. Clairmark's registered and executive offices are located at 305 Milner Avenue, Suite #914, Toronto, Ontario M1B 3V4.

6. Clairmark is not a reporting issuer in any province or territory of Canada. Clairmark's securities are not listed or posted for trading on any exchange or market in Canada or outside of Canada. Clairmark has no present intention of listing its Common Shares on any Canadian stock exchange or of becoming a reporting issuer under any Canadian securities legislation.

7. On or before September 30, 2017, the Issuer proposes to distribute Common Shares (the "**Private Placement Shares**") in a prospectus-exempt offering in various jurisdictions (the "Private Placements") including in Ontario (the "**Ontario Private Placement**"), in accordance with all applicable laws. Although the exact number of Common Shares to be issued in the Private Placements has not been determined, the aggregate gross proceeds of the Private Placements (including the Ontario Private Placement) are expected to be in the range US$20-US$25 million.

8. Clairmark does not intend to subscribe for Common Shares under the Private Placements.

9. It is anticipated that under the Ontario Private Placement, the opportunity to invest in the Common Shares will be extended to a very limited number of accredited investors (each an "**accredited investor**") as defined in Section 73.3 of the Act (the **Ontario Investors**) who will also constitute "permitted clients" as defined in National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

10. It is expected that Clairmark, together with the Ontario Investors, will own more than 10% of the outstanding Common Shares immediately following the Private Placements. It is expected that (i) Canadian residents, including Clairmark and the Ontario Investors, will own not more than 25% of the outstanding Common Shares and (ii) Canadian resident shareholders will represent not more than 25% of the total number of holders of Common Shares, immediately following the Private Placements.

11. The Common Shares issued under the Ontario Private Placement will be distributed to the Ontario Investors pursuant to the accredited investor exemption in Section 73.3 of the Act and Clairmark acquired the Common Shares it currently holds pursuant to a prospectus exemption. Accordingly, in the absence of an order granting relief, the first trades in Restricted Shares will be deemed distributions pursuant to section 2.6 National Instrument 45-102 *Resale of Securities* ("**NI 45-102**").

12. On the date on which Common Shares were distributed to Clairmark and the date on which Common Shares will be distributed to the Ontario Investors, the Issuer was not and will not be a reporting issuer in any jurisdiction of Canada.

13. Subsection 2.14(1) of NI 45-102 provides an exemption from the prospectus requirement for the first trade in securities of a non-reporting issuer distributed under a prospectus exemption. Specifically, subsection 2.14(1) states that the prospectus requirement does not apply to the first trade of a security distributed under an exemption from the prospectus requirement if:

    (a) the issuer of the security:

        (i) was not a reporting issuer in any jurisdiction of Canada at the distribution date; or

        (ii) is not a reporting issuer in any jurisdiction of Canada at the date of the trade;

    (b) at the distribution date, after giving effect to the issue of the security and any other securities of the same class or series that were issued at the same time as or as part of the same distribution as the security, residents of Canada:

        (i) did not own directly or indirectly more than 10 percent of the outstanding securities of the class or series; and

(ii) did not represent in number more than 10 percent of the total number of owners directly or indirectly of securities of the class or series (subsection 14(b)(i) and (ii) are collectively referred to as the "**10% *De Minimis* Condition**"); and

(c) the trade is made:

(i) through an exchange, or a market, outside of Canada; or

(ii) to a person or company outside of Canada.

14. The prospectus exemption in subsection 2.14(1) of NI 45-102 will not be available to Clairmark and the Ontario Investors with respect to their first trade in the Restricted Shares, because on the date immediately following the Ontario Private Placement, Clairmark and the Ontario Investors will own more than 10% of the outstanding Common Shares, preventing the condition in subparagraph 2.14(1)(b)(i) from being satisfied. Other than the condition in subparagraph 2.14(1)(b)(i), the conditions of subsection 2.14(1) would be satisfied to allow the first trade of Restricted Shares by Clairmark and the Ontario Investors in compliance with the prospectus exemption.

15. No market for the Common Shares exists in Canada and none is expected to develop as a result of or following the Private Placements. The Common Shares will be offered primarily outside of Canada with no more than 25% of the Common Shares being held by residents of Canada (including Clairmark and the Ontario Investors) immediately after giving effect to the Private Placements. The market for the Common Shares will be outside of Canada and primarily in the United States as a result of the NASDAQ listing. It is expected that any resale of Restricted Shares by Clairmark and the Ontario Investors will be effected through an exchange or market outside of Canada (including the facilities of the NASDAQ) or to a person or company outside of Canada.

16. The Issuer has a *de minimis* connection to Canada. At the time of the Offering, it is expected that all of the officers and management of the Issuer will be located in Cambridge, Massachusetts. Currently, only one Canadian resident, Leslie Dan, serves as a director of the Issuer. The balance of the directors and all of the officers are not Canadian residents. Other than Clairmark, Canadian residents do not own more than 5% of the Applicant's Common Shares.

17. The Issuer will be subject to the reporting and disclosure obligations of the *Securities Exchange Act of 1934* and the NASDAQ rules and regulations. Holders of Common Shares issued under the Ontario Private Placement will receive copies of all shareholder materials provided to all other holders of the Common Shares, in accordance with applicable law, and will also have general access to such materials on EDGAR.

18. There is no market for Common Shares in Canada and no market is expected to develop, to the extent that any resale of the Private Placement Shares or the Clairmark Shares is expected to be made through an exchange or a market outside of Canada or to a person or company outside of Canada.

Order

The Commission is satisfied that the decision meets the test set out in subsection 74(1) of the Act.

The order of the Commission under subsection 74(1) of the Act is that the Requested Relief is granted provided that:

(a) immediately following the Private Placements, including the Ontario Private Placements: (i) the Ontario Investors and Clairmark together will own, directly or indirectly, no more than 25% of the total issued and outstanding Common Shares and (ii) the Ontario Investors and Clairmark together will represent no more than 25% of the total number of holders directly or indirectly of Common Shares; and

(b) any resale by Ontario Investors or Clairmark qualifies under subsection 2.14(1) of NI 45-102, other than the 10% *De Minimis* Condition.

DATED at Toronto, Ontario this 4 day of July, 2017.

"Tim Moseley"
Commissioner
Ontario Securities Commission

"Frances Kordyback"
Commissioner
Ontario Securities Commission

2.2.2 TCM Investments Ltd. et al. – s. 127(8)

IN THE MATTER OF
TCM INVESTMENTS LTD.
carrying on business as OPTIONRALLY,
LFG INVESTMENTS LTD.,
AD PARTNERS SOLUTIONS LTD., and
INTERCAPITAL SM LTD.

Timothy Moseley, Chair of the Panel

July 6, 2017

ORDER
(Subsection 127(8) of
the *Securities Act*, RSO 1990, c S.5)

THIS APPLICATION, made by Staff of the Ontario Securities Commission pursuant to subsection 127(8) of the *Securities Act*, RSO 1990, c S.5 (the "**Act**"), for an extension of the temporary Order issued against the respondents on May 10, 2017 (the "**Temporary Order**"), was heard on May 24, June 13 and July 6, 2017, at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario;

ON READING Staff's Memorandum of Fact and Law and the Affidavit of Steve Carpenter sworn May 23, 2017, and on hearing the submissions of Staff of the Commission, no one appearing for the respondents, although properly served as appears from the Affidavits of Service of Laura Filice sworn on May 15 and 25, 2017;

IT IS ORDERED THAT pursuant to subsection 127(8) of the Act, Staff's application to extend until September 28, 2017, paragraph 1 of the Temporary Order, which provides that under paragraph 2 of subsection 127(1) of the Act, all trading in any securities by the respondents shall cease, is approved.

"Timothy Moseley"

2.2.3 Savanna Energy Services Corp.

Headnote

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

Applicable Legislative Provisions

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

Citation: *Re Savanna Energy Services Corp.*, 2017 ABASC 118

July 7, 2017

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

AND

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

AND

IN THE MATTER OF
SAVANNA ENERGY SERVICES CORP.
(the Filer)

ORDER

Background

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

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

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

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

(c) this order is the order of the principal regulator and evidences the decision of

the securities regulatory authority or regulator in Ontario.

Interpretation

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

Representations

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

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

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

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

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

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

Order

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

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

"Cheryl McGillivray"
Manager
Corporate Finance

2.4 Rulings

2.4.1 TFS Energy Futures LLC – s. 38 of the CFA

Headnote

Application to the Commission pursuant to section 38 of the Commodity Futures Act (Ontario) (CFA) for a ruling that the Applicant be exempted from the dealer registration requirement in paragraph 22(1)(a) and the prohibition against trading on non-recognized exchanges in section 33 of the CFA. As an introducing broker, the Applicant will offer the ability to trade in commodity futures contracts and commodity futures options that trade on exchanges located outside Canada and are cleared through clearing corporations located outside of Canada, including block trades, to certain of its clients in Ontario who meet the definition of "permitted client" in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations .

Applicable Legislative Provisions

Statutes Cited

Commodity Futures Act , R.S.O. 1990, c. C.20, as am., ss. 22, 33, 38.
Securities Act, R.S.O. 1990, c. S.5, as am.

Instrument Cited

National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, s. 8.18.

July 5, 2017

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

AND

IN THE MATTER OF
TFS ENERGY FUTURES LLC

RULING
(Section 38 of the CFA)

UPON the application (the **Application**) of TFS Energy Futures LLC (the **Applicant**) to the Ontario Securities Commission (the **Commission**) for:

(a) a ruling of the Commission, pursuant to section 38 of the CFA, that the Applicant is not subject to the dealer registration requirement in the CFA (as defined below) or the trading restrictions in the CFA (as defined below) in connection with trades in Exchange-Traded Futures (as defined below) on Non-Canadian Exchanges (as defined below), including Block Trades (as defined below) on Non-Canadian Exchanges, where the Applicant is acting as agent in such trades to, from or on behalf of Permitted Clients (as defined below); and

(b) a ruling of the Commission, pursuant to section 38 of the CFA, that a Permitted Client is not subject to the dealer registration requirement in the CFA or the trading restrictions in the CFA in connection with trades in Exchange-Traded Futures on Non-Canadian Exchanges, where the Applicant acts in respect of trades in Exchange-Traded Futures on behalf of the Permitted Client pursuant to the above ruling;

AND WHEREAS for the purposes of this ruling (the **Decision**):

(a) the following terms shall have the following meanings:

"Block Trade" means a trade in a large quantity of Exchange Traded Futures entered into between ECPs (in this case, via an introducing broker) pursuant to a privately negotiated transaction that, pursuant to the applicable rules of a Non-Canadian Exchange, are permitted to be executed on the Non-Canadian Exchange apart from the public auction market established by the Non-Canadian Exchange subject to meeting specified quantity thresholds (which are different large amounts depending on the particular Non-Canadian Exchange)

and provided that the price of the trade is entered and reported on the Non-Canadian Exchange within a specified time period following the trade;

"CFTC" means the U.S. Commodity Futures Trading Commission;

"dealer registration requirement in the CFA" means the provisions of section 22 of the CFA that prohibit a person or company from trading in Exchange-Traded Futures unless the person or company satisfies the applicable provisions of section 22 of the CFA;

"ECP" means eligible contract participant as that term is defined in the U.S. *Commodity Exchange Act*;

"Exchange-Traded Futures" means commodity futures contracts or commodity futures options that trade on one or more organized exchanges located outside of Canada and that are cleared through one or more clearing corporations located outside of Canada;

"FINRA" means the Financial Industry Regulatory Authority in the U.S.;

"IDE" means the international dealer exemption in section 8.18 of NI 31-103;

"NI 31-103" means National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

"NFA" means the National Futures Association in the U.S.;

"Non-Canadian Exchange" means an exchange located outside Canada;

"OSA" means the *Securities Act* (Ontario);

"Permitted Client" means a client in Ontario that is a "permitted client" as that term is defined in section 1.1 of NI 31-103;

"SEC" means the U.S. Securities and Exchange Commission;

"specified affiliate" has the meaning ascribed to that term in Form 33-109F6 to National Instrument 33-109 Registration Information;

"trading restrictions in the CFA" means the provisions of section 33 of the CFA that prohibit a person or company from trading in Exchange-Traded Futures unless the person or company satisfies the applicable provisions of section 33 of the CFA; and

"U.S." means the United States of America; and

(b) terms used in this Decision that are defined in the OSA, and not otherwise defined in this Decision or in the CFA, shall have the same meaning as in the OSA, unless the context otherwise requires.

AND UPON considering the Application and the recommendation of staff of the Commission;

AND UPON the Applicant having represented to the Commission as follows:

1. The Applicant is a limited liability company incorporated under the laws of the State of Delaware in the U.S. Its main office is located at 9 West Broad Street, 9th floor, Stamford, CT, 06902, U.S.

2. TFS Energy Futures LLC is a wholly owned subsidiary of TFS Energy LLC. TFS Energy LLC is a subsidiary of Tradition America LLC. Tradition America LLC is a wholly owned subsidiary of Tradition America Holdings Inc. which in turn is a wholly owned subsidiary of Compagnie Financiere Tradition.

3. The principal business of the Applicant is to match buyers and sellers, negotiate, and handle all entry of Block Trades on derivative exchanges located in the U.S. for ECPs. In addition the Applicant does have the capacity to enter orders into the CME's Globex system on behalf of the Applicant's clients. The Applicant currently does not conduct trades in Exchange-Trade Futures that are not Block Trades.

4. In order to provide these services, the Applicant is a member of and is regulated by the NFA (NFA ID: 0304099) and is registered as an "introducing broker" with the CFTC. The Applicant is not a broker-dealer registered with the SEC, is not a member of FINRA and does not conduct a securities business in the U.S.

5. The Applicant is not a member of any exchange but is considered to be a "broker participant" and has entered into a broker clearing agreement with ICE Futures US, CME (Nymex), NFX (Nasdaq energy futures exchange), and the Nodal exchange that allows it to enter transactions on the exchanges' clearing systems on behalf of the Applicant's clients.

6. The Applicant is not registered in any capacity under the CFA or the OSA. The Applicant does not rely on any exemptions from registration in Canada.

7. The Applicant is (a) not in default of securities legislation and commodity futures legislation in any jurisdiction of Canada or under the CFA, and (b) in compliance in all material respects with U.S. commodity futures laws.

8. Pursuant to its registrations and memberships, the Applicant is authorised to act as an introducing broker in the U.S., to handle customer orders, to effect Block Trades and, if applicable, to introduce customers to an executing broker registered as a futures commission merchant. The rules of the CFTC and NFA require the Applicant to maintain adequate capital levels, make and keep specified types of records relating to customer accounts and transactions, including confirmations and statements, and comply with other forms of customer protection rules, including rules respecting: know-your-customer obligations, client identification, account-opening requirements, suitability requirements, anti-money laundering checks, dealing and handling customer order obligations, including managing conflicts of interests and best execution rules. These rules require the Applicant to treat Permitted Clients consistently with the Applicant's U.S. customers with respect to transactions made on exchanges in the U.S. In respect of Exchange-Traded Futures, the Applicant does not provide direct execution, except to effect Block Trades, or clearing services and is not authorised to receive or hold client money in any jurisdiction.

9. The Applicant proposes to offer certain of its Permitted Clients in Ontario the ability to trade in Exchange-Traded Futures, primarily through Block Trades, and in connection with such trades, the Applicant would act as an introducing broker and effect trades in Exchange-Traded Futures, including Block Trades, on Non-Canadian Exchanges.

10. The Applicant will handle all negotiation of the Exchange-Traded Futures, match buyers and sellers at the best possible price, execute trades in Exchange-Traded Futures on behalf of Permitted Clients in Ontario in the same manner that it would carry out these activities on behalf of its U.S. clients, all of which are ECPs. The Applicant will follow the same know-your-customer, suitability, and order handling procedures that it follows in respect of its U.S. clients. Permitted Clients in Ontario will be afforded the benefits of compliance by the Applicant with the statutory and other requirements of the regulators, self-regulatory organizations and exchanges located in the U.S. Permitted Clients in Ontario will have the same contractual rights against the Applicant as U.S. clients of the Applicant.

11. In transacting Block Trades for its customers, the Applicant, as the introducing broker, will match a buyer and a seller (both ECPs) in a privately negotiated trade for a large quantity of Exchange-Traded Futures. Pursuant to the rules of the applicable Non-Canadian Exchange, the trade is permitted to be executed apart from the public auction market established by the Non-Canadian Exchange. Once the terms of the trade are agreed upon between the buyer and the seller, the trade is submitted by the Applicant to the Exchange to be publicly reported within the required time period for Block Trades. Once submitted to the Non-Canadian Exchange, the clearing and settlement process by and through the customer's futures commission merchant will commence independent of the Applicant's involvement in the transaction.

12. The Applicant will not maintain an office, sales force or physical place of business in Ontario.

13. The Applicant will introduce trades in Exchange-Traded Futures in Ontario only from persons who qualify as Permitted Clients.

14. The Applicant will only offer Permitted Clients in Ontario the ability to effect trades in Exchange-Traded Futures on Non-Canadian Exchanges.

15. The Exchange-Traded Futures to be traded by Permitted Clients in Ontario will include, but will not be limited to, Exchange-Traded Futures for energy and other commodity products offered by The ICE Exchange, the CME (Nymex), NFX (Nasdaq energy futures exchange), and the Nodal exchange.

16. Permitted Clients of the Applicant will be able to execute trades in Exchange-Traded Futures through the Applicant by contacting the Applicant's client order handling desk.

17. In the case of a trade in Exchange-Traded Futures that is a Block Trade involving a Permitted Client as a buyer or a seller, the Applicant, as the introducing broker, will match the Permitted Client in a privately negotiated trade, which will be executed apart from the public auction market established by the applicable Non-Canadian Exchange and submitted for public reporting to the Non-Canadian Exchange within the required time period applicable for Block Trades. Once submitted to the Non-Canadian Exchange, the clearing and settlement process by and through the Permitted Client's futures commission merchant in accordance with the rules and customary practices of the exchange will commence independent of the Applicant's involvement in the transaction. In no case will the Applicant enter into a give-up agreement with any executing broker registered as a futures commission merchant or clearing broker unless such firm is registered with the applicable regulatory bodies in the jurisdiction in which it executes the trades in Exchange-Traded Futures, and as with any executing broker registered as a futures commission merchant or clearing broker located in the U.S., unless such firm is registered with the SEC and/or CFTC, as applicable.

18. In the case of a trade in Exchange-Traded Futures that is not a Block Trade involving a Permitted Client, the Applicant will perform introducing functions, as the introducing broker, and will arrange to have the Permitted Client's order executed on the relevant Non-Canadian Exchange by an executing broker registered as a futures commission merchant in accordance with the rules and customary practices of the exchange. The executing broker will act to "give-up" the transacted trades to the Permitted Client's clearing broker. In such circumstances, the Permitted Client would be a client of both the Applicant and the executing broker. The Applicant will not enter into a give-up agreement with any executing broker registered as a futures commission merchant or clearing broker unless such firm is registered with the applicable regulatory bodies in the jurisdiction in which it executes the trades in Exchange-Traded Futures, and as with any executing broker registered as a futures commission merchant or clearing broker located in the U.S., unless such firm is registered with the SEC and/or CFTC, as applicable. Where the Applicant is listed as the executing broker in the relevant give-up agreement, the Applicant would remain responsible for all executions on the relevant Non-Canadian Exchange.

19. Clearing brokers and executing brokers will be subject to the rules of the exchanges of which each is a member and any relevant regulatory requirements, including requirements under the CFA, as applicable. Under an industry standard give-up agreement, an executing broker and the Permitted Client's clearing broker will represent that it will perform its obligations in accordance with applicable laws, governmental, regulatory, self-regulatory, exchange and clearing house rules and the customs and usages of the exchange or clearing house on which the relevant Permitted Client's trades in Exchange-Traded Futures will be executed and cleared. The Permitted Client will enter into such give-up agreement.

20. As is customary for all trades in Exchange-Traded Futures, a clearing corporation appointed by the exchange or clearing division of the exchange is substituted as a universal counterparty on all trades in Exchange-Traded Futures for Permitted Client orders that are submitted to the exchange in the name of the recognized exchange member and clearing broker. A Permitted Client of the Applicant is responsible to its clearing broker for payment of daily mark-to-market variation margin and/or proper margin to carry open positions and the Permitted Client's clearing broker is in turn responsible to the clearing corporation/division for payment.

21. Permitted Clients will pay commissions for trades to the Applicant for its role as introducing broker and Permitted Clients will be responsible to pay any commissions to executing broker or clearing Broker directly, if applicable.

22. Absent this Decision, the trading restrictions in the CFA apply with respect to the Applicant's trades in Exchange-Traded Futures unless, among other things, an Exchange-Traded Future is traded on a recognized or registered commodity futures exchange and the form of the contract is approved by the Director. To date, no Non-Canadian Exchanges have been recognized or registered under the CFA.

23. If the Applicant were registered under the CFA as a "futures commission merchant", it could rely upon certain exemptions from the trading restrictions in the CFA to effect trades in Exchange-Traded Futures to be entered into on certain Non-Canadian Exchanges.

AND UPON the Commission being satisfied that it would not be prejudicial to the public interest to granting the ruling requested;

IT IS RULED, pursuant to section 38 of the CFA, that the Applicant is not subject to the dealer registration requirement in the CFA or the trading restrictions in the CFA in connection with trades in Exchange-Traded Futures where the Applicant is acting as agent in such trades to, from or on behalf of Permitted Clients provided that:

(a) the Applicant only acts as agent in trades in Exchange-Traded Futures to, from or on behalf of clients in Ontario who are Permitted Clients;

(b) the executing broker and clearing broker have each represented to the Applicant, and the Applicant has taken reasonable steps to verify, that the broker is appropriately registered under the CFA, or has been granted

exemptive relief from the registration requirements in the CFA, in connection with the Permitted Client effecting trades in Exchange-Traded Futures; provided that these requirements will not apply in the context of a Block Trade if the Applicant does not know and cannot reasonably determine the identity of the executing broker or the clearing broker at the time of the trade and would not have an opportunity to obtain such representations or take such steps;

(c) the Applicant only introduces and enters trades in Exchange-Traded Futures for Permitted Clients in Ontario on Non-Canadian Exchanges;

(d) at the time trading activity is engaged in, the Applicant:

(i) has its head office or principal place of business in the U.S.;

(ii) is registered in the category of introducing broker with the CFTC;

(iii) is a member of the NFA; and

(iv) engages in the business of an introducing broker in Exchange-Traded Futures in the U.S.;

(e) the Applicant has provided to the Permitted Client in Ontario the following disclosure in writing:

(i) a statement that the Applicant is not registered in Ontario to trade in Exchange-Traded Futures as principal or agent;

(ii) a statement specifying the location of the Applicant's head office or principal place of business;

(iii) a statement that all or substantially all of the Applicant's assets may be situated outside of Canada;

(iv) a statement that there may be difficulty enforcing legal rights against the Applicant because of the above; and

(v) the name and address of the Applicant's agent for service of process in Ontario.

(f) the Applicant has submitted to the Commission a completed Submission to Jurisdiction and Appointment of Agent for Service in the form attached as Appendix "A" hereto;

(g) the Applicant notifies the Commission of any regulatory action initiated after the date of this ruling in respect of the Applicant, or any predecessors or specified affiliates of the Applicant, by completing and filing with the Commission Appendix "B" hereto within ten days of the commencement of such action;

(h) if the Applicant does not rely on the IDE by December 31st of each year, the Applicant pays a participation fee based on its specified Ontario revenues for its previous financial year in compliance with the requirements of Part 3 and section 6.4 of OSC Rule 13-502 Fees as if the Applicant had relied on the IDE;

(i) by December 1st of each year, the Applicant notifies the Commission of its continued reliance on the exemption from the dealer registration requirement in the CFA granted pursuant to this ruling; and

(j) this Decision will terminate on the earliest of:

(A) the expiry of any such transition period as may be provided by law, after the effective date of the repeal of the CFA;

(B) six months, or such other transition period as may be provided by law, after the coming into force of any amendment to Ontario commodity futures law (as defined in the CFA) or Ontario securities law (as defined in the OSA) that affects the dealer registration requirement in the CFA or the trading restrictions in the CFA; and

(C) five years after the date of this Decision.

AND IT IS FURTHER RULED, pursuant to section 38 of the CFA, that a Permitted Client is not subject to the dealer registration requirement in the CFA or the trading restrictions in the CFA in connection with trades in Exchange-Traded Futures on Non-Canadian Exchanges where the Applicant acts in connection with trades in Exchange-Traded Futures on behalf of the Permitted Clients pursuant to the above ruling.

"Grant Vingoe"
Vice Chair
Ontario Securities Commission

"Deborah Leckman"
Commissioner
Ontario Securities Commission

APPENDIX A

SUBMISSION TO JURISDICTION AND APPOINTMENT OF AGENT FOR SERVICE

INTERNATIONAL DEALER OR INTERNATIONAL ADVISER EXEMPTED FROM REGISTRATION UNDER THE COMMODITY FUTURES ACT, ONTARIO

1. Name of person or company ("International Firm"):

2. If the International Firm was previously assigned an NRD number as a registered firm or an unregistered exempt international firm, provide the NRD number of the firm:

3. Jurisdiction of incorporation of the International Firm:

4. Head office address of the International Firm:

5. The name, e-mail address, phone number and fax number of the International Firm's individual(s) responsible for the supervisory procedure of the International Firm, its chief compliance officer, or equivalent.

   Name:
   E-mail address:
   Phone:
   Fax:

6. The International Firm is relying on an exemption order under section 38 or section 80 of the *Commodity Futures Act* (Ontario) that is similar to the following exemption in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (the "Relief Order"):

   ☐ Section 8.18 [*international dealer*]

   ☐ Section 8.26 [*international adviser*]

   ☐ Other [specify]:

7. Name of agent for service of process (the "Agent for Service"):

8. Address for service of process on the Agent for Service:

9. The International Firm designates and appoints the Agent for Service at the address stated above as its agent upon whom may be served a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal or other proceeding (a "Proceeding") arising out of or relating to or concerning the International Firm's activities in the local jurisdiction and irrevocably waives any right to raise as a defence in any such proceeding any alleged lack of jurisdiction to bring such Proceeding.

10. The International Firm irrevocably and unconditionally submits to the non-exclusive jurisdiction of the judicial, quasi-judicial and administrative tribunals of the local jurisdiction in any Proceeding arising out of or related to or concerning the International Firm's activities in the local jurisdiction.

11. Until 6 years after the International Firm ceases to rely on the Relief Order, the International Firm must submit to the regulator

    a. a new Submission to Jurisdiction and Appointment of Agent for Service in this form no later than the 30th day before the date this Submission to Jurisdiction and Appointment of Agent for Service is terminated;

    b. an amended Submission to Jurisdiction and Appointment of Agent for Service no later than the 30th day before any change in the name or above address of the Agent for Service;

    c. a notice detailing a change to any information submitted in this form, other than the name or above address of the Agent for Service, no later than the 30th day after the change.

12. This Submission to Jurisdiction and Appointment of Agent for Service is governed by and construed in accordance with the laws of the local jurisdiction.

Dated: _____

_____
(Signature of the International Firm or authorized signatory)

_____
(Name of signatory)

_____
(Title of signatory)

Acceptance

The undersigned accepts the appointment as Agent for Service of _____ [*Insert name of International Firm*] under the terms and conditions of the foregoing Submission to Jurisdiction and Appointment of Agent for Service.

Dated: _____

_____
(Signature of the Agent for Service or authorized signatory)

_____
(Name of signatory)

_____
(Title of signatory)

This form, and notice of a change to any information submitted in this form, is to be submitted through the Ontario Securities Commission's Electronic Filing Portal:

https://www.osc.gov.on.ca/filings

APPENDIX B

NOTICE OF REGULATORY ACTION

1. Has the firm, or any predecessors or specified affiliates[1] of the firm entered into a settlement agreement with any financial services regulator, securities or derivatives exchange, SRO or similar agreement with any financial services regulator, securities or derivatives exchange, SRO or similar organization?

   Yes _____ No _____

   If yes, provide the following information for each settlement agreement:

Name of entity
Regulator/organization
Date of settlement (yyyy/mm/dd)
Details of settlement
Jurisdiction

2. Has any financial services regulator, securities or derivatives exchange, SRO or similar organization:

		Yes	No
a)	Determined that the firm, or any predecessors or specified affiliates of the firm violated any securities regulations or any rules of a securities or derivatives exchange, SRO or similar organization?	___	___
(b)	Determined that the firm, or any predecessors or specified affiliates of the firm made a false statement or omission?	___	___
(c)	Issued a warning or requested an undertaking by the firm, or any predecessors or specified affiliates of the firm?	___	___
(d)	Suspended or terminated any registration, licensing or membership of the firm, or any predecessors or specified affiliates of the firm?	___	___
(e)	Imposed terms or conditions on any registration or membership of the firm, or predecessors or specified affiliates of the firm?	___	___
(f)	Conducted a proceeding or investigation involving the firm, or any predecessors or specified affiliates of the firm?	___	___
(g)	Issued an order (other than an exemption order) or a sanction to the firm, or any predecessors or specified affiliates of the firm for securities or derivatives-related activity (e.g. cease trade order)?	___	___

   If yes, provide the following information for each action:

Name of entity	
Type of action	
Regulator/organization	
Date of action (yyyy/mm/dd)	Reason for action
Jurisdiction	

[1] In this Appendix, the term "specified affiliate" has the meaning ascribed to that term in Form 33-109F6 to National Instrument 33-109 *Registration Information*.

3. Is the firm aware of any ongoing investigation of which the firm or any of its specified affiliates is the subject?

Yes _____ No _____

If yes, provide the following information for each investigation:

Name of entity
Reason or purpose of investigation
Regulator/organization
Date investigation commenced (yyyy/mm/dd)
Jurisdiction

Name of firm:
Name of firm's authorized signing officer or partner
Title of firm's authorized signing officer or partner
Signature
Date (yyyy/mm/dd)

Witness

The witness must be a lawyer, notary public or commissioner of oaths.

Name of witness
Title of witness
Signature
Date (yyyy/mm/dd)

This form is to be submitted through the Ontario Securities Commission's Electronic Filing Portal:

https://www.osc.gov.on.ca/filings

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions

3.1.1 Money Gate Mortgage Investment Corporation et al. – s. 127(1)

IN THE MATTER OF
MONEY GATE MORTGAGE INVESTMENT CORPORATION,
MONEY GATE CORP.,
MORTEZA KATEBIAN and
PAYAM KATEBIAN

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

Citation: *Money Gate Mortgage Investment Corporation (Re)*, 2017 ONSEC 26
Date: 2017-07-04

Hearing:	May 11 and 29, 2017		
Decision:	July 4, 2017		
Panel:	Timothy Moseley	–	Commissioner and Chair of the Panel
	William Furlong	–	Commissioner
	Mark Sandler	–	Commissioner
Appearances:	Amanda Heydon	–	For Staff of the Commission
	Kevin Richard	–	For the Respondents

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REASONS AND DECISION

I. OVERVIEW

[1] Subsection 127(7) of the *Securities Act* (the "**Act**")[1] authorizes the Commission to extend a temporary order "until the hearing is concluded if a hearing is commenced" within fifteen days of the initial temporary order.

[2] What does "hearing" mean in that subsection? What "hearing" must have been "commenced" for the subsection to apply? And what "hearing" marks the limit of any extension ("until the hearing is concluded")? More specifically, if a conventional enforcement proceeding has not been commenced following the filing of a Statement of Allegations (an "**Enforcement Proceeding**"), for how long can the Commission extend a temporary order under that subsection?

[3] It does not appear that these questions have ever been argued before the Commission or the courts. Nonetheless, the Commission has, in the past, issued orders that implicitly assume that there is no time limit to such authority.

[4] We agree with Staff's submission that "hearing" in subsection 127(7) may mean either an attendance before the Commission at which the Commission considers a discrete request by Staff for an extension of a temporary order (a "**Temporary Order Hearing**"), or it may mean an Enforcement Proceeding that comprises a merits hearing and, if applicable, a sanctions hearing.

[5] However, for the reasons set out below, we do not accept Staff's submission that "hearing" in subsection 127(7) may also mean a series of attendances at which Staff seeks repeated and discrete extensions of a temporary order. We also reject Staff's alternative submission that the two uses of the word "hearing" in that subsection can mean different things when considered at the same time (specifically, that the Commission may extend a temporary order until the conclusion of an Enforcement Proceeding that might not yet exist, as long as a Temporary Order Hearing has been commenced within fifteen days of the initial temporary order).

[6] As a result, we find that subsection 127(7) does not authorize the Commission to extend a temporary order beyond the conclusion of the Temporary Order Hearing unless an Enforcement Proceeding has been commenced within fifteen days of the issuance of the initial temporary order.

II. HISTORY OF THIS MATTER

[7] Staff seeks the extension for three months of a temporary order originally issued on April 27, 2017 against the respondents (the "**April 27 Order**").[2] The April 27 Order, which by its own terms was to expire on May 12, 2017, provides that all trading in securities of the respondent Money Gate Mortgage Investment Corporation ("**MGMIC**") cease (a "**Cease Trade Order**"), and includes an order that any exemptions contained in Ontario securities law do not apply to the respondents (a "**Removal of Exemptions Order**").[3]

[8] The respondents consented to the issuance of the April 27 Order but asked that the Cease Trade Order not apply to MGMIC's dividend reinvestment program. The respondents reserved their right to contest a subsequent extension, and advised that they intended to file affidavit evidence in response to the extension request. We issued the initial temporary order, but without excluding the dividend reinvestment program as requested by the respondents.

[9] At the next attendance on May 11, Staff pursued this request for a three-month extension of the temporary order. The parties made submissions but did not have a full opportunity to address all of the questions raised by this panel. We adjourned the matter to May 29, and extended the April 27 Order pending completion of submissions at that later date.[4]

[10] The matter continued on May 29. The respondents did not oppose an extension, but asked that the extension be limited to two months, and renewed their request that the Cease Trade Order not apply to MGMIC's dividend reinvestment program. We extended the Cease Trade Order for three months without acceding to the respondents' request that the order not apply to the dividend reinvestment program. We reserved our decision regarding Staff's request for a three-month extension of the Removal of Exemptions Order, but we extended that order pending the release of this decision.[5]

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1 RSO 1990, c S.5.

2 (2017), 40 OSCB 4103.

3 The Removal of Exemptions Order is subject to some qualifications that are not relevant to this decision.

4 (2017), 40 OSCB 4440.

5 (2017), 40 OSCB 4845.

III. STATUTORY FRAMEWORK

A. Orders available under subsection 127(1) of the Act

[11] Subsection 127(1) of the Act sets out various orders the Commission may make, if it considers it to be in the public interest to do so. The available orders include the following:

a. an order such as the Cease Trade Order, made under paragraph 2 of subsection 127(1), ceasing trading in securities or derivatives;

b. an order under paragraph 2.1 of subsection 127(1), prohibiting the acquisition of securities (a "**No Acquisition Order**"); and

c. an order such as the Removal of Exemptions Order, made under paragraph 3 of subsection 127(1), providing that any exemptions contained in Ontario securities law do not apply to a person or company.

[12] Often, one or more of those orders are made at the conclusion of an Enforcement Proceeding, after a sanctions hearing. The orders may be permanent, or may be for some other period specified by the Commission.

[13] Subsection 127(4) of the Act provides that no order may be made under section 127 "without a hearing". When read together with subsection 127(4.1) of the Act[6] and section 4 of the *Statutory Powers Procedure Act* (the "SPPA"),[7] "hearing" in this context means an opportunity for the parties to be heard. An exception to this requirement appears in subsection 127(5), described below.

B. Enforcement Proceedings

[14] An Enforcement Proceeding, in which Staff seeks final orders under subsection 127(1), is initiated by Staff filing a Statement of Allegations. Once Staff files that document, the Secretary to the Commission formally commences the proceeding by issuing a Notice of Hearing in relation to the Statement of Allegations.

[15] Staff has not filed a Statement of Allegations in this case, and therefore no Enforcement Proceeding has been commenced.

C. Initial issuance of temporary orders

[16] Often, Staff seeks a temporary order at an early stage of an enforcement investigation, without first initiating an Enforcement Proceeding, where Staff believes that there may be ongoing harm or a risk of further harm and that it would be in the public interest for an order to be in effect while the investigation continues. Staff's investigation can lead to an Enforcement Proceeding, but does not always do so.

[17] Subsection 127(5) of the Act provides that certain orders may be made on a temporary basis "if in the opinion of the Commission the length of time required to conclude a hearing could be prejudicial to the public interest." That authority applies to the three orders referred to in paragraph [11] above, *i.e.*, a Cease Trade Order, a No Acquisition Order, and a Removal of Exemptions Order.

[18] The subsection provides that a temporary order may be made "[d]espite subsection (4)" (the requirement for a hearing), and that this may be done only if the length of time "to conclude a hearing" could be prejudicial to the public interest. It is therefore clear that the Commission may issue an initial temporary order without a hearing, and without advance notice to the respondents.

[19] In some instances, as in this case, Staff gives notice to the respondents, and makes its initial request for the temporary order at a hearing. Subsection 127(5) neither requires nor precludes this approach, which is therefore in Staff's discretion.

[20] If the Commission issues the requested temporary order, with or without a hearing, then subsection 127(6) of the Act says that the order is effective for only fifteen days unless the Commission later extends it.

D. Extensions of temporary orders

[21] Section 127 offers two routes by which a temporary order may be extended.

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6 Subsection 127(4.1) relates to the filing of records and does not apply to the facts of this case.

7 RSO 1990, c S.22. Section 4 of the SPPA permits the waiver of a procedural requirement, with the consent of the parties and the tribunal.

[22] The first is under subsection 127(7), which authorizes the Commission to extend a temporary order "until the hearing is concluded if a hearing is commenced within the fifteen-day period." The fifteen-day period mentioned is that set out in subsection 127(6) of the Act. The meaning of the word "hearing", which is used twice in subsection 127(7), is pivotal to resolving the main issue in this application. We will return to that issue in our analysis below.

[23] The second route for an extension is under subsection 127(8), which provides that despite subsection 127(7), the Commission may extend a Cease Trade Order or a No Acquisition Order "for such period as [the Commission] considers necessary if satisfactory information is not provided to the Commission within the fifteen-day period."

[24] We highlight several characteristics of subsection 127(8):

a. it applies "despite" subsection 127(7), and is therefore an exception to it;

b. it has no time restriction similar to that in subsection 127(7), in that it allows an extension "for such period as [the Commission] considers necessary", if the Commission does not receive "satisfactory information";

c. there is no mention of a "hearing" or a "proceeding"; and

d. it authorizes the extension only of a Cease Trade Order and/or a No Acquisition Order, and not of a Removal of Exemptions Order.

[25] If the Commission grants Staff's request under either or both of subsection 127(7) or subsection 127(8), it must do so by issuing a further, new order. The extension order may be issued only after a hearing, as required by subsection 127(4), because subsection 127(7) and subsection 127(8) do not contain the words "Despite subsection 127(4)", as subsection 127(5) does.

IV. ISSUES

[26] The need to interpret "hearing" in subsection 127(7) arises in this case because Staff's request to extend paragraph 2 of the April 27 Order, which is a Removal of Exemptions Order, can be made only under subsection 127(7). This is so because subsection 127(8) of the Act is explicitly confined to Cease Trade Orders and No Acquisition Orders, and does not authorize the extension of a Removal of Exemptions Order.

[27] In support of its request that the Commission extend the Removal of Exemptions Order for three months under subsection 127(7), Staff relies principally on its position that "hearing" in that subsection can refer to a series of attendances before a panel of the Commission at which Staff seeks successive extensions of a temporary order. Put another way, Staff says that the first attendance before a panel of the Commission, at which Staff seeks an extension of a temporary order, begins a hearing that continues through later attendances and extensions.

[28] We must determine whether the words of subsection 127(7) can bear Staff's suggested interpretation. We must also consider Staff's alternative submission that the two uses of "hearing" in subsection 127(7) can mean different things at the same time.

V. ANALYSIS

[29] In considering these issues, we first confirm two uncontroversial interpretations of "hearing". We then review principles and authorities applicable to questions of interpretation under the Act.

A. Scope of Subsection 127(7)

[30] "Hearing" in subsection 127(7) can mean either of the following, depending on the scenario:

a. First, "hearing" may refer to a Temporary Order Hearing (the consideration by the Commission of a discrete request by Staff for extension of a temporary order). In this context, the hearing concludes at the completion of evidence, submissions, and decision relating to that specific request. So, for example, if Staff seeks an extension, but the Commission is unable to conclude the hearing by the end of a day, and the hearing must continue on another day, or the Commission reserves its decision, then the Commission may extend the temporary order on an interim basis while Staff's request is still being litigated, including up to the time the Commission issues its decision.

b. Second, "hearing" may refer to an Enforcement Proceeding.[8] In this context, if such a proceeding has been commenced within the fifteen days specified in subsections 127(6) and (7), then subsection 127(7) authorizes the Commission to extend the temporary order until the conclusion of the Enforcement Proceeding, *i.e.*, after the Commission has determined what sanctions, if any, will be imposed under subsection 127(1).

[31] It is well established that the Commission ought to apply a broad and purposive interpretation to the Act's remedial provisions, including section 127. Doing so is consistent with the purposes of the Act and with the Commission's mandate, and enables the Commission to use the tools at its disposal to protect investors and to promote fair and efficient capital markets.[9]

[32] A broad and purposive interpretation accommodates both meanings of "hearing" in the context of the scenarios referred to above. However, this conclusion does not assist Staff in this case, because:

a. Staff asks that the temporary order be extended beyond the end of this Temporary Order Hearing (including the issuance of this decision), which rules out the first interpretation; and

b. the second interpretation is inapplicable, given that Staff has not yet initiated an Enforcement Proceeding.

[33] We must therefore consider Staff's primary and alternative positions, described above in paragraph [27] (that "hearing" includes a series of attendances) and paragraph [28] (that the two instances of "hearing" can have different meanings simultaneously).

B. Statutory, Commission, and judicial definitions of "hearing"

[34] The word "hearing" is not defined in the Act, but is defined in the SPPA as "a hearing in any proceeding". The word "proceeding" is defined in the SPPA as "a proceeding to which this Act applies". The statutory definition of "hearing" does not assist, one way or the other, in resolving the issue raised here.

[35] The Commission considered the meaning of "hearing" in 2011, in *Re MRS Sciences Inc.* ("***MRS Sciences***").[10] In that case, the Commission faced the question of whether the merits and sanctions stages of an Enforcement Proceeding constituted separate hearings. The Commission found that "the hearing on sanctions and costs is a separate 'hearing' from the hearing on the merits, within the same 'proceeding'…".[11] This interpretation was later upheld by the Court of Appeal for Ontario.[12]

[36] In our view, the conclusions in MRS Sciences do not dispose of the issue before us. There is an important distinction between MRS Sciences and this case; namely, that at the conclusion of a merits hearing in an Enforcement Proceeding, the Commission does not issue an order disposing of Staff's request for the imposition of sanctions. The Commission merely makes findings that provide a foundation for the sanctions and costs hearing to follow.

[37] In contrast, each time the Commission extends a temporary order under subsection 127(8) (and under subsection 127(7) if we give effect to Staff's position), the Commission does so by issuing an order that fully disposes of Staff's request at that time. The extension may or may not be followed by a later, separate request for a further extension.

[38] The distinction between MRS Sciences (no order is issued at the conclusion of a merits hearing) and the present case (an order is issued every time a temporary order extension is granted) does not defeat Staff's position. It merely means that the reasoning in MRS Sciences does not help to resolve the issue before us.

C. Similar wording in other statutes

1. British Columbia securities legislation

[39] Staff submits that a similar provision in British Columbia's *Securities Act* (the "**BC Act**"),[13] as interpreted by the British Columbia Court of Appeal, supports Staff's position in this case.

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8 "Hearing" may refer to an Enforcement Proceeding even though an Enforcement Proceeding may comprise two or more hearings, including a merits hearing and a sanctions hearing, as well as any interlocutory hearings in that proceeding. This reflects the fact that when the language was first enacted, it was not Commission practice to have separate merits and sanctions hearings.

9 *Pacific Coast Coin Exchange of Canada v Ontario (Securities Commission)*, [1978] 2 SCR 112 at paras 40, 43, 58; *Wilder v Ontario (Securities Commission)* (2001), 53 OR (3d) 519 (C.A.) at paras 18-23.

10 (2011), 34 OSCB 12288.

11 *MRS Sciences* at para 59.

12 2017 ONCA 279 (CanLII).

13 RSBC 1996, c 418.

[40] Section 161 of the BC Act corresponds, in substance, to section 127 of the Act. In particular, a temporary order can be made without a hearing under subsection 161(2) of the BC Act. Such an order is effective "for not longer than 15 days".

[41] Subsection 161(3) of the BC Act states:

> If the commission or the executive director considers it necessary and in the public interest, the commission or the executive director may, without providing an opportunity to be heard, make an order extending a temporary order until a hearing is held and a decision is rendered.

[42] Under subsection 161(4), the British Columbia Securities Commission ("**BCSC**") must send written notice of every order made under the section to any person directly affected by the order. If such a notice is sent, subsection 161(5) requires that the notice "be accompanied by a notice of hearing."

[43] In *Biller v British Columbia (Securities Commission)* ("***Biller***"),[14] the British Columbia Court of Appeal considered these provisions in light of a temporary order that had been issued under subsection 161(2) of the BC Act without a hearing. A document was served on the respondent, purportedly under subsections 161(4) and (5). That document described the reasons for the order, and advised that a hearing would be held before the BCSC at which BCSC Staff would seek an adjournment of the "matter" for 180 days to permit the investigation to be concluded. Staff would also ask that the temporary order be extended "until such time as the Hearing in this matter has been reconvened and a decision rendered on the merits."[15] The BCSC granted Staff's request.

[44] On appeal, the appellant Mr. Biller, who had been the respondent before the BCSC, argued that the requirement in subsection 161(5) referred to a notice of the full merits hearing, rather than of a hearing to extend the temporary order. The notice received by Mr. Biller was the latter.

[45] Mr. Biller submitted that the BCSC's interpretation of "hearing" effectively allowed the BCSC to extend the temporary order for an indefinite period. The court rejected that position, holding that:

a. subsection 161(3) empowers the BCSC to extend a temporary order "for whatever period it considers to be in the public interest", even without a hearing;

b. a hearing before a full panel of the BCSC was convened to consider the requested extension, given that the authority under that subsection to extend indefinitely is "more draconian" than that under subsection 161(2) to make the order in the first place; and

c. it is doubtful "that the word 'hearing' in s.161(5) is intended to be confined to the final hearing".[16]

[46] Staff cites *Biller* in support of the argument that "hearing" in the BC Act can include both a Temporary Order Hearing and a merits hearing in an Enforcement Proceeding. We agree with Staff's submission, but we do not think this conclusion advances Staff's case. Subsection 161(5) of the BC Act anticipates a hearing at which BCSC Staff will seek an extension of the temporary order, and simply requires that the respondent be given notice of that hearing, so that the respondent can attend and make submissions. In Ontario, subsection 127(9) is similar, requiring that the Commission "give notice of every temporary order … together with a notice of hearing, to any person or company directly affected by the temporary order."

[47] We see nothing in *Biller* that addresses Staff's position that a single "hearing" under subsection 127(7) can comprise multiple attendances, at each of which Staff makes a new request, often based on new or updated information, for a further extension of an existing temporary order, and bears the burden of persuading the Commission that a further extension is warranted based on the circumstances existing at that time.

[48] If anything, *Biller* offers a contrary view, in the court's dismissal of the appellant's assertion that the temporary order had been extended indefinitely. The court noted that "a further hearing" had been set for a specified date. That language is unambiguous in contemplating that each attendance is a separate hearing. Having said that, we are reluctant to attach much weight to the court's language, because it does not appear that the point was argued.

[49] For these reasons, we are not persuaded that the BC Act assists one way or the other in resolving the issue before us. As for *Biller*, while a decision of the British Columbia Court of Appeal may be of persuasive value even though not binding on us, we do not find the decision to be persuasive in this case, because of the limitations described above.

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14 (1998), 105 BCAC 7.

15 *Biller* at paras 5-6.

16 *Biller* at paras 16, 19-20.

2. Other Ontario statutes

[50] The phrase "until the hearing is concluded if a hearing is commenced" or similar wording appears in numerous other Ontario statutes.[17] Neither Staff nor the respondents located any judicial or tribunal decisions that interpret that language. With that in mind, we agree with Staff's written submission that other Ontario legislation does not assist us in resolving the issue at hand.

D. Legislative history of section 127 of the Act

[51] Staff referred to versions of subsections 127(7) and (8) of the Act that existed prior to the 1994 addition of those provisions. The earlier statutory provisions have both similarities and differences. As Staff notes, the 1994 amendments have been described as having been intended to address "practical and legal deficiencies" in the Act's enforcement provisions.[18] However, Staff was unable to locate any reference in the legislative debates or elsewhere that directly addresses what are now subsections 127(7) and (8).

[52] In support of its proposed interpretation of subsection 127(7), Staff submits that notes emanating from the Commission at the time of the proposed amendments indicate that the amendments "would provide the Commission with greater flexibility in tailoring its orders to address more appropriately the nature of the particular breach or public interest concern."[19] Significantly, however, the full quotation attributes that characteristic specifically to the "addition of several new types of orders", as opposed to the rewording of existing authority. We therefore cannot accept the submission that this comment assists in interpreting subsection 127(7).

[53] As a result, we find nothing persuasive in either the legislative history or the contemporaneous guidance.

E. Previous Commission decisions extending temporary orders

[54] Staff correctly points out that the Commission has on numerous occasions:

a. extended for a defined period of time a temporary order that included a Removal of Exemptions Order, even though an Enforcement Proceeding had not been commenced; and

b. included as part of an extension order a provision that refers to the hearing or proceeding being adjourned to a date typically one or two days before the new expiry date of the temporary order, the implication being that the same hearing or proceeding is continuing.

[55] As Staff fairly concedes, however, in none of these cases does it appear that the issue before us was addressed. In our view, therefore, those cases are of limited value.

[56] Because neither the legislative history nor previous Commission decisions dispose of the issue before us, we next analyze Staff's primary submission in light of the nature of a temporary order and given the general principles of interpretation discussed above.

F. The nature of a temporary order

[57] In *Re Shallow Oil & Gas Inc.* ("***Shallow Oil***"), the Commission described a temporary order issued in anticipation of an Enforcement Proceeding as being "interlocutory",[20] which in that context (and in the context of this case) we would describe as "interim". That characterization is consistent with the fact that a temporary order is typically issued as an interim protective measure pending an Enforcement Proceeding that is based on substantially the same alleged misconduct as Staff relied on in seeking the temporary order.

[58] Staff points out that in some instances, the Commission has issued and extended a temporary order, and Staff did not subsequently initiate an Enforcement Proceeding.[21] We see no inconsistency between that outcome and calling the temporary orders "interim". Staff does not suggest, nor would it be appropriate to suggest, that having requested and obtained an interim temporary order, Staff must later commence an Enforcement Proceeding whether to do so would be in the public interest or not.

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17 See, for example, *Motor Vehicle Dealers Act*, 2002, SO 2002, c 30 Sched B, s 10(1); *Loan and Trust Corporations Act*, RSO 1990 c L.25, ss 192(1)-(3), 192(6); *Condominium Management Services Act, 2015*, SO 2015, c 27, Sched 2, ss 41(1), (2), (6), 43(3); *Liquor Licence Act*, RSO 1990 c L.19, s 15(6)-(7).

18 Five Year Committee Final Report – *Reviewing the Securities Act (Ontario)*, March 21, 2003, pp 208-209.

19 *Proposals to Amend the Enforcement Provisions of the* Securities Act, (1991) 14 OSCB 1907 at 1908.

20 *Re Shallow Oil & Gas Inc.* (2008), 31 OSCB 2007 at para 23.

21 See, *e.g.*, *Re Knowledge First Financial Inc.* (2013), 36 OSCB 10456 and (2014) 37 OSCB 2638.

[59] Staff also refers us to *Re Valentine* ("***Valentine***"), in which the Commission stated that the authority to extend a temporary order before Staff completes its investigation "enhances the Commission's capacity to protect the capital markets by allowing it to take preventative action".[22] We agree.

[60] However, neither decision assists in resolving the specific issue in this case. The interim nature of a temporary order, described in *Shallow Oil*, is consistent both with Staff's suggested interpretation of "hearing", and with the opposite conclusion. In *Valentine*, the panel remarked on the difference between subsections 127(7) and 127(8),[23] but did not have to consider the meaning of "hearing" in subsection 127(7), since Staff had already filed a Statement of Allegations at the time of the extension, and there was therefore both an Enforcement Proceeding and a Temporary Order Hearing underway.[24]

[61] As noted above in paragraph [37], each extension request by Staff stands on its own. This is the case both because circumstances change in between requests, and because the considerations applicable to the Commission's decision (*e.g.*, the public interest in the expeditious disposition of matters before the Commission, or the information in Staff's possession as a result of its investigation) change over time.[25] In our view, this characteristic of a temporary order extension request underscores the fact that consideration of each such request is concluded at a hearing, as opposed to being a stage of an unfinished hearing.

G. Jurisdictional implications of Staff's position

[62] Staff's position that "hearing" includes a series of appearances to extend a temporary order raises the question of when that hearing ends. Staff submits that a hearing commenced in this way terminates at either of the following times:

a. when the temporary order expires on its own terms, in a case where Staff has not sought a further extension; or

b. when the temporary order is replaced by a final sanctions order, at the end of an Enforcement Proceeding.

[63] That view results in there being effectively no jurisdictional limits on the Commission's ability to extend orders under subsection 127(7). The effect of Staff's position is that Staff can seek extensions at will, because as long as Staff continues to seek extensions, the hearing continues. The legislature's intended limit, "until the hearing is concluded", evaporates in the face of Staff's unfettered ability to define the end of the hearing by its choice as to whether to seek a further extension.

[64] It is of course true that subsection 127(8) contains no temporal limit for the extension of a temporary order, since under that subsection the Commission may extend the order "for such period as it considers necessary". It is unsurprising that this more liberal authority as to time is subject to the constraint of being available with respect to a more limited range of orders, *i.e.*, a Cease Trade Order and a Cease Acquisition Order.

[65] Staff's position also invites consideration of the meaning or usefulness of subsection 127(8) if we were to adopt Staff's proposed interpretation of 127(7). In other words, if subsection 127(7) allows Staff to request, and the Commission to issue, a temporary order that lasts for an indefinite period of time or an extended but specified period of time, and if that extended temporary order could include a Removal of Exemptions Order, why would Staff ever resort to subsection 127(8)? Would that subsection be rendered meaningless, a conclusion that must be avoided absent compelling circumstances?

[66] Staff responds by submitting that subsection 127(8) contains a form of reverse onus, in that the Commission may extend a Cease Trade Order and a Cease Acquisition Order if the respondent fails to produce "satisfactory information".[26] While this difference clearly exists, it does not assist in resolving the interpretation issue. It is difficult to imagine circumstances where a respondent produces "satisfactory information" within the meaning of subsection 127(8), thereby satisfying the reverse onus, but the Commission still considers it to be in the public interest to extend a temporary order under subsection 127(7). In light of that, our concern persists that Staff's position eviscerates subsection 127(8).

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22 *Re Valentine* (2002), 25 OSCB 5329 at para 24, citing *Canadian Tire Corp. v. C.T.C. Dealer Holdings Ltd.* (1987), 10 OSCB 857.

23 *Valentine* at para 21.

24 *Valentine* at para 5.

25 *Re Kotton* (2016), 39 OSCB 10171.

26 *Shallow Oil* at paras 34-36.

H. Other submissions by Staff

1. Co-existing "reasonable" interpretations

[67] Staff offered additional authorities in support of its submission that there may be multiple "reasonable" interpretations of the Act's provisions.[27] In other words, the fact that "hearing" in subsection 127(7) can have two different meanings depending on the scenario (as discussed above) lends support to Staff's position that the alternative meaning it proposes is also permissible.

[68] However, the authorities cited and submissions made by Staff on this point are inextricably bound up with the degree of deference that appellate courts show expert tribunals, and the question of reasonableness. We did not, therefore, find the authorities to be helpful in this case, and we continue to face the central question of whether the words in subsection 127(7) can support Staff's proposed interpretation.

2. Two instances of "hearing" in subsection 127(7)

[69] As noted above, Staff submits that the two instances of "hearing" in subsection 127(7) need not bear the same meaning even when they are considered by the Commission at the same time.

[70] Staff's contends that the phrase "until the hearing is concluded if a hearing is commenced" leaves open a scenario in which one type of hearing is commenced within fifteen days (*e.g.*, a Temporary Order Hearing), and that once such a hearing begins, the Commission may continue to consider and grant extensions until the end of another kind of hearing (*e.g.*, a sanctions hearing).

[71] We consider that interpretation to be untenable. As already noted, a broad and purposive interpretation of subsection 127(7) accommodates its application to two scenarios (first, where "hearing" means a Temporary Order Hearing until the subject request has been decided; and second, where an Enforcement Proceeding has been commenced, until its conclusion). Sensibly, both scenarios give "hearing" the same meaning at the same time. We do not agree with Staff's submission that a broad and purposive interpretation supports "hearing" meaning two different things at the same time in the same sentence. In our view, this conclusion would depart from a natural reading of the words, and we should not reach that conclusion absent explicit statutory language to that effect. We are not persuaded by Staff's submission that the use of "the" and "a" preceding the two instances of "hearing" are intended to lead to that conclusion.

[72] Further, Staff's proposed interpretation would enable the Commission to grant an extension of a temporary order that, on its own terms, does not expire until the conclusion of an Enforcement Proceeding that has not been commenced and may never ultimately be commenced. We consider that interpretation to be an unsound and unsupportable enlargement of the Commission's authority.

[73] A related concern is that the order that is meant to be temporary may effectively operate as a final and permanent order. When such an order is made outside an Enforcement Proceeding, a respondent does not have the same protections available as of right in Enforcement Proceedings, including disclosure and the opportunity to push for a speedy resolution of outstanding allegations. In our view, such a result could be justified only if supported by explicit statutory language, such as that found in subsection 127(8) ("for such period as [the Commission] considers necessary"). The language of subsection 127(7) does not meet that standard.

3. Implications of denying the request to extend the Removal of Exemptions Order

[74] Staff is concerned that if we find that subsection 127(7) does not provide the authority to extend a temporary order under these circumstances, this will have the detrimental effect of precluding the Commission from imposing terms and conditions on a registrant when serious concerns regarding the registrant's conduct are brought forward before Staff has completed its investigation. Like the authority to issue a Removal of Exemptions Order, the authority given to the Commission under subsection 127(1) to suspend or terminate a registration, or to impose terms and conditions on it, can be the subject of a temporary order but is not referred to in subsection 127(8).

[75] As a result, if we reject Staff's interpretation of "hearing" in subsection 127(7), that portion of a temporary order that affects a registration would expire on the fifteenth day after the date of the order, unless extended to the end of a Temporary Order Hearing.

[76] We are sympathetic to Staff's concern but we do not accept the submission that such an interpretation would render the Commission pv bowerless. Staff has other avenues available to it, including the Director's authority under clause

[27] For example, *British Columbia (Securities Commission) v McLean*, 2013 SCC 67.

28(a) of the Act to suspend or impose terms and conditions on a registration, if it appears to the Director that the registrant has failed to comply with Ontario securities law.

4. Rules of Procedure and practice guidelines

[77] Staff refers to various provisions in the Commission's *Rules of Procedure* and in practice guidelines issued by the Commission with respect to adjudicative matters.

[78] In the circumstances of this case, we do not rely on those documents. There is questionable value in relying on rules and guidelines promulgated by the Commission to assist in interpreting an act of the legislature.

VI. CONCLUSION

[79] Before summarizing our conclusions with respect to this matter, we note that this decision relates only to the interpretation of subsection 127(7) in the context of extensions of temporary orders in enforcement-related matters. Our decision does not relate to, for example, proceedings under section 104 of the Act, which typically arise out of mergers, acquisitions, and similar transactions. In a matter under section 104 with respect to which a temporary order is issued under subsection 127(5), and where a request is made under subsection 127(7) to extend that temporary order, the word "hearing" might accommodate an additional meaning. That question did not arise in this case and was not argued before us, and we therefore expressly decline to consider it.

[80] For the reasons set out above, we conclude that a broad and purposive interpretation of subsection 127(7) of the Act enables it to apply to more than one scenario. The subsection cannot, though, bear the interpretations sought by Staff, however helpful that might be in enforcing the Act. The legislature chose not to include Removal of Exemptions Orders in subsection 127(8). We cannot stretch the meaning of subsection (7) to allow Staff to seek to extend, on a similar basis, such orders without jurisdictional limitation. The gap, if there is one, must be addressed through legislative amendment.

[81] Finally, we wish to acknowledge the able submissions of counsel on a difficult issue and we thank them for their valuable assistance.

Dated at Toronto this 4th day of July, 2017.

"Timothy Moseley"

"William Furlong"

"Mark Sandler"

3.2 Director's Decisions

3.2.1 Kashmir Singh Marok

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, AS AMENDED

AND

IN THE MATTER OF
KASHMIR SINGH MAROK

DECISION OF THE DIRECTOR

Having reviewed and considered the agreed statement of facts, the admissions by Kashmir Singh Marok ("**Marok**"), and the joint recommendation to the Director by Marok and by staff of the Ontario Securities Commission ("**Staff**") contained in the settlement agreement signed by Marok June 29, 2017 and by Staff on July 4, 2017 (the "**Settlement Agreement**"), a copy of which is attached as Schedule A to this Decision, and on the basis of those agreed facts and those admissions, I, Marrianne Bridge, in my capacity as Director under the *Securities Act* (Ontario) (the "**Act**"), accept the joint recommendation of the parties, and make the following decision:

1. Marok's registration shall be suspended pursuant to section 28 of the Act for a period of eight weeks effective as of the date of this Decision, after which he may apply to reactivate his registration and Staff will not recommend to the Director that his application be refused unless Staff becomes aware after the date of this Settlement Agreement of conduct impugning Marok's suitability for registration or rendering his registration objectionable, and provided he meets all applicable criteria for registration at the time;

2. In the event Marok's registration is reactivated, his registration shall be subject to the following terms and conditions:

   (a) close supervision for a period of not less than nine months;

   (b) while Marok is subject to close supervision, his marketing activities must be pre-approved by his sponsor firm; and

   (c) Marok will successfully complete the Conduct and Practices Handbook Course within twelve weeks of his registration being reactivated.

July 5, 2017

"Marrianne Bridge"

SCHEDULE A

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, AS AMENDED

AND

IN THE MATTER OF
KASHMIR SINGH MAROK

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. This settlement agreement (the "**Settlement Agreement**") relates to the registration status of Kashmir Singh Marok ("**Marok**") as a mutual fund dealing representative under the *Securities Act* (Ontario) (the "**Act**").

2. As more particularly described in this Settlement Agreement, Marok has engaged in conduct for which he and staff ("**Staff**") of the Ontario Securities Commission (the "**OSC**") agree that it is appropriate that his registration be temporarily suspended, and the parties have agreed to make a joint recommendation to the Director regarding the suspension of Marok's registration.

II. AGREED STATEMENT OF FACTS

3. The parties agree to the facts as stated below.

4. Since October 23, 2015, Marok has been registered under the Act with PFSL Investments Canada Ltd. ("**PFSL**") as a mutual fund dealing representative. Marok was never registered under the Act prior to October 23, 2015.

5. Staff is not aware of any prior securities regulatory proceedings or sanctions against Marok.

6. Marok works out of a branch office located in Etobicoke. His branch manager is MS.

7. GM is Marok's wife. At all material times, GM was an elementary school teacher at the School, which is under the jurisdiction of the Board.

8. On or around March 30, 2016, Marok initiated contact with the Board regarding a proposal by him to distribute securities marketing material to certain parents of children who attended schools within the Board. In particular, Marok wanted to provide the Board with packages (the "**Packages**") of materials regarding Registered Disability Savings Programs ("**RDSPs**") and certain mutual fund investments offered by a particular investment fund company, and then have the Board distribute the Packages to students with special learning needs who might be eligible for RDSPs.

9. Marok consulted with the Board about his proposal from approximately March 30, 2016 to April 22, 2016. During this time, the following occurred:

   (a) Marok exchanged emails and/or spoke on the telephone with four representatives of the Board, including two superintendents;

   (b) Marok forwarded a portion of the materials he proposed to distribute to at least one of the superintendents;

   (c) Marok was informed by the Board representatives that the Board would not comply with his request to distribute the Packages, but that if he wished he could seek approval from principals of particular schools to have the Packages distributed at their school, which would be a site-by-site decision for each principal to make;

   (d) On at least two occasions, Marok was informed by the superintendents that he was in contact with that they had a specific concern that the materials Marok intended to include in the Packages were commercially branded, which could appear as though the Board was endorsing one company over others;

   (e) In response to the specific concern raised by the Board's representatives about his materials being commercially branded, Marok prepared an alternative informational document about RDSPs that was not commercially branded (the "**Alternative Document**"). Marok provided the Alternative Document to one of the

superintendents and asked whether it was satisfactory to the Board. In response, the superintendent advised Marok that he did not believe the Alternative Document was necessary because similar information was already available to parents through the schools, but that in any event if he wished to pursue the Alternative Document further, there was a particular approval process for him to follow. Marok did not pursue the issue of the Alternative Document after this or include it in the Packages.

10. Following his consultation with the Board, Marok informed the principal of the School, AG, that he had received approval from the Board to distribute the Packages. In response, AG authorized the distribution of the Packages to students at his school.

11. Marok did not inform AG that the Board had declined to distribute the Packages, that it had only told him he could approach individual principals for approval to distribute the Packages their school, or that representatives of the Board had raised a specific concern that the Packages contained commercially-branded material. AG has informed Staff that had he been made aware of these facts, he would not have authorized Marok to distribute the Packages at the School.

12. Following his consultation with the Board and with AG, Marok also informed MS that he had approval from AG, and MS told him that if he had such approval he should proceed with his plan to distribute the Packages. Marok did not inform MS that the Board had raised a specific concern that the Packages contained commercially-branded material.

13. Marok states that he misunderstood the information given to him by the Board's representatives, and that it was not his intention to mislead AG, MS, or to act inappropriately in any way.

14. Marok assembled approximately 30 Packages into sealed envelopes. Each Package contained information about RDSPs produced by a specific investment fund company, securities marketing materials, documents about other products and services offered by Marok, and his business card, all of which Marok obtained from PFSL. However, each Package also contained a letter written by Marok, which had not been approved for use by PFSL, contrary to its policies and procedures.

15. On or about May 16, 2016, GM placed the Packages in the mailboxes of teachers at the School who had children in their class with an Individual Education Plan ("**IEP**"). An IEP can be used to accommodate the unique learning requirements of special needs children. GM had previously obtained a list of students at the School with IEPs through the School's Special Education Department. Marok never received the list from GM, who used it to determine which students should receive a Package.

16. When GM placed the Packages in the mailboxes of teachers at the School, she included a note that asked them to give the Package to the identified student to take home, and that the Board and AG had granted their approval, which she understood from Marok.

17. Beginning on or about May 17, 2016, the School and the Board received complaints from parents who had received the Packages. These parents were concerned that their child's personal information had been accessed and used to distribute the Packages.

18. Following an internal investigation by the Board, AG was removed from the School as a result of her actions.

19. Nobody who had received a Package ever contacted Marok or bought securities from him. Marok never contacted any of the students or parents aside from the instance set out in this Settlement Agreement, and never followed up with any of them after sending the Package.

III. ADMISSIONS AND REPRESENTATIONS BY MAROK

20. Marok admits that contrary to section 28 of the Act, he did not act with the integrity required of a registrant in that he did not demonstrate honest and responsible conduct by:

    (a) Failing to take reasonable care to ensure that he had the informed consent of AG and MS to his plan to distribute the Packages to children with IEPs, particularly in light of the concerns communicated to him by representatives of the Board and the nature of the personal information relating to the students; and

    (b) Engaging GM, who is not registered under the Act, to carry on the business of trading in securities by identifying potential clients and distributing securities marketing materials (*i.e.*, the Packages) to those potential clients, contrary to section 25 of the Act.

21. Marok represents as follows:

    (a) In pursuing the distribution of the Packages, his intent was to assist families with special needs children who might not be aware of RDSPs, and not to deceive PFSL, the School, or the Board;

    (b) He honestly believed his actions were authorized; and

    (c) His family has suffered as a result of this matter. In particular, GM lost her job at the School, and the couple felt compelled to move their child, who had been a student at the School, to another school.

IV. JOINT RECOMMENDATION

22. The parties jointly make the following recommendation to the Director regarding Marok's registration status:

    (a) Marok's registration shall be suspended pursuant to section 28 of the Act for a period of eight weeks, after which he may apply to reactivate his registration and Staff will not recommend to the Director that his application be refused unless Staff becomes aware after the date of this Settlement Agreement of conduct impugning Marok's suitability for registration or rendering his registration objectionable, and provided he meets all applicable criteria for registration at the time;

    (b) In the event Marok's registration is reactivated, his registration shall be subject to the following terms and conditions:

        (i) close supervision for a period of not less than nine months;

        (ii) while Marok is subject to close supervision, his marketing activities must be pre-approved by his sponsor firm; and

        (iii) Marok will successfully complete the Conduct and Practices Handbook Course within twelve weeks of his registration being reactivated.

    23. The parties submit that their recommendation is appropriate for the following reasons:

        (a) Marok did not intend to deceive or harm anyone through his conduct;

        (b) Marok has no disciplinary history in the securities industry;

        (c) Marok recognizes and appreciates that he did not act with reasonable care in this matter;

        (d) This matter has had serious personal consequences for Marok and his family; and

        (e) By agreeing to this Settlement Agreement, Marok has saved Staff and the Director the time and resources that would have been required for an opportunity to be heard (an "**OTBH**") under section 31 of the Act.

24. Marok acknowledges that if the Director accepts this joint recommendation:

    (a) he waives his right to request an OTBH regarding the joint recommendation, or to seek any review or appeal of the Director's decision to accept the joint recommendation; and

    (b) this Settlement Agreement, and any decision of the Director approving it, will be published on the OSC's website and in the *OSC Bulletin*.

25. The parties acknowledge that if the Director does not accept this joint recommendation:

    (a) this Settlement Agreement and all related negotiations between the parties shall be without prejudice;

    (b) Marok will be entitled to an OTBH in accordance with section 31 in respect of any recommendation that may be made by Staff regarding the suspension of his registration and/or the imposition of terms and conditions on his registration.

"Kashmir Singh Marok"

June 29, 2017

"Elizabeth King"
Deputy Director
Compliance and Registrant Regulation

July 4, 2017

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Chapter 4

Cease Trading Orders

4.1.1 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
CNRP Mining Inc.	06 July 2017	11 July 2017
DataWind Inc.	06 July 2017	
EnerGulf Resources Inc.	05 July 2017	
Mad Catz Interactive Inc.	06 July 2017	
Vatic Ventures Corp.	05 July 2017	07 July 2017

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order	Date of Lapse
Stompy Bot Corporation	04 May 2017	06 July 2017

4.2.2 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
Stompy Bot Corporation	04 May 2017	06 July 2017

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesSource (see www.carswell.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).

Chapter 11

IPOs, New Issues and Secondary Financings

INVESTMENT FUNDS

Issuer Name:
Educators North American Diversified Fund
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Simplified Prospectus dated June 30, 2017
Received on July 5, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Educators Financial Group Inc.
Promoter(s):
Educators Financial Group Inc.
Project #2609937

Issuer Name:
FDP Balanced Income Portfolio
FDP Canadian Bond Portfolio
FDP Short Term Fixed Income Portfolio
FDP Global Fixed Income Portfolio
FDP Canadian Equity Portfolio
FDP Canadian Dividend Equity Portfolio
FDP US Dividend Equity Portfolio
FDP Emerging Markets Equity Portfolio
Principal Regulator – Quebec
Type and Date:
Amendment #1 to Final Simplified Prospectus dated July 4, 2017
Received on July 4, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Professionals' Financial – Mutual Funds Inc.
Promoter(s):
PROFESSIONALS' FINANCIAL – MUTUAL FUNDS INC.,
Project #2602347

Issuer Name:
First Asset Morningstar Canada Dividend Target 30 Index ETF
First Asset Morningstar Canada Momentum Index ETF
First Asset Morningstar Canada Value Index ETF
First Asset Morningstar International Momentum Index ETF
First Asset Morningstar International Value Index ETF
First Asset Morningstar National Bank Québec Index ETF
First Asset Morningstar US Dividend Target 50 Index ETF
First Asset Morningstar US Momentum Index ETF
First Asset Morningstar US Value Index ETF
First Asset MSCI Canada Low Risk Weighted ETF
First Asset MSCI Europe Low Risk Weighted ETF
First Asset MSCI International Low Risk Weighted ETF
First Asset MSCI USA Low Risk Weighted ETF
First Asset MSCI World Low Risk Weighted ETF
Principal Regulator – Ontario
Type and Date:
Combined Preliminary and Pro Forma Long Form Prospectus dated July 4, 2017
NP 11-202 Preliminary Receipt dated July 6, 2017
Offering Price and Description:
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
FIRST ASSET INVESTMENT MANAGEMENT INC.
Project #2647725

Issuer Name:
National Bank Global Diversified Equity Fund
Principal Regulator – Quebec
Type and Date:
Amendment #1 to Final Simplified Prospectus dated July 4, 2017
Received on July 5, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
National Bank Investments Inc.
Promoter(s):
National Bank Investments Inc.
Project #2626325

Issuer Name:
Global Equity Fund (Setanta)
Principal Regulator – Ontario
Type and Date:
Preliminary Simplified Prospectus dated May 3, 2017
Withdrawn on June 30, 2017
Offering Price and Description:
Quadrus series, H series, L series, N series and QF series securities @ net asset value
Underwriter(s) or Distributor(s):
Quadrus Investment Services Ltd.
Quadrus Investment Services Inc.
Promoter(s):
-
Project #2621242

Issuer Name:
All-Equity Fund (formerly, Global Growth 100 Fund)
Balanced 60/40 Fund
Balanced Fund (formerly Balanced 50/50 Fund)
Balanced Monthly Income Fund
Canadian Equity Fund
Canadian Fixed Income Fund
Canadian Small Company Equity Fund
Conservative Fund
Conservative Monthly Income Fund
EAFE Equity Fund
Emerging Markets Equity Fund
Global Managed Volatility Fund
Growth 100 Fund
Growth 80/20 Fund
Growth Fund (formerly, Growth 70/30 Fund)
Income 100 Fund
Income 20/80 Fund
Income 40/60 Fund
Long Duration Bond Fund
Long Duration Credit Bond Fund
Moderate Fund (formerly, Income 30/70 Fund)
Money Market Fund
Real Return Bond Fund
Short Term Bond Fund
Short Term Investment Fund
U.S. High Yield Bond Fund
U.S. Large Cap Index Fund (formerly, U.S. Large Cap Synthetic Fund)
U.S. Large Company Equity Fund
U.S. Small Company Equity Fund
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated June 29, 2017
NP 11-202 Receipt dated July 7, 2017
Offering Price and Description:
Class D, Class D(H), Class E, Class E(H), Class F, Class F(H), Class I, Class I(H), Class O, Class O(H), Class P, Class P(H), Class R, Class R(H), Class Z and Class Z(H) units @ net asset value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2630678

Issuer Name:
BlueBay $U.S. Global Convertible Bond Fund (Canada)
BlueBay Emerging Markets Corporate Bond Fund
BlueBay European High Yield Bond Fund (Canada)
BlueBay Global Convertible Bond Fund (Canada)
BlueBay Global Investment Grade Corporate Bond Fund (Canada)
BlueBay Global Monthly Income Bond Fund
BlueBay Global Sovereign Bond Fund (Canada)
RBC Vision Bond Fund (formerly, PH&N Community Values Bond Fund)
RBC $U.S. High Yield Bond Fund
RBC $U.S. Investment Grade Corporate Bond Fund
RBC $U.S. Money Market Fund
RBC Canadian Bond Index Fund (formerly, RBC Advisor Canadian Bond Fund)
RBC Asia Pacific ex-Japan Equity Fund
RBC Asian Equity Fund
RBC Balanced Fund
RBC Balanced Growth & Income Fund
RBC Bond Fund
RBC Canadian Dividend Fund
RBC Canadian Equity Fund
RBC Canadian Equity Income Fund
RBC Canadian Government Bond Index Fund
RBC Canadian Index Fund
RBC Canadian Money Market Fund
RBC Canadian Short-Term Income Fund
RBC Canadian Small & Mid-Cap Resources Fund
RBC Canadian T-Bill Fund
RBC Conservative Growth & Income Fund
RBC Emerging Markets Bond Fund
RBC Emerging Markets Bond Fund (CAD Hedged)
RBC Emerging Markets Dividend Fund
RBC Emerging Markets Equity Fund
RBC Emerging Markets Foreign Exchange Fund
RBC Emerging Markets Multi-Strategy Equity Fund
RBC Emerging Markets Small-Cap Equity Fund
RBC European Dividend Fund
RBC European Equity Fund
RBC European Mid-Cap Equity Fund
RBC Vision Fossil Fuel Free Global Equity Fund
RBC Global Balanced Fund
RBC Global Bond Fund
RBC Global Corporate Bond Fund
RBC Global Dividend Growth Currency Neutral Fund
RBC Global Dividend Growth Fund
RBC Global Energy Fund
RBC Global Equity Focus Fund
RBC Global Equity Fund
RBC Global Growth & Income Fund
RBC Global High Yield Bond Fund
RBC Global Precious Metals Fund
RBC Global Resources Fund
RBC Global Technology Fund
RBC High Yield Bond Fund
RBC International Dividend Growth Fund
RBC International Equity Currency Neutral Fund
RBC International Equity Fund
RBC International Index Currency Neutral Fund
RBC Vision Balanced Fund (formerly, RBC Jantzi Balanced Fund)
RBC Vision Canadian Equity Fund (formerly, RBC Jantzi Canadian Equity Fund)
RBC Vision Global Equity Fund (formerly, RBC Jantzi Global Equity Fund)
RBC Japanese Equity Fund
RBC Life Science and Technology Fund
RBC Managed Payout Solution
RBC Managed Payout Solution – Enhanced
RBC Managed Payout Solution – Enhanced Plus
RBC Monthly Income Bond Fund
RBC Monthly Income Fund
RBC North American Growth Fund
RBC North American Value Fund
RBC O'Shaughnessy All-Canadian Equity Fund
RBC O'Shaughnessy Canadian Equity Fund
RBC O'Shaughnessy Global Equity Fund
RBC O'Shaughnessy International Equity Fund
RBC O'Shaughnessy U.S. Growth Fund
RBC O'Shaughnessy U.S. Growth Fund II
RBC O'Shaughnessy U.S. Value Fund
RBC Premium $U.S. Money Market Fund
RBC Premium Money Market Fund
RBC Private Canadian Corporate Bond Pool
RBC Private Canadian Dividend Pool
RBC Private Canadian Equity Pool
RBC Private Canadian Growth and Income Equity Pool
RBC Private Canadian Growth Equity Pool
RBC Private Canadian Mid-Cap Equity Pool
RBC Private EAFE Equity Pool
RBC Private Income Pool
RBC Private Overseas Equity Pool
RBC Private Short-Term Income Pool
RBC Private U.S. Growth Equity Pool
RBC Private U.S. Large-Cap Core Equity Currency Neutral Pool
RBC Private U.S. Large-Cap Core Equity Pool
RBC Private U.S. Large-Cap Value Equity Currency Neutral Pool
RBC Private U.S. Large-Cap Value Equity Pool
RBC Private U.S. Small-Cap Equity Pool
RBC Private World Equity Pool
RBC QUBE All Country World Equity Fund
RBC QUBE Canadian Equity Fund
RBC QUBE Global Equity Fund
RBC QUBE Low Volatility All Country World Equity Fund
RBC QUBE Low Volatility Canadian Equity Fund
RBC QUBE Low Volatility Global Equity Fund
RBC QUBE Low Volatility U.S. Equity Currency Neutral Fund
RBC QUBE Low Volatility U.S. Equity Fund
RBC QUBE U.S. Equity Fund
RBC Retirement 2020 Portfolio
RBC Retirement 2025 Portfolio
RBC Retirement 2030 Portfolio
RBC Retirement 2035 Portfolio
RBC Retirement 2040 Portfolio
RBC Retirement 2045 Portfolio
RBC Retirement 2050 Portfolio
RBC Retirement Income Solution
RBC Select Aggressive Growth Portfolio
RBC Select Balanced Portfolio
RBC Select Choices Aggressive Growth Portfolio
RBC Select Choices Balanced Portfolio

RBC Select Choices Conservative Portfolio
RBC Select Choices Growth Portfolio
RBC Select Conservative Portfolio
RBC Select Growth Portfolio
RBC Select Very Conservative Portfolio
RBC Strategic Income Bond Fund (formerly, RBC Monthly Income High Yield Bond Fund)
RBC Target 2020 Education Fund
RBC Target 2025 Education Fund
RBC Target 2030 Education Fund
RBC Target 2035 Education Fund
RBC Trend Canadian Equity Fund
RBC U.S. Dividend Currency Neutral Fund
RBC U.S. Dividend Fund
RBC U.S. Equity Currency Neutral Fund
RBC U.S. Equity Fund
RBC U.S. Equity Value Fund
RBC U.S. Index Currency Neutral Fund
RBC U.S. Index Fund
RBC U.S. Mid-Cap Growth Equity Currency Neutral Fund
RBC U.S. Mid-Cap Growth Equity Fund
RBC U.S. Mid-Cap Value Equity Fund
RBC U.S. Monthly Income Fund (formerly, RBC $U.S. Income Fund)
RBC U.S. Small-Cap Core Equity Fund
RBC U.S. Small-Cap Value Equity Fund
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated June 30, 2017
NP 11-202 Receipt dated July 5, 2017
Offering Price and Description:
Series A, Advisor Series, Advisor T5 Series, Series T5, Series T8, Series H, Series D, Series DZ, Series F, Series FT5, Series FT8, Series I and Series O units @ net asset value
Underwriter(s) or Distributor(s):
Royal Mutual Funds Inc.
RBC Global Asset Management Inc.
Royal Mutual Funds Inc./RBC Direct Investing Inc.
Phillips, Hager & North Investment Funds Ltd.
The Royal Trust Company
RBC Dominion Securities Inc.
Promoter(s):
RBC Global Asset Management Inc.
Project #2628996

Issuer Name:
Exemplar Growth and Income Fund
Exemplar Investment Grade Fund
Exemplar Leaders Fund (formerly, Northern Rivers Conservative Growth Fund)
Exemplar Performance Fund
Exemplar Tactical Corporate Bond Fund
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated June 29, 2017
NP 11-202 Receipt dated July 5, 2017
Offering Price and Description:
Series A, AI, AD, AN, U, F, FI, FD, FN, G, I, L, LD, LI, LN and M Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Arrow Capital Managment Inc.
Project #2634081

Issuer Name:
FÉRIQUE AGGRESSIVE GROWTH Portfolio
FÉRIQUE AMERICAN Fund
FÉRIQUE ASIAN Fund
FÉRIQUE Balanced Portfolio
FÉRIQUE BOND Fund
FÉRIQUE CONSERVATIVE Portfolio
FÉRIQUE Diversified Income Fund
FÉRIQUE DIVIDEND FUND
FÉRIQUE Emerging Markets Fund
FÉRIQUE EQUITY Fund
FÉRIQUE EUROPEAN Fund
FÉRIQUE GROWTH Portfolio
FÉRIQUE MODERATE Portfolio
FÉRIQUE SHORT-TERM INCOME Fund
FÉRIQUE WORLD Dividend Fund
Principal Regulator – Quebec
Type and Date:
Final Simplified Prospectus dated July 5, 2017
NP 11-202 Receipt dated July 5, 2017
Offering Price and Description:
Series A units
Underwriter(s) or Distributor(s):
Services d'investissement FÉRIQUE
Promoter(s):
GESTION FÉRIQUE
Project #2610795

Issuer Name:
First Asset Can-Energy Covered Call ETF
First Asset Can-Materials Covered Call ETF
First Asset Energy Giants Covered Call ETF
First Asset Tech Giants Covered Call ETF
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated July 4, 2017
NP 11-202 Receipt dated July 5, 2017
Offering Price and Description:
Common Units and Unhedged Common Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
First Asset Investment Management Inc.
Project #2632646

Issuer Name:
Galileo Growth and Income Fund
Galileo High Income Plus Fund
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated June 29, 2017
NP 11-202 Receipt dated July 5, 2017
Offering Price and Description:
Class A and F units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Galileo Global Equity Advisors Inc.
Project #2632885

Issuer Name:
Horizons Managed Multi-Asset Momentum ETF
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Long Form Prospectus dated June 22, 2017
NP 11-202 Receipt dated July 7, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
ALPHAPRO MANAGEMENT INC.
Project #2571759

Issuer Name:
iShares BRIC Index ETF
Principal Regulator – Ontario
Type and Date:
Amendment #2 to Final Long Form Prospectus dated June 30, 2017
NP 11-202 Receipt dated July 7, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
BlackRock Asset Management Canada Limited
Promoter(s):
-
Project #2620760

Issuer Name:
iShares Alternatives Completion Portfolio Builder Fund
iShares Conservative Core Portfolio Builder Fund
iShares Global Completion Portfolio Builder Fund
iShares Growth Core Portfolio Builder Fund
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Long Form Prospectus dated June 30, 2017
NP 11-202 Receipt dated July 7, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2542301

Issuer Name:
iShares MSCI Brazil Index ETF
Principal Regulator – Ontario
Type and Date:
Amendment #3 2017 to Final Long Form Prospectus dated June 30, 2017
NP 11-202 Receipt dated July 7, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
BlackRock Asset Management Canada Limited
Promoter(s):
-
Project #2587867

Issuer Name:
Marquest American Dividend Growth Fund
Marquest American Dividend Growth Fund (Corporate Class)
Marquest Canadian Bond Fund
Marquest Canadian Fixed Income Fund
Marquest Canadian Resource Fund
Marquest Canadian Resource Fund (Corporate Class)
Marquest Covered Call Canadian Banks Plus Fund
Marquest Covered Call Canadian Banks Plus Fund (Corporate Class)
Marquest Global Balanced Fund
Marquest Money Market Fund
Marquest Monthly Pay Fund
Marquest Monthly Pay Fund (Corporate Class)
Marquest Short Term Income Fund (Corporate Class)
Marquest Small Companies Fund
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated June 30, 2017
NP 11-202 Receipt dated July 6, 2017
Offering Price and Description:
Series A and F and Class A and F units @ net asset value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2636257

Issuer Name:
Multi-Asset Equity Completion
Multi-Asset Fixed Income (formerly Russell Multi-Asset Fixed Income)
Multi-Asset Fixed Income Class (formerly Russell Multi-Asset Fixed Income Class)
Multi-Asset Growth & Income Strategy (formerly Multi-Asset Growth & Income)
Multi-Asset Growth & Income Strategy Class (formerly Multi-Asset Growth & Income Class)
Multi-Asset Growth Strategy (formerly Russell Multi-Asset Growth Strategy)
Multi-Asset Growth Strategy Class (formerly Russell Multi-Asset Growth Strategy Class Portfolio)
Multi-Asset Income Strategy (formerly LifePoints Balanced Income)
Multi-Asset Income Strategy Class (formerly LifePoints Balanced Income Class)
Russell Investments Balanced (formerly LifePoints Balanced)
Russell Investments Balanced Class (formerly LifePoints Balanced Class)
Russell Investments Balanced Growth (formerly LifePoints Balanced Growth)
Russell Investments Balanced Growth Class (formerly LifePoints Balanced Growth Class)
Russell Investments Canadian Cash Fund (formerly Russell Canadian Cash Fund)
Russell Investments Canadian Dividend Class (formerly Russell Canadian Dividend Class)
Russell Investments Canadian Dividend Pool (formerly Russell Canadian Dividend Pool)
Russell Investments Canadian Equity Class (formerly Russell Canadian Equity Class)
Russell Investments Canadian Equity Fund (formerly Russell Canadian Equity Fund)
Russell Investments Canadian Equity Pool (formerly Russell Canadian Equity Pool)
Russell Investments Canadian Fixed Income Fund (formelry Russell Canadian Fixed Income Fund)
Russell Investments Conservative Income (formerly Russell LifePoints Conservative Income Portfolio)
Russell Investments Conservative Income Class (formerly Russell LifePoints Conservative Income Class Portfolio)
Russell Investments Diversified Monthly Income (formerly Russell Diversified Monthly Income Portfolio)
Russell Investments Diversified Monthly Income Class (formerly Russell Diversified Monthly Income Class Portfolio)
Russell Investments Emerging Markets Equity Class (formerly Russell Emerging Markets Equity Class)
Russell Investments Emerging Markets Equity Pool (formerly Russell Emerging Markets Equity Pool)
Russell Investments ESG Global Equity Fund
Russell Investments Fixed Income Class (formerly Russell Fixed Income Class)
Russell Investments Fixed Income Pool (formerly Russell Fixed Income Pool)
Russell Investments Focused Canadian Equity Class (formerly Russell Focused Canadian Equity Class)
Russell Investments Focused Canadian Equity Pool (formerly Russell Focused Canadian Equity Pool)

Russell Investments Focused Global Equity Class (formerly Russell Focused Global Equity Class)
Russell Investments Focused Global Equity Pool (formerly Russell Focused Global Equity Pool)
Russell Investments Focused US Equity Class (formerly Russell Focused US Equity Class)
Russell Investments Focused US Equity Pool (formerly Russell Focused US Equity Pool)
Russell Investments Global Equity Class (formerly Russell Global Equity Class)
Russell Investments Global Equity Fund (formerly Russell Global Equity Fund)
Russell Investments Global Equity Pool (formerly Russell Global Equity Pool)
Russell Investments Global High Income Bond Class (formerly Russell Global High Income Bond Class)
Russell Investments Global High Income Bond Pool (formerly Russell Global High Income Bond Pool)
Russell Investments Global Infrastructure Class (formerly Russell Global Infrastrucure Class)
Russell Investments Global Infrastructure Pool (formerly Russell Global Infrastructure Pool)
Russell Investments Global Real Estate Pool (formerly Russell Global Real Estate Pool)
Russell Investments Global Smaller Companies Class (formerly Russell Global Smaller Companies Class)
Russell Investments Global Smaller Companies Pool (formerly Russell Global Smaller Companies Pool)
Russell Investments Global Unconstrained Bond Class (formerly Russell Global Unconstrained Class)
Russell Investments Global Unconstrained Bond Pool (formerly Russell Global Unconstrained Bond Pool)
Russell Investments Income Essentials (formerly Russell Income Essentials Portfolio)
Russell Investments Income Essentials Class (formerly Russell Income Essentials Class Portfolio)
Russell Investments Inflation Linked Bond Fund (formerly Russell Inflation Linked Bond Fund)
Russell Investments Long-Term Growth (formerly LifePoints Long-Term Growth)
Russell Investments Long-Term Growth Class (formerly LifePoints Long-Term Growth Class)
Russell Investments Money Market Class (formerly Russell Money Market Class)
Russell Investments Money Market Pool (formerly Russell Money Market Pool)
Russell Investments Multi-Factor International Equity Pool
Russell Investments Overseas Equity Class (formerly Russell Overseas Equity Class)
Russell Investments Overseas Equity Fund (formerly Russell Overseas Equity Fund)
Russell Investments Overseas Equity Pool (formerly Russell Overseas Equity Pool)
Russell Investments Real Assets (formerly Russell Real Assets Portfolio)
Russell Investments Short Term Income Class (formerly Russell Short Term Income Class)
Russell Investments Short Term Income Pool (formerly Russell Short Term Income Pool)
Russell Investments US Equity Class (formerly Russell US Equity Class)
Russell Investments US Equity Fund (formerly Russell US Equity Fund)
Russell Investments US Equity Pool (formerly Russell US Equity Pool)
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated June 29, 2017
NP 11-202 Receipt dated July 6, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Russell Investments Canada Limited
Promoter(s):
-
Project #2634928

Issuer Name:
Norrep Core Canadian (formerly Norrep Core Canadian Pool)
Norrep Core Global (formerly Norrep Core Global Pool)
Norrep Energy Plus Class (formerly Norrep Energy Class)
Norrep Entrepreneurs Class of Norrep Opportunities Corp.
Norrep Fund
Norrep Global Income Growth Class of Norrep Opportunities Corp.
Norrep High Income Fund
Norrep High Yield Class of Norrep Opportunities Corp.
Norrep II Class of Norrep Opportunities Corp
Norrep Income Growth Class of Norrep Opportunities Corp.
Norrep Premium Growth Class
Norrep Short Term Income Fund
Norrep Tactical Opportunities Class
Norrep US Dividend Plus Class of Norrep Opportunities Corp.
Principal Regulator – Alberta (ASC)
Type and Date:
Final Simplified Prospectus, Annual Information Form and Fund Facts (NI 81-101) dated June 29, 2017
NP 11-202 Receipt dated July 4, 2017
Offering Price and Description:
Series A, Series A (H)[t], Series F, Series F (H), F6, T6 and Series I Units, and Series A, Series B, Series F, Series F6, Series I, MG, Z and Series T6 Shares @ Net Asset Value
Underwriter(s) or Distributor(s):
Not Applicable
Promoter(s):
Norrep Investment Management Group Inc.
Project #2633398

Issuer Name:
Phillips, Hager & North Balanced Pension Trust
Phillips, Hager & North Canadian Equity Pension Trust
Phillips, Hager & North Canadian Equity Plus Pension Trust
Phillips, Hager & North Conservative Equity Income Fund
Phillips, Hager & North Overseas Equity Pension Trust
Phillips, Hager & North Small Float Fund
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus, Annual Information Form and Fund Facts (NI 81-101) dated June 30, 2017
NP 11-202 Receipt dated July 4, 2017
Offering Price and Description:
Series A and O units @ net asset value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2628023

Issuer Name:
Phillips, Hager & North $U.S. Money Market Fund
Phillips, Hager & North Balanced Fund
Phillips, Hager & North Bond Fund
Phillips, Hager & North Canadian Equity Fund
Phillips, Hager & North Canadian Equity Underlying Fund
Phillips, Hager & North Canadian Equity Underlying Fund II
Phillips, Hager & North Canadian Equity Value Fund
Phillips, Hager & North Canadian Growth Fund
Phillips, Hager & North Canadian Income Fund
Phillips, Hager & North Canadian Money Market Fund
Phillips, Hager & North Currency-Hedged Overseas Equity Fund
Phillips, Hager & North Currency-Hedged U.S. Equity Fund
Phillips, Hager & North Dividend Income Fund
Phillips, Hager & North Global Equity Fund
Phillips, Hager & North High Yield Bond Fund
Phillips, Hager & North Inflation-Linked Bond Fund
Phillips, Hager & North LifeTime 2015 Fund
Phillips, Hager & North LifeTime 2020 Fund
Phillips, Hager & North LifeTime 2025 Fund
Phillips, Hager & North LifeTime 2030 Fund
Phillips, Hager & North LifeTime 2035 Fund
Phillips, Hager & North LifeTime 2040 Fund
Phillips, Hager & North LifeTime 2045 Fund
Phillips, Hager & North LifeTime 2050 Fund
Phillips, Hager & North Long Inflation-linked Bond Fund
Phillips, Hager & North Monthly Income Fund
Phillips, Hager & North Overseas Equity Fund
Phillips, Hager & North Short Term Bond & Mortgage Fund
Phillips, Hager & North Total Return Bond Fund
Phillips, Hager & North U.S. Dividend Income Fund
Phillips, Hager & North U.S. Equity Fund
Phillips, Hager & North U.S. Growth Fund
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund
Phillips, Hager & North Vintage Fund
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus, Annual Information Form and Fund Facts (NI 81-101) dated June 30, 2017
NP 11-202 Receipt dated July 4, 2017
Offering Price and Description:
Series A, Advisor Series, Series T5, Series H, Series D, Series F, Series FT5, Series I and Series O units @ net asset value
Underwriter(s) or Distributor(s):
Phillips, Hager & North Investment Funds Ltd.
Promoter(s):
RBC Global Asset Management Inc.
Project #2628011

Issuer Name:
Timbercreek Global Real Estate Income Fund
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus, Annual Information Form and Fund Facts (NI 81-101) dated June 29, 2017
NP 11-202 Receipt dated July 4, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2623910

Issuer Name:
Vanguard Canadian Aggregate Bond Index ETF
Vanguard Canadian Corporate Bond Index ETF
Vanguard Canadian Government Bond Index ETF
Vanguard Canadian Long-Term Bond Index ETF
Vanguard Canadian Short-Term Bond Index ETF
Vanguard Canadian Short-Term Corporate Bond Index ETF
Vanguard Canadian Short-Term Government Bond Index ETF
Vanguard FTSE Canada All Cap Index ETF
Vanguard FTSE Canada Index ETF
Vanguard FTSE Canadian Capped REIT Index ETF
Vanguard FTSE Canadian High Dividend Yield Index ETF
Vanguard FTSE Developed All Cap ex North America Index ETF
Vanguard FTSE Developed All Cap ex North America Index ETF (CAD-hedged)
Vanguard FTSE Developed All Cap ex U.S. Index ETF (CAD-hedged) (formerly, Vanguard FTSE Developed ex North America Index
Vanguard FTSE Developed All Cap ex U.S. Index ETF (formerly, Vanguard FTSE Developed ex North America Index ETF)
Vanguard FTSE Developed Asia Pacific All Cap Index ETF (CAD-hedged)
Vanguard FTSE Developed Asia Pacific All Cap Index ETF (formerly, Vanguard FTSE Developed Asia Pacific Index ETF)
Vanguard FTSE Developed Europe All Cap Index ETF (CAD-hedged)
Vanguard FTSE Developed Europe All Cap Index ETF (formerly, Vanguard FTSE Developed Europe Index ETF)
Vanguard FTSE Emerging Markets All Cap Index ETF (formerly,Vanguard FTSE Emerging Markets Index ETF)
Vanguard FTSE Global All Cap ex Canada Index ETF (formerly, Vanguard FTSE All-World ex Canada Index ETF)
Vanguard Global ex-U.S. Aggregate Bond Index ETF (CAD-hedged)
Vanguard S&P 500 Index ETF
Vanguard S&P 500 Index ETF (CAD-hedged)
Vanguard U.S. Aggregate Bond Index ETF (CAD-hedged)
Vanguard U.S. Dividend Appreciation Index ETF
Vanguard U.S. Dividend Appreciation Index ETF (CAD-hedged)
Vanguard U.S. Total Market Index ETF
Vanguard U.S. Total Market Index ETF (CAD-hedged)
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated July 4, 2017
NP 11-202 Receipt dated July 7, 2017
Offering Price and Description:
Units @ Net Asset Value
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Vanguard Investments Canada Inc.
Project #2550162

NON-INVESTMENT FUNDS

Issuer Name:
AIM1 Ventures Inc.
Principal Regulator – Ontario
Type and Date:
Preliminary CPC Prospectus dated July 10, 2017
NP 11-202 Preliminary Receipt dated July 10, 2017
Offering Price and Description:
Maximum Offering: $500,000.00 or 5,000,000 Common Shares
Minimum Offering: $350,000.00 or 3,500,000 Common Shares
Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
HAYWOOD SECURITIES INC.
Promoter(s):
-
Project #2648617

Issuer Name:
Alio Gold Inc.
Principal Regulator – British Columbia
Type and Date:
Preliminary Short Form Prospectus dated July 5, 2017
NP 11-202 Preliminary Receipt dated July 5, 2017
Offering Price and Description:
$50,000,000.00 – 8,000,000 Units
Price: $6.25 per Offered Unit
Underwriter(s) or Distributor(s):
CORMARK SECURITIES INC.
CLARUS SECURITIES INC.
RAYMOND JAMES LTD.
BMO NESBITT BURNS INC.
Promoter(s):
-
Project #2646789

Issuer Name:
Canaccord Genuity Acquisition Corp.
Principal Regulator – Ontario
Type and Date:
Preliminary Long Form Prospectus dated June 30, 2017
NP 11-202 Preliminary Receipt dated July 4, 2017
Offering Price and Description:
$30,000,000.00 – 10,000,000 Class A Restricted Voting Units
Price: $3.00 per Class A Restricted Voting Unit
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
CORMARK SECURITIES INC.
Promoter(s):
CG INVESTMENTS INC.
Project #2646980

Issuer Name:
European Commercial Real Estate Investment Trust
Principal Regulator – Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 4, 2017
NP 11-202 Preliminary Receipt dated July 4, 2017
Offering Price and Description:
$35,000,000.00 – 7,000,000 Units
Price: $5.00 per Unit
Underwriter(s) or Distributor(s):
CIBC WORLD MARKETS INC.
NATIONAL BANK FINANCIAL INC.
SCOTIA CAPITAL INC.
BMO NESBITT BURNS INC.
RBC DOMINION SECURITIES INC.
TD SECURITIES INC.
CANACCORD GENUITY CORP.
GMP SECURITIES L.P.
RAYMOND JAMES LTD.
DESJARDINS SECURITIES INC.
INDUSTRIAL ALLIANCE SECURITIES INC.
Promoter(s):
Thomas Schwartz
Phillip Burns
Project #2647323

Issuer Name:
Firm Capital Mortgage Investment Corporation
Principal Regulator – Ontario
Type and Date:
Preliminary Shelf Prospectus dated July 10, 2017
NP 11-202 Preliminary Receipt dated July 10, 2017
Offering Price and Description:
$250,000,000.00 – Common Shares, Preferred Shares, Debt Securities, Subscription Receipts, Warrants, Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2648575

Issuer Name:
Mobi724 Global Solutions Inc.
Principal Regulator – Quebec
Type and Date:
Preliminary Short Form Prospectus dated July 7, 2017
NP 11-202 Preliminary Receipt dated July 7, 2017
Offering Price and Description:
29,538,203 Common Shares and 14,769,101 Common Share Purchase Warrants on exercise or deemed exercise of 29,538,203 Special Warrants
Price: $0.35 Per Special Warrant
Underwriter(s) or Distributor(s):
GMP SECURITIES L.P.
Promoter(s):
-
Project #2648291

Issuer Name:
Software Platform Partners Corp.
Principal Regulator – Ontario
Type and Date:
Preliminary Long Form Prospectus dated June 29, 2017
NP 11-202 Preliminary Receipt dated July 4, 2017
Offering Price and Description:
$90,000,000.00 – 9,000,000 Class A Restricted Voting Units
Price: $10.00 per Class A Restricted Voting Unit
Underwriter(s) or Distributor(s):
TD SECURITIES INC.
CIBC WORLD MARKETS INC.
NATIONAL BANK FINANCIAL INC.
CANACCORD GENUITY CORP.
Promoter(s):
SPP MANAGEMENT LP
Project #2646925

Issuer Name:
StorageVault Canada Inc.
Principal Regulator – Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 5, 2017
NP 11-202 Preliminary Receipt dated July 5, 2017
Offering Price and Description:
$135,001,600.00 – 50,944,000 Common Shares
Price: $2.65 per Common Share
Underwriter(s) or Distributor(s):
NATIONAL BANK FINANCIAL INC.
GMP SECURITIES L.P.
CORMARK SECURITIES INC.
RAYMOND JAMES LTD.
BMO NESBITT BURNS INC.
CIBC WORLD MARKETS INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
CANACCORD GENUITY CORP.
INDUSTRIAL ALLIANCE SECURITIES INC.
Promoter(s):
-
Project #2645646

Issuer Name:
WPT Industrial Real Estate Investment Trust
Principal Regulator – Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 4, 2017
NP 11-202 Preliminary Receipt dated July 4, 2017
Offering Price and Description:
US$115,071,750.00 – 8,955,000 Units
Price: US$12.85 per Unit
Underwriter(s) or Distributor(s):
DESJARDINS SECURITIES INC.
CIBC WORLD MARKETS INC.
RBC DOMINION SECURITIES INC.
BMO NESBITT BURNS INC.
NATIONAL BANK FINANCIAL INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
GMP SECURITIES L.P.
INDUSTRIAL ALLIANCE SECURITIES INC.
CANACCORD GENUITY CORP.
Promoter(s):
-
Project #2644419

Issuer Name:
Cardinal Resources Limited
Type and Date:
Final Long Form Prospectus dated July 4, 2017
Receipted on July 4, 2017
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2608830

Issuer Name:
NewCastle Gold Ltd. (Formerly Castle Mountain Mining Company Limited)
Principal Regulator – Ontario
Type and Date:
Final Short Form Prospectus dated July 6, 2017
NP 11-202 Receipt dated July 6, 2017
Offering Price and Description:
$15,010,000.00 – 15,800,000 Common Shares Price: $0.95 per Common Share
Underwriter(s) or Distributor(s):
Beacon Securities Limited
TD Securities Inc.
Canaccord Genuity Corp.
Cormark Securities Inc.
BMO Nesbitt Burns Inc.
Paradigm Capital Inc.
Haywood Securities Inc.
National Bank Financial Inc.
PI Financial Corp.
Promoter(s):
-
Project #2644434

Issuer Name:
NioCorp Developments Ltd.
Principal Jurisdiction – Ontario
Type and Date:
Preliminary Short Form Prospectus dated May 16, 2017
Withdrawn on July 4, 2017
Offering Price and Description:
$2,000,050.00 – 3,077,000 Units
Price: $0.65 per Unit
Underwriter(s) or Distributor(s):
MACKIE RESEARCH CAPITAL CORPORATION
Promoter(s):
-
Project #2625554

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Aryeh Capital Management Ltd.	Investment Fund Manager, Portfolio Manager and Exempt Market Dealer	July 4, 2017
Voluntary Surrender	P2P Financial Inc.	Exempt Market Dealer	July 4, 2017
New Registration	ICM Asset Management Inc.	Investment Fund Manager and Exempt Market Dealer	June 30, 2017
New Registration	Continuum Private Wealth Partners Inc.	Investment Fund Manager and Portfolio Manager	July 5, 2017
New Registration	Ullman Wealth Management Inc.	Exempt Market Dealer and Portfolio Manager	July 6, 2017
New Registration	Guarda Capital Group Corp.	Exempt Market Dealer	July 7, 2017
Name Change	From: J2 Capital Management Inc. To: Jemekk Capital Management (2017) Inc.	Exempt Market Dealer, Investment Fund Manager and Portfolio Manager	June 14, 2017

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Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.1 SROs

13.1.1 IIROC – Proposed Amendments Relating to the New Methodology for Margining Equity Securities – Notice of Withdrawal

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

PROPOSED AMENDMENTS RELATING TO THE NEW METHODOLOGY FOR MARGINING EQUITY SECURITIES

NOTICE OF WITHDRAWAL

IIROC has published a Notice withdrawing proposed amendments to Dealer Member Rule 100.2 and Form 1 relating to the new methodology for margining equities securities (the Proposed Amendments). The Proposed Amendments were published for public comment on January 13, 2006. See IIROC Proposed New Methodology for Margining Equity Securities – Regulation 100 and Form 1 (2006), 29 OSCB 420.

In light of concerns expressed by commenters regarding the potential industry impact, the passage of time, changes to the investment industry and other IIROC regulatory priorities, IIROC has decided to withdraw the Proposed Amendments.

A copy of the IIROC Notice is published on our website at http://www.osc.gov.on.ca.

13.1.2 IIROC – Material Amendments to Schedule 12 of Form 1 and its Notes and Instructions Relating to Margin on Futures Concentrations and Deposits – Notice of Commission Approval

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

MATERIAL AMENDMENTS TO SCHEDULE 12 OF FORM 1 AND ITS NOTES AND INSTRUCTIONS RELATING TO MARGIN ON FUTURES CONCENTRATIONS AND DEPOSITS

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission has approved IIROC's proposed material amendments to Schedule 12 of Form 1 and its Notes and Instructions relating to margin on futures concentrations and deposits. The material amendments will subject Dealer Members to margin requirements that are more reflective of the reduced risks regarding maintenance margin rates that are calculated and published daily, as opposed to weekly or monthly.

The proposed material amendments were republished for public comment on June 23, 2016. An original proposal was published for public comment on January 20, 2012. In response to Canadian Securities Administrators comments received, IIROC concluded that it would be prudent to divide the original proposal and republish two separate proposals (the material amendments and the non-material amendments). Five public comment letters were received for the republished proposed material amendments and can be found on the IIROC website. Non-material revisions to the proposed material amendments, as set out in Notice 16-0141, were made to reflect the implementation of the non-material amendments on April 28, 2017.

The material amendments will be effective on July 28, 2017. A copy of the IIROC Notice including the material amendments can be found at http://www.osc.gov.on.ca.

In addition, the Alberta Securities Commission, the Autorité des marchés financiers, the British Columbia Securities Commission, the Financial and Consumer Affairs Authority of Saskatchewan, the Financial and Consumer Services Commission of New Brunswick, the Manitoba Securities Commission, the Nova Scotia Securities Commission, the Office of the Superintendent of Securities, Service Newfoundland and Labrador, and the Prince Edward Island Office of the Superintendent of Securities have approved or not objected to the amendments.

13.1.3 IIROC – Proposed Amendments to Simplify the Equity Margin Project – Notice of Withdrawal

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

PROPOSED AMENDMENTS TO SIMPLIFY THE EQUITY MARGIN PROJECT

NOTICE OF WITHDRAWAL

IIROC has published a Notice withdrawing proposed amendments to Dealer Member Rule 100.2(f) to simplify the Equity Margin Project (the Proposed Amendments). The Proposed Amendments were published for public comment on May 1, 2009. See IIROC Rules Notice – Request for Comments – Proposed Amendments to Simplify the Equity Margin Project (2009), 32 OSCB 3848.

In light of concerns expressed by commenters regarding the potential industry impact, the passage of time, changes to the investment industry and other IIROC regulatory priorities, IIROC has decided to withdraw the Proposed Amendments.

A copy of the IIROC Notice is published on our website at http://www.osc.gov.on.ca.

13.1.4 IIROC – Proposed Dark Rules Anti-Avoidance Provision – Notice of Withdrawal

THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

PROPOSED DARK RULES ANTI-AVOIDANCE PROVISION

NOTICE OF WITHDRAWAL

IIROC is publishing a Notice withdrawing proposed amendments to the Universal Market Integrity Rules relating to the Dark Rules Anti-Avoidance Provision. The proposed amendments were published for public comment on January 29, 2015. See IIROC Rules Notice 15-0277– *Re-Publication of Proposed Dark Rules Anti-Avoidance Provision* (2015). Upon the withdrawal, IIROC will implement best execution amendments as published in IIROC Notice 17-0137– *Amendments Respecting Best Execution*, effective January 2, 2018.

A copy of the IIROC Notice stating the reasons for the withdrawal is published on our website at http://www.osc.gov.on.ca.

13.2 Marketplaces

13.2.1 TSX – Housekeeping Amendments to the TSX Rule Book – Notice of Housekeeping Rule Amendments

TORONTO STOCK EXCHANGE

NOTICE OF HOUSEKEEPING RULE AMENDMENTS

HOUSEKEEPING AMENDMENTS TO THE RULES OF TORONTO STOCK EXCHANGE

Introduction

In accordance with the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 (the "Protocol"), TSX Inc. ("TSX") has adopted, and the Ontario Securities Commission has approved, amendments (the "Amendments") to the TSX Rule Book. The Amendments are Housekeeping Rules under the Protocol and therefore have not been published for comment. The Ontario Securities Commission has not disagreed with the categorization of the Amendments as Housekeeping Rules.

Reasons for the Amendments

The Amendments are being made to (i) conform to applicable amendments being made by CDS Clearing and Depository Services Inc. ("CDS") to move to a cycle where settlement occurs two trading days after the trade date ("T+2"), and (ii) fix a typographical error.

Summary of the Amendments

Rules 5-103(1), 5-103(2)(a)(i), 5-103(2)(a)(ii), 5-103(2)(b)(i), 5-103(2)(b)(ii), and 5-301(2) are being amended to conform to applicable amendments being made by CDS to move to T+2.

Rule 5-103(2)(d) is being amended to fix a typographical error.

Text of the Amendments

The Amendments are set out as blacklined text at Appendix A.

Timing

The Amendments become effective September 5, 2017.

APPENDIX A

AMENDMENTS TO TORONTO STOCK EXCHANGE RULE BOOK

Rule 5-103 Settlement of Exchange Trades

(1) Exchange trades in securities shall settle on the ~~third~~second Settlement Day after the trade date, unless otherwise provided by the Exchange or the parties to the trade by mutual agreement.

(2) Notwithstanding Rule 5-103(1), unless otherwise provided by the Exchange or the parties to the trade by mutual agreement:

(a) trades on a when issued basis made:

(i) prior to the ~~second~~first Trading Day before the anticipated date of issue of the security shall be settled on the anticipated date of issue of such security, and

(ii) on or after the ~~second~~first Trading Day before the anticipated date of issue of the security shall settle on the ~~third~~second settlement day after the trade date, provided if the security has not been issued on the date for settlement such trades shall be settled on the date that the security is actually issued;

(b) trades for rights, warrants and installment receipts made:

~~(i) on the third Trading Day before the expiry or payment date shall be for special settlement on the Settlement Day before the expiry or payment date,~~

(i) ~~(ii)~~ on the second and first Trading Day before the expiry or payment date, shall be cash trades for next day settlement, and

(ii) ~~(iii)~~ on expiry or payment date shall be cash trades for immediate settlement and trading shall cease at 12:00 Noon (unless the expiry or payment time is set prior to the close of business in which case trading shall cease at the close of business on the first Trading Day preceding the expiry or payment), provided selling Participating Organizations must have the securities that are being sold in their possession or credited to the selling account's position prior to such sale;

[…]

(d) cash trades in securities that have been designated by the Exchange for same day settlement shall be settled by over-the-counter delivery no later ~~that~~ than 2:00 p.m. on the trade day.

[…]

Amended (September 5, 2017)

Rule 5-301 Buy-Ins ~~(Amended)~~

[…]

(2) Security Loans

In the absence of any agreement to the contrary, a loan of securities between Participating Organizations may be called through service of notice in writing of termination of the loan to the borrowing Participating Organization and the borrowing Participating Organization shall return securities of the same class as those loaned in the specified quantity by the close of business on the ~~third~~second Settlement Day following the date of receipt of such notice.

Amended (September 5, 2017)

13.2.2 TSX – Amendments to the TSX Company Manual – Notice of Housekeeping Rule Amendments

TORONTO STOCK EXCHANGE

NOTICE OF HOUSEKEEPING RULE AMENDMENTS

HOUSEKEEPING AMENDMENTS TO THE TSX COMPANY MANUAL

Introduction

In accordance with the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 (the "**Protocol**"), Toronto Stock Exchange ("**TSX**") has adopted, and the Ontario Securities Commission has approved, amendments (the "**Amendments**") to Sections 428, 429, 429.1, 614(j), 620(c), 620(d) and 639(a)(i) of the TSX Company Manual (the "**Manual**"). The Amendments are Housekeeping Rules under the Protocol and therefore have not been published for comment. The Ontario Securities Commission has not disagreed with the categorization of the Amendments as Housekeeping Rules.

Reasons for the Amendments

The 2007-2008 global financial crisis had highlighted the need to improve risk management and efficiency in clearing and settlement processing. In particular, there has been a sharper focus by industry, regulators and policy makers alike on mitigating counterparty risk exposure for market participants. Various measures have been taken to mitigate such risks in capital markets, including a move to settle trades more quickly. Shortening the settlement cycle from three to two trading days after the trade date ("**T+2**") is intended to mitigate risk in securities clearing and settlement by reducing counterparty exposure between the parties to a trade. The Canadian securities industry is preparing for the migration to a standard T+2 settlement cycle in September 2017, at the same time as the industry in the United States is moving to T+2.

The Amendments relate to non-public interest changes to align the Manual with the T+2 settlement cycle CDS Clearing and Depository Services Inc. ("**CDS**") will implement in September 2017, and/or clarify language in such sections.

Summary of the Amendments

Section	Amendment
428 – Notice to the Exchange	Update language to refer to "companies" as "listed issuers", and to reduce the notification period required for all distributions.
429 – Ex-Dividend Trading	Amend language to reflect that two trading days are permitted for the completion of the registration of a securities transaction and consequently, reduce the number of trading days required prior to the record date of the dividend before the shares will commence trading on an ex-dividend basis. Update language in the example provided as a result of the aforementioned amendments.
429.1 – Due Bill Trading	Amend language to reduce the number of trading days required prior to the record date of a distribution before trading on an ex-distribution basis would commence without the use of Due Bills.
614(j) – Rights Offerings	Amend language to reduce the number of trading days required preceding the record date before rights are listed on TSX.
620(c) – Stock Split	Amend language to reduce the number of trading days required prior to the record date of a stock split where the push-out method is used in which: • a Certificate of Amendment (or equivalent document) giving effect to the stock split must be issued. • the meeting of security holders approving the stock split (if required) must take place. • the prescribed documents relating to the stock split must be received by TSX
620(d) – Stock Split	Amend language to reduce the number of trading days required preceding the record date before securities may commence trading on TSX on a split basis where the push-out method is used.

Section	Amendment
639(a)(i) – Procedures Applicable to Odd Lot Selling and Purchase Agreements – Dissemination of Information	Amend the language to reduce the number of business days required prior to the record date in which a listed issuer must file with TSX a copy of a press release announcing an Arrangement and draft disclosure document.

Text of the Amendments

The Amendments are set out as blacklined text at **Appendix A**. For ease of reference, a clean version of the Amendments are set out at **Appendix B**.

Timing and Transition

The Amendments become effective on September 5, 2017.

APPENDIX A

BLACKLINES OF
NON-PUBLIC INTEREST AMENDMENTS TO THE TSX COMPANY MANUAL

Notice to the Exchange

Sec. 428.

All ~~companies~~listed issuers declaring a dividend on listed shares must promptly notify the Exchange's Listed Issuer Services of the particulars, except as provided below. ~~Companies~~Listed issuers must complete and file a Form 5—Dividend/Distribution Declaration (Appendix H: Company Reporting Forms) with the Exchange. For the purposes of Exchange requirements, "dividends" also includes distributions to holders of listed securities other than shares, such as units.

The Exchange must have sufficient time to inform its Participating Organizations and the financial community of the details of each dividend declared. There must be a clear understanding in the market-place as to who is entitled to receive the dividend declared. Due to practical considerations, such as long holidays and weekends, the Exchange requires prior notice be given to the Exchange in advance of the dividend record date, the record date being the date of closing of the transfer books of the ~~company. Companies~~listed issuer. Listed issuers with tentative dividend plans should schedule their board meetings well in advance of the proposed record date.

A minimum ~~seven (7)~~five trading days notification period applies to all distributions, including special year end distributions by income trusts and other similar non-taxable entities, whether or not:

(a) the exact amount of the distribution is known; or

(b) the distribution is to be paid in cash, trust units and/or other securities.

Where the exact amount of the distribution is unknown, ~~companies~~listed issuers should provide, at the time they file their Form 5, their best estimate of the anticipated amount of the distribution and indicate that such amount is an estimate. Details regarding the payment of the distribution in cash, trust units and/or other securities must be provided.

Upon determination of the exact amount of any estimated distribution, ~~companies~~listed issuers must disseminate the final details by press release and provide TSX's dividend administrator with a copy of the press release.

[…]

Ex-Dividend Trading

Sec. 429.

Determining whether the seller or the buyer is entitled to the dividend is accomplished through the procedure known as ex-dividend trading. On shares selling ex-dividend the seller retains the right to a pending dividend payment, and the opening bid quotation is usually reduced by the value of the dividend payable.

Since ~~three~~two trading days are allowed for the completion of the registration of a securities transaction, it is necessary that the shares commence trading on an ex-dividend basis at the opening of trading on the date which is ~~two~~one trading ~~days~~day prior to the record date for the dividend. For example, if the record date for a dividend is Friday, the shares will commence trading on an ex-dividend basis at the opening of trading on the preceding ~~Wednesday~~Thursday (in the absence of statutory holidays). If the record date is Monday, the shares will commence trading on an ex-dividend basis ~~on Thursday~~at the opening of trading on Friday of the previous week (in the absence of statutory holidays).

[…]

Due Bill Trading

Sec. 429.1.

For the purposes of this Section 429.1, "distribution" means any dividend, distribution, interest, security or right to which holders of listed securities have an entitlement, based on a specific record date.

Due Bill trading may be used at the discretion of the Exchange based on various relevant factors. However, the Exchange will normally defer ex-distribution trading and use Due Bills when the distribution per listed security represents 25% or more of the

value of the listed security on the declaration date. Without the use of Due Bills, trading on an ex-distribution basis would commence ~~two~~at the opening of trading one trading ~~days~~day prior to the record date for the distribution and could result in a significant adjustment of the market price of the security. Security holders will then be deprived of the value of the distribution between the ex-distribution date and the payment date. By deferring the ex-distribution date through the use of Due Bills, sellers of the listed securities during this period can realize the full value of the listed securities they hold, by selling the securities with the Due Bills attached. The use of Due Bills will also avoid confusion regarding the market value of the listed securities.

[…]

The Exchange may also use Due Bills for distributions which are subject to a condition which may not be satisfied before the normal ex-distribution trading date (i.e., ~~two~~one trading ~~days~~day before the record date). When Due Bills are used for conditional distributions, the condition must be met prior to the payment date.

[…]

D. Rights Offerings

Sec. 614.

(a) A preliminary discussion with TSX is recommended to a listed issuer proposing to offer rights to its participating security holders.

[…]

(j) Rights are listed on TSX at the opening of trading on the ~~second~~first trading day preceding the record date. At the same time, the underlying listed securities of the listed issuer commence trading on an ex-rights basis, which means that purchasers of the listed securities at that time are not entitled to receive the rights. Due Bill trading may be used in certain circumstances for conditional rights offerings as determined at the discretion of the Exchange. See Section 429.1.

[…]

Sec. 620. Stock Split

(a) There are two methods of effecting a stock split: the "push-out" method and the "call-in" method. If the stock split is accompanied by a security reclassification, either the push-out method or the call-in method may be used; otherwise the push-out method is preferable.

[…]

(c) Where the push-out method is used, the Certificate of Amendment, or equivalent document such as a certified copy of the board of directors' resolution if no amendments to the articles are required, giving effect to the split must be issued at least ~~seven~~five, and preferably not less than ~~ten~~eight, trading days prior to the record date. Accordingly, if the stock split must be approved by security holders, the meeting of security holders must take place at least ~~seven~~five trading days in advance of the record date. If the push-out method is used, the following documents must be received by TSX at least ~~seven~~five trading days in advance of the record date:

i) written confirmation of the record date including the time of day ("close of business" will be sufficient for this purpose);

ii) a notarial or certified copy of the Certificate of Amendment, or equivalent document such as a certified copy of the board of directors' resolution if no amendments to the articles are required;

iii) an opinion of counsel that all the necessary steps have been taken to validly effect the split in accordance with applicable law and that the additional securities will be validly issued as fully paid and non-assessable;

iv) a written statement as to the date on which it is intended that the additional security certificates will be mailed to the security holders; and

v) if the stock split is accompanied by a security reclassification,

i. definitive specimens of the new generic or customized security certificates, if any, in accordance with the requirements set out in Appendix D; and

ii. an unqualified letter of confirmation from CDS disclosing the CUSIP number assigned to each class of listed securities (see Section 350).

(d) Where the push-out method is used, the securities will commence trading on TSX on a split basis at the opening of business on the ~~second~~first trading day preceding the record date. Due Bill trading may be used in certain circumstances as determined at the discretion of the Exchange. See Section 429.1.

[…]

Sec. 639. Procedures Applicable to Odd Lot Selling and Purchase Arrangements

(a) Under an odd lot selling arrangement (a "Selling Arrangement") a listed issuer agrees to pay a fee per odd lot account to participating organizations to sell listed securities on behalf of odd lot holders. Under an odd lot purchase arrangement (a "Purchase Arrangement", together with a Selling Arrangement referred to herein as an "Arrangement") a listed issuer agrees to pay a fee per odd lot account to participating organizations to purchase a sufficient number of listed securities on behalf of odd lot holders to constitute a board lot.

[…]

(i) Dissemination of Information.

i) The listed issuer shall file with TSX a copy of a draft press release announcing an Arrangement and a draft disclosure document which includes the information required under clause iii) below at least ~~seven~~five business days before the record date. The press release shall not be issued and the disclosure document shall not be distributed to securityholders until written approval has been given by TSX.

[…]

APPENDIX B

NON-PUBLIC INTEREST AMENDMENTS TO THE TSX COMPANY MANUAL

Notice to the Exchange

Sec. 428.

All listed issuers declaring a dividend on listed shares must promptly notify the Exchange's Listed Issuer Services of the particulars, except as provided below. Listed issuers must complete and file a Form 5—Dividend/Distribution Declaration (Appendix H: Company Reporting Forms) with the Exchange. For the purposes of Exchange requirements, "dividends" also includes distributions to holders of listed securities other than shares, such as units.

The Exchange must have sufficient time to inform its Participating Organizations and the financial community of the details of each dividend declared. There must be a clear understanding in the market-place as to who is entitled to receive the dividend declared. Due to practical considerations, such as long holidays and weekends, the Exchange requires prior notice be given to the Exchange in advance of the dividend record date, the record date being the date of closing of the transfer books of the listed issuer. Listed issuers with tentative dividend plans should schedule their board meetings well in advance of the proposed record date.

A minimum five trading days notification period applies to all distributions, including special year end distributions by income trusts and other similar non-taxable entities, whether or not:

(a) the exact amount of the distribution is known; or

(b) the distribution is to be paid in cash, trust units and/or other securities.

Where the exact amount of the distribution is unknown, listed issuers should provide, at the time they file their Form 5, their best estimate of the anticipated amount of the distribution and indicate that such amount is an estimate. Details regarding the payment of the distribution in cash, trust units and/or other securities must be provided.

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Since two trading days are allowed for the completion of the registration of a securities transaction, it is necessary that the shares commence trading on an ex-dividend basis at the opening of trading on the date which is one trading day prior to the record date for the dividend. For example, if the record date for a dividend is Friday, the shares will commence trading on an ex-dividend basis at the opening of trading on the preceding Thursday (in the absence of statutory holidays). If the record date is Monday, the shares will commence trading on an ex-dividend basis at the opening of trading on Friday of the previous week (in the absence of statutory holidays).

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Due Bill Trading

Sec. 429.1.

For the purposes of this Section 429.1, "distribution" means any dividend, distribution, interest, security or right to which holders of listed securities have an entitlement, based on a specific record date.

Due Bill trading may be used at the discretion of the Exchange based on various relevant factors. However, the Exchange will normally defer ex-distribution trading and use Due Bills when the distribution per listed security represents 25% or more of the value of the listed security on the declaration date. Without the use of Due Bills, trading on an ex-distribution basis would

commence at the opening of trading one trading day prior to the record date for the distribution and could result in a significant adjustment of the market price of the security. Security holders will then be deprived of the value of the distribution between the ex-distribution date and the payment date. By deferring the ex-distribution date through the use of Due Bills, sellers of the listed securities during this period can realize the full value of the listed securities they hold, by selling the securities with the Due Bills attached. The use of Due Bills will also avoid confusion regarding the market value of the listed securities.

[…]

The Exchange may also use Due Bills for distributions which are subject to a condition which may not be satisfied before the normal ex-distribution trading date (i.e., one trading day before the record date). When Due Bills are used for conditional distributions, the condition must be met prior to the payment date.

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(a) There are two methods of effecting a stock split: the "push-out" method and the "call-in" method. If the stock split is accompanied by a security reclassification, either the push-out method or the call-in method may be used; otherwise the push-out method is preferable.

[…]

(c) Where the push-out method is used, the Certificate of Amendment, or equivalent document such as a certified copy of the board of directors' resolution if no amendments to the articles are required, giving effect to the split must be issued at least five, and preferably not less than eight, trading days prior to the record date. Accordingly, if the stock split must be approved by security holders, the meeting of security holders must take place at least five trading days in advance of the record date. If the push-out method is used, the following documents must be received by TSX at least five trading days in advance of the record date:

i) written confirmation of the record date including the time of day ("close of business" will be sufficient for this purpose);

ii) a notarial or certified copy of the Certificate of Amendment, or equivalent document such as a certified copy of the board of directors' resolution if no amendments to the articles are required;

iii) an opinion of counsel that all the necessary steps have been taken to validly effect the split in accordance with applicable law and that the additional securities will be validly issued as fully paid and non-assessable;

iv) a written statement as to the date on which it is intended that the additional security certificates will be mailed to the security holders; and

v) if the stock split is accompanied by a security reclassification,

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ii. an unqualified letter of confirmation from CDS disclosing the CUSIP number assigned to each class of listed securities (see Section 350).

(d) Where the push-out method is used, the securities will commence trading on TSX on a split basis at the opening of business on the first trading day preceding the record date. Due Bill trading may be used in certain circumstances as determined at the discretion of the Exchange. See Section 429.1.

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(i) Dissemination of Information.

i) The listed issuer shall file with TSX a copy of a draft press release announcing an Arrangement and a draft disclosure document which includes the information required under clause iii) below at least five business days before the record date. The press release shall not be issued and the disclosure document shall not be distributed to securityholders until written approval has been given by TSX.

[…]

13.3 Clearing Agencies

13.3.1 CDCC – Amendments Related to Establishing the Recovery Powers – Notice of Commission Approval

NOTICE OF COMMISSION APPROVAL

**AMENDMENTS TO SECTIONS A-102, A-1A09, RULE A-6 AND DEFAULT MANUAL,
AND NEW SECTION A-411 AND NEW RULE A-10 ESTABLISHING THE RECOVERY POWERS**

In accordance with the Rule Protocol between the Ontario Securities Commission (Commission) and The Canadian Derivatives Clearing Corporation (CDCC), the Commission approved on May 8, 2017, amendments related to establishing the recovery powers.

A copy of the CDCC notice was published for comment on February 16, 2017 on the Commission's website at: http://www.osc.gov.on.ca. No comments were received.

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